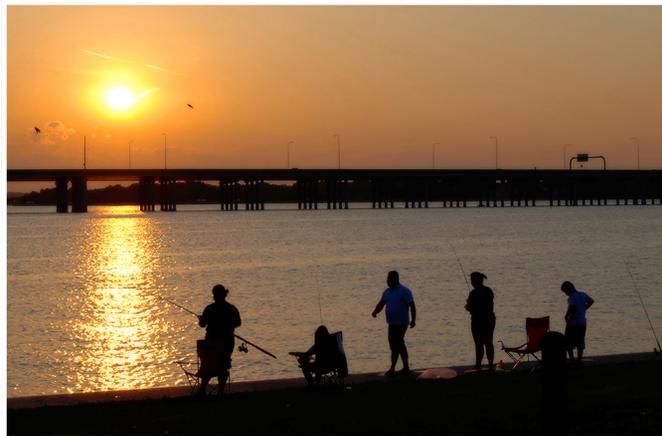


City of Garland, Texas

Comprehensive Annual Financial Report

for the fiscal year ended September 30, 2016



GARLAND
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CITY OF GARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2016

CITY COUNCIL

Douglas Athas, Mayor
David Gibbons, District 1
Anita Goebel, District 2
Stephen W. Stanley, District 3
B. J. Williams, District 4
Rich Aubin, District 5
Lori Barnett Dodson, District 6
Scott LeMay, Mayor Pro Tem, District 7
Jim Cahill, District 8

CITY MANAGER

Bryan Bradford

DIRECTOR OF FINANCIAL SERVICES

Matt Watson

Prepared by

Financial Services Department

**CITY OF GARLAND, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Table of Contents

I. Introductory Section - Unaudited	
Letter of Transmittal.....	v
Certificate of Achievement.....	xi
Organizational Chart.....	xii
II. Financial Section	
Independent Auditor's Report.....	1
A. Management Discussion and Analysis - Unaudited	5
B. Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	26
Statement of Activities.....	27
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet.....	28
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	29
Statement of Revenues, Expenditures, and Changes in Fund Balances	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
Proprietary Fund Financial Statements	
Statement of Net Position.....	32
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	35
Statement of Cash Flows	36
Fiduciary Fund Financial Statements	
Statement of Net Position	38
Statement of Changes in Fiduciary Net Position.....	39
Notes to the Financial Statements	41

C. Required Supplementary Information - Unaudited

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund..	90
Schedule of Changes in Net Pension Liability and Related Ratios	91
Schedule of Contributions	92
Other Post Employment Benefits – Schedule of Funding Progress	93
Notes to Required Supplementary Information	94

D. Combining Financial Statements

Nonmajor Governmental Funds

Balance Sheet	96
Statement of Revenues, Expenditures, and Changes in Fund Balances	97

Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund.....	98
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Hotel/Motel and Narcotic Seizure Funds	99

Nonmajor Enterprise Funds

Statement of Net Position.....	102
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	105
Statement of Cash Flows	106

Internal Service Funds

Statement of Net Position.....	110
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	111
Statement of Cash Flows	113

III. Statistical Section - Unaudited

Net Position by Component	117
Changes in Net Position	118
Governmental Activities Tax Revenues by Source	120
Fund Balances of Governmental Funds	121
Changes in Fund Balances of Governmental Funds	122
Assessed Value and Actual Value of Taxable Property	123
Property Tax Rates Direct and Overlapping Governments	124
Principal Property Tax Payers	125
Property Tax Levies and Collections	126
Ratios of Outstanding Debt by Year	127
Ratios of General Bonded Debt Outstanding	128
Estimated Direct and Overlapping Governmental Activities Debt	129
Legal Debt Margin Information	130

Pledged Revenue Coverage	131
Demographic and Economic Statistics	132
Principal Employers	133
Full-time Equivalent City Government Employees by Function	134
Operating Indicators by Function	135
Capital Asset Statistics by Function	136
Texas Municipal Power Agency	137
Schedule of Insurance in Force	138



March 21, 2017

Citizens of the City of Garland
Garland, Texas

Dear Citizens:

The Comprehensive Annual Financial Report (CAFR) of the City of Garland, Texas (the City), for the year ended September 30, 2016 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 235,885 (as estimated by the City's Planning Department as of January 1, 2016) makes it the twelfth 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. In accordance with GASB Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34", the City determined that the Garland Health Facilities Development Corporation and the Garland Economic Development Authority, which were discretely presented as component units in the City's financial statements in prior years, are no longer necessary to be reported within the City's financial statements and have been excluded from the City's FY2016 Comprehensive Annual Financial Report. 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 Garland Community. 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 and the capital project fund.

ECONOMIC CONDITIONS AND OUTLOOK

During the 2016 fiscal year, the City experienced significant improvements in the local economy and a corresponding increase in General Fund revenues. The assessed value of Garland's property tax base increased 10.6% from last year's valuation, and places valuations above 2008 pre-recession levels. Sales tax revenue has increased an average of 6.2% for the past five years. Other revenues such as building permits, franchise fees, and landfill fees have also shown respectable growth. With the City's revenues improving, the focus of the fiscal year 2016-17 is to provide additional resources to enhance the City's street infrastructure, meet critical Public Safety needs, address escalating employee health-care costs, and provide for market-based salary increases for employees. Additional priorities included continuing the City's economic development efforts in both commercial and residential areas,

providing cash-funding to meet capital improvement needs, and funding additional staff to meet increasing demands in Building Inspection and Code Compliance.

To address the 2017 economic forecast, the City implemented the following goals for the 2016-17 adopted budget:

- Improve the condition of the City's street infrastructure.
- Meet critical public safety needs.
- Address escalating health-care costs.
- Provide funding for market-based salary increases.

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 Budget Director. 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. Activities of the general, debt service, special revenue, and internal service funds are included in the annual appropriated budget.

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 revised 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 director monitors expenditure controls with overall review exercised by the Budget Director 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 and oversight of revenue and expenditure trends is maintained with specific responsibility assigned to department directors, revenue managers, and the Budget Director. 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 evaluation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal and State financial awards, the City is 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, the independent auditors make tests 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 to management.

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 major 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.
- An ending “fund balance” of 30 days of budget-based operating expenditures in the General Fund is maintained as a minimum.
- An ending “fund balance” of 45 days of budget-based operating expenditures is maintained in the Enterprise Funds as a minimum.
- Internal service funds are maintained to be fully self-supporting to the extent that any retained earnings deficit is 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. Weaver and Tidwell, LLP was selected in July 2014 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 Uniform Guidance. The independent auditor’s report on the basic financial statements is included in the financial section of this report. The independent auditor’s report 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, 2015. 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.

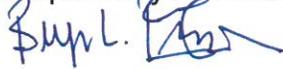
A Certificate of Achievement is valid for a one year period. The City of Garland has received a Certificate of Achievement for the last thirty four consecutive years. We believe that our current report continues to conform to the Certificate of Achievement Program requirements, and we will submit it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

Acknowledgements

The preparation of this Comprehensive Annual Financial Report was accomplished with the professional and dedicated efforts of the staff of the Financial Services Department. 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 City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

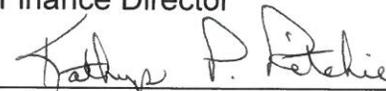
Respectfully submitted,



Bryan L. Bradford
City Manager



Matt Watson
Finance Director



Kathryn P. Ritchie
Accounting Administrator



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

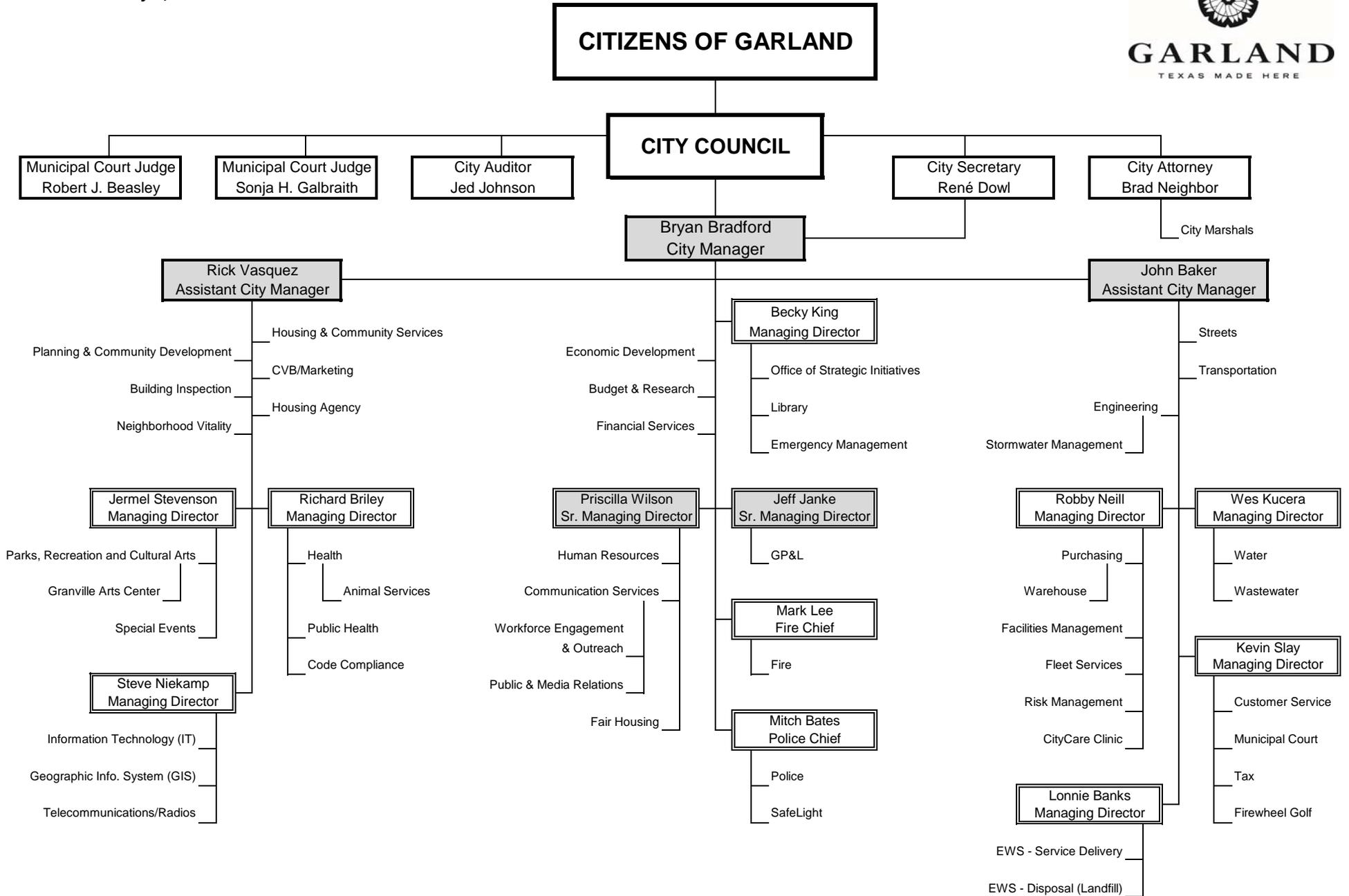
Presented to

**City of Garland
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garland (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Garland Housing Finance Corporation (GHFC), the discretely presented component unit of the City of Garland as of and for the year ended December 31, 2015. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the GHFC is based solely on the report of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining financial statements, as listed in the table of contents, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

City of Garland, Texas

Page 3

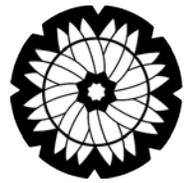
The accompanying combining financial statements, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund financial statements and schedules listed in the foregoing table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 21, 2017



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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, 2016. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets and deferred outflows of the City of Garland (the City) exceeded its liabilities and deferred inflows at the close of the fiscal year by \$835,881,241. Ending net position for governmental activities amount to \$166,206,702 and the ending net position for the business type activities amount to \$669,674,539.
- Net position for the governmental activities increased \$6,237,505 and the net position for the business type activities decreased \$14,149,140 for a total decrease in the City's net position of \$7,911,635. Contributing factors related to the increase in governmental activities and decrease in business type activities are discussed in the governmental 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 \$85,592,074. Of the combined ending fund balances, \$49,213,776 is restricted, \$10,180,575 is committed, \$3,730,000 is assigned, and \$22,467,723 is unassigned.

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 position presents information on all of the City's assets, deferred inflows/outflows, and liabilities with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 or 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 a legally separate non-profit corporation for which the City is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 26-27 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 proprietary funds. The City also maintains a fiduciary trust fund for the other post-employment benefits (OPEB).

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 fourteen 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 eleven 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 as required supplementary information for the General Fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 28-31 of this report.

Proprietary funds

The City maintains two different types of proprietary funds, enterprise funds and internal service 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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The electric, water, and sewer operations are considered to be major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds can be found on pages 101-107 and for the internal service funds on pages 109-113.

The proprietary fund financial statements can be found on pages 32-37 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 38-39 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 41-89 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, 2016, the net pension liability schedules, and the City's progress in funding its obligation to provide Other Postemployment Benefits (OPEB) to its employees, are presented on pages 90-94 of this report.

Government-wide Financial Analysis

Total assets and deferred outflows at fiscal year-end amount to \$2,022,275,920. Current and other assets comprise 38.26% and capital assets comprise 61.74% of the total assets and deferred outflows. Total assets and deferred outflows increased \$62,635,004 during the fiscal year primarily as a result of changes in deferred outflow of resources which increased as a result of the changes in the pension liability.

Total liabilities and deferred inflows at the end of the fiscal year amount to \$1,186,394,679. Long-term liabilities comprise 90.66% and other liabilities comprise 9.34% of the total liabilities and deferred liabilities. Total liabilities increased \$70,546,639 during the fiscal year.

As mentioned earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows (net position) by \$835,881,241 for the fiscal year ended September 30, 2016. The largest portion of the City's net position (65.28%) 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 position (22.87%) 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 (11.85%) may be used to meet the City's ongoing obligations to citizens and creditors.

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

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2016

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets and deferred outflows	\$ 246,115,584	\$ 193,946,799	\$ 527,685,152	\$ 576,075,176	\$ 773,800,736	\$ 770,021,975
Capital assets	381,536,946	372,034,929	866,938,238	817,584,012	1,248,475,184	1,189,618,941
Total assets and deferred outflows	<u>627,652,530</u>	<u>565,981,728</u>	<u>1,394,623,390</u>	<u>1,393,659,188</u>	<u>2,022,275,920</u>	<u>1,959,640,916</u>
Long-term liabilities outstanding	380,238,081	344,847,382	695,341,912	681,959,080	1,075,579,993	1,026,806,462
Other liabilities and deferred inflows	81,207,747	61,165,149	29,606,939	27,876,429	110,814,686	89,041,578
Total liabilities and deferred inflows	<u>461,445,828</u>	<u>406,012,531</u>	<u>724,948,851</u>	<u>709,835,509</u>	<u>1,186,394,679</u>	<u>1,115,848,040</u>
Net position:						
Net investment in capital assets	150,422,234	141,966,385	393,233,982	376,738,418	543,656,216	518,704,803
Restricted for:						
Debt Service	4,439,839	4,578,281	6,407,570	5,521,862	10,847,409	10,100,143
Construction	851,283	820,577	-	-	851,283	820,577
Rate Mitigation	-	-	178,325,654	177,452,404	178,325,654	177,452,404
Housing Assistance	1,165,883	886,112	-	-	1,165,883	886,112
Other Grant Programs	1,447,531	-	-	-	1,447,531	-
Unrestricted	<u>7,879,932</u>	<u>11,717,842</u>	<u>91,707,333</u>	<u>124,110,995</u>	<u>99,587,265</u>	<u>135,828,837</u>
Total net position	<u>\$ 166,206,702</u>	<u>\$ 159,969,197</u>	<u>\$ 669,674,539</u>	<u>\$ 683,823,679</u>	<u>\$ 835,881,241</u>	<u>\$ 843,792,876</u>

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2016

The total net position decreased \$7,911,635 in the 2016 fiscal year. Governmental activities increased \$6,237,505 while the business-type activities decreased this total by \$14,149,140. 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 Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 48,497,545	\$ 41,558,825	\$ 414,319,379	\$ 466,918,435	\$ 462,816,924	\$ 508,477,260
Operation grants and contributions	15,090,766	14,640,650	-	-	15,090,766	14,640,650
Capital grants and contributions	8,377,011	2,695,395	2,534,605	1,678,626	10,911,616	4,374,021
General Revenues:						
Property taxes	79,069,419	74,345,310	-	-	79,069,419	74,345,310
Sales taxes	30,234,776	26,497,069	-	-	30,234,776	26,497,069
Other taxes	10,295,965	10,360,759	-	-	10,295,965	10,360,759
Unrestricted interest earnings	913,992	821,107	1,671,185	1,823,835	2,585,177	2,644,942
Miscellaneous	251,073	2,788,292	2,590,247	1,701,956	2,841,320	4,490,248
Total Revenues	<u>192,730,547</u>	<u>173,707,407</u>	<u>421,115,416</u>	<u>472,122,852</u>	<u>613,845,963</u>	<u>645,830,259</u>
Expenses:						
General government	32,857,828	28,672,583	-	-	32,857,828	28,672,583
Public safety	103,855,466	93,438,294	-	-	103,855,466	93,438,294
Public works	46,703,808	42,473,055	-	-	46,703,808	42,473,055
Culture and recreation	24,405,765	21,780,835	-	-	24,405,765	21,780,835
Public health	4,819,386	4,401,399	-	-	4,819,386	4,401,399
Interest and fiscal charges	8,833,481	8,323,617	-	-	8,833,481	8,323,617
Electric	-	-	281,386,514	319,583,367	281,386,514	319,583,367
Water	-	-	54,403,015	48,965,136	54,403,015	48,965,136
Sewer	-	-	36,662,146	35,609,533	36,662,146	35,609,533
Golf	-	-	4,926,096	4,808,720	4,926,096	4,808,720
Heliport	-	-	5,350	5,351	5,350	5,351
Storm Water Management	-	-	3,878,831	3,949,180	3,878,831	3,949,180
Parks Performance	-	-	1,233,076	1,113,223	1,233,076	1,113,223
Sanitation	-	-	17,786,836	17,085,912	17,786,836	17,085,912
Total expenses	<u>221,475,734</u>	<u>199,089,783</u>	<u>400,281,864</u>	<u>431,120,422</u>	<u>621,757,598</u>	<u>630,210,205</u>
Change in net position before transfers	(28,745,187)	(25,382,376)	20,833,552	41,002,430	(7,911,635)	15,620,054
Transfers	<u>34,982,692</u>	<u>32,236,236</u>	<u>(34,982,692)</u>	<u>(32,236,236)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	6,237,505	6,853,860	(14,149,140)	8,766,194	(7,911,635)	15,620,054
Net position – beginning	159,969,197	139,590,477	683,823,679	670,006,438	843,792,876	809,596,915
Cumulative effect of change in acctg principle	-	13,524,860	-	5,051,047	-	18,575,907
Net position-beginning as restated	<u>159,969,197</u>	<u>153,115,337</u>	<u>683,823,679</u>	<u>675,057,485</u>	<u>843,792,876</u>	<u>828,172,822</u>
Net position - ending	<u>\$166,206,702</u>	<u>\$ 159,969,197</u>	<u>\$ 669,674,539</u>	<u>\$ 683,823,679</u>	<u>\$835,881,241</u>	<u>\$ 843,792,876</u>

Governmental activities

Governmental activities increased the City's net position by \$6,237,505 in fiscal year 2016. Key factors that contributed to this improvement are discussed below.

Revenues by Source – Governmental Activities

Revenues by Source

	2016		2015		Amount Change	Percentage Change
	Amount	Percentage	Amount	Percentage		
Charges for services	\$ 48,497,545	25.16%	\$ 41,558,825	23.92%	\$ 6,938,720	16.70%
Operating grants and contributions	15,090,766	7.83%	14,640,650	8.43%	450,116	3.07%
Capital grants and contributions	8,377,011	4.35%	2,695,395	1.55%	5,681,616	210.79%
Property taxes	79,069,419	41.03%	74,345,310	42.80%	4,724,109	6.35%
Sales taxes	30,234,776	15.69%	26,497,069	15.25%	3,737,707	14.11%
Other taxes	10,295,965	5.34%	10,360,759	5.96%	(64,794)	-0.63%
Unrestricted interest earnings	913,992	0.47%	821,107	0.47%	92,885	11.31%
Miscellaneous	251,073	0.13%	2,788,292	1.61%	(2,537,219)	-91.00%
Total Revenues	<u>\$ 192,730,547</u>		<u>\$ 173,707,407</u>		<u>\$19,023,140</u>	

Key changes in revenue by source included the following:

Charges for services increased \$6,938,720 as a result of the following:

- Sanitation services revenue increased due to increases in construction and cleanup activity related to storms experienced in the Garland area during FY16, causing additional tonnage to be disposed by private waste haulers.
- Building permit revenue increased due to increased inspection of structural, plumbing, electrical, and mechanical work performed on new and existing structures.

Capital grants and contributions increased \$5,681,616 as a result of the following:

- Developers' contributions increased as a result of new construction within the City during FY16.
- Recovery of expenditures increased as a result of shared infrastructure construction projects during FY16.

Property tax revenue increased due to an increase in the value of the tax base of 6.4% which returned it to levels just under pre-recession levels.

Sales tax revenue increased in FY16 and has made a full recovery after declining 9% during the 2008-2009 recession.

Miscellaneous revenue decreased in FY16 due to recovery of expenditures related to street projects in FY15.

Expenses by Source - Governmental Activities

	Expenses by Source		
	2016	2015	Change
General government	\$ 32,857,828	\$ 28,672,583	\$ 4,185,245
Public safety	103,855,466	93,438,294	10,417,172
Public works	46,703,808	42,473,055	4,230,753
Culture and recreation	24,405,765	21,780,835	2,624,930
Public health	4,819,386	4,401,399	417,987
Interest and fiscal charges	8,833,481	8,323,617	509,864
Total Expense	<u>\$ 221,475,734</u>	<u>\$ 199,089,783</u>	<u>\$ 22,385,951</u>

The \$22,385,951 change in expenses is primarily due to the following factors:

- Pension expense increased \$9,016,413 in FY16 due to TMRS adopting more conservative actuarial assumptions and an investment return that was below expectations.
- Health insurance expense increased \$4,451,285 due to increased claims activity experienced during FY16.
- Public Safety expenses increased due to the addition of 11 sworn police officers, the replacement and addition of safety equipment for police and fire personnel, and expenditures associated with the City's response to the EF4 tornado that struck south Garland on December 26, 2015.

Business-type Activities

Business-type activities decreased the City's net position by \$14,149,140. Key factors that contributed to the change are discussed below.

- The electric utility incurred a net loss of \$22,726,360. The net income for the electric utility decreased \$22,249,177 from the prior fiscal year as a result of the following:
 - Revenue decreased as a result of a reduction in the recovery adjustment factor (RAF) and decreased loads.
 - Demand charges, net of amortization of prepaid demand, increased as a result of increased Texas Municipal Power Agency (TMPA) demand charges.
 - Salaries and benefits increased as a result of changes in the net pension liability.

- The water utility incurred a net income of \$4,549,675. Key elements to this change are as follows.
 - Charges for services increased \$6,248,216 due to increased usage and an average rate increase of 14.6%.
 - Water purchases increased \$4,259,557 as a result of an 11.1% rate increase by North Texas Municipal Water District.

- The sewer utility incurred a net income of \$3,311,015. The net income for the sewer utility increased \$292,839 from the prior fiscal year as a result of the following:
 - Charges for services increased \$1,063,115 due to modest increases in wastewater consumption levels and approved cost-of-service rate increases on customer cities.

- The combined net loss for non-major enterprise funds (golf, heliport, storm water management, parks performance, and sanitation) amounted to \$76,494. The City continues to monitor these funds and will implement programs and strategies to improve their financial condition.

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2016

Revenues by Source – Business-type Activities

	Charges for Service			Capital Grants and Contributions			Miscellaneous		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
Electric	\$ 278,334,789	\$ 338,473,487	\$ (60,138,698)	\$ -	\$ -	\$ -	\$ 1,909,520	\$ 1,105,531	\$ 803,989
Water	63,373,281	57,135,679	6,237,602	1,478,721	1,167,304	311,417	335,012	324,398	10,614
Sewer	44,628,715	43,609,415	1,019,300	888,960	511,322	377,638	120,957	77,142	43,815
Non-major Enterprise	27,982,594	27,699,854	282,740	166,924	-	166,924	224,758	194,885	29,873
Total	\$ 414,319,379	\$ 466,918,435	\$ (52,599,056)	\$ 2,534,605	\$ 1,678,626	\$ 855,979	\$ 2,590,247	\$ 1,701,956	\$ 888,291

Expenses by Source – Business-type Activities

	2016	2015	Amount Change	Percentage Change
Electric	\$281,386,514	\$ 319,583,367	\$ (38,196,853)	-11.95%
Water	54,403,015	48,965,136	5,437,879	11.11%
Sewer	36,662,146	35,609,533	1,052,613	2.96%
Non-Major	27,830,189	26,962,386	867,803	3.22%
	<u>\$400,281,864</u>	<u>\$ 431,120,422</u>	<u>\$ (30,838,558)</u>	-7.15%

Fiduciary funds

In the 2009 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. A \$750,000 contribution in excess of the pay-as-you-go costs was made to the trust fund during the 2016 fiscal year. The City will make future contributions to the trust fund as economic conditions permit.

Capital Asset and Debt Administration

Capital Assets

At the end of the 2016 fiscal year, the City had \$1,248,475,184 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 \$58,856,243 or 4.95% increase from the prior fiscal year. Key elements of this change are as follows:

	Capital Assets at Fiscal Year-end (Net of Accumulated Depreciation)					
	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land	\$ 82,668,731	\$ 82,243,416	\$ 30,847,485	\$ 26,029,527	\$ 113,516,216	\$ 108,272,943
Construction in Progress	45,757,090	27,779,158	59,933,660	29,932,710	105,690,750	57,711,868
Building, Improvements, equipment and systems	253,111,125	262,012,355	776,157,093	761,621,775	1,029,268,218	1,023,634,130
Total capital assets	<u>\$ 381,536,946</u>	<u>\$ 372,034,929</u>	<u>\$ 866,938,238</u>	<u>\$ 817,584,012</u>	<u>\$1,248,475,184</u>	<u>\$1,189,618,941</u>

City of Garland, Texas
 Management's Discussion and Analysis (continued)
 September 30, 2016

Major capital asset additions for the current fiscal year included:

Description	Amount (000's)
GP&L Substation Equipment Transmission	\$13,221
City Center Parking	7,193
City Hall Renovation	5,265
GP&L Transmission Poles and Fixtures	5,111
EWS Garbage Collection Equipment	4,462
GP&L Distribution UG Conductors and Devices	3,190
GP&L Land at Lookout Substation	3,160
Landfill Equipment	2,538
GP&L UG Line Transformers	2,466
GP&L Distribution Poles, Towers, and Fixtures	2,252
Sewer Lift Stations	2,144
Water Mains Prior to Paving	2,057
Water Distribution Lines (up to 14 inch)	2,037
GP&L Distribution UG Street Light Signal Systems	1,042
GP&L Land for Future Use	1,528
Sewer Collection Mains	1,528
City Hall Code/Safety Updates	1,046

City of Garland, Texas
 Management's Discussion and Analysis (continued)
 September 30, 2016

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

<u>Description</u>	<u>Amount</u> <u>(000's)</u>
GP&L Limestone to Gibbons Creek Transmission Line	\$15,617
Rowlett Creek WWTP Biosolids Expansion	8,373
Pleasant Valley Road Bridge	7,278
GP&L Wylie 138KV Switching Station	6,877
West Pressure Plane Improvements Phase II	3,737
Replacement of Fire Station 5	3,270
Street Reconstruction & Improvements	3,106
Rowlett Creek WWTP Processes Improvements	2,259
Landfill Waste Cell #7	1,831
Shiloh Road – IH 635 to Kingsley	1,684
Rowlett Interceptor Rehab	1,627
Construction to CGTV Video Production Studio and Office	1,533
Northwest Highway – Centerville to La Prada	1,402
Country Club Road Water Transmission Mains	1,198
Cured-in Place Pipe Main & Lateral Rehab	1,088

Additional information on the City's capital assets can be found in note IV.C. on pages 59-61 of this report.

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2016

Debt

Debt issues outstanding for the fiscal years 2016 and 2015 were as follows:

	Governmental Activities		Business-type Activities		Total		
	2016	2015	2016	2015	2016	2015	Change
Long-Term:							
General obligation bonds	\$178,770,000	\$195,530,000	\$ 36,660,000	\$ 46,335,000	\$215,430,000	\$241,865,000	\$(26,435,000)
Certificates of obligation	89,310,000	79,960,000	178,120,000	187,630,000	267,430,000	267,590,000	(160,000)
Utility system revenue bonds	-	-	337,830,000	359,100,000	337,830,000	359,100,000	(21,270,000)
Commercial paper	-	-	89,910,000	35,000,000	89,910,000	35,000,000	54,910,000
Total Long-Term	<u>268,080,000</u>	<u>275,490,000</u>	<u>642,520,000</u>	<u>628,065,000</u>	<u>910,600,000</u>	<u>903,555,000</u>	<u>7,045,000</u>
Short-Term:							
Commercial Paper	10,000,000	10,000,000	-	-	10,000,000	10,000,000	-
Tax Note	7,350,000	4,000,000	-	-	7,350,000	4,000,000	3,350,000
Total Short-Term	<u>17,350,000</u>	<u>14,000,000</u>	<u>-</u>	<u>-</u>	<u>17,350,000</u>	<u>14,000,000</u>	<u>3,350,000</u>
Total outstanding debt	<u>\$285,430,000</u>	<u>\$289,490,000</u>	<u>\$642,520,000</u>	<u>\$628,065,000</u>	<u>\$927,950,000</u>	<u>\$917,555,000</u>	<u>\$ 10,395,000</u>

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2016

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

Issue	Principal	Bond Ratings	
		Standard & Poor's	Fitch IBCA
Long-term			
Certificates of Obligation Bonds, Series 2016	\$ 20,210,000	AA+	AAA
Electric Commercial Paper, Series 2014	55,000,000	A-1+	
Electric System Notes, Series 2016	14,910,000	A+	A+
Water & Sewer Commercial Paper, Series 2015	20,000,000	F1	F1
Short-term			
General Obligation Commercial Paper	10,000,000	A-1+	F1+
Tax Anticipation Note, Series 2016	7,350,000		
Total debt financing	<u>\$127,470,000</u>		

The proceeds of the Certificates of Obligation Bonds, Series 2016 will be used for the following:

- Constructing, equipping, and improving various facilities in the City,
- Acquiring equipment and vehicles for Firewheel golf course, the environmental waste services department, the solid waste department, the stormwater management department, and the municipal street department,
- Street improvements and infrastructure improvements.

The City continued the use of short term financing with general obligation commercial paper notes. This financing tool provides interest savings. During the year, the City issued general obligation commercial paper notes amounting to \$10,000,000 to fund various governmental construction projects.

In 2014, the City initiated a three year \$60 million tax-exempt commercial paper program for the Electric Fund. Proceeds from the sale of commercial paper notes will be used for improvements and extensions of the electric utility system. The Electric Fund had \$55,000,000 electric utility system commercial paper notes outstanding at fiscal year-end. Additional information related to the City's commercial paper programs can be found on page 68 of this report.

In fiscal year 2010, 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 a 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 the asset resulting in a fiscal

year-end balance in other assets of \$93,320,674. 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.

In 2015, the City elected to issue Combination Tax & Electric Utility System Surplus Revenue Refunding Bonds for the purpose of prepaying certain contractual obligations to TMPA. Since the proceeds of this debt issuance were placed with an escrow agent and the City received an economic benefit over a period of years, an Other Assets was recorded in the Electric Fund Statement of Net Position in the amount of \$59,270,000. The City is amortizing the Other Asset over a period of 2 years. During the current year, the City amortized \$29,635,000 of the asset resulting in a fiscal year-end balance in other assets of \$29,635,000.

In 2016, the City initiated the \$139,245,000 Electric Utility System Note, Series 2016 for the Electric Fund. The Note, which functions similar to commercial paper, has a three- year term with proceeds being used for constructing the Limestone to Gibbons Creek transmission line. The Electric Fund had drawn \$14,910,000 at fiscal year-end.

In 2015, the City initiated a five year \$90 million tax-exempt commercial paper program for the Water and Sewer Funds. Proceeds from the sale of commercial paper notes will be used for the ongoing capital improvement program of the water and waterwater system.

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

The City's Funds

At the close of the City's fiscal year, the governmental funds of the City reported a combined fund balance of \$85,592,074, a decrease of \$7,067,914 from the prior fiscal year. The decrease in the net change in fund balance for the Capital Projects Fund of \$9,293,573 is attributable to capital project expenditures funded by general obligation commercial paper of \$10,000,000. This loan instrument is reported as a liability on the Capital Projects Fund 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.

The General Fund ended the fiscal year with a fund balance of \$27,049,006 which was an increase of \$1,304,224 from the prior fiscal year. The original budget projected a decrease in fund balance of \$1,678,985 which was later revised to a decrease of \$4,935,150 in fund balance. Favorable budget variances were experienced for revenues as well as expenditures for the fiscal year. Actual revenues exceeded final budgeted revenues by \$4,600,956 and actual expenditures were under the final budget amount by \$956,608. This favorable budget variance was a result of better than anticipated property tax revenues, service charges, fines and forfeitures, and other operational expenditure savings across General Fund departments.

The Debt Service Fund ended the fiscal year with a fund balance of \$5,729,738 due to a net decrease in fund balance for the fiscal year of \$505,926.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2016, the City Council amended the budget for the General Fund on several occasions. The amendments were comprised 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 amendments amounted to increased appropriations of \$6,156,708.

Economic Factors and Next Year's Budgets and Rates

The City's unemployment rate at September 30, 2016 was 3.8% and the State of Texas unemployment rate was 5.0%. The City's estimated population of 235,885 (as estimated at January 1, 2016 by the City's Planning department) remained virtually unchanged from the prior year.

The primary focus of the FY 2015-16 Budget was to address needs that had to be deferred during the recession. In particular, these needs include police staffing needs, street improvements, economic development and employee compensation.

- Address police staffing needs.
- Continue to improve the condition of the City's street infrastructure.
- Continue emphasis on economic development.
- Provide funding for market-based salary increases.

The primary focus of the FY 2016-17 Budget was to provide additional resources to enhance the City's street infrastructure, meet critical Public Safety needs, address escalating employee health-care costs, and to provide for market-based salary increases for employees.

Additional priorities included continuing the City's economic development efforts in both commercial and residential areas, providing cash-funding to meet capital improvement needs, and funding additional staff to meet increasing demands in Building Inspection and Code compliance.

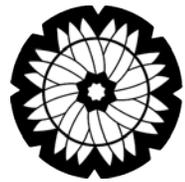
- Improve the condition of the City's street infrastructure.
- Meet critical public safety needs.
- Address escalating health-care costs.
- Provide funding for market-based salary increases.

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.



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City of Garland, Texas
Statement of Net Position
September 30, 2016

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		As of December 31, 2015
ASSETS				
Cash and cash equivalents	\$ 75,127,517	\$ 33,908,259	\$ 109,035,776	\$ 738,824
Investments	92,625,448	47,338,539	139,963,987	-
Accounts Receivable, net of allowance for uncollectibles	19,387,101	54,921,964	74,309,065	148,223
Due from other governments	828,575	-	828,575	-
Internal Balances	(16,875,631)	16,875,631	-	-
Inventories	6,061,598	4,307,589	10,369,187	-
Prepaid and other items	110,005	575,642	685,647	5,000
Derivative instrument-energy risk management	-	853,881	853,881	-
Restricted Assets:				
Cash and cash equivalents	6,391,653	60,435,573	66,827,226	-
Investments	7,446,768	163,733,157	171,179,925	-
Accrued interest	12,884	265,000	277,884	-
Assets held for resale	87,956	-	87,956	772,501
Capital Assets:				
Land	82,668,731	30,847,485	113,516,216	1,141,255
Construction in Progress	45,757,090	59,933,660	105,690,750	-
Buildings, Improvements, Equipment and System (net of accumulated depreciation)	253,111,125	776,157,093	1,029,268,218	-
Other Assets	-	122,955,674	122,955,674	-
Total assets	572,740,820	1,373,109,147	1,945,849,967	2,805,803
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on debt refunding	246,277	1,098,679	1,344,956	-
Deferred charges on pensions	54,665,433	20,415,564	75,080,997	-
Total deferred outflows of resources	54,911,710	21,514,243	76,425,953	-
LIABILITIES				
Accounts payable and accrued liabilities	21,731,389	23,012,920	44,744,309	-
Escrow payable	188,892	-	188,892	-
Retainage payable	1,394,576	933,068	2,327,644	-
Accrued interest payable	1,604,495	2,633,948	4,238,443	-
Customer deposits	14,520,281	-	14,520,281	-
Tax Note Payable	7,350,000	-	7,350,000	-
Commercial Paper	10,000,000	-	10,000,000	-
Unearned revenue	19,047,394	-	19,047,394	1,482,829
Noncurrent Liabilities:				
Due within one year	37,190,068	47,965,249	85,155,317	-
Due in more than one year	343,048,013	647,376,663	990,424,676	-
Total liabilities	456,075,108	721,921,848	1,177,996,956	1,482,829
DEFERRED INFLOWS OF RESOURCES				
Deferred charges on debt refunding	255,183	378,904	634,087	-
Deferred charges on pensions	5,115,537	1,910,467	7,026,004	-
Deferred charges on derivatives	-	737,632	737,632	-
Total deferred inflows of resources	5,370,720	3,027,003	8,397,723	-
NET POSITION				
Net investment in capital assets	150,422,234	393,233,982	543,656,216	1,141,255
Restricted for:				
Debt Service	4,439,839	6,407,570	10,847,409	-
Construction	851,283	-	851,283	-
Rate Mitigation	-	178,325,654	178,325,654	-
Housing	1,165,883	-	1,165,883	-
Other Grant Programs	1,447,531	-	1,447,531	-
Unrestricted net position	7,879,932	91,707,333	99,587,265	181,719
Total net position	\$ 166,206,702	\$ 669,674,539	\$ 835,881,241	\$ 1,322,974

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, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit as of 12/31/2015
	Expenses	Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 32,857,828	\$ 8,235,397	\$ 13,825,180	\$ -	\$ (10,797,251)	\$ -	\$ (10,797,251)	\$ -
Public safety	103,855,466	17,925,072	739,798	-	(85,190,596)	-	(85,190,596)	-
Public works	46,703,808	20,301,355	17,056	8,377,011	(18,008,386)	-	(18,008,386)	-
Culture and recreation	24,405,765	1,489,423	8,859	-	(22,907,483)	-	(22,907,483)	-
Public health	4,819,386	546,298	499,873	-	(3,773,215)	-	(3,773,215)	-
Interest and fiscal charges	8,833,481	-	-	-	(8,833,481)	-	(8,833,481)	-
Total governmental activities	<u>221,475,734</u>	<u>48,497,545</u>	<u>15,090,766</u>	<u>8,377,011</u>	<u>(149,510,412)</u>	<u>-</u>	<u>(149,510,412)</u>	<u>-</u>
Business type activities:								
Electric	281,386,514	278,334,789	-	-	-	(3,051,725)	(3,051,725)	-
Water	54,403,015	63,373,281	-	1,478,721	-	10,448,987	10,448,987	-
Sewer	36,662,146	44,628,715	-	888,960	-	8,855,529	8,855,529	-
Golf	4,926,096	3,577,522	-	-	-	(1,348,574)	(1,348,574)	-
Heliport	5,350	7,032	-	166,924	-	168,606	168,606	-
Storm Water Management	3,878,831	3,819,769	-	-	-	(59,062)	(59,062)	-
Parks Performance	1,233,076	1,198,950	-	-	-	(34,126)	(34,126)	-
Sanitation	17,786,836	19,379,321	-	-	-	1,592,485	1,592,485	-
Total business-type activities	<u>400,281,864</u>	<u>414,319,379</u>	<u>-</u>	<u>2,534,605</u>	<u>-</u>	<u>16,572,120</u>	<u>16,572,120</u>	<u>-</u>
Total primary government	<u>\$ 621,757,598</u>	<u>\$ 462,816,924</u>	<u>\$ 15,090,766</u>	<u>\$ 10,911,616</u>	<u>(149,510,412)</u>	<u>16,572,120</u>	<u>(132,938,292)</u>	<u>-</u>
Component units								
Garland Housing Finance Corp.	\$ 285,337	\$ 393,798	\$ -	-	-	-	-	108,461
	<u>\$ 285,337</u>	<u>\$ 393,798</u>	<u>\$ -</u>	<u>\$ -</u>				
General revenues:								
Sales taxes					30,234,776	-	30,234,776	-
Franchise fees based on gross receipts					8,452,280	-	8,452,280	-
Property taxes					79,069,419	-	79,069,419	-
Hotel/Motel taxes					1,356,259	-	1,356,259	-
Mixed drink taxes					370,992	-	370,992	-
Bingo taxes					116,434	-	116,434	-
Unrestricted investment earnings					913,992	1,671,185	2,585,177	5,036
Miscellaneous					251,073	2,590,247	2,841,320	-
Transfers					34,982,692	(34,982,692)	-	-
Total general revenues and transfers					<u>155,747,917</u>	<u>(30,721,260)</u>	<u>125,026,657</u>	<u>5,036</u>
Change in net position					6,237,505	(14,149,140)	(7,911,635)	113,497
Net position-beginning					159,969,197	683,823,679	843,792,876	1,209,477
Net position-ending					<u>\$ 166,206,702</u>	<u>\$ 669,674,539</u>	<u>\$ 835,881,241</u>	<u>\$ 1,322,974</u>

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

**City of Garland, Texas
Governmental Funds
Balance Sheet
September 30, 2016**

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 12,346,192	\$ 5,689,429	\$ 34,327,800	\$ 4,957,333	\$ 57,320,754
Investments	18,058,226	-	42,059,002	7,085,576	67,202,804
Receivables:					
Accounts, net	10,512,722	-	-	3,713,954	14,226,676
Taxes, net	449,381	354,258	-	-	803,639
Accrued interest	46,353	647	79,573	13,119	139,692
Assessments	17,194	-	-	-	17,194
Other	-	-	3,339,170	-	3,339,170
Due from other funds	2,031,339	-	-	-	2,031,339
Due from other governments	136,733	-	-	691,842	828,575
Assets held for resale	-	-	-	87,956	87,956
Restricted assets:					
Cash and cash equivalents	-	-	-	1,299,653	1,299,653
Total Assets	<u>\$ 43,598,140</u>	<u>\$ 6,044,334</u>	<u>\$ 79,805,545</u>	<u>\$ 17,849,433</u>	<u>\$ 147,297,452</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 11,209,008	\$ -	\$ 3,464,048	\$ 390,669	\$ 15,063,725
Accrued interest-CO's	-	-	-	9,781	9,781
Escrow payable	-	-	-	188,892	188,892
Due to other funds	-	-	-	444,597	444,597
Unearned revenues	529,833	-	14,496,056	4,021,505	19,047,394
Retainage payable	256,124	-	1,136,930	-	1,393,054
Tax note payable	-	-	7,350,000	-	7,350,000
Commercial paper	-	-	10,000,000	-	10,000,000
Total Liabilities	<u>11,994,965</u>	<u>-</u>	<u>36,447,034</u>	<u>5,055,444</u>	<u>53,497,443</u>
DEFERRED INFLOWS OF RESOURCES	<u>4,554,169</u>	<u>314,596</u>	<u>3,339,170</u>	<u>-</u>	<u>8,207,935</u>
FUND BALANCES					
Fund balances:					
Restricted	851,283	5,729,738	40,019,341	2,613,414	49,213,776
Committed	-	-	-	10,180,575	10,180,575
Assigned	3,730,000	-	-	-	3,730,000
Unassigned	22,467,723	-	-	-	22,467,723
Total Fund Balances	<u>27,049,006</u>	<u>5,729,738</u>	<u>40,019,341</u>	<u>12,793,989</u>	<u>85,592,074</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 43,598,140</u>	<u>\$ 6,044,334</u>	<u>\$ 79,805,545</u>	<u>\$ 17,849,433</u>	<u>\$ 147,297,452</u>

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

City of Garland, Texas
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2016

Total fund balances - governmental funds	\$ 85,592,074
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	327,685,027
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.	8,207,935
Deferred outflows related to pensions.	47,500,432
Bond interest is not accrued at the fund level.	(1,425,959)
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	(241,205,000)
Landfill closure costs	(11,535,056)
Compensated absences	(19,361,133)
Unamortized premium on refunding	(9,588,233)
Other Post Employment Benefits liability payable	(14,739,449)
Deferred loss on debt refunding	200,233
Deferred gain on debt refunding	(251,536)
Net pension liability and deferred inflows related to pensions.	(39,953,710)
Internal service funds net position 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 position.	35,081,077
Total net position - governmental activities	\$ 166,206,702

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, 2016**

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 74,251,245	\$ 34,456,745	\$ -	\$ 2,224,711	\$ 110,932,701
Franchise fees	8,452,280	-	-	-	8,452,280
Service charges	26,789,030	-	-	-	26,789,030
Licenses and permits	4,906,892	-	-	-	4,906,892
Earnings on investments	231,966	42,410	298,802	51,951	625,129
Intergovernmental	820,599	-	72,062	13,763,965	14,656,626
Charges for services	8,975,685	-	-	-	8,975,685
Fines and forfeits	7,521,426	-	-	-	7,521,426
Rents and concessions	748,504	-	-	-	748,504
Assessments	-	-	82,743	-	82,743
Impact fees	-	-	-	714,624	714,624
Contributions	-	-	151,654	-	151,654
Program income	-	-	-	740,485	740,485
Court awarded seizures	-	-	-	218,681	218,681
Miscellaneous and other	-	116,700	4,547,403	215,458	4,879,561
Total revenues	<u>132,697,627</u>	<u>34,615,855</u>	<u>5,152,664</u>	<u>17,929,875</u>	<u>190,396,021</u>
EXPENDITURES					
Current:					
General government	11,371,688	-	1,100,062	-	12,471,750
Public safety	87,878,926	-	-	-	87,878,926
Public works	22,529,626	-	-	-	22,529,626
Culture and recreation	14,366,431	-	-	-	14,366,431
Public health	3,885,801	-	-	-	3,885,801
Nondepartmental	26,805,888	-	-	-	26,805,888
Operations	-	-	-	15,326,008	15,326,008
Capital outlay	-	-	28,950,261	687,905	29,638,166
Debt service:					
Principal	-	21,475,000	-	125,000	21,600,000
Interest	-	9,910,522	-	398,072	10,308,594
Other and fiscal expenditures	-	150,559	149,721	-	300,280
Total expenditures	<u>166,838,360</u>	<u>31,536,081</u>	<u>30,200,044</u>	<u>16,536,985</u>	<u>245,111,470</u>
Excess (deficiency) of revenues over (under) expenditures	(34,140,733)	3,079,774	(25,047,380)	1,392,890	(54,715,449)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	70,771	-	553,954	-	624,725
Transfers in	37,700,997	500,769	5,986,334	84,471	44,272,571
Transfers out	(2,326,811)	(4,086,469)	(7,556,202)	(50,000)	(14,019,482)
Issuance of debt	-	-	14,765,000	-	14,765,000
Premium on issuance of debt	-	-	2,004,721	-	2,004,721
Total other financing sources (uses)	<u>35,444,957</u>	<u>(3,585,700)</u>	<u>15,753,807</u>	<u>34,471</u>	<u>47,647,535</u>
Net change in fund balance	1,304,224	(505,926)	(9,293,573)	1,427,361	(7,067,914)
Fund balances - beginning	25,744,782	6,235,664	49,312,914	11,366,628	92,659,988
Fund balances - ending	<u>\$ 27,049,006</u>	<u>\$ 5,729,738</u>	<u>\$ 40,019,341</u>	<u>\$ 12,793,989</u>	<u>\$ 85,592,074</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, 2016**

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

Net change in fund balances - total governmental funds	\$ (7,067,914)
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.	7,727,653
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,368,068
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 position. Also, governmental funds report the effect of 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.	6,525,364
Other long-term liabilities related to pension expense and contributions, are not due and payable in the current period and therefore, are not reported in governmental funds.	(6,434,499)
Other Post Employment Benefits liability is accrued in the government wide financial statements but not at the fund level.	(1,378,482)
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.	362,971
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>5,134,344</u>
Net change in net position-total governmental activities	<u><u>\$ 6,237,505</u></u>

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

City of Garland, Texas
Proprietary Funds
Statement of Net Position
September 30, 2016

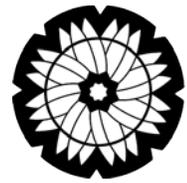
	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 22,507,361	\$ 3,820,965	\$ 6,312,588	\$ 1,267,345	\$ 33,908,259	\$ 17,806,763
Investments	30,691,897	5,571,001	9,226,623	1,849,018	47,338,539	25,422,644
Receivable, net of allowance	39,604,859	6,566,294	6,395,088	2,268,862	54,835,103	817,950
Accrued interest	49,418	12,557	20,915	3,971	86,861	42,780
Inventories	4,269,106	-	-	38,483	4,307,589	6,061,598
Prepaid expense	561,924	-	-	13,718	575,642	110,005
Derivative instruments-energy risk management	853,881	-	-	-	853,881	-
Total current assets	<u>98,538,446</u>	<u>15,970,817</u>	<u>21,955,214</u>	<u>5,441,397</u>	<u>141,905,874</u>	<u>50,261,740</u>
Noncurrent Assets:						
Restricted assets						
Revenue bond reserve fund:						
Cash and cash equivalents	-	2,403,100	3,704,461	-	6,107,561	-
Investments	-	300,009	-	-	300,009	-
Total revenue bond reserve fund	<u>-</u>	<u>2,703,109</u>	<u>3,704,461</u>	<u>-</u>	<u>6,407,570</u>	<u>-</u>
Rate mitigation:						
Cash and cash equivalents	26,600,927	-	-	-	26,600,927	-
Investments	151,481,210	-	-	-	151,481,210	-
Accrued interest	243,517	-	-	-	243,517	-
Total rate mitigation	<u>178,325,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,325,654</u>	<u>-</u>
Construction funds:						
Cash and cash equivalents	11,483,904	7,838,913	6,951,405	1,452,863	27,727,085	5,092,000
Investments	1,193,974	1,516,403	7,116,398	2,125,163	11,951,938	7,446,768
Accrued interest	2,265	2,788	13,108	3,322	21,483	12,884
Total construction funds	<u>12,680,143</u>	<u>9,358,104</u>	<u>14,080,911</u>	<u>3,581,348</u>	<u>39,700,506</u>	<u>12,551,652</u>
Capital Assets:						
Land	15,514,169	1,807,965	2,338,807	11,186,544	30,847,485	221,949
Buildings, improvements, equipment and systems	557,422,051	286,353,421	452,410,003	39,681,374	1,335,866,849	104,333,176
Construction in progress	32,650,155	8,313,954	18,969,551	-	59,933,660	8,127,390
Less accumulated depreciation	(192,910,899)	(112,710,213)	(231,318,475)	(22,770,169)	(559,709,756)	(58,830,596)
Net capital assets	<u>412,675,476</u>	<u>183,765,127</u>	<u>242,399,886</u>	<u>28,097,749</u>	<u>866,938,238</u>	<u>53,851,919</u>
Other Assets	122,955,674	-	-	-	122,955,674	-
Advance to other funds	3,896,269	-	-	-	3,896,269	-
Total noncurrent assets	<u>730,533,216</u>	<u>195,826,340</u>	<u>260,185,258</u>	<u>31,679,097</u>	<u>1,218,223,911</u>	<u>66,403,571</u>
Total Assets	<u>829,071,662</u>	<u>211,797,157</u>	<u>282,140,472</u>	<u>37,120,494</u>	<u>1,360,129,785</u>	<u>116,665,311</u>
Deferred Outflows of Resources						
Deferred charges on debt refundings	517,451	175,660	405,568	-	1,098,679	46,044
Deferred charges on pensions	12,073,204	2,168,084	2,947,450	3,226,826	20,415,564	7,165,001
Total deferred outflows	<u>12,590,655</u>	<u>2,343,744</u>	<u>3,353,018</u>	<u>3,226,826</u>	<u>21,514,243</u>	<u>7,211,045</u>

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

City of Garland, Texas
Proprietary Funds
Statement of Net Position
September 30, 2016

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES						
Current liabilities:						
<i>Payable from current assets</i>						
Accounts payable and accrued liabilities	\$ 11,839,721	\$ 2,927,929	\$ 455,738	\$ 490,031	\$ 15,713,419	\$ 3,439,362
Due to other funds	33,575	-	-	206,148	239,723	1,347,019
Insurance claims payable	-	-	-	-	-	5,146,334
Accrued interest payable:						
General obligation bonds	145,283	20,726	66,267	-	232,276	6,362
Certificates of obligation	1,061,672	-	-	91,014	1,152,686	162,393
Revenue bonds	584,458	311,259	353,269	-	1,248,986	-
Customer deposits	-	-	-	-	-	14,520,281
General obligation bonds	5,625,000	800,000	2,460,000	-	8,885,000	165,000
Certificates of obligation	11,830,000	-	-	2,365,000	14,195,000	2,145,000
Revenue bonds	9,150,000	5,670,000	7,805,000	-	22,625,000	-
Compensated absences	1,344,182	261,924	325,489	328,654	2,260,249	777,701
Total current liabilities	<u>41,613,891</u>	<u>9,991,838</u>	<u>11,465,763</u>	<u>3,480,847</u>	<u>66,552,339</u>	<u>27,709,452</u>
Long-term liabilities:						
<i>Payable from restricted assets</i>						
Accounts payable	3,325,148	934,617	2,726,717	313,019	7,299,501	3,228,302
Retainage payable	145,959	259,022	528,087	-	933,068	1,522
Total payable from restricted assets	<u>3,471,107</u>	<u>1,193,639</u>	<u>3,254,804</u>	<u>313,019</u>	<u>8,232,569</u>	<u>3,229,824</u>
Advances from other funds	-	-	-	-	-	3,896,269
Revenue bonds payable (net of unamortized premium)	155,361,826	85,287,200	93,156,849	-	333,805,875	-
Certificates of obligation (net of unamortized premium)	165,600,483	-	-	8,672,010	174,272,493	23,795,730
General obligation bonds (net of unamortized premium and defeased bond costs)	18,268,916	2,632,667	8,357,242	-	29,258,825	1,122,166
Commercial paper	69,910,000	15,000,000	5,000,000	-	89,910,000	-
Insurance claims payable	-	-	-	-	-	6,873,840
OPEB liability	1,807,341	457,532	731,764	1,103,870	4,100,507	2,827,998
Compensated absences	542,077	-	50,068	59,036	651,181	90,620
Net pension liability	9,025,252	1,620,738	2,203,349	2,412,195	15,261,534	5,356,154
Derivative instruments-energy risk management	116,248	-	-	-	116,248	-
Total other liabilities	<u>420,632,143</u>	<u>104,998,137</u>	<u>109,499,272</u>	<u>12,247,111</u>	<u>647,376,663</u>	<u>43,962,777</u>
Total Liabilities	<u>465,717,141</u>	<u>116,183,614</u>	<u>124,219,839</u>	<u>16,040,977</u>	<u>722,161,571</u>	<u>74,902,053</u>
Deferred Inflows of Resources						
Deferred charges on debt refundings	346,689	4,973	27,242	-	378,904	3,647
Deferred charges on pensions	1,129,798	202,887	275,819	301,963	1,910,467	670,494
Deferred charges on derivatives	737,632	-	-	-	737,632	-
Total deferred inflows of resources	<u>2,214,119</u>	<u>207,860</u>	<u>303,061</u>	<u>301,963</u>	<u>3,027,003</u>	<u>674,141</u>
NET POSITION						
Net investment in capital assets	153,918,287	82,539,725	136,446,902	20,329,068	393,233,982	35,945,851
Restricted for:						
Debt service	-	2,703,109	3,704,461	-	6,407,570	-
Rate mitigation	178,325,654	-	-	-	178,325,654	-
Unrestricted	<u>41,487,116</u>	<u>12,506,593</u>	<u>20,819,227</u>	<u>3,675,312</u>	<u>78,488,248</u>	<u>12,354,311</u>
Total net position	<u>\$ 373,731,057</u>	<u>\$ 97,749,427</u>	<u>\$ 160,970,590</u>	<u>\$ 24,004,380</u>	<u>656,455,454</u>	<u>\$ 48,300,162</u>
Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal service fund assets and liabilities are included with business-type activities.					<u>13,219,085</u>	
Net position of business type activities					<u>\$ 669,674,539</u>	

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



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City of Garland, Texas
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended September 30, 2016

	Business-type Activities					Governmental
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:						
Charges for services	\$ 278,334,789	\$ 63,373,281	\$ 44,628,715	\$ 27,982,594	\$ 414,319,379	\$ 50,685,710
Insurance premiums	-	-	-	-	-	37,300,839
Other	635,617	335,011	120,957	224,758	1,316,343	3,388,233
Total Operating Revenues	278,970,406	63,708,292	44,749,672	28,207,352	415,635,722	91,374,782
OPERATING EXPENSES:						
Salaries and benefits	25,504,439	4,842,065	8,196,857	10,365,471	48,908,832	19,748,152
Demand charges	43,401,416	-	-	-	43,401,416	-
Amortization of other assets	36,547,642	-	-	-	36,547,642	-
Energy and fuel purchases	119,278,782	-	-	-	119,278,782	-
Water purchases	-	30,160,876	-	-	30,160,876	-
Landfill fees	-	-	-	3,780,148	3,780,148	-
Maintenance, repairs, and other	12,352,272	4,286,289	7,769,461	7,475,673	31,883,695	19,878,850
Insurance and other expenses	3,056,069	434,826	633,526	681,484	4,805,905	-
General and administrative	13,109,511	4,766,487	4,397,589	2,241,986	24,515,573	6,616,307
Capitalized general and administrative	-	(518,412)	(126,595)	-	(645,007)	-
Premiums	-	-	-	-	-	6,424,280
Claims	268,008	67,269	106,776	135,605	577,658	26,969,473
Administrative services	-	-	-	-	-	1,602,143
Depreciation	14,272,684	7,416,005	12,986,578	3,164,491	37,839,758	8,540,387
Total Operating Expenses	267,790,823	51,455,405	33,964,192	27,844,858	381,055,278	89,779,592
Total Operating Income (Loss)	\$ 11,179,583	\$ 12,252,887	\$ 10,785,480	\$ 362,494	\$ 34,580,444	\$ 1,595,190
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental	\$ 86,952	\$ -	\$ -	\$ 79,972	\$ 166,924	\$ 93,154
Gain (loss) on disposal of capital assets	(2,838,720)	6,427	6,614	64,466	(2,761,213)	438,391
Other	1,273,903	-	-	-	1,273,903	-
Investment income (loss)	1,405,124	77,791	166,403	21,867	1,671,185	195,710
Interest expense	(11,312,217)	(3,062,609)	(2,778,201)	(105,369)	(17,258,396)	(1,124,680)
Income (loss) before transfers and contributions	(205,375)	9,274,496	8,180,296	423,430	17,672,847	1,197,765
Capital contributions	-	1,478,721	888,960	-	2,367,681	-
TRANSFERS						
Transfers in	23,202	127,372	84,914	840,000	1,075,488	4,741,665
Transfers out	(22,544,187)	(6,330,914)	(5,843,155)	(1,339,924)	(36,058,180)	(12,062)
Net transfers	(22,520,985)	(6,203,542)	(5,758,241)	(499,924)	(34,982,692)	4,729,603
NET INCOME (LOSS)	(22,726,360)	4,549,675	3,311,015	(76,494)	(14,942,164)	5,927,368
Net position, beginning of year	396,457,417	93,199,752	157,659,575	24,080,874	671,397,618	42,372,794
Net position, end of year	\$ 373,731,057	\$ 97,749,427	\$ 160,970,590	\$ 24,004,380	656,455,454	\$ 48,300,162

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

793,024

Change in net position of business-type activities

\$ (14,149,140)

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, 2016

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	\$ 294,556,126	\$ 66,685,646	\$ 42,951,839	\$ 28,037,444	\$ 432,231,055	\$ 88,262,515
Cash received for customer deposit	-	-	-	-	-	801,046
Cash paid to suppliers	(195,373,594)	(39,093,876)	(13,306,679)	(14,655,096)	(262,429,245)	(64,786,452)
Cash paid to employees for services	(23,685,258)	(4,513,975)	(7,791,054)	(9,920,894)	(45,911,181)	(18,720,135)
Other operating revenues	635,617	335,012	120,957	224,758	1,316,344	3,388,234
Net cash provided by operations	<u>76,132,891</u>	<u>23,412,807</u>	<u>21,975,063</u>	<u>3,686,212</u>	<u>125,206,973</u>	<u>8,945,208</u>
Cash flows from noncapital financing activities:						
Due to other funds increases (decreases)	(966,425)	-	-	(168,335)	(1,134,760)	851,557
Intergovernmental	86,952	-	-	79,972	166,924	-
Other	1,273,903	-	-	-	1,273,903	93,154
Transfers in	23,202	127,372	84,914	840,000	1,075,488	4,741,665
Transfers out	(22,544,187)	(6,330,914)	(5,843,155)	(1,339,924)	(36,058,180)	(12,062)
Net cash provided by (used for) noncapital financing activities	<u>(22,126,555)</u>	<u>(6,203,542)</u>	<u>(5,758,241)</u>	<u>(588,287)</u>	<u>(34,676,625)</u>	<u>5,674,314</u>
Cash flows from capital and related financing activities:						
Proceeds from sales of:						
Certificates of obligation	-	-	-	3,760,000	3,760,000	1,685,000
Premium on issuance of debt	-	-	-	460,295	460,295	159,756
Commercial paper	44,910,000	10,000,000	-	-	54,910,000	-
Acquisition and construction of capital assets	(50,647,207)	(11,541,426)	(14,059,922)	(4,682,665)	(80,931,220)	(7,730,878)
Principal paid on:						
Revenue bonds	(8,780,000)	(5,205,000)	(7,285,000)	-	(21,270,000)	-
Certificates of obligation	(11,375,000)	-	-	(1,895,000)	(13,270,000)	(2,000,000)
General obligation bonds	(5,350,000)	(1,170,000)	(3,155,000)	-	(9,675,000)	(260,000)
Interest paid on:						
Revenue bonds	(7,189,726)	(3,829,859)	(4,473,458)	-	(15,493,043)	-
Certificates of obligation	(8,503,329)	-	-	(265,418)	(8,768,747)	(1,138,398)
General obligation bonds	(1,236,801)	(187,525)	(584,438)	-	(2,008,764)	(52,681)
Commercial paper	(726,459)	(172,970)	(172,306)	-	(1,071,735)	-
Contributions	-	107,014	106,530	-	213,544	-
Proceeds from sales of assets	13,709	6,427	10,000	176,753	206,889	482,286
Net cash used for capital and related financing activities	<u>(48,884,813)</u>	<u>(11,993,339)</u>	<u>(29,613,594)</u>	<u>(2,446,035)</u>	<u>(92,937,781)</u>	<u>(8,854,915)</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, 2016

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from investing activities:						
Purchase of investment securities	(162,368,543)	(8,976,516)	(14,580,802)	(3,906,024)	(189,831,885)	(31,617,457)
Proceeds from sale and maturities of investment securities	169,165,498	7,720,987	20,837,642	3,157,112	200,881,239	25,201,496
Interest received on investments	1,045,787	72,297	165,298	19,045	1,302,427	175,799
Net cash provided by (used for) investing activities	<u>7,842,742</u>	<u>(1,183,232)</u>	<u>6,422,138</u>	<u>(729,867)</u>	<u>12,351,781</u>	<u>(6,240,162)</u>
Net increase (decrease) in cash and cash equivalents	12,964,265	4,032,694	(6,974,634)	(77,977)	9,944,348	(475,555)
Cash and cash equivalents at beginning of the year	<u>47,627,927</u>	<u>10,030,284</u>	<u>23,943,088</u>	<u>2,798,185</u>	<u>84,399,484</u>	<u>23,374,318</u>
Cash and cash equivalents at end of the year	<u>\$ 60,592,192</u>	<u>\$ 14,062,978</u>	<u>\$ 16,968,454</u>	<u>\$ 2,720,208</u>	<u>\$ 94,343,832</u>	<u>\$ 22,898,763</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating income	\$ 11,179,583	\$ 12,252,887	\$ 10,785,480	\$ 362,494	\$ 34,580,444	\$ 1,595,190
Adjustments:						
Depreciation expense	14,272,684	7,416,005	12,986,578	3,164,491	37,839,758	8,540,387
Change in allowance for uncollectible accounts	(160,942)	6,957	21,902	13,980	(118,103)	-
Change in assets and liabilities						
Increase in pension related deferred outflows	(9,081,660)	(1,630,868)	(2,217,120)	(2,427,270)	(15,356,918)	(5,389,630)
(Increase) decrease in accounts receivable	16,382,279	3,305,408	(1,698,778)	50,424	18,039,333	275,965
(Increase) decrease in inventory	(182,312)	-	-	15,932	(166,380)	(730,454)
Decrease in net pension assets	976,364	175,334	238,361	260,955	1,651,014	579,436
Increase in net pension liability	9,025,252	1,620,738	2,203,349	2,412,195	15,261,534	5,356,153
Decrease in other assets	36,547,642	-	-	-	36,547,642	-
(Increase) decrease in other prepaid expense	(90,455)	-	-	(13,718)	(104,173)	21,595
Increase (decrease) in accounts payable	(3,544,207)	129,048	(492,697)	(329,004)	(4,236,860)	(2,639,477)
Increase in compensated absences	183,722	34,397	6,536	7,465	232,120	57,432
Increase in customer deposits	-	-	-	-	-	801,046
Increase (decrease) in OPEB payable	(90,562)	(25,588)	(33,224)	(22,966)	(172,340)	270,141
Decrease in insurance claims payable	-	-	-	-	-	(217,200)
Increase in pension related deferred inflows	715,503	128,489	174,676	191,234	1,209,902	424,624
Total adjustments	<u>64,953,308</u>	<u>11,159,920</u>	<u>11,189,583</u>	<u>3,323,718</u>	<u>90,626,529</u>	<u>7,350,018</u>
Net cash provided by operating activities	<u>\$ 76,132,891</u>	<u>\$ 23,412,807</u>	<u>\$ 21,975,063</u>	<u>\$ 3,686,212</u>	<u>\$ 125,206,973</u>	<u>\$ 8,945,208</u>
Noncash investing, capital and financing activities:						
Contributions from developers	-	1,478,721	888,960	-	2,367,681	-
Increase in fair market value of investments	109,490	13,353	27,650	2,153	152,646	17,832
Change in restricted accounts payable	2,214,720	155,275	1,911,796	155,798	4,437,589	2,630,652

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

City of Garland, Texas
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2016

	Other Post Employment Benefits Trust Fund
Assets	
Investments:	
Equity mutual funds	\$ 1,469,119
Fixed income mutual funds	1,416,468
Money market fund	123,053
Total investments	3,008,640
Total assets	\$ 3,008,640
Net Position	
Held in trust for other post employment benefits and other purposes	3,008,640
Total net position	\$ 3,008,640

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

City of Garland, Texas
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2016

	Other Post Employment Benefits Trust Fund
Additions	
Earnings from investments	\$ 225,976
Employer contributions	4,981,459
Retiree contributions	2,807,076
Total additions	8,014,511
 Deductions	
Administrative expenses	13,919
Payments to beneficiaries	7,038,535
Total deductions	7,052,454
Change in net position	962,057
Net position, beginning of year	2,046,583
Net position, end of year	\$ 3,008,640

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 Unit

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. GHFC is governed by a board of directors that are appointed by and serve at the discretion of the City Council. GHFC is reported as a proprietary entity and maintains their accounts on an accrual basis of accounting. On October 1, 2012, GHFC hired an outside accounting firm to conduct their bookkeeping and accounting. The financial information for GHFC is included in the statements for the period of January 1, 2015 through December 31, 2015. Complete separate December 31, 2015 financial statements for GHFC may be obtained from the City.

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 and the capital project fund.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position 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.

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.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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.

Property taxes, franchise fees, licenses, mowing liens, sales taxes, EMS fees, court fines, and earnings on investments 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 revenue sources are Community Development Block Grants, Housing Assistance Grants, Neighborhood Services Grants and Funding, Hotel/Motel Tax, Impact Fees, Landfill Closure Funding, Police Training, Substandard Perimeter Road Funding, Narcotic Seizure Funding, Other Housing Assistance, and Tax Increment Finance funds.

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.

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

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

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

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 position 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 Agencies and Instrumentalities of the U.S. Treasury, commercial paper, FDIC insured Certificates of Deposit, repurchase agreements, reverse repurchase agreements, SEC registered no-load money market mutual funds, 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 and TexStar 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".

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 position 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 acquisition 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 \$28,691,670. Of this amount, \$1,926,673 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	15 – 40
Improvements other than buildings	5 – 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 position. 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 recognized as an expense in the period incurred.

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

Fund balances for governmental funds are reported in classifications that demonstrate the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The governmental fund classifications are as follows:

Nonspendable – The portion of fund balance that cannot be spent because it is either (a) not in spendable form, such as inventories and prepaid items, or (b) legally or contractually required to be maintained intact.

Restricted – The portion of fund balance that is restricted for specific purposes due to constraints imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed – The portion of fund balance that can only be used for specific purposes by the City's highest level of decision-making authority, the City Council, and are imposed by the City Council through an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until an ordinance is imposed to remove or revise the limitation.

Assigned – The portion of the fund balance that is constrained by the City's intent for specific purposes, but are not restricted or committed. In fund balance policy, the City Council delegates authority to the Director of Finance or the Director of Finance's designee to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned – The portion of the fund balance that is not restricted, committed, or assigned to specific purposes. The General Fund is the only fund that reports a positive unassigned funds balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, if expenditures incurred for specific purposes exceed the amounts that are not restricted, committed, or assigned to this purpose, it may be necessary to report a negative fund balance in that fund.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

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

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.

Fund balances for governmental activities as of September 30, 2016 are:

<i>Fund Balance</i>	<i>General Fund</i>	<i>Debt Service</i>	<i>Capital Projects</i>	<i>Other Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Restricted:					
General government	\$ 851,283	\$ -	\$ -	\$ 460,690	\$ 1,311,973
Debt service	-	5,729,738	-	-	5,729,738
Parks construction	-	-	368,549	-	368,549
Streets and drainage	-	-	2,748,505	-	2,748,505
Public facilities	-	-	36,664,668	-	36,664,668
Other capital projects	-	-	237,619	-	237,619
Housing assistance	-	-	-	1,354,176	1,354,176
Public safety	-	-	-	798,548	798,548
Total Restricted	<u>851,283</u>	<u>5,729,738</u>	<u>40,019,341</u>	<u>2,613,414</u>	<u>49,213,776</u>
Committed:					
Neighborhood services	-	-	-	528,668	528,668
Culture and recreation	-	-	-	2,273,584	2,273,584
Landfill closure	-	-	-	25,631	25,631
Public works and infrastructure	-	-	-	7,352,692	7,352,692
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,180,575</u>	<u>10,180,575</u>
Assigned:					
General government	<u>3,730,000</u>	-	-	-	<u>3,730,000</u>
Total Assigned	<u>3,730,000</u>	-	-	-	<u>3,730,000</u>
Unassigned	<u>22,467,723</u>	-	-	-	<u>22,467,723</u>
Total fund balance	<u>\$ 27,049,006</u>	<u>\$ 5,729,738</u>	<u>\$ 40,019,341</u>	<u>\$ 12,793,989</u>	<u>\$ 85,592,074</u>

9. Fund net position

In the fund financial statements, proprietary funds report restricted net position 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. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and balance sheet will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has the following items that qualify for reporting in this category:

- Deferred charges on refunding – The deferred charge results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or the refunded debt.
- Pension contributions subsequent to measurement date – The deferred charges result from pension contributions made after the measurement date of the pension plan to the current fiscal year end. These charges will be recognized in the subsequent fiscal year end.
- Difference in projected and actual earnings on pension assets – The difference is deferred and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- Difference in assumption changes – difference is deferred and amortized over estimated average remaining lives of all members determined as of measurement date.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Fair value of energy risk derivatives – The deferred charge represents fuel swap hedging activity and is calculated as the difference between the closing futures price at the end of the reporting period, and the futures price at the time the positions were established.
- Deferred charges on refunding – The deferred charge results from the difference in carry value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunding or the refunded debt.
- Difference in expected and actual economic experience – The difference is deferred and will be amortized as a component of pension expense over the estimated average remaining lives of all members determined as of measurement date.

11. *New accounting principles*

The City implemented the following new GASB standards during the fiscal year ended September 30, 2016:

The GASB has issued Statement No. 72, "*Fair Value Measurement and Application*" ("GASB 72"), was implemented in fiscal year 2016. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of this statement resulted in expanded note disclosures that can be found on pages 55-57.

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

The GASB has issued Statement No. 73, *“Accounting and Financial Reporting for Pensions and related assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68”* (“GASB 73”), which will be effective in fiscal year 2016. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The implementation of this statement resulted in note disclosures that can be found on pages 71-76.

The GASB has issued Statement No. 76, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”* (“GASB 76”), which will be effective in fiscal year 2016. The objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles.

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. 74, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”* (“GASB 74”), which will be effective in fiscal year 2017. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose financial statements. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension”* (“GASB 75”), which will be effective in fiscal year 2018. The objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 77, *“Tax Abatement Disclosures”* (“GASB 77”), which will be effective in fiscal year 2017. This statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding these commitments. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 78, *“Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”* (“GASB 78”), which will be effective in fiscal year 2017. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 79, *“Certain External Investment Pools and Pool Participants”* (“GASB 79”), which will be effective in fiscal year 2017. The statement addresses accounting and financial reporting for certain external investment pools and pool participants. 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. 80, *“Blending Requirements for Certain Component Units”* (“GASB 80”), which will be effective in fiscal year 2017. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 81, *“Irrevocable Split-Interest Agreements”* (“GASB 81”), which will be effective in fiscal year 2018. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 82, *“Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73”* (“GASB 82”), which will be effective in fiscal year 2017 except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The objective of this statement is to address issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 83, *“Certain Asset Retirement Obligations”* (“GASB 83”), which will be effective in fiscal year 2019. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 84, *“Fiduciary Activities”* (“GASB 84”), which will be effective in fiscal year 2020. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The City has not yet evaluated the impact of the implementation of this standard.

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

II. Reconciliation of government-wide and fund financial statements

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. 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 \$241,205,000 difference is as follows:

General Obligation bonds – General Government portion	\$177,500,000
Certificates of Obligation – General Government portion	<u>63,705,000</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at net position – governmental activities	<u>\$241,205,000</u>

The portion of Certificates of Obligation amounting to \$25,605,000 and a portion of General Obligation amounting to \$1,270,000 was issued for Internal Service fund projects.

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

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 position 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 position. Also, governmental funds report the effect of 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 \$6,525,364 difference are as follows:

Debt issued or incurred:	
Issuance of certificate of obligation – Governmental Funds	\$ (14,765,000)
Net premium on issuance of CO bonds	(2,004,721)
Principal repayments:	
General obligation debt	16,500,000
Certificates of obligation	5,100,000
Amortization of bond premium	2,537,102
Change in landfill closure liability	(742,733)
Change in compensated absences liability	<u>(99,284)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 6,525,364</u>

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 \$7,727,653 difference are as follows:

Capital outlays	\$ 29,638,166
Developers contributions	3,163,472
General Fund expense outlays	3,722,228
Depreciation expense	(27,465,335)
CIP expense outlays	(48,557)
Proceeds from disposal of assets	(624,725)
Gain on disposals of assets	(657,596)
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 7,727,653

III. Stewardship, compliance, and accountability

Deficit fund equity

The Self-Insurance Fund deficit of \$2,546,326 will be eliminated by increasing charges to other operating funds in future years.

The Long-Term Disability Insurance Fund deficit of \$1,300,465 is the result of an accrual of claims incurred but not reported of \$2,875,700. This accrual was made on the basis of an actuarial analysis completed in 2016. This fund is managed and funded on a cash basis. Therefore, this fund will continue to report a deficit.

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

IV. Detailed notes on all funds

A. Deposits and investments

Deposits. State statutes and the City's investment policy require that all uninsured deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies or instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by state statutes as of September 30, 2016. Collateral was held by the Federal Reserve Bank in the City name under a joint safekeeping agreement with JP Morgan Chase Bank. The market value of the collateral at the close of the fiscal year was \$32,219,553.

As of September 30, 2016, the carrying amount of the City's deposits was \$24,513,716 and the bank balance was \$29,310,028. These balances include the City's blended component unit (Garland Foundation for Development). On September 30, 2016, the City's bank balance and the balance for GFFD was fully collateralized. Bank balances for the City's discretely presented component unit (Garland Housing Finance Corporation) were fully collateralized and the carrying value of the component unit's deposits was \$738,824.

Investments. State statutes, the City's Investment Policy, and the City Statement of Investment Strategies govern the investments of the City. The City is authorized to invest in obligations of the U.S. Government and its agencies and instrumentalities, federal agency discount-amortizing notes, federal agency coupon securities, managed pool accounts and Certificates of Deposit.

As of September 30, 2016, the City had the following cash equivalents and investments:

<u>Investment Type</u>	<u>Fair Value</u>		<u>% of portfolio</u>	<u>WAM</u>	<u>Rating</u>	<u>Rating Agency</u>
	<u>Book Value</u>	<u>Level 2</u>				
Federal Farm Credit Bank	\$ 169,499,149	\$ 169,469,254	36.65%	482	AA+/Aaa	S&P/Moody's
Federal Home Loan Bank	80,844,100	80,811,760	17.48%	358	AA+/Aaa	S&P/Moody's
Federal Home Loan Mortgage Corp	44,027,992	44,027,242	9.52%	453	AA+/Aaa	S&P/Moody's
Federal National Mortgage Association	16,511,676	16,535,647	3.57%	612	AA+/Aaa	S&P/Moody's
Municipal Bonds	300,043	300,009	.06%	45	AA+/Aaa	S&P/Moody's
Certificates of Deposit	39,398,940	-	8.52%	1	N/A	N/A
Investment Pools	111,950,346	-	24.20%	1	AAAm	S&P
Total investment fair value	<u>\$ 462,532,246</u>	<u>\$ 311,143,912</u>	<u>100.00%</u>	<u>307</u>		

Weighted average maturity (WAM) of the portfolio by investment type categories reflected in the previous table is stated in days. The rating agency acronyms are defined as follows: S&P-Standard & Poor's rating agency and Moody's-Moody's Investor Service.

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

Fair Value Measurement. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets and liabilities in active markets that government can access at the measurement date.
- Level 2 inputs are inputs (other than quoted prices within Level 1) that are observable for an asset and liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. For the City, all of the U.S. Government Agency securities and Municipal obligations are classified in Level 2 of the fair value hierarchy and are valued based on their relationship to benchmark quoted prices. Investment Pools and Certificates of Deposit are measured at amortized cost or net asset value and are exempt from fair value reporting.

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 WAM of three years or less. As of September 30, 2016, the WAM for all cash equivalents and investments was 307 days.

Credit risk. The risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating organization. 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, 2016.

The City invests in Texpool and Texstar to meet its daily liquidity needs. Texpool and Texstar 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 and Texstar 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 and Texstar are all rated AAAM and must maintain a dollar weighted average maturity not to exceed a 60 day limit. The City considers the holdings in these funds to have a WAM 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.

The City invests in Certificates of Deposit. The City has entered into custody services agreements with Stone Castle Cash Management and USA Mutuals to act as authorized agents to purchase and manage Certificates of Deposit (CDs) in depository banks. The CDs held at each bank are in the City's name and the CD cannot exceed the FDIC insurance amount. Money can be withdrawn from Stone Castle Cash Management or USA Mutuals with one day notice. The City considers the holding in these CDs to have a weighted average maturity of one day, due to the fact that these funds can be withdrawn with one day notice.

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, 2016, the City held no direct investments in commercial paper.

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

As of September 30, 2016, 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	\$ 1,469,119
Fixed Income Mutual Funds	1,416,468
Money Market Fund	<u>123,053</u>
 Total investment fair value	 <u>\$ 3,008,640</u>

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:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Other Funds</u>	<u>Total</u>
Receivables:								
Interest	\$ 46,353	\$ 647	\$ 79,573	\$ 49,418	\$ 12,557	\$ 20,915	\$ 59,870	\$ 269,333
Taxes	1,002,537	790,325	-	-	-	-	-	1,792,862
Utility Accounts	171,766	-	-	19,685,673	6,492,354	3,388,650	3,288,427	33,026,870
Mowing Liens	1,044,967	-	-	-	-	-	-	1,044,967
EMS Accounts	7,413,615	-	-	-	-	-	-	7,413,615
Franchise Fee	1,732,577	-	-	-	-	-	-	1,732,577
Sales Tax	4,819,472	-	-	-	-	-	-	4,819,472
Wholesale & Other Accts	2,861,015	-	3,339,170	20,511,980	231,829	3,107,724	3,730,141	33,781,859
Assessments	17,194	-	-	-	-	-	-	17,194
Gross Receivables	19,109,496	790,972	3,418,743	40,247,071	6,736,740	6,517,289	7,078,438	83,898,749
Less: allowance for uncollectibles	(8,083,846)	(436,067)	-	(592,794)	(157,889)	(101,286)	(217,802)	(9,589,684)
Net total receivables	<u>\$11,025,650</u>	<u>\$ 354,905</u>	<u>\$ 3,418,743</u>	<u>\$ 39,654,277</u>	<u>\$ 6,578,851</u>	<u>\$ 6,416,003</u>	<u>\$ 6,860,636</u>	<u>\$ 74,309,065</u>

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

Governmental funds 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 *unearned revenue* in the governmental funds were as follows:

	Unearned
Parks service charges for future events	\$ 224,654
Faulkner receivable	305,179
Grant drawdowns prior to meeting all eligibility requirements	219,595
Homeowner assistance	3,801,910
Other receivables related to capital projects	14,496,056
	\$ 19,047,394

Governmental funds defer revenue recognition in connection with resources that have been earned, but not yet available. These amounts are reported as deferred inflows of resources. At the end of the current fiscal year, the various components of deferred inflows of resources in the governmental funds were as follows:

	Unavailable
Delinquent property taxes receivable (general fund)	\$ 399,068
Delinquent property taxes receivable (debt service fund)	314,596
Sales tax, mowing liens, EMS, & other receivables (general fund)	4,155,101
Other receivables related to capital projects	3,339,170
	\$ 8,207,935

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

C. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

Primary government

	Balance at Oct. 1, 2015	Increases	Decreases	Balance at Sept. 30, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 82,021,467	\$ 425,315	\$ -	\$ 82,446,782
Internal service land	221,949	-	-	221,949
Construction in progress	25,052,098	30,087,867	(17,510,265)	37,629,700
Internal service construction in progress	2,727,060	6,286,150	(885,820)	8,127,390
Total capital assets, not being depreciated	<u>110,022,574</u>	<u>36,799,332</u>	<u>(18,396,085)</u>	<u>128,425,821</u>
Capital assets, being depreciated:				
Buildings	105,080,989	13,120,949	-	118,201,938
Improvements other than buildings	472,576,763	4,038,934	(12,071,001)	464,544,696
Machinery and equipment	85,629,418	6,312,509	(5,317,495)	86,624,432
Internal service buildings, improvements, and equipment	101,836,572	4,958,315	(2,461,711)	104,333,176
Total capital assets being depreciated	<u>765,123,742</u>	<u>28,430,707</u>	<u>(19,850,207)</u>	<u>773,704,242</u>
Less accumulated depreciation for:				
Buildings	(43,069,447)	(2,731,552)	-	(45,800,999)
Improvements other than buildings	(348,355,812)	(18,406,704)	12,071,001	(354,691,515)
Machinery, furniture, and equipment	(58,978,102)	(6,327,076)	4,035,171	(61,270,007)
Internal service buildings, improvements, and equipment	(52,708,026)	(8,540,387)	2,417,817	(58,830,596)
Total accumulated depreciation	<u>(503,111,387)</u>	<u>(36,005,719)</u>	<u>18,523,989</u>	<u>(520,593,117)</u>
Total capital assets, being depreciated, net	<u>262,012,355</u>	<u>(7,575,012)</u>	<u>(1,326,218)</u>	<u>253,111,125</u>
Governmental activities capital assets, net	<u>\$ 372,034,929</u>	<u>\$ 29,224,320</u>	<u>\$ (19,722,303)</u>	<u>\$381,536,946</u>

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

	Balance at Oct. 1, 2015	Increases	Decreases	Balance at Sept. 30, 2016
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 26,029,527	\$ 4,817,958	\$ -	\$ 30,847,485
Construction in progress	29,932,710	84,920,475	(54,919,525)	59,933,660
Total capital assets, not being depreciated	55,962,237	89,738,433	(54,919,525)	90,781,145
Capital assets, being depreciated:				
Utility buildings, improvements, and equipment	1,293,689,196	55,343,179	(13,165,526)	1,335,866,849
Total capital assets being depreciated	1,293,689,196	55,343,179	(13,165,526)	1,335,866,849
Less accumulated depreciation for:				
Utility buildings, improvements, and equipment	(532,067,421)	(37,839,758)	10,197,423	(559,709,756)
Total accumulated depreciation	(532,067,421)	(37,839,758)	10,197,423	(559,709,756)
Total capital assets, being depreciated, net	761,621,775	17,503,421	(2,968,103)	776,157,093
Business-type activities capital assets, net	\$ 817,584,012	\$107,241,854	\$ (57,887,628)	\$ 866,938,238

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	\$ 1,144,549
Public safety	3,446,825
Public works	19,600,362
Culture and recreation	3,189,111
Public health	84,485
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	8,540,387
Total depreciation expense – governmental activities	\$ 36,005,719
Business-type activities:	
Electric	\$ 14,272,684
Water	7,416,005
Sewer	12,986,578
Other non-major business-type activities	3,164,491
Total depreciation expense – business-type activities	\$ 37,839,758

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, 2016. At year-end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Water System	\$ 5,813,517	\$ 4,204,109
Sewer System	9,277,950	19,505,425
Electric System	3,831,157	124,328
Landfill	1,675,598	828,809
Streets and Drainage	8,419,410	18,160,435
Buildings	20,464,576	3,448,740
Total	\$ 49,482,208	\$ 46,271,846

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

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2016, is as follows:

Interfund Payable	General	Total
Electric	33,575	33,575
Non-Major Business-type	206,148	206,148
Internal Service Funds	1,347,019	1,347,019
Non-Major Governmental	444,597	444,597
	\$ 2,031,339	\$ 2,031,339

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, 2016, is as follows:

Advance Payable	Electric	Total
Internal Service	\$ 3,896,269	\$ 3,896,269

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.

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

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:

	General Fund	Debt Service Fund	Capital Project Fund	Non-major Governmental Funds	Electric	Water	Sewer	Non-major Business-Type Funds	Internal Service Funds	Total Transfers
General	\$ -	\$ -	\$1,731,061	\$84,471	\$ -	\$ -	\$ -	\$500,000	\$ 11,279	\$2,326,811
Debt Service	-	-	4,000,000	-	-	-	-	-	86,469	4,086,469
Capital Project	3,400,000	-	-	-	23,202	-	-	340,000	3,793,000	7,556,202
Non-major Governmental	50,000	-	-	-	-	-	-	-	-	50,000
Electric	21,438,886	172,083	-	-	-	127,372	84,914	-	720,932	22,544,187
Water	6,214,206	95,389	-	-	-	-	-	-	21,319	6,330,914
Sewer	5,637,898	96,591	-	-	-	-	-	-	108,666	5,843,155
Non-major Business-Type	960,007	124,644	255,273	-	-	-	-	-	-	1,339,924
Internal Service	-	12,062	-	-	-	-	-	-	-	12,062
	<u>\$37,700,997</u>	<u>\$500,769</u>	<u>\$5,986,334</u>	<u>\$84,471</u>	<u>\$23,202</u>	<u>\$127,372</u>	<u>\$84,914</u>	<u>\$840,000</u>	<u>\$4,741,665</u>	<u>\$50,089,724</u>

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 taxes 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)

E. Long-term liabilities

A summary of long-term liabilities, including current portion, for the year ended September 30, 2016, is as follows:

	Balance at Oct. 1, 2015	Increased	Retired	Balance at Sept. 30, 2016	Due within one year
Governmental activities:					
General obligation bonds	\$ 195,530,000	\$ -	\$ (16,760,000)	\$ 178,770,000	\$ 16,325,000
Certificates of obligation	79,960,000	16,450,000	(7,100,000)	89,310,000	7,500,000
Unamortized premium and defeased debt costs	10,336,122	2,164,477	(2,559,470)	9,941,129	-
Landfill post closure cost	10,792,323	742,733	-	11,535,056	-
Compensated absences	20,072,739	2,473,958	(2,317,243)	20,229,454	8,218,734
Insurance claims payable	12,237,374	27,058,728	(27,275,928)	12,020,174	5,146,334
OPEB liability	15,918,824	4,782,136	(3,133,513)	17,567,447	-
Net pension liability	-	40,864,821	-	40,864,821	-
Governmental activities Long-term debt	<u>\$ 344,847,382</u>	<u>\$ 94,536,853</u>	<u>\$ (59,146,154)</u>	<u>\$ 380,238,081</u>	<u>\$ 37,190,068</u>
Business-type activities:					
Utility System revenue bonds	\$ 359,100,000	\$ -	\$ (21,270,000)	\$ 337,830,000	\$ 22,625,000
General obligation bonds	46,335,000	-	(9,675,000)	36,660,000	8,885,000
Certificates of obligation	187,630,000	3,760,000	(13,270,000)	178,120,000	14,195,000
Unamortized premium and defeased debt costs	37,664,196	460,295	(7,692,298)	30,432,193	-
Commercial Paper	35,000,000	89,910,000	(35,000,000)	89,910,000	-
Derivative instruments-energy risk management	9,277,727	116,248	(9,277,727)	116,248	-
Compensated absences	2,679,310	604,818	(372,698)	2,911,430	2,260,249
OPEB liability	4,272,847	1,675,608	(1,847,948)	4,100,507	-
Net pension liability	-	15,261,534	-	15,261,534	-
Business-type activities Long-term debt	<u>\$ 681,959,080</u>	<u>\$ 111,788,503</u>	<u>\$ (98,405,671)</u>	<u>\$ 695,341,912</u>	<u>\$ 47,965,249</u>

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 \$1,270,000 of general obligation bond debt, \$25,605,000 of certificates of obligation, \$868,321 of compensated absences, \$352,896 of unamortized premium costs, \$2,827,998 of OPEB liabilities, and \$5,356,154 of net pension liability from the Internal Service Funds are included in the governmental activities general obligation bonds, certificates of obligation, compensated absences, OPEB, and net pension liabilities. 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 \$14,765,000 from the sale of certificates of obligation for governmental activities are reported as follows:

<u>Fund</u>	Certificates of Obligation	Total Bonded Debt
Capital Project Fund – proceeds from issuance of debt	<u>\$14,765,000</u>	<u>\$ 14,765,000</u>
Total	<u>\$14,765,000</u>	<u>\$ 14,765,000</u>

A summary of short-term debt transactions for the year ended September 30, 2016, is as follows:

	Balance at October 1, 2015	Increased	Retired	Balance at September 30, 2016
<u>Governmental activities:</u>				
Commercial Paper	\$ <u>10,000,000</u>	\$ <u>10,000,000</u>	\$ <u>(10,000,000)</u>	\$ <u>10,000,000</u>
Governmental activities short-term debt	\$ <u>10,000,000</u>	\$ <u>10,000,000</u>	\$ <u>(10,000,000)</u>	\$ <u>10,000,000</u>

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 GO commercial paper.

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

Long-term debt at September 30, 2016, includes the following individual issues (not including the unamortized premium costs of \$40,373,322):

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
General obligation bonds:						
2007A Refunding	4.00 – 5.00	2/15/2007	2/15/2025	\$ 67,385,000	\$ 25,755,000	\$ 41,630,000
2008A Refunding	4.00 – 5.00	6/15/2008	2/15/2025	57,760,000	20,700,000	37,060,000
2011A Refunding	2.00 -- 4.00	11/01/2011	2/15/2024	17,995,000	8,580,000	9,415,000
2011B Refunding	2.00 -- 5.00	11/01/2011	2/15/2028	41,360,000	2,490,000	38,870,000
2013 Refunding	2.00 – 4.00	6/06/2013	2/15/2019	12,280,000	8,970,000	3,310,000
2014 Refunding	2.00 – 3.00	2/20/2014	2/15/2022	18,450,000	5,520,000	12,930,000
2014A Refunding	3.00 – 5.00	11/20/2014	2/15/2020	34,215,000	6,400,000	27,815,000
2015A Refunding	2.00 – 5.00	2/19/2015	2/15/2035	22,695,000	335,000	22,360,000
2015B Refunding	2.00 – 2.55	2/19/2015	2/15/2025	22,490,000	450,000	22,040,000
				<u>\$ 294,630,000</u>	<u>\$ 79,200,000</u>	<u>\$ 215,430,000</u>
Certificates of Obligation:						
1997B Golf course	5.50 – 5.50	8/15/1997	8/15/2027	\$ 600,000	\$ 600,000	\$ -
2007 Various purpose	4.00 – 5.625	5/15/2007	2/15/2022	16,975,000	5,485,000	11,490,000
2008 Various purpose	.3.00 – 4.75	6/15/2008	2/15/2028	15,965,000	8,495,000	7,470,000
2009 Various purpose	.3.00 – 5.25	5/15/2009	2/15/2029	22,985,000	6,210,000	16,775,000
2010 Electric utility	.2.00 – 5.00	3/01/2010	2/15/2030	126,885,000	3,180,000	123,705,000
2010 Various purpose	.2.00 – 4.50	4/15/2010	2/15/2030	3,205,000	1,460,000	1,745,000
2011 Various purpose	2.00 – 4.25	6/15/2011	2/15/2031	4,260,000	2,035,000	2,225,000
2012 Various purpose	2.00 – 3.375	6/01/2012	2/15/2032	6,755,000	3,055,000	3,700,000
2013 Various purpose	2.00 – 4.00	6/06/2013	2/15/2033	12,725,000	3,755,000	8,970,000
2014 Various purpose	2.00 – 4.00	6/19/2014	2/15/2034	13,475,000	3,205,000	10,270,000
2015 Various purpose	2.50 – 5.00	6/30/2015	2/15/2035	18,205,000	1,410,000	16,795,000
2015 Electric utility	5.00 – 5.00	8/27/2015	2/15/2020	53,870,000	9,795,000	44,075,000
2016 Various purpose	2.00 – 5.00	6/01/2016	2/15/2036	20,210,000	-	20,210,000
				<u>\$ 316,115,000</u>	<u>\$ 48,685,000</u>	<u>\$267,430,000</u>

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

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
Utility system revenue bonds:						
2007 Electric Utility	4.00 – 5.625	5/15/2007	3/01/2027	\$ 21,050,000	\$ 6,700,000	\$ 14,350,000
2007 Water & Sewer	4.00 – 5.625	5/15/2007	3/01/2027	29,070,000	9,145,000	19,925,000
2008 Electric Utility	3.25 – 4.75	6/15/2008	3/01/2028	10,115,000	3,375,000	6,740,000
2008 Water & Sewer	3.00 – 5.25	6/15/2008	3/01/2028	39,900,000	11,950,000	27,950,000
2009 Electric Utility	3.25 – 5.25	5/15/2009	3/01/2029	11,760,000	6,600,000	5,160,000
2009 Water & Sewer	2.00 – 4.75	5/15/2009	3/01/2029	18,090,000	4,965,000	13,125,000
2010 Water & Sewer	2.00 – 4.75	4/15/2010	3/01/2030	21,270,000	4,460,000	16,810,000
2011 Electric Utility	2.00 – 5.00	6/15/2011	3/01/2031	7,185,000	435,000	6,750,000
2011 Water & Sewer	2.00 – 5.00	6/15/2011	3/01/2031	19,205,000	785,000	18,420,000
2011A Electric Utility	3.00 – 5.00	11/01/2011	3/01/2024	20,830,000	6,115,000	14,715,000
2011A Water & Sewer	3.00 – 5.00	11/01/2011	3/01/2024	30,150,000	8,790,000	21,360,000
2012 Water & Sewer	2.00 – 4.00	6/01/2012	3/01/2032	8,415,000	1,345,000	7,070,000
2013 Electric Utility	2.00 – 2.25	6/06/2013	3/01/2025	11,790,000	1,075,000	10,715,000
2013 Water & Sewer	3.00 – 3.375	6/06/2013	3/01/2033	29,925,000	3,390,000	26,535,000
2014 Electric Utility	2.00 – 5.00	6/30/2014	3/01/2034	85,305,000	4,575,000	80,730,000
2014 Water & Sewer	3.00 – 3.375	6/19/2014	3/01/2034	38,175,000	4,570,000	33,605,000
2015 Electric Utility	2.00 – 5.00	2/19/2015	3/01/2025	15,355,000	1,485,000	13,870,000
				<u>\$ 417,590,000</u>	<u>\$ 79,760,000</u>	<u>\$ 337,830,000</u>

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Tax anticipation notes						
2015 Tax anticipation	0.849	9/30/2015	3/01/2016	\$ 4,000,000	\$ 4,000,000	\$ -
2016 Tax anticipation	1.15	9/29/2016	3/01/2017*	7,350,000	-	7,350,000
				<u>\$ 11,350,000</u>	<u>\$ 4,000,000</u>	<u>\$ 7,350,000</u>

*The City considers this short-term. The notes were called and final payment was made on March 1, 2017.

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

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Commercial Paper						
2014 Electric Commercial Paper Issue	0.09	9/03/2015	12/08/2015	\$ 25,000,000	\$ 25,000,000	\$ -
2014 Electric Commercial Paper Issue	0.05	8/02/2016	10/06/2016	55,000,000	-	55,000,000
2016 Electric Commercial Paper Issue	1.096	9/29/2016	05/31/2019	14,910,000	-	14,910,000
2015 Water/Sewer Commercial Paper Issue	0.07	9/30/2015	01/06/2016	10,000,000	10,000,000	-
2015 Water/Sewer Commercial Paper Issue	0.069	9/30/2015	10/11/2016	10,000,000	-	10,000,000
2015 Water/Sewer Commercial Paper Issue	0.074	9/30/2015	11/09/2016	10,000,000	-	10,000,000
				<u>\$ 124,910,000</u>	<u>\$ 35,000,000</u>	<u>\$ 89,910,000</u>

Commercial paper notes (CP) related to the enterprise funds are considered long-term instruments. Interest is paid at maturity but principal is rolled forward by issuing new CP. This process continues, typically for three years, until revenue bonds are issued to refinance outstanding CP. Only after revenue bonds are issued do principal payments begin. The combined amortization of the revenue bonds 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 revenue commercial paper.

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

The annual requirements to amortize outstanding debt as of September 30, 2016, including interest payments of \$241,079,777 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 are excluded from the summary:

Governmental Activities				
Years Ending September 30,	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2017	\$ 16,325,000	\$ 7,078,485	\$ 7,500,000	\$ 3,698,903
2018	18,370,000	6,362,691	7,705,000	3,237,702
2019	18,555,000	5,557,947	7,305,000	2,928,773
2020	19,245,000	4,750,223	7,125,000	2,630,443
2021	18,445,000	3,994,048	7,305,000	2,324,590
2022-2026	66,555,000	10,460,980	34,410,000	7,061,120
2027-2031	15,070,000	2,072,400	15,230,000	1,439,208
2032-2036	6,205,000	379,275	2,730,000	179,816
Total	\$178,770,000	\$ 40,656,049	\$ 89,310,000	\$ 23,500,555

Business-type Activities						
Years Ending September 30,	Revenue Bonds		General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 22,625,000	\$ 14,629,529	\$ 8,885,000	\$ 1,596,813	\$ 14,195,000	\$ 8,439,287
2018	23,525,000	13,696,310	8,930,000	1,154,813	14,670,000	7,746,974
2019	24,535,000	12,703,663	7,875,000	738,138	16,220,000	7,019,499
2020	25,585,000	11,646,791	6,960,000	368,462	16,990,000	6,204,574
2021	26,705,000	10,501,282	3,205,000	114,337	8,990,000	5,558,024
2022-2026	124,285,000	34,462,662	805,000	17,106	54,035,000	20,188,982
2027-2031	66,660,000	12,901,674	-	-	53,020,000	5,467,731
2032-2036	23,910,000	1,766,522	-	-	-	-
Total	\$337,830,000	\$112,308,433	\$ 36,660,000	\$ 3,989,669	\$178,120,000	\$ 60,625,071

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

At September 30, 2016, the City has authorized but unissued general obligation bonds and general obligation commercial paper in the amount of \$110,134,506 as follows:

	Balance at Oct.1, 2015	General Obligation Bonds Issued	GO Commercial Paper Issued	Balance at Sept.30, 2016
Streets Improvements	\$ 73,254,506	\$ -	\$ 7,690,000	\$ 65,564,506
Park Improvements	18,685,000	-	600,000	18,085,000
Drainage Improvements	12,575,000	-	965,000	11,610,000
Municipal Facilities	9,170,000	-	305,000	8,865,000
Library Improvements	810,000	-	5,000	805,000
Public Safety	2,275,000	-	435,000	1,840,000
Economic Development	3,365,000	-	-	3,365,000
	<u>\$ 120,134,506</u>	<u>\$ -</u>	<u>\$ 10,000,000</u>	<u>\$ 110,134,506</u>

General Obligation Refunding Bonds do not impact the authorized but unissued General Obligation bonds. 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 \$211,320,202 in outstanding Electric Utility System Revenue Bonds and \$238,818,231 in outstanding Water & Sewer Utility System Revenue Bonds. Proceeds from the revenue bonds provide financing for the acquisition and construction of various Electric, Water and Sewer assets. The bonds are payable solely from Electric, Water and Sewer net revenues and are payable through 2034. Principal paid and interest incurred for the current year was as follows:

Utility Revenue Bonds	Principal	Interest	Total	Pledged Revenue
Electric	\$ 8,780,000	\$ 7,189,726	\$ 15,969,726	\$ 26,212,434
Water & Sewer	12,490,000	8,303,317	20,793,317	43,114,007

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	Purpose
Certificates of Obligation, Series 2016	\$ 20,210,000	Constructing and improving various facilities in the City, acquiring equipment and vehicles for Firewheel golf course, the environmental waste services department, the storm water department, and the fleet services department, street and infrastructure improvements
GO Commercial Paper	10,000,000	Short term debt
Electric Commercial Paper, Series 2014	55,000,000	Long term debt
Electric System Notes, Series 2016	14,910,000	Long term debt
Water and Sewer Commercial Paper, Series 2015	20,000,000	Long term debt
Tax Anticipation Note, Series 2016	7,350,000	Short term capital projects

F. Retirement Plans

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credit with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one or seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

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 credit 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.

A summary of the plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required to vesting	5
Service retirement eligibility	age 60 with five or more years of service or with 20 years of service regardless of age

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,262
Inactive employees entitled to but not yet receiving benefits	525
Active employees	<u>1,974</u>
	3,761

Contributions

The contribution rate for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.04% and 10.50% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for fiscal year 2016, were \$15,134,606, and were equal to the required contributions.

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

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on service-related table. Mortality rates for active members, retirees, and beneficiaries were based on gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5 %	4.55 %
International Equity	17.5	6.10
Core Fixed Income	10.0	1.00
Non-Core Fixed Income	20.0	3.65
Real Return	10.0	4.03
Real Estate	10.0	5.00
Absolute Return	10.0	4.00
Private Equity	5.0	8.00
Total	100.0 %	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefits payments to current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

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

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at December 31, 2014	\$821,094,349	\$827,166,176	\$ (6,071,827)
Changes for the year:			
Service Cost	20,067,678		20,067,678
Interest (on the total pension liability)	56,833,734		56,833,734
Difference between expected and actual experience	(6,147,278)		(6,147,278)
Change in assumptions	15,651,656		15,651,656
Benefit payments, including refunds of employee contributions	(38,435,413)	(38,435,413)	-
Contributions-employer		14,462,360	(14,462,360)
Contributions – employee		9,304,889	(9,304,889)
Net investment income		1,220,504	(1,220,504)
Administrative expense		(743,428)	743,428
Other		(36,717)	36,717
Net changes	<u>47,970,377</u>	<u>(14,227,805)</u>	<u>62,198,182</u>
Balance at December 31, 2015	<u>\$869,064,726</u>	<u>\$812,938,371</u>	<u>\$ 56,126,355</u>

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1 % Increase 7.75%
<u>\$ 164,126,831</u>	<u>\$ 56,126,355</u>	<u>\$ (34,367,083)</u>

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

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$25,048,022.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ (7,026,004)
Difference in assumption changes	12,753,201	-
Difference between projected and actual investment earnings on pension plan investments	51,452,912	-
Employer contributions subsequent to the measurement date	10,874,884	-
	\$ 75,080,997	\$ (7,026,004)

Deferred outflows of resources of \$10,874,884 related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows or resources related to pensions will be recognized in pension expense as follows:

Year ended	
September 30,	
2017	\$ 14,572,985
2018	14,572,985
2019	14,572,985
2020	12,757,125
2021	704,029
Total	\$ 57,180,109

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 and does not issue a publicly available financial report. Retirees are eligible to participate in the City's retiree benefits program if they are a retired employee of the City, had employee medical coverage in the City's group plans for at least five years prior to retirement, and meet the Texas Municipal Retirement System (TMRS) criteria listed on page 72. Dependents are eligible to participate in the City's retiree benefits program if they are enrolled at the time of retirement.

As of September 30, 2016, the City has 207 retirees and 110 retirees and family participating in the health plan out of 2,120 employees eligible to participate upon retirement.

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:

	2014	2015	2016
Annual Required Contribution	\$ 7,612,703	\$ 6,208,843	\$ 6,348,870
Interest on Net OPEB Obligation	757,252	876,445	959,104
Adjustment to Annual Required Contribution	(751,885)	(776,955)	(850,231)
Annual OPEB Cost	7,618,070	6,308,333	6,457,743
Employer contribution to trust fund	(500,000)	(750,000)	(750,000)
Employer Contributions with interest	(4,608,747)	(3,818,135)	(4,231,460)
Increase in Net OPEB Obligation	2,509,323	1,740,198	1,476,283
Net OPEB Obligation beginning of year	15,942,150	18,451,473	20,191,671
Net OPEB Obligation end of year	<u>\$18,451,473</u>	<u>\$20,191,671</u>	<u>\$21,667,954</u>

In addition to the employer contribution, the retirees paid \$2,807,076 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
9/30/2014	\$ 7,618,070	\$ 5,108,747	67.1%	\$ 18,451,473
9/30/2015	\$ 6,308,333	\$ 4,568,137	72.4%	\$ 20,191,669
9/30/2016	\$ 6,457,743	\$ 4,981,460	77.1%	\$ 21,667,954

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

Actuarial Assumptions

Actuarial Valuation Date	10/01/2015
Actuarial Cost Method	- Projected Unit Credit
Amortization Method	- Level Percent of Payroll
Remaining Amortization Period	- 25 Years - Closed Period
Investment Rate of Return	- 4.75%
Projected Salary Increases	- Varies by age and service
Includes Healthcare cost trend at	- 9.0% (the City's portion of the annual increase is expected to be capped at 3%)
Inflation rate	- 3.5%
Cost-of-living Adjustments	- None

Schedule of Funding Information

Actuarial valuation date	10/01/2015
Actuarial value of assets	\$3,149,078
Actuarial accrued liability (AAL)	\$88,560,602
Unfunded actuarial accrued liability (UAAL)	\$85,411,524
Funded ratio	3.69%
Annual covered payroll (actuarial)	\$130,238,350
UAAL as % of covered payroll	65.6%

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.

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

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, 2016, 2015, and 2014 were \$273,505, \$231,587, and \$240,325, respectively.

H. Self Insurance

Self-insurance for general and auto liability exposure and workers' compensation is maintained in the Self-Insurance Fund of the Internal Service Fund. A private insurance company administers workers' compensation claims and losses for the City. Self-insurance premiums of \$6,568,660 were collected from funds that participate in these. 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, 2016, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in December 2016 claims payable as of September 30, 2016 was estimated at \$7,262,640.

Long-Term Disability (LTD) 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 \$2,875,700 has been established for projected future 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, 2016, a short-term liability of \$1,881,834 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.

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

Changes in the self-insurance, long-term disability and group health insurance claims payable in fiscal years 2015 and 2016 were:

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 – 2015	\$ 7,123,929	\$ 2,350,755	\$ -	\$ 2,350,755	\$ 7,123,929	\$ 3,149,974
Self Insurance – 2016	7,123,929	2,560,822	138,711	2,560,822	7,262,640	2,774,500
Long-Term Disability – 2015	2,934,187	285,886	-	285,886	2,934,187	440,486
Long-Term Disability – 2016	2,934,187	373,948	(58,487)	373,948	2,875,700	490,000
Group Health – 2015	806,842	20,129,931	1,372,416	20,129,931	2,179,258	2,179,258
Group Health – 2016	2,179,258	23,985,247	(297,424)	23,985,247	1,881,834	1,881,834

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.

The City pays TMPA a pro-rated monthly charge based on the City’s contractual portion of TMPA’s annual fixed operating costs and debt service payments which is currently 47%. During 2016, the City paid TMPA \$73,036,416 for these charges for the year. It is anticipated that the City will pay \$68,873,134 for these charges during FY2017, of which \$29,635,000 has been placed in escrow.

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

Total debt of TMPA at September 30, 2016, amounted to \$416,455,000 of which \$119,410,000 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. The Cities are obligated to guarantee the payment of TMPA's Prior Lien Bonds (the "Debt Service Guarantee").

TMPA
 Outstanding Debt Amounts
 September 30, 2016
 (reported in thousands)

	Long-Term	Current	Total
Revenue Bonds	\$ 207,930	\$ 119,410	\$ 327,340
Tax Exempt Commercial Paper	89,115	-	89,115
	\$ 297,045	\$ 119,410	\$ 416,455

On March 1, 2010, the City issued Combination Tax & Electric Utility System Revenue Refunding Bonds, Series 2010 with a maturity of 20 years for the purpose of prepaying certain contractual obligations to TMPA. The principal amount of the bonds was \$126,885,000 with a reoffering premium and other bond issuance costs of \$11,367,850 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 Position 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. The City has recorded a total of \$44,932,176 of accrued amortization, leaving a balance in the Other Assets account of \$93,320,674 at September 30, 2016.

On August 27, 2015, the City issued Combination Tax & Electric Utility System Surplus Revenue Refunding Bonds, Series 2015 with a maturity of 5 years for the purpose of prepaying certain contractual obligations to TMPA. The principal amount of the bonds was \$53,870,000 with a reoffering premium and other issuance costs of \$5,400,000 for a total of \$59,270,000. Since the proceeds of this debt issuance were placed with an escrow agent and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Position in the amount of \$59,270,000. The City is amortizing the Other Asset over a period of 2 years. The City has recorded a total of \$29,635,000 of accrued amortization, leaving a balance in the Other Assets account of \$29,635,000 at September 30, 2016.

Financial statements for TMPA are available from the TMPA website texasmpa.org or through the City of Garland Financial Services 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 annually the amount per IRS limitations on a tax-deferred basis up to the annual contribution limit allowed by the IRS. 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

The discrete component unit was created to issue revenue bonds to provide financial assistance to qualified homeowners. 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 at December 31, 2015, is as follows:

Series	Garland Housing Finance Corporation	Total
2005	\$ 12,218,201	\$ 12,218,201
	\$ 12,218,201	\$ 12,218,201

L. Business-Type Blended Component Unit

The Garland Foundation for Development (GFFD) was organized to promote economic development within the City of Garland. GFFD is reported as a blended component unit of the non-major enterprise golf fund. A summary of the condensed combining information at September 30, 2016, is as follows:

Golf Fund Condensed Statement of Net Position

	Golf	GFFD	Eliminating Entries	Total
Current Assets	\$ 41,912	\$ 29,347	\$ (16,058)	\$ 55,201
Other Assets	121,554	-	-	121,554
Capital Assets	16,256,665	-	-	16,256,665
Total Assets	16,420,131	29,347	(16,058)	16,433,420
Deferred outflow of resources-pensions	425,758	-	-	425,758
Current Liabilities	330,918	63,475	(16,058)	378,335
Other Liabilities	613,749	-	-	613,749
Total Liabilities	944,667	63,475	(16,058)	922,084
Deferred inflow of resources-pensions	39,842	-	-	39,842
Net Investment in Capital Assets	16,378,219	-	-	16,378,219
Unrestricted Net Position	(516,839)	(34,128)	-	(550,967)
Net Position	\$ 15,861,380	\$ (34,128)	-	\$ 15,827,252

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

Golf Fund Condensed Statement of
Revenues, expenses, and changes in
Net Position

	Golf	GFFD	Eliminating Entries	Total
Operating Revenues	\$ 3,031,281	\$ 588,334	\$ -	\$ 3,619,615
Operating expenses before depreciation	(3,363,477)	(1,495,886)	875,000	(3,984,363)
Depreciation	(1,007,401)	-	-	(1,007,401)
Total Operating Loss	(1,339,597)	(907,552)	875,000	(1,372,149)
Gain on disposal of capital assets	55,743	-	-	55,743
Earnings on investments	504	-	-	504
Net transfers	840,000	875,000	(875,000)	840,000
Change in Net Position	(443,350)	(32,552)	-	(475,902)
Net Position, beginning of year	16,304,730	(1,576)	-	16,303,154
Net Position, end of year	\$ 15,861,380	\$ (34,128)	-	\$ 15,827,252

Golf Fund Condensed Statement of Cash Flows

	Golf	GFFD	Eliminating Entries	Total
Net cash used for operations	\$ (276,201)	\$ (917,636)	840,000	\$ (353,837)
Net cash provided by noncapital financing activities	671,665	840,000	(840,000)	671,665
Net cash used for capital and related activities	(365,298)	-	-	(365,298)
Net cash provided by investing activities	8,155	-	-	8,155
Net decrease in cash and cash equivalents	38,321	(77,636)	-	(39,315)
Cash and cash equivalents at beginning of year	71,235	19,141	-	90,376
Cash and cash equivalents at end of year	\$ 109,556	\$ (58,495)	-	\$ 51,061

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

M. Landfill Closure and Postclosure Care Cost

As of September 30, 2016, the total estimated landfill closure/postclosure cost for the City's Castle Drive landfill, Hinton landfill, and transfer station is \$2,369,400, \$36,968,670 and \$34,073 respectively. The \$11,535,056 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, 25.56% use of the Hinton landfill, 100% of the closure cost for the transfer station, less post closure expenditures to date of \$318,242. The City will recognize the remaining estimated closure and postclosure care costs of \$27,518,845 as the percentage of capacity depletion increases. These amounts are based on an engineering study performed in 1996 and updated in 2015, 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 46 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. 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.

N. 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.

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 \$572,175 and earned interest in the amount of \$1,550. The total funds held by the City, \$573,725, were sent to the US Department of Housing and Urban Development in September 2016 in compliance with the Special Warranty Deed at the completion of the 20 year period from the date of the deed.

City of Garland, Texas

Notes to the Financial Statements (Continued)

On December 19, 2013, the City entered into a twenty (20) year energy purchase power agreement with Spinning Spur Wind Three, LLC. The agreement extends from the start hour 1:00 of the Commercial Operation Date and ends at the completion of hour 24:00 of the day immediately preceding the twentieth (20) anniversary. The City will purchase 26% of the output from the 194MW facility. Commercial Operations started September 28, 2015.

On August 28, 2014, the City entered into a twenty-five (25) year energy purchase power agreement with Los Vientos Windpower V, LLC. The agreement extends from the start of hour 1:00 of the Commercial Operation Date and ends at the completion of hour 24:00 of the day immediately preceding the twentieth-fifth (25) anniversary. The City will purchase 45.96% of the output from the 110MW facility. Commercial Operations started December 23, 2015.

On June 12, 2015, the City entered into a fourteen (14) year energy purchase power agreement with Salt Fork Wind, LLC. The agreement extends from the start of hour 1:00 (CPT) of the Commercial Operation Date and ends at the completion of hour 24:00 (CPT) of the day immediately preceding the fourteenth (14th) anniversary. The Commercial Operation Date is anticipated to be no later than December 1, 2016. The City will purchase 150MW from the facility. The City has contracts to sell 115MW of this energy downstream. Commercial Operations started December 1, 2016.

On October 27, 2015, the City entered into a twenty (20) year energy purchase power agreement with Albercas Wind Energy II, LLC. From the effective date, the agreement extends until 23:59:59 (CPT) on the day prior to the 20th anniversary of the Commercial Operation Date. The Commercial Operation Date is anticipated to be no later than December 31, 2016. The City will purchase 96MW from the facility. The City has contracts to sell 71MW of this energy downstream. Commercial Operations started November 13, 2016.

On December 28, 2015, the City entered into a fifteen (15) year energy purchase power agreement with BNB Lemesa Solar LLC. The agreement extends from the start of hour 1:00 (CPT) of the Commercial Operation Date and ends at the completion of hour 24:00 (CPT) of the day immediately preceding the fifteenth (15th) anniversary. The Commercial Operation Date is anticipated to be no later than March 31, 2017. The City will purchase 102 MW from the facility. The City has contracts to sell 50MW of this energy downstream.

The City executed confirmations during the fiscal year, under its International Swaps and Derivatives Association Inc. (ISDA) Master Agreement 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.

The ERCOT Board of Directors resolution approved April 8, 2014, identified what is generally known as the "Houston Import Project" as critical to the reliability of the ERCOT grid. Under its authority to administer certain protocols governing the ERCOT transmission grid in Texas, ERCOT designated CenterPoint Energy Houston Electric, LLC ("Centerpoint") and Cross Texas Transmission, LLC ("CTT") and the City of Garland ("City") as co-providers of the Houston Import Project. The Houston Import Project encompasses a number of interrelated transmission line and substation projects involving two new 345kV double-circuit transmission lines. In fiscal year 2014, the City entered into a Participation Agreement with CTT for the line segment terminating into the Limestone and Gibbons Creek substations and substation upgrades to the Gibbons Creek substation. Under this agreement, CTT will obtain a certificate of convenience and necessity (CCN) issued by the Public Utility Commission for construction of the lines that will be owned by the City and CTT and will require CTT to acquire and build the lines. An estimated 60% of the CCN and the lines, the "Garland Segment", will be wholly owned by the City by the transfer of ownership from CTT after the lines achieve commercial operation. The City will pay or reimburse CTT for the acquisition of the CCN and the acquisition and construction of the lines of the Garland Segment. The construction

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

of the lines is estimated to cost \$127,000,000. On January 13, 2016, the Public Utility Commission approved the CCN for the line segment terminating into the Limestone and Gibbons Creek substations.

O. Derivative Instruments

In an effort to mitigate the financial and market risk associated with the purchase of natural gas, energy, and congestion price volatility, the City has established a Risk Management Program. This program was authorized by the City Council and is led by the Risk Oversight Committee. Under this program, the City enters into forward contracts for natural gas and energy for the purpose of reducing exposure to natural gas and energy price risk. Use of these types of instruments for the purpose of reducing exposure to price risk is performed as a hedging activity. These contracts may be settled in cash or delivery of certain commodities. The City typically settles these contracts by delivery of certain commodities.

The City applies GASB Statement No 53 – *Accounting and Financial Reporting for Derivative Instruments*, (“GASB 53”), which addresses the recognition, measurement, and disclosures related to derivative instruments. The City utilizes natural gas commodity swaps to hedge its exposure to fluctuating fuel prices. Since these derivatives are entered into for risk mitigation purposes, the instruments are considered potential hedging derivative instruments under GASB 53. The City evaluated all potential hedging derivative instruments for effectiveness utilizing the consistent critical terms method as of September 30, 2016, and as of September 30, 2015, and determined the derivatives to be effective in substantially offsetting the change in cash flows of the hedgeable items. These derivatives act as cash flow hedges.

At September 30, 2016, the total fair value of outstanding hedge instruments was a net asset of \$737,633. Fuel hedging instruments with a fair value of \$853,881 are classified on the Statement of Net Position as a current asset. Long-term fuel hedges with a fair value of \$(116, 248) are classified on the Statement of Net Position as a non-current liability. As of September 30, 2015, the total fair value of outstanding hedge instruments was a net liability of \$(9,277,727). Fuel hedging instruments with a fair value of \$(8,080,218) are classified on the Statement of Net Position as a current liability. Long-term fuel hedges with a fair value of \$(1,197,509) are classified as a component of long-term liabilities. Changes in fair value as of September 30, 2016, of \$1,935,141 are reflected in deferred inflows. The following information details the City Electric Fund’s hedging derivative instruments below:

Derivative transactions as of September 2016:

Type	Terms	Notional Amount (MMBtu)	Purchase Dates	Maturity Dates	Referenced Index	Fair Value
Commodity Swaps	City pays prices of \$2.060 - \$4.018	10,987,814	July 2014- April 2016	Oct 2016- Dec 2019	NYMEX	\$ 737,633
		10,987,814				\$ 737,633

Derivative transactions as of September 2015:

Type	Terms	Notional Amount (MMBtu)	Purchase Dates	Maturity Dates	Referenced Index	Fair Value
Commodity Swaps	City pays prices of \$3.3970 - \$4.2325	8,926,759	May 2014- May 2015	Oct 2015- Dec 2019	NYMEX	\$ (9,277,727)
		8,926,759				\$ (9,277,727)

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

At September 30, 2016, the City had eight wholesale customers to provide power supply and/or qualified scheduling entity services. The contract terms extend up to December 31, 2022. For the power supply customers, the City charges an energy charge which is based on the quantity of power supplied multiplied by a fixed price, or multiplied by a fixed heat rate and a fuel index price. In order to hedge the City's risk, the City has entered into corresponding power supply agreements with counterparties to hedge against energy price or heat rate fluctuation in the market.

Congestion Revenue Rights

Pre-assigned Congestion Revenue Rights (PCRRs) and Congestion Revenue Rights (CRRs) function as financial hedges against the cost of resolving congestion in the Electric Reliability Council of Texas (ERCOT) market. These instruments allow the City to hedge expected future congestion that may arise during a certain period. CRRs are purchased at auction, annually and monthly at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at 10-20% of the cost of CRRs. At September 30, 2016, the City held CRRs with a cost and fair market value of \$584,188, that the City expects to use in normal operations, which is recorded as prepaid expense in the Electric fund.

Risks

Credit Risk. The City's over-the-counter agreements for natural gas and energy expose the City to credit risk. In the event of default, the City's operations will not be materially affected. However, the City does not expect the counterparties to fail to meet their obligations. The City maintains contracts with contractual provisions under the ISDA, EEI (Edison Electric Institute), and NAESB (North American Energy Standards Board) agreements. As of September 30, 2016, the City had outstanding forward purchase contracts extending through December 31, 2022, that are expected to be settled through physical delivery.

The City monitors the credit ratings of all of its counterparties to adhere to the City's Risk Management Policy. Any counterparty that does not have at least a BBB- credit rating must be approved by the Risk Oversight Committee.

The congestion revenue rights expose the City to custodial credit risk in the event of default or nonperformance by ERCOT. In the event of default or nonperformance, the City's operations will not be materially affected. However, the City does not expect ERCOT to fail in meeting their obligations as they are a regulatory entity of the State of Texas.

Basis Risk. The City could be exposed to basis risk on its fuel hedges if the expected commodity purchases being hedged will price based on a delivery point (WAHA/Katy/HSC) different than that at which the financial hedging contracts are expected to settle NYMEX (Henry Hub).

Termination Risk. Termination risk is the risk that a derivative will terminate prior to its scheduled maturity date due to a contractual event. Contractual events include illegality, tax and credit events upon merger and other events. The City's exposure to termination risk for over-the-counter agreements is minimal due to the high credit rating of the counterparties, and the contractual provisions under the ISDA, EEI, and NAESB agreements applied to these contracts. Termination risk is associated with all of the City's derivatives up to their fair value of the instrument.

Close-out Netting Arrangements. The City enters into close-out netting arrangements whenever it has entered into more than one derivative transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and set off the transaction's fair values so that a single sum will be owed by or owed to the non-defaulting party.

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

P. 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.

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 receives an annual issuer fee of 0.01% of the outstanding variable rate multifamily housing revenue bonds that were issued by the bond borrower. The outstanding conduit debt balance at December 31, 2015, is \$12,218,201.

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. The remaining unearned revenue as of December 31, 2015, related to this transaction of \$658,125 will be amortized over the next 31.5 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 \$332,409 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 are required to 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.

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

Q. 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 under the terms of the agreement. Under the term of the agreement, the Partnership continues 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 leased land to the Partnership for the construction and development of HomeTowne at Garland. GHFC continues to own the land and leases the land to the Partnership over a 75 year period terminating on August 31, 2086.

As of December 31, 2014, GHFC received cash of \$900,000 in up front lease payments that GHFC has recorded as unearned revenue. For the year ended December 31, 2015, GHFC recognized revenue of \$22,148 according to the terms of the lease agreement with an unearned revenue balance of \$824,704.

R. Subsequent Events

On December 14, 2016, the City issued \$42,040,000 General Obligation Refunding Bonds, Series 2016 to refund \$45,525,000 of outstanding General Obligation Refunding Bonds, Series 2007A, and Combination Tax & Revenue Certificates of Obligation, Series 2007. 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. The transaction was a current refunding of outstanding debt.

On December 14, 2016, the City issued \$12,055,000 Electric Utility System Revenue Refunding Bonds, New Series 2016A to refund \$13,325,000 of outstanding Electric Utility System Revenue Bonds, Series 2007. 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. The transaction was a current refunding of outstanding debt.

On December 14, 2016, the City issued \$36,875,000 Electric Utility System Revenue Refunding Bonds, New Series 2016B to refund \$40,105,000 of outstanding Electric Utility System Commercial Paper notes, Series 2014. The transaction was a current refunding of outstanding commercial paper debt.

On December 14, 2016, the City issued \$16,715,000 Water and Sewer Utility System Revenue Refunding Bonds, New Series 2016 to refund \$18,520,000 of outstanding Water and Sewer Utility System Revenue Bonds, Series 2007. 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. The transaction was a current refunding of outstanding debt.

On February 7, 2017, the City approved an ordinance to call \$7,350,000 of Tax Anticipation Note, Series 2016 to be called on March 1, 2017.

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, 2016
(unaudited)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 69,337,752	\$ 72,185,895	\$ 74,251,245	\$ 2,065,350
Franchise fees	9,184,956	8,245,564	8,452,280	206,716
Service charges	21,803,090	25,142,865	26,789,030	1,646,165
Licenses and permits	3,811,352	4,770,386	4,906,892	136,506
Earnings on investments	235,331	225,863	231,966	6,103
Intergovernmental	743,929	770,873	820,599	49,726
Charges for services	8,970,085	8,970,085	8,975,685	5,600
Fines and forfeits	6,683,418	7,015,588	7,521,426	505,838
Rents and concessions	812,057	769,552	748,504	(21,048)
Total revenues	<u>121,581,970</u>	<u>128,096,671</u>	<u>132,697,627</u>	<u>4,600,956</u>
Expenditures:				
Current:				
General government	10,071,159	11,932,225	11,371,688	560,537
Public safety	83,321,921	84,326,111	87,878,926	(3,552,815)
Public works	22,607,761	24,602,801	22,529,626	2,073,175
Culture and recreation	14,371,023	14,607,497	14,366,431	241,066
Public health	3,515,061	3,746,096	3,885,801	(139,705)
Nondepartmental	25,077,796	28,580,238	26,805,888	1,774,350
Total expenditures	<u>158,964,721</u>	<u>167,794,968</u>	<u>166,838,360</u>	<u>956,608</u>
Excess (deficit) of revenues over (under) expenditures	<u>(37,382,751)</u>	<u>(39,698,297)</u>	<u>(34,140,733)</u>	<u>5,557,564</u>
Other financing sources (uses):				
Sale of capital assets	174,274	70,771	70,771	-
Transfer in	43,190,322	43,696,088	37,700,997	(5,995,091)
Transfers out	(7,660,830)	(9,003,712)	(2,326,811)	6,676,901
Total other financing sources (uses)	<u>35,703,766</u>	<u>34,763,147</u>	<u>35,444,957</u>	<u>681,810</u>
Net Change in fund balances	(1,678,985)	(4,935,150)	1,304,224	6,239,374
Fund balance, beginning of year	25,744,782	25,744,782	25,744,782	-
Fund balance, end of year	<u>\$ 24,065,797</u>	<u>\$ 20,809,632</u>	<u>\$ 27,049,006</u>	<u>\$ 6,239,374</u>

See notes to required supplementary information.

City of Garland, Texas
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Two Calendar Years
(unaudited)

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service Cost	\$ 19,196,960	\$ 20,067,678
Interest	54,497,988	56,833,734
Difference between expected and actual experience	(3,135,740)	(6,147,278)
Change of assumptions	-	15,651,656
Benefit payments, including refunds of employee contributions	<u>(36,818,136)</u>	<u>(38,435,413)</u>
Net Change in Total Pension Liability	33,741,072	47,970,377
Total Pension Liability - Beginning	<u>787,353,277</u>	<u>821,094,349</u>
Total Pension Liability - Ending	<u><u>\$ 821,094,349</u></u>	<u><u>\$ 869,064,726</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 14,502,416	\$ 14,462,360
Contributions - Employee	9,056,479	9,304,889
Net Investment Income	45,500,705	1,220,504
Benefit payments, including refunds of employee contributions	(36,818,136)	(38,435,413)
Administrative Expense	(475,082)	(743,428)
Other	<u>(39,061)</u>	<u>(36,717)</u>
Net Change in Plan Fiduciary Net Position	31,727,321	(14,227,805)
Plan Fiduciary Net Position - Beginning	<u>795,438,855</u>	<u>827,166,176</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 827,166,176</u></u>	<u><u>\$ 812,938,371</u></u>
Net Pension Liability (Asset)	\$ (6,071,827)	\$ 56,126,355
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100.74%	93.54%
Covered Employee Payroll	\$ 129,267,431	\$ 132,898,533
Net Pension Liability as a Percentage of Covered Employee Payroll	(4.70%)	42.23%

Measurement date December 31

The City of Garland implemented Statement 68 in FY2015 and a full ten-year trend is not yet available.

**City of Garland, Texas
Required Supplementary Information
Schedule of Contributions
Last Two Fiscal Years
(unaudited)**

	2015	2016
Actuarially Determined Contribution	14,703,510	15,134,606
Contributions in relation to the actuarially determined contribution	<u>14,703,510</u>	<u>15,134,606</u>
Contribution deficiency (excess)	-	-
Covered employee payroll	132,016,898	142,253,130
Contributions as a percentage of covered employee payroll	11.14%	10.64%

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to the experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes: There were no benefit changes during the year.

The City of Garland implemented Statement 68 in FY2015 and a full ten-year trend is not yet available.

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
10/1/2007	\$ -	\$ 79,187,130	0.00%	\$ 79,187,130	\$ 114,140,292	69.4%
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%
10/1/2009	525,963	72,834,378	0.72%	72,308,415	127,400,000	56.8%
10/1/2011	516,134	82,778,660	0.62%	82,262,526	125,400,000	65.6%
10/1/2011 (1)	845,836	86,815,833	0.97%	85,969,997	129,200,000	66.5%
10/1/2013	762,697	86,226,002	0.88%	85,463,305	121,174,000	70.5%
10/1/2014	2,211,553	86,295,365	2.56%	84,083,812	126,445,000	66.5%
10/1/2015	3,149,078	88,560,602	3.56%	85,411,524	130,238,350	65.6%

(1) Actuarial study performed 10-1-11 and amounts were projected by the actuary to October 1, 2012.

City of Garland, Texas

Notes to Required Supplementary Information

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.

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.

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 (CDBG) – 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.

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

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 Finance Fund, TIF Zone No. 1, and the Interstate 30 Corridor Tax Increment Finance Fund, TIF Zone No. 2. These funds are used to account for revenues and expenditures incurred in administering the tax increment financing programs.

City of Garland, Texas
Nonmajor Governmental Funds
Balance Sheet
September 30, 2016

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Landfill Closure	Police Training	Substandard Perimeter Road	Narcotic Seizure	Other Housing Assistance	TIF	Total Other Governmental Funds
Assets												
Cash and cash equivalents	\$ -	\$ 25,225	\$ 260,343	\$ 927,765	\$ 2,397,752	\$ 80,396	\$ 51,374	\$ 599,538	\$ 422,952	\$ -	\$ 191,988	\$ 4,957,333
Investments	100	35,942	379,175	1,355,724	3,506,284	117,474	75,048	876,031	462,058	-	277,740	7,085,576
Receivables:												
Accrued interest	12	117	667	2,390	6,343	207	198	1,546	896	-	743	13,119
Accounts, net	957,178	-	2,756,776	-	-	-	-	-	-	-	-	3,713,954
Due from other governments	474,395	-	107,254	-	-	-	110,193	-	-	-	-	691,842
Assets held for resale	-	-	87,956	-	-	-	-	-	-	-	-	87,956
Total Current Assets	1,431,685	61,284	3,592,171	2,285,879	5,910,379	198,077	236,813	1,477,115	885,906	-	470,471	16,549,780
Restricted assets:												
Cash and cash equivalents	-	1,210,749	-	-	-	-	28,810	-	60,094	-	-	1,299,653
Total Restricted Assets	-	1,210,749	-	-	-	-	28,810	-	60,094	-	-	1,299,653
Total Assets	\$ 1,431,685	\$ 1,272,033	\$ 3,592,171	\$ 2,285,879	\$ 5,910,379	\$ 198,077	\$ 265,623	\$ 1,477,115	\$ 946,000	\$ -	\$ 470,471	\$ 17,849,433
LIABILITIES												
Current liabilities:												
Accounts payable and accrued liabilities	\$ 55,383	\$ 106,150	\$ 212,253	\$ 12,295	\$ -	\$ -	\$ 1,250	\$ -	\$ 3,338	\$ -	\$ -	\$ 390,669
Accrued interest-Cos	-	-	-	-	-	-	-	-	-	-	9,781	9,781
Due to other funds	230,831	-	6,518	-	34,802	172,446	-	-	-	-	-	444,597
Escrow payable	-	-	-	-	-	-	-	-	188,892	-	-	188,892
Unearned revenues	957,178	-	2,844,732	-	-	-	219,595	-	-	-	-	4,021,505
Total Liabilities	1,243,392	106,150	3,063,503	12,295	34,802	172,446	220,845	-	192,230	-	9,781	5,055,444
FUND BALANCES												
Fund balances:												
Restricted	188,293	1,165,883	-	-	-	-	44,778	-	753,770	-	460,690	2,613,414
Committed	-	-	528,668	2,273,584	5,875,577	25,631	-	1,477,115	-	-	-	10,180,575
Total fund balances	188,293	1,165,883	528,668	2,273,584	5,875,577	25,631	44,778	1,477,115	753,770	-	460,690	12,793,989
Total Liabilities and Fund Balances	\$ 1,431,685	\$ 1,272,033	\$ 3,592,171	\$ 2,285,879	\$ 5,910,379	\$ 198,077	\$ 265,623	\$ 1,477,115	\$ 946,000	\$ -	\$ 470,471	\$ 17,849,433

City of Garland, Texas
 Nonmajor Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended September 30, 2016

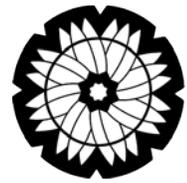
	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Landfill Closure	Police Training	Substandard Perimeter Road	Narcotic Seizure	Other Housing Assistance	TIF	Total Other Governmental Funds
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ 1,356,259	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 868,452	\$ 2,224,711
Earnings on investments	62	3,291	2,700	8,847	23,244	814	1,104	6,068	3,471	-	2,350	51,951
Intergovernmental	1,553,675	11,228,163	729,855	-	-	-	252,272	-	-	-	-	13,763,965
Impact Fees	-	-	-	-	714,624	-	-	-	-	-	-	714,624
Program income	101,702	-	638,783	-	-	-	-	-	-	-	-	740,485
Awards	-	-	-	-	-	-	-	-	218,681	-	-	218,681
Miscellaneous and other	-	187,908	51	-	-	-	27,499	-	-	-	-	215,458
Total Revenues	1,655,439	11,419,362	1,371,389	1,365,106	737,868	814	280,875	6,068	222,152	-	870,802	17,929,875
EXPENDITURES												
Current:												
Operations	1,034,319	11,139,591	1,353,836	1,004,671	34,802	172,446	182,787	-	169,804	2,008	231,744	15,326,008
Capital outlay	549,974	-	-	-	-	-	102,974	-	34,957	-	-	687,905
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	125,000	125,000
Interest	-	-	-	-	-	-	-	-	-	-	398,072	398,072
Total Expenditures	1,584,293	11,139,591	1,353,836	1,004,671	34,802	172,446	285,761	-	204,761	2,008	754,816	16,536,985
Excess (deficiency) of revenues over (under) expenditures	71,146	279,771	17,553	360,435	703,066	(171,632)	(4,886)	6,068	17,391	(2,008)	115,986	1,392,890
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	84,471	-	-	-	-	-	-	-	-	84,471
Transfers out	-	-	-	(50,000)	-	-	-	-	-	-	-	(50,000)
Total other financing sources (uses)	-	-	84,471	(50,000)	-	-	-	-	-	-	-	34,471
Net change in fund balances	71,146	279,771	102,024	310,435	703,066	(171,632)	(4,886)	6,068	17,391	(2,008)	115,986	1,427,361
Fund balances - beginning	117,147	886,112	426,644	1,963,149	5,172,511	197,263	49,664	1,471,047	736,379	2,008	344,704	11,366,628
Fund balances - ending	\$ 188,293	\$ 1,165,883	\$ 528,668	\$ 2,273,584	\$ 5,875,577	\$ 25,631	\$ 44,778	\$ 1,477,115	\$ 753,770	\$ -	\$ 460,690	\$ 12,793,989

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, 2016

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
Revenues:				
General property taxes	\$ 34,323,613	\$ 34,505,492	\$ 34,456,745	\$ (48,747)
Earnings on investments	20,000	40,001	42,410	2,409
Miscellaneous	-	116,700	116,700	-
Total Revenues	<u>34,343,613</u>	<u>34,662,193</u>	<u>34,615,855</u>	<u>(46,338)</u>
Expenditures:				
Principal retirement	20,794,792	21,475,000	21,475,000	-
Interest	10,133,352	10,003,526	9,910,522	93,004
Fiscal charges	525,000	525,000	150,559	374,441
Total Expenditures	<u>31,453,144</u>	<u>32,003,526</u>	<u>31,536,081</u>	<u>467,445</u>
Excess of revenues over expenditures	<u>2,890,469</u>	<u>2,658,667</u>	<u>3,079,774</u>	<u>421,107</u>
Other financing sources (uses):				
Transfers in	500,769	500,769	500,769	-
Transfers out	<u>(4,086,469)</u>	<u>(4,086,469)</u>	<u>(4,086,469)</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,585,700)</u>	<u>(3,585,700)</u>	<u>(3,585,700)</u>	<u>-</u>
Net change in fund balances	(695,231)	(927,033)	(505,926)	421,107
Fund balance, beginning of year	<u>6,235,664</u>	<u>6,235,664</u>	<u>6,235,664</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,540,433</u>	<u>\$ 5,308,631</u>	<u>\$ 5,729,738</u>	<u>\$ 421,107</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, 2016

	Hotel/Motel Tax				Narcotic Seizure			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Occupancy taxes	\$ 995,791	\$ 1,180,000	\$ 1,356,259	\$ 176,259	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	8,847	8,847	-	3,000	3,471	471
Awards	-	-	-	-	-	71,283	218,681	147,398
Special event income	8,500	8,450	-	(8,450)	-	-	-	-
Total revenues	<u>1,004,291</u>	<u>1,188,450</u>	<u>1,365,106</u>	<u>176,656</u>	<u>-</u>	<u>74,283</u>	<u>222,152</u>	<u>147,869</u>
Expenditures:								
Current:								
Operations	1,055,407	1,135,985	1,004,671	131,314	92,000	132,817	169,804	(36,987)
Capital	-	-	-	-	150,000	66,297	34,957	31,340
Total expenditures	<u>1,055,407</u>	<u>1,135,985</u>	<u>1,004,671</u>	<u>131,314</u>	<u>242,000</u>	<u>199,114</u>	<u>204,761</u>	<u>(5,647)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(51,116)</u>	<u>52,465</u>	<u>360,435</u>	<u>307,970</u>	<u>(242,000)</u>	<u>(124,831)</u>	<u>17,391</u>	<u>142,222</u>
Other financing sources (uses):								
Transfers out	-	-	(50,000)	(50,000)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(51,116)</u>	<u>52,465</u>	<u>310,435</u>	<u>257,970</u>	<u>(242,000)</u>	<u>(124,831)</u>	<u>17,391</u>	<u>142,222</u>
Fund balances, beginning of year	<u>1,963,149</u>	<u>1,963,149</u>	<u>1,963,149</u>	<u>-</u>	<u>736,379</u>	<u>736,379</u>	<u>736,379</u>	<u>-</u>
Fund balances end of year	<u>\$ 1,912,033</u>	<u>\$ 2,015,614</u>	<u>\$ 2,273,584</u>	<u>\$ 257,970</u>	<u>\$ 494,379</u>	<u>\$ 611,548</u>	<u>\$ 753,770</u>	<u>\$ 142,222</u>



GARLAND
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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.

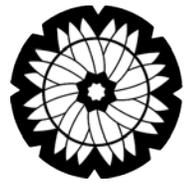
Sanitation Fund – This fund is used to account for the resources and expenses associated with the collection and recycling of residential and commercial waste.

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Position
September 30, 2016

	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	\$ 1,500	\$ 71,345	\$ 291,496	\$ 136,690	\$ 766,314	\$ 1,267,345
Investments	-	104,265	424,815	199,546	1,120,392	1,849,018
Receivable, net of allowance	1,500	-	335,879	264	1,931,219	2,268,862
Accrued interest	-	183	1,377	346	2,065	3,971
Prepaid expense	13,718	-	-	-	-	13,718
Inventories	38,483	-	-	-	-	38,483
Total current assets	55,201	175,793	1,053,567	336,846	3,819,990	5,441,397
Noncurrent assets						
<i>Restricted assets</i>						
Construction funds:						
Cash and cash equivalents	49,561	-	205,413	-	1,197,889	1,452,863
Investments	71,868	-	300,838	-	1,752,457	2,125,163
Accrued interest	125	-	-	-	3,197	3,322
Total construction funds	121,554	-	506,251	-	2,953,543	3,581,348
Capital Assets						
Land	9,111,400	1,776,208	-	-	298,936	11,186,544
System	16,876,365	746,069	3,530,750	252,838	18,275,352	39,681,374
Less accumulated depreciation	(9,731,100)	(693,943)	(2,507,879)	(211,632)	(9,625,615)	(22,770,169)
Net capital assets	16,256,665	1,828,334	1,022,871	41,206	8,948,673	28,097,749
Total noncurrent assets	16,378,219	1,828,334	1,529,122	41,206	11,902,216	31,679,097
Total assets	\$ 16,433,420	\$ 2,004,127	\$ 2,582,689	\$ 378,052	\$ 15,722,206	\$ 37,120,494
Deferred charges on pensions	425,758	-	652,422	-	2,148,646	3,226,826
Total deferred outflows	\$ 425,758	\$ -	\$ 652,422	\$ -	\$ 2,148,646	\$ 3,226,826

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Position
September 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>					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	\$ 132,411	\$ -	\$ 99,736	\$ 32,557	\$ 225,327	\$ 490,031
Accrued certificates of obligation interest	-	-	6,587	-	84,427	91,014
Certificates of obligation	-	-	85,000	-	2,280,000	2,365,000
Due to other funds	206,148	-	-	-	-	206,148
Compensated absences	39,776	-	71,086	-	217,792	328,654
<i>Total current liabilities</i>	<u>378,335</u>	<u>-</u>	<u>262,409</u>	<u>32,557</u>	<u>2,807,546</u>	<u>3,480,847</u>
Long-term Liabilities						
<i>Payable from restricted assets:</i>						
Accounts payable	-	-	-	-	313,019	313,019
<i>Total payable from restricted assets</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>313,019</u>	<u>313,019</u>
Certificates of obligation (net of unamortized premium)	-	-	712,248	-	7,959,762	8,672,010
OPEB payable	272,946	-	181,764	-	649,160	1,103,870
Compensated absences	22,530	-	-	-	36,506	59,036
Net pension liability	318,273	-	487,714	-	1,606,208	2,412,195
Total long-term liabilities	<u>613,749</u>	<u>-</u>	<u>1,381,726</u>	<u>-</u>	<u>10,251,636</u>	<u>12,247,111</u>
Total Liabilities	<u>992,084</u>	<u>-</u>	<u>1,644,135</u>	<u>32,557</u>	<u>13,372,201</u>	<u>16,040,977</u>
Deferred inflow of resources-pensions	39,842	-	61,053	-	201,068	301,963
Total deferred inflows	<u>39,842</u>	<u>-</u>	<u>61,053</u>	<u>-</u>	<u>201,068</u>	<u>301,963</u>
NET POSITION						
Net investment in capital assets	16,378,219	1,828,334	731,874	41,206	1,349,435	20,329,068
Unrestricted (deficit)	(550,967)	175,793	798,049	304,289	2,948,148	3,675,312
Total net position	<u>\$ 15,827,252</u>	<u>\$ 2,004,127</u>	<u>\$ 1,529,923</u>	<u>\$ 345,495</u>	<u>\$ 4,297,583</u>	<u>\$ 24,004,380</u>



GARLAND
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City of Garland
Nonmajor Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended September 30, 2016

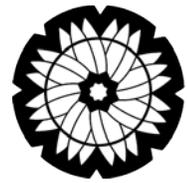
	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
OPERATING REVENUES						
Charges for services	\$ 3,577,522	\$ 7,032	\$ 3,819,769	\$ 1,198,950	\$ 19,379,321	\$ 27,982,594
Other	42,093	-	-	141,471	41,194	224,758
Total Operating Revenues	<u>3,619,615</u>	<u>7,032</u>	<u>3,819,769</u>	<u>1,340,421</u>	<u>19,420,515</u>	<u>28,207,352</u>
OPERATING EXPENSES						
Salaries and benefits	2,094,134	-	2,217,659	226,281	5,827,397	10,365,471
Landfill fees	-	-	-	-	3,780,148	3,780,148
Maintenance, repairs, and supplies	1,827,687	-	902,023	963,033	3,782,930	7,475,673
Insurance and other expenses	30,049	-	96,595	-	554,840	681,484
General and administrative	15,409	-	363,076	21,490	1,842,011	2,241,986
Claims	17,084	-	25,626	-	92,895	135,605
Depreciation	1,007,401	5,361	270,945	24,728	1,856,056	3,164,491
Total Operating Expenses	<u>4,991,764</u>	<u>5,361</u>	<u>3,875,924</u>	<u>1,235,532</u>	<u>17,736,277</u>	<u>27,844,858</u>
Total Operating Income (Loss)	<u>(1,372,149)</u>	<u>1,671</u>	<u>(56,155)</u>	<u>104,889</u>	<u>1,684,238</u>	<u>362,494</u>
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental	-	-	79,972	-	-	79,972
Gain (loss) on sale of capital assets	55,743	-	-	-	8,723	64,466
Investment income	504	709	4,954	1,078	14,622	21,867
Interest expense	-	-	(10,634)	-	(94,735)	(105,369)
Income (loss) before transfers	<u>(1,315,902)</u>	<u>2,380</u>	<u>18,137</u>	<u>105,967</u>	<u>1,612,848</u>	<u>423,430</u>
TRANSFERS						
Transfers in	840,000	-	-	-	-	840,000
Transfers out	-	-	(259,801)	(100,000)	(980,123)	(1,339,924)
Total transfers	<u>840,000</u>	<u>-</u>	<u>(259,801)</u>	<u>(100,000)</u>	<u>(980,123)</u>	<u>(499,924)</u>
NET INCOME (LOSS)	<u>(475,902)</u>	<u>2,380</u>	<u>(241,664)</u>	<u>5,967</u>	<u>632,725</u>	<u>(76,494)</u>
Net position, beginning of year	16,303,154	2,001,747	1,771,587	339,528	3,664,858	24,080,874
Net position, end of year	<u>\$ 15,827,252</u>	<u>\$ 2,004,127</u>	<u>\$ 1,529,923</u>	<u>\$ 345,495</u>	<u>\$ 4,297,583</u>	<u>\$ 24,004,380</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2016

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Cash flows from operating activities:						
Cash received from customers	\$ 3,567,148	\$ 7,032	\$ 3,824,714	\$ 1,198,950	\$ 19,439,600	\$ 28,037,444
Cash payments for goods and services	(1,929,417)	-	(1,468,414)	(1,000,871)	(10,256,394)	(14,655,096)
Cash payments to employees for services	(2,033,661)	-	(2,132,077)	(226,281)	(5,528,875)	(9,920,894)
Other operating revenues	42,093	-	-	141,471	41,194	224,758
Net cash provided by (used for) operating activities	(353,837)	7,032	224,223	113,269	3,695,525	3,686,212
Cash flows from non-capital financing activities:						
Intergovernmental	-	-	79,972	-	-	79,972
Due to other funds - (increase) decreases	(168,335)	-	-	-	-	(168,335)
Transfers in	840,000	-	-	-	-	840,000
Transfers out	-	-	(259,801)	(100,000)	(980,123)	(1,339,924)
Net cash provided by (used for) non-capital financing activities	671,665	-	(179,829)	(100,000)	(980,123)	(588,287)
Cash flows from capital and related financing activities:						
Certificate of obligation issues	-	-	230,000	-	3,530,000	3,760,000
Premium on issuance of debt	-	-	26,100	-	434,195	460,295
Acquisition of capital assets	(533,328)	-	-	-	(4,149,337)	(4,682,665)
Principal paid on certificates of obligation	-	-	(50,000)	-	(1,845,000)	(1,895,000)
Interest paid on certificates of obligation	-	-	(25,169)	-	(240,249)	(265,418)
Proceeds from sale of fixed assets	168,030	-	-	-	8,723	176,753
Net cash provided by (used for) capital and related financing activities	(365,298)	-	180,931	-	(2,261,668)	(2,446,035)
Cash flows from investing activities:						
Purchase of investment securities	(64,678)	(93,109)	(722,772)	(178,387)	(2,847,078)	(3,906,024)
Proceeds from the sale and maturity of investment securities	72,297	78,591	544,063	150,812	2,311,349	3,157,112
Interest received on investments	536	654	4,285	1,009	12,561	19,045
Net cash provided by (used for) investing activities	8,155	(13,864)	(174,424)	(26,566)	(523,168)	(729,867)

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2016

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Net increase (decrease) in cash and cash equivalents	(39,315)	(6,832)	50,901	(13,297)	(69,434)	(77,977)
Cash and cash equivalents at beginning of year	90,376	78,177	446,008	149,987	2,033,637	2,798,185
Cash and cash equivalents at end of year	<u>\$ 51,061</u>	<u>\$ 71,345</u>	<u>\$ 496,909</u>	<u>\$ 136,690</u>	<u>\$ 1,964,203</u>	<u>\$ 2,720,208</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (1,372,149)	\$ 1,671	\$ (56,155)	\$ 104,889	\$ 1,684,238	\$ 362,494
Adjustments:						
Depreciation	1,007,401	5,361	270,945	24,728	1,856,056	3,164,491
Provision for uncollectible accounts	-	-	1,710	-	12,270	13,980
Change in assets and liabilities:						
Increase in pension related deferred outflows	(320,262)	-	(490,762)	-	(1,616,246)	(2,427,270)
Decrease in inventory	15,932	-	-	-	-	15,932
Decrease in net pension assets	34,431	-	52,762	-	173,762	260,955
Increase in net pension liabilities	318,273	-	487,714	-	1,606,208	2,412,195
(Increase) decrease in accounts receivable	(820)	-	3,235	-	48,009	50,424
Decrease in accounts payable	(68,041)	-	(72,435)	(16,348)	(172,180)	(329,004)
Increase in prepaid insurance	(13,718)	-	-	-	-	(13,718)
Increase (decrease) in compensated absences	2,799	-	(2,796)	-	7,462	7,465
Increase (decrease) in OPEB payable	17,085	-	(8,660)	-	(31,391)	(22,966)
Increase in pension related deferred inflows	25,232	-	38,665	-	127,337	191,234
Total adjustments	<u>1,018,312</u>	<u>5,361</u>	<u>280,378</u>	<u>8,380</u>	<u>2,011,287</u>	<u>3,323,718</u>
Net cash provided by (used for) operating activities	<u>\$ (353,837)</u>	<u>\$ 7,032</u>	<u>\$ 224,223</u>	<u>\$ 113,269</u>	<u>\$ 3,695,525</u>	<u>\$ 3,686,212</u>
Non-cash transactions:						
Change in restricted accounts payable	(7,735)	-	-	-	163,533	155,798
Increase in fair value of investments	40	57	393	108	1,555	2,153



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 Position
September 30, 2016

	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	\$ 1,458,680	\$ 2,095,019	\$ 651,842	\$ 204,820	\$ 3,858,396	\$ 2,725,548	\$ 295,715	\$ -	\$ 6,516,743	\$ 17,806,763
Investments	2,134,476	3,061,523	952,927	301,236	5,633,136	3,981,963	432,239	-	8,925,144	25,422,644
Accrued interest	1,815	5,176	1,673	652	9,764	7,101	862	-	15,737	42,780
Other Receivables	-	-	-	-	-	14,423	-	-	803,527	817,950
Inventories	-	-	-	194,938	-	-	-	5,866,660	-	6,061,598
Prepaid expense	-	-	-	110,005	-	-	-	-	-	110,005
Total current assets	3,594,971	5,161,718	1,606,442	811,651	9,501,296	6,729,035	728,816	5,866,660	16,261,151	50,261,740
Noncurrent assets:										
<i>Restricted</i>										
Construction funds:										
Cash and cash equivalents	-	-	-	772,006	-	4,304,509	-	2,292	13,193	5,092,000
Investments	-	-	-	1,127,753	-	6,305,597	-	3,348	10,070	7,446,768
Accrued interest	-	-	-	1,909	-	10,935	-	6	34	12,884
Total construction funds	-	-	-	1,901,668	-	10,621,041	-	5,646	23,297	12,551,652
Capital assets										
Land	-	-	-	-	-	-	-	-	221,949	221,949
System	21,834	7,169	-	2,298,746	36,427,570	33,438,279	85,878	263,818	31,789,882	104,333,176
Construction in progress	-	-	-	133,707	-	7,993,683	-	-	-	8,127,390
Less accumulated depreciation	(21,834)	(7,169)	-	(1,826,561)	(25,914,079)	(22,018,320)	(58,691)	(206,244)	(8,777,698)	(58,830,596)
Net capital assets	-	-	-	605,892	10,513,491	19,413,642	27,187	57,574	23,234,133	53,851,919
Total noncurrent assets	-	-	-	2,507,560	10,513,491	30,034,683	27,187	63,220	23,257,430	66,403,571
Total assets	3,594,971	5,161,718	1,606,442	3,319,211	20,014,787	36,763,718	756,003	5,929,880	39,518,581	116,665,311
Deferred Outflows of Resources										
Deferred charges on debt	-	-	-	241	-	10,283	-	39	35,481	46,044
Deferred charges on pensions	396,895	242,969	-	863,811	-	2,364,897	881,329	215,481	2,199,619	7,165,001
Total deferred outflows	396,895	242,969	-	864,052	-	2,375,180	881,329	215,520	2,235,100	7,211,045
LIABILITIES										
Current Liabilities:										
<i>Payable from current assets</i>										
Accounts payable and accrued liabilities	718,814	342,206	31,207	607,594	40,463	588,720	184,185	516,994	409,179	3,439,362
Accrued interest payable:										
General obligation bonds	-	-	-	160	-	238	-	160	5,804	6,362
Certificates of obligation	-	-	-	18,206	-	29,129	-	-	115,058	162,393
Customer deposits	-	-	-	-	-	-	-	-	14,520,281	14,520,281
Due to other funds	-	-	-	-	-	-	-	1,347,019	-	1,347,019
Compensated absences	26,964	33,988	-	100,680	-	269,645	118,401	22,388	205,635	777,701
Insurance claims payable	1,881,834	2,774,500	490,000	-	-	-	-	-	-	5,146,334
General obligation bonds	-	-	-	10,000	-	-	-	5,000	150,000	165,000
Certificates of obligation	-	-	-	130,000	-	890,000	-	-	1,125,000	2,145,000
Total current liabilities	2,627,612	3,150,694	521,207	866,640	40,463	1,777,732	302,586	1,891,561	16,530,957	27,709,452
Long-term Liabilities:										
<i>Payable from restricted assets</i>										
Accounts payable	-	-	-	2,466	-	3,225,836	-	-	-	3,228,302
Retainage payable	-	-	-	-	-	1,522	-	-	-	1,522
Total payable from restricted assets	-	-	-	2,466	-	3,227,358	-	-	-	3,229,824
Advances from other funds	-	-	-	-	-	-	-	3,896,269	-	3,896,269
Certificates of obligation (net of amortized bond premium)	-	-	-	1,623,788	-	3,923,198	-	-	18,248,744	23,795,730
General obligation bonds (net of amortized bond premium and defeased debt cost)	-	-	-	15,187	-	40,285	-	20,371	1,046,323	1,122,166
Compensated absences	5,596	29,713	-	321	-	53,327	-	200	-	90,620
Insurance claims payable	-	4,488,140	2,385,700	-	-	-	-	-	-	6,873,840
OPEB payable	86,248	78,099	-	397,737	-	698,793	378,306	119,703	1,069,112	2,827,998
Net pension liability	296,696	181,630	-	645,737	-	1,767,865	658,832	161,082	1,644,312	5,356,154
Total Long-term Liabilities	388,540	4,777,582	2,385,700	2,682,770	-	6,483,468	1,038,601	4,197,625	22,008,491	43,962,777
Total Liabilities	3,016,152	7,928,276	2,906,907	3,551,876	40,463	11,488,558	1,341,187	6,089,186	38,539,448	74,902,053
Deferred Inflows of resources										
Deferred charges on debt	-	-	-	-	-	-	-	-	3,647	3,647
Deferred charges on pensions'	37,141	22,737	-	80,835	-	221,305	82,474	20,164	205,838	670,494
Total deferred inflows	37,141	22,737	-	80,835	-	221,305	82,474	20,164	209,485	674,141
NET POSITION										
Net investment in capital assets	-	-	-	726,119	10,513,491	21,953,842	27,187	37,849	2,687,363	35,945,851
Unrestricted	938,573	(2,546,326)	(1,300,465)	(175,567)	9,460,833	5,475,193	186,484	(1,799)	317,385	12,354,311
Total net position	\$ 938,573	\$ (2,546,326)	\$ (1,300,465)	\$ 550,552	\$ 19,974,324	\$ 27,429,035	\$ 213,671	\$ 36,050	\$ 3,004,748	\$ 48,300,162

City of Garland, Texas
Internal Service Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended September 30, 2016

	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	\$ -	\$ -	\$ -	\$ 8,302,077	\$ 4,167,332	\$ 16,800,841	\$ 8,011,850	\$ 882,150	\$ 12,521,460	\$ 50,685,710
Premiums	30,258,473	6,568,660	473,706	-	-	-	-	-	-	37,300,839
Other	2,911,653	262,661	-	4,796	(2)	26,038	26,446	18,876	137,765	3,388,233
Total Operating Revenues	33,170,126	6,831,321	473,706	8,306,873	4,167,330	16,826,879	8,038,296	901,026	12,659,225	91,374,782
OPERATING EXPENSES:										
Salaries and benefits	1,005,222	652,876	-	2,365,951	-	6,606,579	2,199,818	625,591	6,292,115	19,748,152
Maintenance, repairs, and other	186,941	369,512	-	5,303,387	99,360	7,051,825	5,186,562	52,785	1,628,478	19,878,850
Premiums	4,429,837	1,994,443	-	-	-	-	-	-	-	6,424,280
Claims	23,985,247	2,416,772	315,461	37,372	-	66,201	37,372	10,678	100,370	26,969,473
Administrative services	1,518,598	83,545	-	-	-	-	-	-	-	1,602,143
General and administrative	198,912	108,870	-	729,397	-	1,479,016	501,551	251,916	3,346,645	6,616,307
Depreciation	-	-	-	70,712	4,146,435	2,999,885	1,813	21,916	1,299,626	8,540,387
Total Operating Expenses	31,324,757	5,626,018	315,461	8,506,819	4,245,795	18,203,506	7,927,116	962,886	12,667,234	89,779,592
Total Operating Income (Loss)	1,845,369	1,205,303	158,245	(199,946)	(78,465)	(1,376,627)	111,180	(61,860)	(8,009)	1,595,190
NONOPERATING REVENUES (EXPENSES):										
Intergovernmental	-	-	-	-	-	34,941	58,213	-	-	93,154
Investment income	1,158	16,115	6,464	6,681	37,491	64,213	3,349	22	60,217	195,710
Interest expense	-	-	-	(20,620)	-	(205,125)	-	(1,172)	(897,763)	(1,124,680)
Gain (loss) on sale of capital assets	-	-	-	-	467,817	-	5,417	-	(34,843)	438,391
Total nonoperating revenues (expenses)	1,158	16,115	6,464	(13,939)	505,308	(105,971)	66,979	(1,150)	(872,389)	(397,425)
Income (loss) before transfers	1,846,527	1,221,418	164,709	(213,885)	426,843	(1,482,598)	178,159	(63,010)	(880,398)	1,197,765
TRANSFERS										
Transfers in	273,455	(309,162)	-	-	327,205	3,793,000	-	-	657,167	4,741,665
Transfers out	-	-	-	(5,730)	-	-	-	-	(6,332)	(12,062)
Net transfers	273,455	(309,162)	-	(5,730)	327,205	3,793,000	-	-	650,835	4,729,603
NET INCOME (LOSS)	2,119,982	912,256	164,709	(219,615)	754,048	2,310,402	178,159	(63,010)	(229,563)	5,927,368
Net position, beginning of year	(1,181,409)	(3,458,582)	(1,465,174)	770,167	19,220,276	25,118,633	35,512	99,060	3,234,311	42,372,794
Net position, end of year	\$ 938,573	\$ (2,546,326)	\$ (1,300,465)	\$ 550,552	\$ 19,974,324	\$ 27,429,035	\$ 213,671	\$ 36,050	\$ 3,004,748	\$ 48,300,162

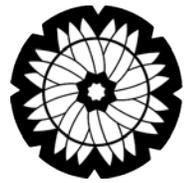


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City of Garland, Texas
Internal Service Funds
Statement of Cash Flows
For the Year Ended September 30, 2016

	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Internal Service Funds
Cash flows from operating activities:										
Cash received from customers	\$ 30,258,473	\$ 6,568,660	\$ 473,706	\$ 8,302,077	\$ 4,167,332	\$ 17,068,384	\$ 8,011,850	\$ 882,150	\$ 12,529,883	\$ 88,262,515
Cash received for customer deposits	-	-	-	-	-	-	-	-	801,046	801,046
Cash payments for goods and services	(31,972,658)	(4,637,691)	(424,037)	(6,364,162)	(248,195)	(8,848,030)	(5,827,063)	(1,152,222)	(5,312,394)	(64,786,452)
Cash payments to employees for services	(945,649)	(608,894)	-	(2,251,443)	-	(6,259,879)	(2,077,324)	(593,986)	(5,982,960)	(18,720,135)
Other operating revenues	2,911,653	262,661	-	4,796	(2)	26,039	26,446	18,876	137,765	3,388,234
Net cash provided by (used for) operating activities	<u>251,819</u>	<u>1,584,736</u>	<u>49,669</u>	<u>(308,732)</u>	<u>3,919,135</u>	<u>1,986,514</u>	<u>133,909</u>	<u>(845,182)</u>	<u>2,173,340</u>	<u>8,945,208</u>
Cash flows from non-capital financing activities:										
Due to other funds - increase	-	-	-	-	-	-	-	851,557	-	851,557
Intergovernmental	-	-	-	-	-	34,941	58,213	-	-	93,154
Transfers in	273,455	(309,162)	-	-	327,205	3,793,000	-	-	657,167	4,741,665
Transfers out	-	-	-	(5,730)	-	-	-	-	(6,332)	(12,062)
Net cash provided by (used for) non-capital financing activities	<u>273,455</u>	<u>(309,162)</u>	<u>-</u>	<u>(5,730)</u>	<u>327,205</u>	<u>3,827,941</u>	<u>58,213</u>	<u>851,557</u>	<u>650,835</u>	<u>5,674,314</u>
Cash flows from capital and financing activities:										
Certificate of obligation issues	-	-	-	1,415,000	-	270,000	-	-	-	1,685,000
Premium on issuance of debt	-	-	-	108,555	-	51,201	-	-	-	159,756
Acquisition of capital assets	-	-	-	(59,606)	(3,387,250)	(4,255,022)	(29,000)	-	-	(7,730,878)
Principal paid on certificates of obligation	-	-	-	(90,000)	-	(830,000)	-	-	(1,080,000)	(2,000,000)
Principal paid on general obligation bonds	-	-	-	(25,000)	-	(85,000)	-	(5,000)	(145,000)	(260,000)
Interest paid on certificates of obligation	-	-	-	(11,425)	-	(209,642)	-	-	(917,331)	(1,138,398)
Interest paid on general obligations	-	-	-	(1,650)	-	(2,714)	-	(1,374)	(46,943)	(52,681)
Proceeds from sale of assets	-	-	-	-	476,869	-	5,417	-	-	482,286
Net cash provided by (used for) financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,335,874</u>	<u>(2,910,381)</u>	<u>(5,061,177)</u>	<u>(23,583)</u>	<u>(6,374)</u>	<u>(2,189,274)</u>	<u>(8,854,915)</u>
Cash flows from investing activities:										
Purchase of investment securities	(2,029,895)	(3,200,904)	(850,683)	(1,969,169)	(5,355,582)	(9,776,381)	(446,093)	(2,990)	(7,985,760)	(31,617,457)
Proceeds from the sale and maturity of investment securities	1,536,179	2,206,325	725,846	1,278,120	4,063,389	8,316,925	311,426	2,645	6,760,641	25,201,496
Interest received on investments	371	13,677	5,950	5,147	34,208	58,243	2,737	20	55,446	175,799
Net cash used for investing activities	<u>(493,345)</u>	<u>(980,902)</u>	<u>(118,887)</u>	<u>(685,902)</u>	<u>(1,257,985)</u>	<u>(1,401,213)</u>	<u>(131,930)</u>	<u>(325)</u>	<u>(1,169,673)</u>	<u>(6,240,162)</u>
Net increase (decrease) in cash and cash equivalents	<u>31,929</u>	<u>294,672</u>	<u>(69,218)</u>	<u>335,510</u>	<u>77,974</u>	<u>(647,935)</u>	<u>36,609</u>	<u>(324)</u>	<u>(534,772)</u>	<u>(475,555)</u>
Cash and cash equivalents at beginning of year	<u>1,426,751</u>	<u>1,800,347</u>	<u>721,060</u>	<u>641,316</u>	<u>3,780,422</u>	<u>7,677,992</u>	<u>259,106</u>	<u>2,616</u>	<u>7,064,708</u>	<u>23,374,318</u>
Cash and cash equivalents at end of year	<u>\$ 1,458,680</u>	<u>\$ 2,095,019</u>	<u>\$ 651,842</u>	<u>\$ 976,826</u>	<u>\$ 3,858,396</u>	<u>\$ 7,030,057</u>	<u>\$ 295,715</u>	<u>\$ 2,292</u>	<u>\$ 6,529,936</u>	<u>\$ 22,898,763</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:										
Operating income (loss)	\$ 1,845,369	\$ 1,205,303	\$ 158,245	\$ (199,946)	\$ (78,465)	\$ (1,376,627)	\$ 111,180	\$ (61,860)	\$ (8,009)	\$ 1,595,190
Adjustments:										
Depreciation	-	-	-	70,712	4,146,435	2,999,885	1,813	21,916	1,299,626	8,540,387
Change in assets and liabilities:										
Increase in pension related deferred outflows	(298,551)	(182,765)	-	(649,773)	-	(1,778,914)	(662,950)	(162,088)	(1,654,589)	(5,389,630)
Increase (decrease) in inventory	-	-	-	8,391	-	-	-	(738,845)	-	(730,454)
Decrease in net pension asset	32,097	19,649	-	69,857	-	191,250	71,273	17,426	177,884	579,436
Increase in net pension liability	296,696	181,630	-	645,737	-	1,767,865	658,831	161,082	1,644,312	5,356,153
Decrease in accounts receivable	-	-	-	-	-	267,542	-	-	8,423	275,965
Increase (decrease) in accounts payable	(1,368,511)	191,402	(50,089)	(361,363)	(148,835)	(317,187)	(138,949)	(108,676)	(337,269)	(2,639,477)
Increase in customer deposits	-	-	-	-	-	-	-	-	801,046	801,046
Increase (decrease) in compensated absences	5,809	11,069	-	(2,506)	-	26,346	3,108	2,416	11,190	57,432
Decrease in prepaid expense	-	-	-	21,595	-	-	-	-	-	21,595
Increase in OPEB payable	12,813	5,338	-	37,371	-	66,201	37,372	10,677	100,369	270,141
Increase (decrease) in insurance claims payable	(297,424)	138,711	(58,487)	-	-	-	-	-	-	(217,200)
Increase in pension related deferred inflows	23,521	14,399	-	51,193	-	140,153	52,231	12,770	130,357	424,624
Total adjustments	(1,593,550)	379,433	(108,576)	(108,786)	3,997,600	3,363,141	22,729	(783,322)	2,181,349	7,350,018
Net cash provided by (used for) operating activities	<u>\$ 251,819</u>	<u>\$ 1,584,736</u>	<u>\$ 49,669</u>	<u>\$ (308,732)</u>	<u>\$ 3,919,135</u>	<u>\$ 1,986,514</u>	<u>\$ 133,909</u>	<u>\$ (845,182)</u>	<u>\$ 2,173,340</u>	<u>\$ 8,945,208</u>
Non-cash transactions:										
Change in restricted accounts payable	\$ -	\$ -	\$ -	\$ (13,117)	\$ -	\$ 2,643,769	\$ -	\$ -	\$ -	2,630,652
Increase in fair value of investments	1,156	1,661	517	775	3,059	5,573	236	3	4,852	17,832



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**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.	117
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	123
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.	127
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.	132
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.	134

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



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

Table 1

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 146,152,849	\$ 152,134,216	\$ 151,311,862	\$ 119,059,830	\$ 109,150,600	\$ 95,930,730	\$ 127,763,560	\$ 125,858,168	\$ 141,966,385	\$ 150,422,234
Restricted	16,539,955	24,872,761	18,134,847	13,646,512	12,875,368	9,106,322	7,859,043	7,574,847	6,284,970	7,904,536
Unrestricted	3,861,767	(8,120,300)	(6,063,639)	25,421,938	32,036,457	39,027,078	1,315,954	6,157,462	11,717,842	7,879,932
Total governmental activities net position	<u>\$ 166,554,571</u>	<u>\$ 168,886,677</u>	<u>\$ 163,383,070</u>	<u>\$ 158,128,280</u>	<u>\$ 154,062,425</u>	<u>\$ 144,064,130</u>	<u>\$ 136,938,557</u>	<u>\$ 139,590,477</u>	<u>\$ 159,969,197</u>	<u>\$ 166,206,702</u>
Business-type activities										
Net investment in capital assets	\$ 357,951,642	\$ 355,663,983	\$ 337,930,445	\$ 334,698,641	\$ 343,566,237	\$ 346,557,013	\$ 438,249,356	\$ 365,960,688	\$ 376,738,418	\$ 393,233,982
Restricted	77,356,305	80,549,836	82,525,231	116,110,801	157,524,421	196,275,271	178,691,456	180,855,772	182,974,266	184,733,224
Unrestricted	64,523,017	71,341,607	121,136,206	115,801,273	118,212,758	118,547,358	53,537,669	123,189,978	124,110,995	91,707,333
Total business-type activities net position	<u>\$ 499,830,964</u>	<u>\$ 507,555,426</u>	<u>\$ 541,591,882</u>	<u>\$ 566,610,715</u>	<u>\$ 619,303,416</u>	<u>\$ 661,379,642</u>	<u>\$ 670,478,481</u>	<u>\$ 670,006,438</u>	<u>\$ 683,823,679</u>	<u>\$ 669,674,539</u>
Primary government										
Net investment in capital assets	\$ 504,104,491	\$ 507,798,199	\$ 489,242,307	\$ 453,758,471	\$ 452,716,837	\$ 442,487,743	\$ 566,012,916	\$ 491,818,856	\$ 518,704,803	\$ 543,656,216
Restricted	93,896,260	105,422,597	100,660,078	129,757,313	170,399,789	205,381,593	186,550,499	188,430,619	189,259,236	192,637,760
Unrestricted	68,384,784	63,221,307	115,072,567	141,223,211	150,249,215	157,574,436	54,853,623	129,347,440	135,828,837	99,587,265
Total primary government activities net position	<u>\$ 666,385,535</u>	<u>\$ 676,442,103</u>	<u>\$ 704,974,952</u>	<u>\$ 724,738,995</u>	<u>\$ 773,365,841</u>	<u>\$ 805,443,772</u>	<u>\$ 807,417,038</u>	<u>\$ 809,596,915</u>	<u>\$ 843,792,876</u>	<u>\$ 835,881,241</u>

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

Table 2

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 37,623,390	\$ 31,821,475	\$ 31,153,948	\$ 32,846,193	\$ 29,640,148	\$ 29,569,285	\$ 29,243,108	\$ 27,639,946	\$ 28,672,583	\$ 32,857,828
Public safety	82,379,317	85,948,538	88,837,476	86,168,466	90,653,595	90,755,164	92,128,110	91,105,170	93,438,294	103,855,466
Public works	39,645,423	41,491,649	40,530,087	41,358,430	42,540,513	41,666,670	40,870,496	41,893,889	42,473,055	46,703,808
Culture and recreation	19,159,881	19,925,775	19,849,963	19,505,793	21,566,920	20,805,012	21,442,173	20,820,273	21,780,835	24,405,765
Public health	3,085,931	3,346,806	3,455,498	3,604,317	3,881,311	4,018,652	4,322,827	4,105,273	4,401,399	4,819,386
Interest and fiscal charges	10,686,236	10,476,757	12,888,091	12,713,773	11,968,097	12,038,048	11,094,537	9,696,538	8,323,617	8,833,481
Total governmental activities expenses	<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>	<u>198,852,831</u>	<u>199,101,251</u>	<u>195,261,089</u>	<u>199,089,783</u>	<u>221,475,734</u>
Business-type activities:										
Electric	212,231,176	255,025,955	183,527,066	191,187,490	164,547,930	166,360,005	271,815,312	344,969,100	319,583,367	281,386,514
Water	28,221,876	29,979,447	33,000,743	34,274,026	38,602,207	40,702,500	43,758,542	46,952,415	48,965,136	54,403,015
Sewer	26,661,625	29,021,769	30,838,009	33,643,084	34,307,982	36,348,765	36,288,797	36,080,645	35,609,533	36,662,146
Golf	2,844,792	2,827,100	2,801,539	3,636,869	4,766,551	4,922,780	4,889,818	4,738,094	4,808,720	4,926,096
Heliport	28,007	27,335	39,590	30,292	5,365	85,480	5,365	5,329	5,351	5,350
Storm water management	3,227,420	3,192,094	3,176,002	3,598,351	3,669,785	3,519,113	3,926,814	3,996,717	3,949,180	3,878,831
Parks performance	718,131	702,176	818,781	778,409	965,305	1,022,947	964,590	1,031,470	1,113,223	1,233,076
Sanitation	14,741,829	15,618,088	15,558,875	15,943,590	16,045,778	16,972,881	16,965,951	17,415,020	17,085,912	17,786,836
Total business-type activities expenses	<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>	<u>269,934,471</u>	<u>378,615,189</u>	<u>455,188,790</u>	<u>431,120,422</u>	<u>400,281,864</u>
Total primary government expenses	<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>	<u>\$ 468,787,302</u>	<u>\$ 577,716,440</u>	<u>\$ 650,449,879</u>	<u>\$ 630,210,205</u>	<u>\$ 621,757,598</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 6,611,850	\$ 6,687,922	\$ 6,010,639	\$ 6,086,998	\$ 6,403,716	\$ 6,761,126	\$ 6,792,917	\$ 6,771,546	\$ 7,211,710	\$ 8,235,397
Public safety	10,568,258	9,335,039	12,015,983	11,904,259	12,685,675	14,130,333	15,467,011	14,845,171	15,447,629	17,925,072
Public works	13,651,673	12,565,983	13,317,251	12,326,162	18,311,836	14,710,176	14,626,584	14,690,728	16,858,348	20,301,355
Culture and recreation	1,530,098	1,655,630	1,871,402	1,701,121	1,673,984	1,523,989	1,726,202	1,562,302	1,580,984	1,489,423
Public health	331,128	321,296	314,819	501,507	283,433	409,920	534,179	494,343	460,154	546,298
Operating grants and contributions	22,852,488	21,055,526	17,351,640	21,420,963	21,723,466	16,885,088	17,203,324	14,290,332	14,640,650	15,090,766
Capital grants and contributions	3,811,318	6,398,010	2,082,015	974,984	649,244	815,387	1,785,232	560,265	2,695,395	8,377,011
Total governmental activities program revenues	<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>	<u>55,236,019</u>	<u>58,135,449</u>	<u>53,214,687</u>	<u>58,894,870</u>	<u>71,965,322</u>
Business-type activities:										
Charges for services:										
Electric	233,626,927	270,716,085	229,710,285	231,758,075	222,638,789	222,228,397	296,866,570	376,657,906	338,473,487	278,334,789
Water	26,528,327	30,974,200	34,236,560	40,688,647	50,472,770	46,525,981	50,176,879	49,536,979	57,135,679	63,373,281
Sewer	33,628,914	35,436,808	38,396,280	40,316,535	41,809,811	42,172,904	41,831,894	43,460,465	43,609,415	44,628,715
Golf	2,070,839	2,069,842	1,996,599	2,163,761	3,596,869	3,724,490	3,677,689	3,630,768	3,528,120	3,577,522
Heliport	6,098	6,299	6,451	6,528	6,523	6,713	6,865	6,956	7,018	7,032
Storm water management	3,116,627	3,160,313	3,137,707	3,455,484	3,775,995	3,840,350	3,824,990	3,820,130	3,829,343	3,819,769
Parks performance	666,131	744,918	831,481	694,108	1,004,106	1,052,256	1,124,046	1,005,702	1,091,961	1,198,950
Sanitation	15,054,605	15,574,619	16,191,391	15,750,835	16,406,642	16,898,137	17,469,768	17,586,500	19,243,412	19,379,321
Capital grants and contributions	2,853,227	4,226,700	3,679,673	878,483	3,213,159	1,249,457	1,787,937	953,011	1,678,626	2,534,605
Total business-type activities program revenues	<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>	<u>337,698,685</u>	<u>416,766,638</u>	<u>496,658,417</u>	<u>468,597,061</u>	<u>416,853,984</u>
Total primary government program revenues	<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>	<u>\$ 392,934,704</u>	<u>\$ 474,902,087</u>	<u>\$ 549,873,104</u>	<u>\$ 527,491,931</u>	<u>\$ 488,819,306</u>

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

Table 2

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (expense)/revenue										
Governmental activities	\$ (133,223,365)	\$ (134,991,594)	\$ (143,751,314)	\$ (141,280,978)	\$ (138,519,230)	\$ (143,616,812)	\$ (140,965,802)	\$ (142,046,402)	\$ (140,194,913)	\$ (149,510,412)
Business-type activities	28,876,839	26,515,820	58,437,930	52,611,047	79,988,834	67,764,214	38,151,449	41,469,627	37,476,639	16,572,120
Total primary government net expense	<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>	<u>\$ (75,852,598)</u>	<u>\$ (102,814,353)</u>	<u>\$ (100,576,775)</u>	<u>\$ (102,718,274)</u>	<u>\$ (132,938,292)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 70,205,635	\$ 74,677,018	\$ 77,869,371	\$ 75,675,105	72,960,307	71,712,486	71,160,273	71,507,322	74,345,310	79,069,419
Sales taxes	23,278,730	23,694,596	22,041,066	21,648,693	21,609,756	22,684,164	23,537,389	24,667,765	26,497,069	30,234,776
Franchise taxes	8,028,128	8,372,409	7,935,599	8,352,056	8,255,818	7,887,388	8,646,942	9,091,491	8,832,022	8,452,280
Hotel/motel taxes	488,123	469,185	483,639	562,590	687,233	773,753	825,003	896,702	1,071,660	1,356,259
Mixed drink taxes	167,372	216,527	233,290	263,272	262,941	238,486	255,607	327,324	351,879	370,992
Bingo taxes	97,866	87,133	105,488	99,634	100,691	104,178	106,252	105,701	105,198	116,434
Unrestricted investment earnings	5,061,009	3,486,049	2,771,407	730,796	512,142	648,009	266,319	679,278	821,107	913,992
Miscellaneous	850,982	46,672	(58,601)	28,089	89,257	85,561	59,186	132,933	2,788,292	251,073
Transfers	26,607,606	26,274,111	26,866,448	28,665,953	29,975,230	29,484,492	30,796,507	39,628,270	32,236,236	34,982,692
Total governmental activities	<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>	<u>133,618,517</u>	<u>135,653,478</u>	<u>147,036,786</u>	<u>147,048,773</u>	<u>155,747,917</u>
Business-type activities:										
Unrestricted investment earnings	13,001,111	7,794,879	5,031,184	1,426,960	1,045,332	1,703,509	42,619	1,481,986	1,823,835	1,671,185
Miscellaneous	4,594,955	3,235,856	(2,566,210)	1,176,711	1,633,765	2,092,995	1,701,278	2,074,837	1,701,956	2,590,247
Loss on sale of capital assets	-	-	-	(1,529,932)	-	-	-	-	-	-
Special item-impairment of electric assets	-	(3,547,982)	-	-	-	-	-	-	-	-
Transfers	(26,607,606)	(26,274,111)	(26,866,448)	(28,665,953)	(29,975,230)	(29,484,492)	(30,796,507)	(39,628,270)	(32,236,236)	(34,982,692)
Total business-type activities	<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>	<u>(25,687,988)</u>	<u>(29,052,610)</u>	<u>(36,071,447)</u>	<u>(28,710,445)</u>	<u>(30,721,260)</u>
Total primary government	<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>	<u>107,930,529</u>	<u>106,600,868</u>	<u>110,965,339</u>	<u>118,338,328</u>	<u>125,026,657</u>
Change in Net Position										
Governmental activities	\$ 1,562,086	\$ 2,332,106	\$ (5,503,607)	\$ (5,254,790)	(4,065,855)	(9,998,295)	(5,312,324)	4,990,384	6,853,860	6,237,505
Business-type activities	19,865,299	7,724,462	34,036,456	25,018,833	52,692,701	42,076,226	9,098,839	5,398,180	8,766,194	(14,149,140)
Cumulative effect of change in acctg principle	-	-	-	-	-	-	-	(8,208,687)	18,575,907	-
Total primary government	<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>	<u>\$ 32,077,931</u>	<u>\$ 3,786,515</u>	<u>\$ 2,179,877</u>	<u>\$ 34,195,961</u>	<u>\$ (7,911,635)</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
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
2012	71,712,486	22,684,164	7,887,388	773,753	238,486	104,178	103,400,455
2013	71,160,273	23,537,389	8,646,942	825,003	255,607	106,252	104,531,466
2014	71,507,322	24,667,765	9,091,491	896,702	327,324	105,701	106,596,305
2015	74,345,310	26,497,069	8,832,022	1,071,660	351,879	105,198	111,203,138
2016	79,069,419	30,234,776	8,452,280	1,356,259	370,992	116,434	119,600,160

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved for other	\$ -	\$ 231,850	\$ 394,642	\$ 564,849	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for construction					762,541	758,444	1,531,005	135,552	820,577	851,283
Assigned					4,730,000	4,730,000	4,480,000	4,230,000	3,980,000	3,730,000
Unreserved	17,308,504	17,050,423	18,480,293	19,639,675	-	-	-	-	-	-
Unassigned					13,881,953	16,575,077	18,252,865	21,364,117	20,944,205	22,467,723
Total general fund	<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>	<u>\$ 22,063,521</u>	<u>\$ 24,263,870</u>	<u>\$ 25,729,669</u>	<u>\$ 25,744,782</u>	<u>\$ 27,049,006</u>
All other government funds										
Reserved for:										
Debt service	\$ 3,643,875	\$ 5,285,612	\$ 6,140,162	\$ 6,051,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital project funds	-	5,166,823	-	-	-	-	-	-	-	-
Special revenue funds	12,896,080	14,188,476	14,329,972	9,411,927	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	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	39,730,596	33,393,625	22,931,442	344,704	460,690
Debt service	-	-	-	-	6,265,763	5,241,033	6,314,007	7,843,714	6,235,664	5,729,738
Parks construction	-	-	-	-	-	-	-	-	115,016	368,549
Streets and drainage	-	-	-	-	-	-	-	-	68,129	2,748,505
Public facilities	-	-	-	-	-	-	-	-	42,207,841	36,664,668
Other capital projects	-	-	-	-	3,577,680	1,774,748	1,727,296	1,035,676	6,921,928	237,619
Housing assistance	-	-	-	-	1,305,371	984,567	935,202	570,169	1,005,267	1,354,176
Public safety	-	-	-	-	-	53,785	-	-	786,043	798,548
Committed for:										
Neighborhood services	-	-	-	-	303,531	332,670	444,858	453,849	426,644	528,668
Culture & recreation	-	-	-	-	-	-	-	-	1,963,149	2,273,584
Landfill closure	-	-	-	-	1,429,229	1,615,772	1,934,063	2,149,180	197,263	25,631
Public works and infrastructure	-	-	-	-	4,240,615	4,626,022	5,006,527	5,404,617	6,643,558	7,352,692
Unassigned										
Capital project funds	-	-	-	-	(5,016,257)	-	-	-	-	-
Nonmajor governmental funds	-	-	-	-	-	-	-	(5,500)	-	-
Total all other governmental funds	<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>	<u>\$ 54,359,193</u>	<u>\$ 49,755,578</u>	<u>\$ 40,383,147</u>	<u>\$ 66,915,206</u>	<u>\$ 58,543,068</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 94,277,497	\$ 99,567,491	\$ 100,620,433	\$ 98,370,888	\$ 95,523,675	\$ 95,535,319	\$ 95,793,994	\$ 97,585,254	\$ 102,157,106	\$ 110,932,701
Franchise fees	8,028,128	8,372,409	7,935,599	8,352,056	8,255,818	7,887,388	8,646,942	9,091,491	8,832,022	8,452,280
Service charges	17,224,499	17,268,733	17,537,722	16,929,426	18,102,510	20,411,968	20,239,605	20,791,739	22,040,585	26,789,030
Licenses and permits	3,056,687	2,632,116	2,566,182	3,085,185	2,893,000	3,751,589	3,393,137	3,781,703	3,860,441	4,906,892
Investment earnings	5,061,009	3,486,049	1,739,575	501,419	384,119	482,567	243,088	529,912	607,191	625,129
Intergovernmental	20,938,438	19,709,837	16,786,683	19,995,862	20,304,725	15,573,047	16,079,825	13,450,076	13,692,567	14,656,626
Intragovernmental	6,068,356	6,727,768	7,324,102	7,430,975	7,871,534	8,010,474	7,973,376	8,002,858	8,576,934	8,975,685
Fines and forfeits	5,324,440	5,195,729	6,064,644	5,627,058	5,097,867	6,110,138	6,955,299	6,730,988	6,608,238	7,521,426
Rents and concessions	959,214	1,066,932	1,089,898	947,961	762,914	788,504	804,298	833,456	829,410	748,504
Assessments	54,207	37,546	32,609	49,455	34,223	61,182	61,779	77,710	195,043	82,743
Impact fees	1,215,941	728,946	140,278	252,767	289,553	368,620	377,520	380,120	1,405,625	714,624
Contributions	378,732	8,173	418,424	619,197	5,219,595	31,881	-	-	30,847	151,654
Program income	197,794	251,679	135,695	163,681	193,209	376,059	365,103	292,533	408,698	740,485
Special event income	1,623	-	-	-	174,578	-	216,026	-	-	-
Miscellaneous	1,737,656	1,174,425	1,998,868	1,124,216	2,248,086	998,201	2,342,106	815,199	1,358,754	4,879,561
Awards	445,701	347,993	374,145	665,163	467,831	573,187	192,737	230,571	354,576	218,681
Total Revenues	164,969,922	166,575,826	164,764,857	164,115,309	167,823,237	160,960,124	163,684,835	162,593,610	170,938,037	190,396,021
Expenditures										
General government	16,162,770	9,035,894	10,183,430	9,817,583	9,415,810	9,339,438	9,820,852	10,066,773	10,335,083	12,471,750
Public safety	71,923,692	75,115,520	75,268,367	74,890,153	77,463,425	77,639,802	78,338,393	79,341,146	81,633,191	87,878,926
Public works	9,765,312	9,659,895	8,931,181	8,709,794	19,151,977	18,457,911	17,391,246	19,617,640	20,656,938	22,529,626
Culture and recreation	12,401,080	13,209,936	12,550,200	12,641,150	13,245,845	12,794,896	13,218,113	13,371,187	13,573,292	14,366,431
Public health	2,721,376	2,965,945	2,893,506	3,189,738	3,174,073	3,364,592	3,579,737	3,606,072	3,763,652	3,885,801
Nondepartmental	16,258,263	17,075,180	16,941,189	17,315,649	18,695,922	19,086,070	21,243,401	20,992,758	23,629,265	26,805,888
Operations	25,113,864	29,652,263	28,925,801	28,602,430	17,392,687	16,978,956	15,974,313	15,229,201	14,635,127	15,326,008
Capital Outlay	31,349,700	28,377,230	16,664,598	18,721,222	19,475,793	12,977,724	18,460,127	30,798,802	18,359,468	29,638,166
Debt service										
Principal	14,015,396	15,317,098	16,637,994	17,476,637	16,165,582	17,922,725	17,370,398	20,108,094	19,810,813	21,600,000
Interest	12,282,296	11,353,053	12,767,629	10,879,254	10,215,634	8,991,405	11,900,025	9,949,833	9,078,192	10,308,594
Issue costs on issuance of debt	133,969	720,789	35,000	70,000	107,306	1,038,554	307,935	311,537	313,973	-
Other charges	120,590	162,728	475,849	617,619	758,265	454,846	339,837	72,285	406,218	300,280
Total expenditures	212,248,308	212,645,531	202,274,744	202,931,229	205,262,319	199,046,919	207,944,377	223,465,328	216,195,212	245,111,470
Excess of revenues over (under) expenditures	(47,278,386)	(46,069,705)	(37,509,887)	(38,815,920)	(37,439,082)	(38,086,795)	(44,259,542)	(60,871,718)	(45,257,175)	(54,715,449)
Other financing sources (uses)										
Sale of capital assets	417,045	2,204,592	363,244	112,389	25,747	117,097	528,187	1,232,275	167,619	624,725
Transfers in	38,353,344	40,925,950	40,823,290	49,485,628	47,439,233	42,083,177	37,847,598	50,731,130	49,149,623	44,272,571
Transfers out	(17,040,435)	(17,903,902)	(15,483,332)	(20,970,518)	(16,395,360)	(12,675,653)	(7,209,853)	(8,541,923)	(19,724,709)	(14,019,482)
Issuance of debt	13,825,000	59,830,000	350,000	2,220,000	2,545,000	46,245,000	10,835,000	9,110,000	40,370,000	14,765,000
Premium on issuance of debt	1,493,762	2,761,825	-	-	280,745	4,905,097	1,165,344	1,447,424	3,081,644	2,004,721
Refunding proceeds	39,200,000	26,940,000	-	-	4,655,000	17,365,000	6,650,000	17,515,000	34,525,000	-
Payment to bond refunding agent	(40,559,793)	(27,401,656)	-	-	(4,432,030)	(17,035,000)	(7,960,000)	(18,528,820)	(35,764,832)	-
Total other financing sources (uses)	35,688,923	87,356,809	26,053,202	30,847,499	34,118,335	81,004,718	41,856,276	52,965,086	71,804,345	47,647,535
Net change in fund balances	\$ (11,589,463)	\$ 41,287,104	\$ (11,456,685)	\$ (7,968,421)	\$ (3,320,747)	\$ 42,917,923	\$ (2,403,266)	\$ (7,906,632)	\$ 26,547,170	\$ (7,067,914)
Debt service as a percentage of noncapital expenditures	14.54%	14.47%	15.84%	15.39%	14.20%	14.46%	15.45%	15.60%	14.60%	14.81%

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
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
2012	8,131,575,400	3,427,051,790	854,385,970	2,292,980,261	10,120,032,899	0.7046
2013	7,926,183,720	3,467,149,980	923,512,680	2,347,404,371	9,969,442,009	0.7046
2014	7,935,395,970	3,646,074,980	876,966,220	2,425,139,035	10,033,298,135	0.7046
2015	8,204,509,320	3,839,721,080	838,674,490	2,456,451,404	10,426,453,486	0.7046
2016	7,636,480,700	4,245,356,740	1,773,465,660	2,573,293,675	11,082,009,425	0.7046

Note: Total Taxable Assessed Value represents the original certified taxable value. It does not include valuation of protested property at certification date.

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	Plano Independent School District	
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	1.3284	
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	1.3534	
2012	0.3940	0.3106	0.7046	1.2533	0.2531	0.2710	0.0997	1.2903	1.3401	1.4200	0.2400	0.0863	1.3734	
2013	0.3940	0.3106	0.7046	1.2533	0.2431	0.2710	0.1194	1.2903	1.3401	1.4200	0.2400	0.0863	1.3734	
2014	0.3940	0.3106	0.7046	1.2533	0.2431	0.2760	0.1247	1.2821	1.3401	1.4200	0.2375	0.0836	1.4530	
2015	0.3940	0.3106	0.7046	1.2533	0.2431	0.2860	0.1247	1.2821	1.3400	1.4100	0.2350	0.0820	1.4480	
2016	0.3940	0.3106	0.7046	1.2533	0.2431	0.2860	0.1247	1.2821	1.3400	1.4100	0.2350	0.0820	1.4480	

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)**

<u>Taxpayer</u>	<u>2016</u>			<u>2007</u>		
	<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	\$ 181,823,910	1	1.62%	\$ 91,558,480	1	0.87%
Simon Property Group	106,224,000	2	0.95%	43,948,530	7	0.42%
Plastipak Packaging	63,108,087	3	0.56%	60,543,018	2	0.58%
Kraft Foods, Inc	59,057,704	4	0.53%	47,453,615	5	0.45%
Valspar Engineered Polymer	49,736,039	5	0.44%	36,362,087	10	0.35%
BMEF Stoneleigh LP	47,210,340	6	0.42%	-	-	-
Verizon	46,981,480	7	0.42%	44,503,370	6	0.42%
Omninet Town Center LP	43,562,000	8	0.39%	-	-	-
Daisy Brand	40,083,102	9	0.36%	-	-	-
US Food Service Inc.	39,599,150	10	0.35%	-	-	-
Sears Roebuck and Co.	-	-	-	53,193,987	3	0.51%
CVS Corporation	-	-	-	49,993,212	4	0.48%
Simpson Financing	-	-	-	41,020,130	8	0.39%
Worthing at Spring Creek	-	-	-	37,500,000	9	0.36%
	<u>\$ 677,385,812</u>		<u>6.05%</u>	<u>\$ 506,076,429</u>		<u>4.81%</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 & Adjustments in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 69,481,794	\$ 68,346,908	98.37%	\$ 1,082,262	\$ 69,429,170	99.92%
2008	74,759,668	73,764,627	98.67%	942,021	74,706,649	99.93%
2009	77,977,700	76,842,208	98.54%	1,071,413	77,913,620	99.92%
2010	75,678,090	74,800,032	98.84%	811,718	75,611,750	99.91%
2011	73,103,186	72,238,056	98.82%	795,468	73,033,524	99.90%
2012	71,301,935	70,589,967	99.00%	639,457	71,229,424	99.90%
2013	70,801,851	70,130,748	99.05%	526,640	70,657,388	99.80%
2014	71,071,583	70,536,234	99.25%	369,254	70,905,488	99.77%
2015	73,798,105	73,250,492	99.26%	289,312	73,539,804	99.65%
2016	78,610,052	78,025,905	99.26%	-	78,025,905	99.26%

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	Other Obligations	Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Other Obligations			
2007	\$ 152,557,291	\$ 76,814,236	\$ -	\$ 235,485,000	\$ 75,067,709	\$ 38,550,764	\$ -	\$ 578,475,000	10.79%	2,571
2008	205,520,000	80,360,204	-	277,435,000	84,685,000	22,789,796	-	670,790,000	12.45%	2,966
2009	194,650,000	95,934,063	-	296,575,000	82,285,000	17,920,937	-	687,365,000	10.58%	3,043
2010	183,442,550	89,971,568	-	304,765,000	79,785,000	140,758,432	-	798,722,550	12.24%	3,520
2011	173,692,475	83,830,000	124,145	316,815,000	81,170,000	131,930,000	-	787,561,620	12.02%	3,458
2012	226,568,739	66,999,488	95,342	316,972,656	76,992,004	141,434,684	179,335	829,242,248	16.54%	3,636
2013	209,337,945	74,124,910	65,098	307,357,705	68,356,211	140,813,081	-	800,054,950	15.73%	3,454
2014	197,231,048	71,943,539	33,343	406,859,556	59,942,513	143,258,324	-	879,268,323	17.17%	3,770
2015	203,325,804	82,228,702	-	381,487,963	48,745,628	200,060,219	-	915,848,316	18.03%	3,905
2016	184,802,222	93,218,908	-	356,430,875	38,143,825	188,467,493	-	861,063,323	15.98%	3,650

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 132 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	Certificates of Obligation	Total	Less: Amount Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property*	Per Capita**
2007	\$ 227,625,000	\$ 115,365,000	\$ 342,990,000	\$ 3,643,875	\$ 339,346,125	3.26%	1,508
2008	290,205,000	103,150,000	393,355,000	5,285,612	388,069,388	3.57%	1,716
2009	276,935,000	113,855,000	390,790,000	6,140,162	384,649,838	3.46%	1,703
2010	263,227,550	230,730,000	493,957,550	6,051,447	487,906,103	4.55%	2,150
2011	254,862,475	215,760,000	470,622,475	6,265,763	464,356,712	4.49%	2,039
2012	303,560,743	208,434,172	511,994,915	5,241,033	506,753,882	5.01%	2,222
2013	277,694,156	214,937,991	492,632,147	6,314,007	486,318,140	4.88%	2,100
2014	257,173,561	215,201,863	472,375,424	7,843,714	464,531,710	4.63%	1,992
2015	252,071,432	282,288,921	534,360,353	6,235,664	528,124,689	5.07%	2,252
2016	222,946,047	281,686,401	504,632,448	5,729,738	498,902,710	4.50%	2,115

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 123 for property value data.

** Population data can be found in the Schedule of Demographic and Economic Statistics on page 132.

City of Garland
Estimated Direct and Overlapping Governmental Activities Debt
September 30, 2016
(unaudited)

Table 12

<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	\$ 463,457,866	70.65%	\$ 327,432,982
Collin County	366,955,000	0.02%	73,391
Collin County Community College District	19,155,000	0.02%	3,831
Dallas County	73,655,000	5.60%	4,124,680
Dallas County Community College District	303,215,000	5.60%	16,980,040
Dallas County Hospital District	728,005,000	5.60%	40,768,280
Dallas County Schools	54,700,000	5.60%	3,063,200
Dallas Independent School District	3,057,490,000	0.20%	6,114,980
Richardson Independent School District	375,504,988	3.19%	11,978,609
Plano Independent School District	857,415,000	0.06%	514,449
Mesquite Independent School District	429,217,868	1.79%	7,683,000
Subtotal, overlapping debt			418,737,442
City direct debt			<u>278,021,130</u>
Total estimated direct and overlapping debt			<u><u>\$ 696,758,572</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, 2016
(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 FY16 is \$.7046 per \$100.00 assessed value.

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

Table 14

Fiscal Year	Electric Utility System Revenue Bonds						Water & Sewer Utility System Revenue Bonds					
	Gross Revenues (1)	Less: Operation & Maintenance Expenses (2)	Net Available Revenue (3)	Average Annual Debt Service (4)		Times Coverage (5)	Gross Revenues (1)	Less: Operation & Maintenance Expenses (2)	Net Available Revenue (3)	Average Annual Debt Service (4)		Times Coverage (5)
				Principal	Interest					Principal	Interest	
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	235,467,591	167,009,741	68,457,850	5,385,500	2,351,999	8.85	73,238,821	43,211,675	30,027,146	9,443,250	4,067,502	2.22
2010	233,400,529	166,466,197	66,934,332	5,399,211	2,207,117	8.80	81,396,091	46,002,329	35,393,762	10,109,000	4,243,081	2.47
2011	224,359,813	131,750,369	92,609,444	5,212,750	2,082,419	12.69	93,004,750	49,155,966	43,848,784	10,628,000	4,374,209	2.92
2012	225,093,999	133,939,385	91,154,614	5,095,000	1,887,700	13.05	89,386,493	52,500,437	36,886,056	10,441,750	3,965,662	2.56
2013	297,758,202	241,171,931	56,586,271	5,076,111	1,607,330	8.47	92,710,455	55,799,905	36,910,550	10,313,500	3,458,475	2.68
2014	378,621,613	312,954,736	65,666,877	8,526,750	3,792,817	5.33	94,387,130	58,667,658	35,719,472	10,453,000	3,553,678	2.55
2015	341,110,573	283,279,931	57,830,642	8,516,316	3,446,312	4.83	101,420,086	60,211,698	41,208,388	10,383,684	3,280,082	3.02
2016	281,736,385	215,335,038	66,401,347	8,501,667	3,238,345	5.66	108,715,199	64,324,054	44,391,145	10,266,667	3,001,013	3.35

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

(1) Gross revenue includes all operating and non-operating revenues.

(2) Operations and maintenance expenses includes all reported operating expenses less depreciation, amortization of other assets, and the actuarial determined pension expense reflected under the salaries and benefits line item of the financial statements.

(3) Net available revenue represents gross revenues of the system less the operation and maintenance expenses incurred during the fiscal year.

(4) Average annual debt service for all outstanding prior lien revenue bonds and outstanding revenue bonds similarly secured.

(5) The Electric and Water & Sewer bond ordinances require that net available revenues of the systems be at least 1.25 times the average annual principle and interest requirements.

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

Table 15

Fiscal Year	Population	Personal Income (000's)	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
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%
2012	228,060	5,012,075	21,977	33.7	12.9	58,151	6.3%
2013	231,618	5,085,868	21,958	33.7	12.9	58,059	6.4%
2014	233,206	5,120,737	21,958	33.4	12.9	58,059	5.1%
2015	234,533	5,080,219	21,661	33.4	12.9	58,000	4.0%
2016	235,885	5,366,620	22,751	33.8	12.9	55,100	3.8%

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>2016</u>			<u>2007</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	2,200	1	1.85%	2,000	1	1.95%
Walmart Super Centers	1,250	2	1.05%	-		0.00%
Atlas Copco	727	3	0.61%	700	3	-
US Food Service	500	4	0.42%	490	8	-
APEX Tool Group	467	5	0.39%	-		-
KARLEE, Inc	451	6	0.38%	-		-
Hatco (Risistol)	372	7	0.31%	-		-
Home Depot	339	8	0.28%	-		-
Prestige Ford	310	9	0.26%	-		-
Plastipak Packaging	269	10	0.23%	-		-
Sears Industrial Park	-		-	1,300	2	1.27%
International/SST Truck	-		-	700	3	0.68%
Kingsley Tools (Danaher)	-		-	650	5	0.63%
General Dynamics	-		-	550	6	0.54%
Kraft Foods	-		-	500	7	0.49%
Northrup Grumman	-		-	450	9	0.44%
Interceramic	-		-	400	10	0.39%
	<u>6,885</u>		<u>5.79%</u>	<u>7,740</u>		<u>6.38%</u>

Sources: City of Garland, Texas - Tax Office & Texas Workforce Commission, Labor Market Information

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									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Function										
General Government	290	297	284	282	350	344	348	351	356	362
Police										
Sworn (civil service)	327	328	324	323	323	323	323	323	323	334
Non-Sworn (non-civil service)	138	135	134	133	133	132	133	133	133	133
Fire										
Sworn (civil service)	255	255	251	249	249	255	255	255	254	254
Non-Sworn (non-civil service)	7	7	7	7	7	7	7	7	7	7
Culture and Recreation	162	162	152	151	157	158	159	159	160	160
Internal Services	201	255	252	251	254	252	252	252	252	253
Electric	247	256	252	252	238	238	249	251	251	251
Water	57	61	61	62	62	64	63	64	64	63
Sewer	102	101	100	99	99	97	97	97	99	100
Solid Waste	88	88	88	88	90	87	87	87	87	87
Stormwater Management	25	25	25	25	25	24	24	24	24	24
Golf	36	29	28	28	28	28	17	16	16	16
Special Revenue	169	117	113	115	44	44	42	41	39	41
Total FTE Employees	2,104	2,116	2,071	2,065	2,059	2,053	2,056	2,060	2,065	2,085

Source: City of Garland Budget Office

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

Table 18

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Physical arrests	15,440	14,019	13,902	11,803	11,431	11,284	11,168	10,587	9,741	9,151
Citations issued	60,226	60,298	56,982	53,666	53,613	61,591	62,737	57,341	51,924	51,864
Fire										
Number of calls answered	19,085	20,464	19,770	20,047	20,670	21,146	21,924	21,349	22,036	23,058
Business Inspections	7,964	5,354	5,575	5,188	4,116	2,506	2,029	2,354	3,821	5,701
Highways and streets										
Street resurfacing (miles)	14	19	17	14	15	23	15	16	21	23
Service maintenance requests	1,607	1,538	1,463	1,794	1,550	1,719	2,099	1,963	2,573	2,485
Parks and recreation										
Performing arts center attendance	180,000	170,000	158,103	153,450	150,496	158,500	134,637	136,255	161,346	148,241
Recreation center attendance	820,000	813,000	970,966	722,462	1,004,064	1,104,143	1,199,720	1,307,212	1,367,403	1,455,784
Library										
Volumes, items, or physical units	460,774	433,938	436,783	409,378	409,378	337,728	346,108	342,826	363,784	361,733
Number of Library circulation transactions	1,383,490	1,438,442	1,736,304	1,857,317	1,783,536	1,549,358	1,569,059	1,524,365	1,516,250	1,398,209
Electric										
Number of accounts	68,671	67,899	67,956	68,001	68,034	68,396	69,126	69,262	69,491	69,533
Average daily usage (KWH)	5,413,698	5,640,434	5,381,022	5,614,012	5,707,569	5,370,791	5,270,163	5,450,915	5,470,273	5,272,563
Water										
New connections	467	519	188	9	20	103	196	36	177	281
Water main breaks	398	247	303	393	479	400	438	449	344	206
Average daily consumption (thousands of gallons)	25,792	28,537	32,716	32,041	34,812	29,498	30,058	26,503	26,624	27,315
Wastewater										
Average daily sewage treatment (millions of gallons)	36	34	35	41	34	34	34	32	39	33

Sources: Various City departments

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

Table 19

Function	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	66	78	78	81	81	81	81	123	123	123
Fire Stations	11	11	11	11	11	11	11	11	11	11
Highways and streets										
Streets (miles)	690.77	690.77	690.77	697.05	697.00	697.00	700.00	700.00	700.00	700.00
Streetlights	11,228	11,376	15,107	13,662	14,068	14,062	14,104	14,060	13,798	14,364
Traffic signals	182	181	181	182	185	185	185	190	192	193
Parks and recreation										
Parks acreage	2,428	2,428	2,428	2,880	2,880	2,880	2,880	2,880	2,880	2,880
Parks	68	68	68	63	63	63	63	63	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	22	23	23	23	23	23	23	28	28	29
Miles of service lines	2,142	2,140	2,140	1,012	1,073	1,082	1,090	1,174	1,179	1,190
Maximum resource capacity (MW)	576.8	576.8	574.1	408.0	408.0	408.0	528.0	530.0	530.0	530.0
Water										
Water mains (miles)	1,097	1,107	1,111	1,111	1,113	1,114	1,117	1,118	1,122	1,126
Fire Hydrants	7,270	7,391	7,442	7,456	8,244	8,271	8,305	8,325	8,365	8,411
Maximum daily capacity (millions of gallons)	230	230	227	221	221	221	221	225	225	225
Sewer										
Sanitary sewers (miles)	995	999	1,000	1,001	1,001	1,001	1,003	1,004	1,006	1,008
Maximum daily treatment capacity (millions of gallons)	64	64	64	64	64	110	68	59	45	46

Sources: Various City departments

**Texas Municipal Power Agency
Condensed Financial Information
September 30, 2016**

	Amount in (000's)
Total assets	\$ <u>581,325</u>
Total liabilities	548,931
Total net assets	<u>32,394</u>
Total liabilities and net assets	\$ <u>581,325</u>
Total operating revenues	\$ 273,272
Total operating expenses	<u>112,506</u>
Income from operations	160,766
Total other income(expenses)	393
Total interest charges	(33,166)
Deferred revenue	34,949
Deferred cost	(129,893)
Refunds to member Cities	<u>(34,731)</u>
Change in net assets	(1,682)
Net assets - beginning balance	<u>34,076</u>
Net assets - ending balance	\$ <u>32,394</u>

Source: TMPA Comprehensive Annual Financial Report

City of Garland
Schedule of Insurance in Force
September 30, 2016
(unaudited)

<u>Insurance Company</u>	<u>Policy Number</u>	<u>From</u>	<u>To</u>	<u>Description</u>	<u>Deductible</u>	<u>Limits</u>
Evanston Insurance Company	SM906390	04/02/16	04/02/17	Medical ProfessionalLiability	\$2,500	\$3,000,000
Great American Insurance Company	GVT40276130100	12/03/15	12/03/16	Crime Coverage	\$100,000	\$1,000,000
Great American Insurance Company	IMP523230108	10/15/15	10/15/16	Contractors Equip &Fleet Catastrophe	Varies	\$20,000,000
Lexington Insurance Company	21469073	10/01/15	10/01/16	Property Coverage	Varies	\$500,000,000
Nationwide Mutual Insurance Company	FWC027065500	10/15/15	10/15/16	General Liability-Special Events	\$0	\$5,000,000
Genesis Insurance Company	YXB301166A	10/01/15	10/01/16	Excess LiabilityPackage Policy	\$500,000	\$20,000,000
Travelers Property and Casualty	M5EEBME1303D3D3252TIL15	10/01/15	10/01/16	Boiler/Machinery/Transformers	\$500,000	\$50,000,000
Colony Insurance Company	PXL15101801	10/01/15	10/01/16	Excess Workers Compensation	\$650,000	Statutory

Sources: City of Garland Risk Management Department