

CITY OF GARLAND, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

GROWING GARLAND . . . CITY CENTER



OAKS 5TH STREET CROSSING AT CITY CENTER

CITY HALL

*. . . while Honoring
the PAST*



*Santa Fe Depot - Main Street
(Pre-1972)*



CITY OF GARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2014

CITY COUNCIL

Douglas Athas, Mayor
Tim Campbell, District 1
Anita Goebel, District 2
Stephen W. Stanley, District 3
B. J. Williams, District 4
Billy Mack Williams, District 5
Lori Barnett Dodson, District 6
Scott LeMay, District 7
Jim Cahill, Mayor Pro Tem, District 8

CITY MANAGER

William E. Dollar

DIRECTOR OF FINANCIAL SERVICES

David Schuler

Prepared by

Financial Services Department

**CITY OF GARLAND, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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March 17, 2015

Citizens of the City of Garland
Garland, Texas

Dear Citizens:

The Comprehensive Annual Financial Report (CAFR) of the City of Garland, Texas, for the year ended September 30, 2014 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 233,206 (as estimated by the City's Planning Department as of January 1, 2014) 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 FY2014 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 2013-14 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 3.7% from last year's valuation. This compares to a modest increase of 0.6% last year and declines in each of the four previous years. Sales tax revenue has made a full recovery after declining 9% during the recession. Other revenues such as building permits, franchise fees, and landfill fees have also shown strong improvement over the past 12 months. With the City's revenues improving, the focus of the fiscal year 2014-15 is to address needs that had to be deferred during the recession. In particular, these needs include street improvements, employee compensation, and capital equipment that are essential to providing quality services.

To address the 2015 economic forecast, the City implemented the following goals for the 2014-15 adopted budget:

- Improve the condition of the City's street infrastructure.
- Address need for increases in employee compensation.
- Ensure that City service levels are maintained with the acquisition or replacement of critical capital items.

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.

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 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 coverage's 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 "working capital balance" (current assets minus current liabilities) of 45 days is maintained in the Enterprise Fund 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 OMB Circular A-133. The independent auditors' report on the basic financial statements is included in the financial section of this report. The independent auditors' 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, 2013. 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 two 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

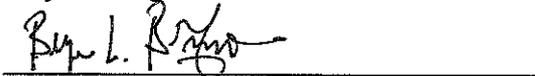
The preparation of this Comprehensive Annual Financial Report was accomplished with the professional and dedicated efforts of the staff of the Financial Services Department. Appreciation is also extended to those individuals in other departments who contributed, directly or indirectly, to the development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

Sincerely,



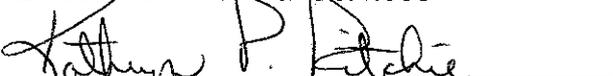
William E. Dollar
City Manager



Bryan L. Bradford
Assistant City Manager



David A. Schuler
Director of Financial Services



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, 2013

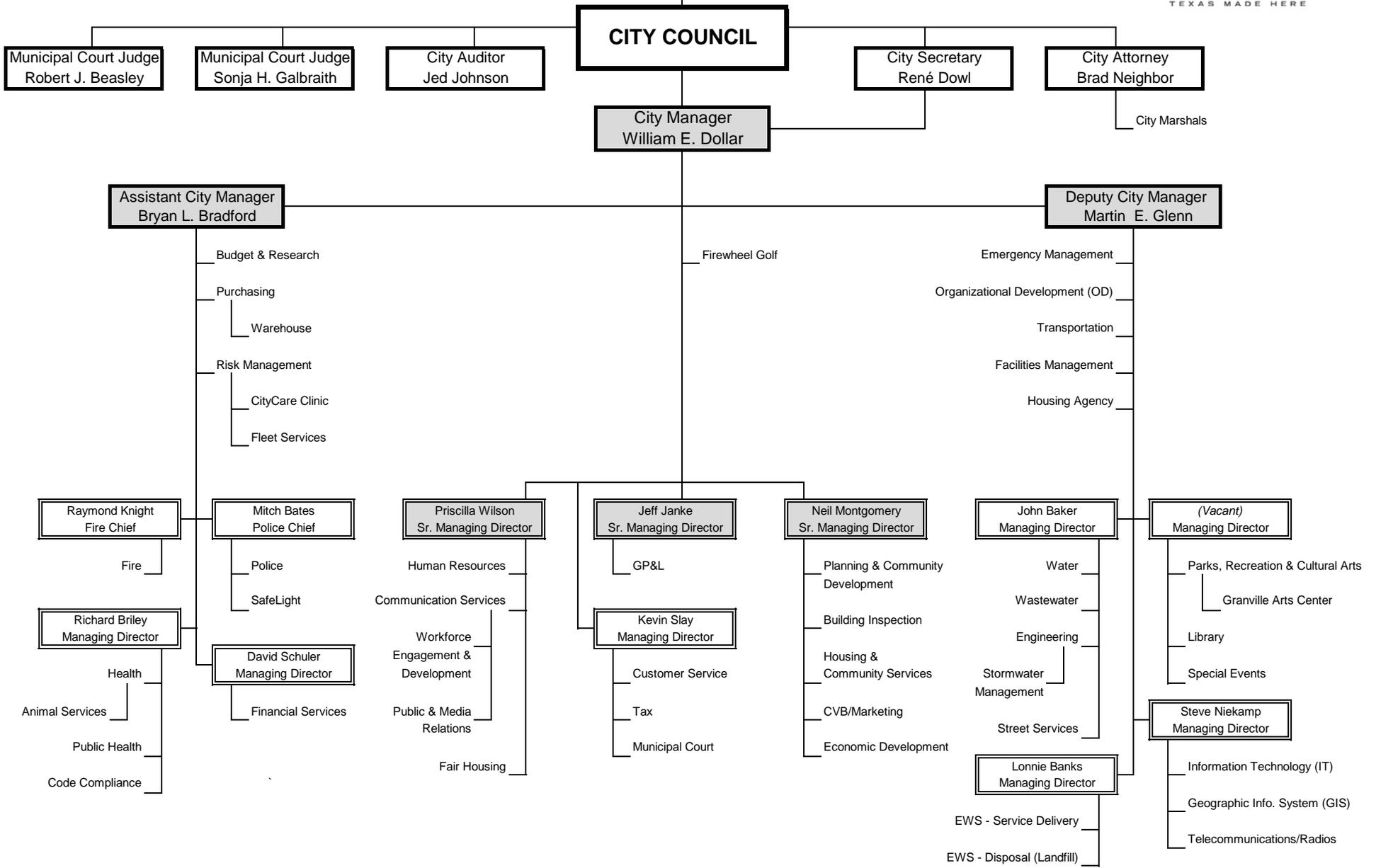
Executive Director/CEO

Revised February 11, 2015



GARLAND
TEXAS MADE HERE

CITIZENS OF GARLAND





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, 2014, 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, 2013. 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, 2014, 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.

Cumulative Change in Accounting Principle

As discussed in Note I.D.11. to the financial statements, the City adopted the provisions of the Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of September 30, 2014. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, and the Schedules of Funding Progress for the Texas Municipal Retirement System and for the Other Postemployment Benefits 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.

City of Garland, Texas

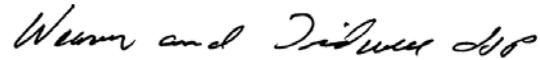
Page 3

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 and individual fund financial statements and schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

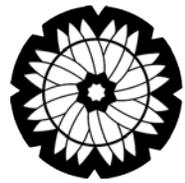
The accompanying combining and individual fund financial statements and schedules listed in the foregoing table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information 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, L.L.P.

Dallas, Texas
March 17, 2015



GARLAND
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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, 2014. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets and deferred outflows of the City of Garland (City) exceeded its liabilities and deferred inflows at the close of the fiscal year by \$809,596,915. Ending net position for governmental activities amount to \$139,590,477 and the ending net position for the business type activities amount to \$670,006,438.
- Net position for the governmental activities increased \$2,651,920 and the net position for the business type activities decreased \$472,043 for a total increase in the City's net position of \$2,179,877. Contributing factors related to the increase in governmental activities and the 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 \$66,112,816. Of the combined ending fund balances, \$32,516,553 is restricted, \$8,007,646 is committed, \$4,230,000 is assigned, and \$21,358,617 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 legally separate non-profit corporations for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 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 sixteen 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 thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison 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 99-105 and for the internal service funds on pages 107-111.

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 41-87 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, 2014, and the City's progress in funding its obligation to provide Texas Municipal Retirement System pension benefits and Other Postemployment Benefits (OPEB) to its employees, are presented on pages 88-91 of this report.

Government-wide Financial Analysis

Total assets and deferred outflows at fiscal year-end amount to \$1,863,279,685. Current and other assets comprise 36.14% and capital assets comprise 63.86% of the total assets. Total assets and deferred outflows increased \$27,663,267 during the fiscal year primarily as a result of capital assets increasing \$32,490,655 as a result of changes in building, improvements, equipment, and systems. Significant additions to fixed asset and construction in progress are described in the capital asset section of this overview and analysis.

Total liabilities and deferred inflows at the end of the fiscal year amount to \$1,053,682,770. Long-term liabilities comprise 90.72% and other liabilities comprise 9.28% of the total liabilities. Total liabilities increased \$25,483,390 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 \$809,596,915 for the fiscal year ended September 30, 2014. The largest portion of the City's net position (60.75%) 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 (23.27%) 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 (15.98%) 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, 2014

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets and deferred outflows	\$ 154,999,101	\$ 146,397,659	\$ 518,325,894	\$ 531,754,724	\$ 673,324,995	\$ 678,152,383
Capital assets	376,341,121	375,218,565	813,613,569	782,245,470	1,189,954,690	1,157,464,035
Total assets and deferred outflows	531,340,222	521,616,224	1,331,939,463	1,314,000,194	1,863,279,685	1,835,616,418
Long-term liabilities outstanding	323,971,437	335,443,535	631,933,056	603,012,064	955,904,493	938,455,599
Other liabilities and deferred inflows	67,778,308	49,234,132	29,999,969	40,509,649	97,778,277	89,743,781
Total liabilities and deferred inflows	391,749,745	384,677,667	661,933,025	643,521,713	1,053,682,770	1,028,199,380
Net position:						
Net investment in capital assets	125,858,168	127,763,560	365,960,688	438,249,356	491,818,856	566,012,916
Restricted for:						
Debt Service	6,486,930	4,691,533	4,706,085	3,739,680	11,193,015	8,431,213
Construction	135,552	1,531,005	-	-	135,552	1,531,005
Rate Mitigation	-	-	176,149,687	174,951,776	176,149,687	174,951,776
Housing Assistance	952,365	1,636,505	-	-	952,365	1,636,505
Unrestricted	6,157,462	1,315,954	123,189,978	53,537,669	129,347,440	54,853,623
Total net position	\$ 139,590,477	\$ 136,938,557	\$ 670,006,438	\$ 670,478,481	\$ 809,596,915	\$ 807,417,038

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2014

The total net position increased \$2,179,877 in the 2014 fiscal year. Governmental activities contributed \$2,651,920 to this increase while the business-type activities decreased this total by \$472,043. 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	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 38,364,090	\$ 39,146,893	\$ 495,705,406	\$ 414,978,701	\$ 534,069,496	\$ 454,125,594
Operation grants and contributions	14,290,332	17,203,324	-	-	14,290,332	17,203,324
Capital grants and contributions	560,265	1,785,232	953,011	1,787,937	1,513,276	3,573,169
General Revenues:						
Property taxes	71,507,322	71,160,273	-	-	71,507,322	71,160,273
Sales taxes	24,667,765	23,537,389	-	-	24,667,765	23,537,389
Other taxes	10,421,218	9,833,804	-	-	10,421,218	9,833,804
Unrestricted interest earnings	679,278	266,319	1,481,986	42,619	2,161,264	308,938
Miscellaneous	132,933	59,186	2,074,837	1,701,278	2,207,770	1,760,464
Total Revenues	<u>160,623,203</u>	<u>162,992,420</u>	<u>500,215,240</u>	<u>418,510,535</u>	<u>660,838,443</u>	<u>581,502,955</u>
Expenses:						
General government	27,639,946	29,243,108	-	-	27,639,946	29,243,108
Public safety	91,105,170	92,128,110	-	-	91,105,170	92,128,110
Public works	41,893,889	40,870,496	-	-	41,893,889	40,870,496
Culture and recreation	20,820,273	21,442,173	-	-	20,820,273	21,442,173
Public health	4,105,273	4,322,827	-	-	4,105,273	4,322,827
Interest and fiscal charges	9,696,538	11,094,537	-	-	9,696,538	11,094,537
Electric	-	-	344,969,100	271,815,312	344,969,100	271,815,312
Water	-	-	46,952,415	43,758,542	46,952,415	43,758,542
Sewer	-	-	36,080,645	36,288,797	36,080,645	36,288,797
Golf	-	-	4,738,094	4,889,818	4,738,094	4,889,818
Heliport	-	-	5,329	5,365	5,329	5,365
Storm Water Management	-	-	3,996,717	3,926,814	3,996,717	3,926,814
Parks Performance	-	-	1,031,470	964,590	1,031,470	964,590
Sanitation	-	-	17,415,020	16,965,951	17,415,020	16,965,951
Total expenses	<u>195,261,089</u>	<u>199,101,251</u>	<u>455,188,790</u>	<u>378,615,189</u>	<u>650,449,879</u>	<u>577,716,440</u>
Change in net position before transfers	(34,637,886)	(36,108,831)	45,026,450	39,895,346	10,388,564	3,786,515
Transfers	39,628,270	30,796,507	(39,628,270)	(30,796,507)	-	-
Increase (decrease) in net position	4,990,384	(5,312,324)	5,398,180	9,098,839	10,388,564	3,786,515
Net position – beginning	136,938,557	142,250,881	670,478,481	661,379,642	807,417,038	803,630,523
Cumulative effect of change in acctg principle	(2,338,464)	-	(5,870,223)	-	(8,208,687)	-
Net position-beginning as restated	<u>134,600,093</u>	<u>142,250,881</u>	<u>664,608,258</u>	<u>661,379,642</u>	<u>799,208,351</u>	<u>803,630,523</u>
Net position - ending	<u>\$139,590,477</u>	<u>\$ 136,938,557</u>	<u>\$ 670,006,438</u>	<u>\$ 670,478,481</u>	<u>\$809,596,915</u>	<u>\$ 807,417,038</u>

Governmental activities

Governmental activities increased the City's net position by \$2,651,920 in fiscal year 2014. Key factors that contributed to this improvement are discussed below.

Revenues by Source – Governmental Activities

Revenues by Source

	2014		2013		Amount Change	Percentage Change
	Amount	Percentage	Amount	Percentage		
Charges for services	\$ 38,364,090	23.88%	\$ 39,146,893	24.02%	\$ (782,803)	-2.00%
Operating grants and contributions	14,290,332	8.90%	17,203,324	10.55%	(2,912,992)	-16.93%
Capital grants and contributions	560,265	0.35%	1,785,232	1.10%	(1,224,967)	-68.62%
Property taxes	71,507,322	44.52%	71,160,273	43.66%	347,049	0.49%
Sales taxes	24,667,765	15.36%	23,537,389	14.44%	1,130,376	4.80%
Other taxes	10,421,218	6.49%	9,833,804	6.03%	587,414	5.97%
Unrestricted interest earnings	679,278	0.42%	266,319	0.16%	412,959	155.06%
Miscellaneous	132,933	0.08%	59,186	0.04%	73,747	124.60%
Total Revenues	<u>\$ 160,623,203</u>		<u>\$ 162,992,420</u>		<u>\$ (2,369,217)</u>	

Key changes in revenue by source included the following:

Charges for services decreased \$782,803 as a result of the following:

- Reimbursement of expenses in FY13 related to rebuilding the shooting range and completion of the Spring Creek Trail of \$1,049,987.

Operating grants and contributions decreased \$2,912,992 as a result of the following:

- Decrease in the amount of Housing Assistance revenues in FY14 which are advanced by HUD based on expenses incurred for programs. Expenses decreased in the areas of administrative expenses, portability housing assistance payments and regular housing assistance payments.
- The Police training category of grants had two grants that were completed in FY13 and were not carried forward to FY14.

Capital grants and contributions decreased \$1,224,967 as a result of the following:

- Developers' contributions decreased \$1,038,611 as a result of new construction within the City during FY13.
- Recovery of expenditures decreased \$186,356 as a result of a payoff related to drainage projects in FY13.

Sales tax revenue increased in FY14 and has made a full recovery after declining 9% during the 2008-2009 recession.

Expenses by Source - Governmental Activities

	Expenses by Source		
	2014	2013	Change
General government	\$ 27,639,946	\$ 29,243,108	\$ (1,603,162)
Public safety	91,105,170	92,128,110	(1,022,940)
Public works	41,893,889	40,870,496	1,023,393
Culture and recreation	20,820,273	21,442,173	(621,900)
Public health	4,105,273	4,322,827	(217,554)
Interest and fiscal charges	9,696,538	11,094,537	(1,397,999)
Total Expense	<u>\$ 195,261,089</u>	<u>\$ 199,101,251</u>	<u>\$ (3,840,162)</u>

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

General government expenses decreased \$1,603,162 as a result of the following:

- Internal service costs allocation associated with general government decreased \$929,564.
- Expenses related to Housing Assistance decreased \$631,587 related to administrative expenses, portability housing assistance payments and regular housing assistance payments.

Public safety expenses decreased \$1,022,940 as a result of the following:

- Internal service costs allocation associated with general government decreased \$1,909,463.

Interest and fiscal charges decreased \$1,397,999 as a result of the following:

- Interest expense decreased as a result of a decline in interest rates on long term debt.

Business-type Activities

Business-type activities decreased the City's net position by \$472,043. In FY14, a change in accounting principle required that deferred bond issuance costs should be expensed at the time of bond issuance. The cumulative effect of this change decreased net assets for business-type activities by \$5,870,223. Other key factors that contributed to the change are discussed below.

- The electric utility generated net income of \$2,884,852. The net income for the electric utility decreased \$2,996,738 from the prior fiscal year as a result of the following:
 - Demand charges decreased \$7,579,336 as a result of a decrease in the Texas Municipal Power Agency (TMPA) demand charge during FY14 of \$3.5 million. In addition, the City received a TMPA refund of \$3.5 million for the annual budget refund credit.
 - Fuel and energy purchases expense increased \$78,554,346 as a result of an increase in wholesale load served.
 - Revenue from charges for services increased \$79,791,335 as a result of an increase in wholesale activity.
- The water utility incurred a net loss of \$1,717,517. Key elements to this change are as follows.
 - Charges for services decreased \$639,900 as a result of the imposed conservation measures.
 - Water purchases increased \$1,635,025 as a result of a 10% rate increase by North Texas Municipal Water District.
- The sewer utility incurred a net income of \$2,562,579. The net income for the sewer utility increased \$1,712,264 from the prior fiscal year as a result of the following:
 - Charges for services increased \$1,628,571 as a result of a rate increase related to monitoring and readings.
 - Other revenue increased \$545,170 as a result of reimbursement of expenditures related to right-of-way construction.
- The combined net loss for non-major enterprise funds (golf, heliport, storm water management, parks performance, and sanitation) amounted to \$1,027,685. 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, 2014

Revenues by Source – Business-type Activities

	Charges for Service			Capital Grants and Contributions			Miscellaneous		
	2014	2013	Amount Change	2014	2013	Amount Change	2014	2013	Amount Change
Electric	\$ 376,657,906	\$ 296,866,570	\$ 79,791,336	\$ 252,307	\$ 143,377	\$ 108,930	\$ 725,327	\$ 891,631	\$ (166,304)
Water	49,536,979	50,176,879	(639,900)	562,104	1,092,419	(530,315)	331,689	345,897	(14,208)
Sewer	43,460,465	41,831,894	1,628,571	138,600	552,141	(431,541)	825,047	279,876	545,171
Non-major Enterprise	26,050,056	26,103,358	(53,302)	-	-	-	192,774	183,874	8,900
Total	\$ 495,705,406	\$ 414,978,701	\$ 80,726,705	\$ 953,011	\$ 1,787,937	\$ (834,926)	\$ 2,074,837	\$ 1,701,278	\$ 373,559

Expenses by Source – Business-type Activities

	2014	2013	Amount Change	Percentage Change
Electric	\$344,969,100	\$ 271,815,312	\$ 73,153,788	26.91%
Water	46,952,415	43,758,542	3,193,873	7.30%
Sewer	36,080,645	36,288,797	(208,152)	-0.57%
Non-Major	27,186,630	26,752,538	434,092	1.62%
	<u>\$455,188,790</u>	<u>\$ 378,615,189</u>	<u>\$ 76,573,601</u>	20.22%

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 \$500,000 contribution in excess of the pay-as-you-go costs was made to the trust fund during the 2014 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 2014 fiscal year, the City had \$1,189,954,690 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 \$32,490,655 or 2.81% 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 Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 81,609,846	\$ 82,577,005	\$ 25,364,030	\$ 20,095,639	\$ 106,973,876	\$ 102,672,644
Construction in Progress	33,086,001	18,948,112	22,359,280	116,490,541	55,445,281	135,438,653
Building, Improvements, equipment and systems	261,645,274	273,693,448	765,890,259	645,659,290	1,027,535,533	919,352,738
Total capital assets	<u>\$ 376,341,121</u>	<u>\$ 375,218,565</u>	<u>\$ 813,613,569</u>	<u>\$ 782,245,470</u>	<u>\$1,189,954,690</u>	<u>\$1,157,464,035</u>

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2014

Major capital asset additions for the current fiscal year included:

Description	Amount (000's)
GP&L CREZ Transmission	\$89,387
Relocation of Water Mains Prior to Paving	5,449
Water Pressure Plane Improvement	5,393
GP&L Nevada Substation	4,462
Relocation of Sewer Mains Prior to Paving	3,611
Dairy Road – E Celeste to Broadway	2,612
GP&L UG Line	2,600
GP&L UG 200 AMP Loop Replacement	2,517
Landfill Waste Cell #6	2,491
Firefighting Apparatus	2,299
Water Distribution Line Replacement	2,057
GP&L Miller Road Bridge Relocation	1,969
Side-load Residential Refuse Trucks	1,892
GP&L Rosehill Substation Transformer Installation	1,888
Sewer Collection Mains	1,876
Water Distribution Lines (up to 14 inch)	1,766
Radio Read Water Meter Retrofit	1,744
GP&L Distribution OH Line Transmission	1,646
Fifth Street – Miller to Avenue D – Phase B	1,524
GP&L Pleasant Valley Bridge Relocation	1,504
Duck Creek WWTP Process Improvements	1,412
Rowlett Creek WWTP Process Improvements	1,209
Water Transmission Mains (16 inch & above)	1,164
Library books, Media, & Periodicals	1,011

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2014

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>
City Center Development	\$ 6,078
West Pressure Plane Improvements	3,723
Pleasant Valley – Firewheel Pkwy – Richfield	2,777
Northwest Highway – Centerville to LaPrada	2,199
Pleasant Valley Road Bridge	2,117
City Hall Facade	1,722
Sewer Collection Mains	1,524
Relocation of Heritage Park	1,314
Wynn Joyce Substation Rebuild	1,262
Electric Transmission Line Construction	1,158

Additional information on the City's capital assets can be found in note IV.C. on pages 58-60 of this report.

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2014

Debt

Debt issues outstanding for the fiscal years 2014 and 2013 were as follows:

	Governmental Activities		Business-type Activities		Total		
	2014	2013	2014	2013	2014	2013	Change
Long-Term:							
General obligation bonds	\$190,456,259	\$202,499,352	\$ 58,195,000	\$ 66,665,000	\$248,651,259	\$269,164,352	\$(20,513,093)
Certificates of obligation	69,865,000	72,005,000	134,010,000	130,820,000	203,875,000	202,825,000	1,050,000
Utility system revenue bonds	-	-	379,595,000	297,640,000	379,595,000	297,640,000	81,955,000
Commercial paper	-	-	15,000,000	80,000,000	15,000,000	80,000,000	(65,000,000)
Total Long-Term	<u>260,321,259</u>	<u>274,504,352</u>	<u>586,800,000</u>	<u>575,125,000</u>	<u>847,121,259</u>	<u>849,629,352</u>	<u>(2,508,093)</u>
Short-Term:							
Commercial Paper	20,000,000	10,000,000	-	-	20,000,000	10,000,000	10,000,000
Tax Note	5,500,000	-	-	-	5,500,000	-	5,500,000
Total Short-Term	<u>25,500,000</u>	<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>25,500,000</u>	<u>10,000,000</u>	<u>15,500,000</u>
Total outstanding debt	<u>\$285,821,259</u>	<u>\$284,504,352</u>	<u>\$586,800,000</u>	<u>\$575,125,000</u>	<u>\$872,621,259</u>	<u>\$859,629,352</u>	<u>\$ 12,991,907</u>

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2014

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 2014	\$ 13,475,000	AA+	AAA
General Obligation Refunding Bonds, Series 2014	18,450,000	AA+	AAA
Electric Utility System Revenue Refunding Bonds, New Series 2014	85,305,000	A+	AA-
Water & Sewer System Revenue Refunding and Improvement Bonds, New Series 2014	38,175,000	AA-	AA+
Electric Commercial Paper, Series 2014	15,000,000	A-1+	
Short-term			
General Obligation Commercial Paper, Series 2012	20,000,000	A-1+	F1+
Tax Anticipation Note, Series 2014	5,500,000		
Total debt financing	<u>\$195,905,000</u>		

The proceeds of the Certificates of Obligation Bonds, Series 2014 will be used for the following:

- Constructing, equipping, and improving municipal part and recreation facilities, library facilities and public safety facilities,
- Acquiring, constructing, renovating, improving and equipping existing municipal facilities,
- Acquiring equipment and vehicles for Firewheel golf course, the environmental waste services department, the solid waste department and the municipal street department,
- Street improvements and drainage improvements, including the acquisition of land and rights-of-way therefor.

The proceeds of the General Obligation Refunding Bonds, Series 2014 were used to refund General Obligation Bonds, Series 2005B, and Certificates of Obligation Bonds, Series 2005 and 2006, at the call date. As a result of the refunding, the City decreased its total debt service payments.

The proceeds of the Electric Utility System Revenue Refunding Bonds, New Series 2014 were used to take out \$97,230,000 of Electric commercial paper debt, Series 2012A and Series 2012B.

The proceeds of the Water & Sewer System Revenue Refunding and Improvement Bonds, New Series 2014 were used to refund Water and Sewer System Revenue Bonds, Series 2004A at the call date and for system improvements. As a result of the refunding, the Water and Sewer funds decreased their total debt service payments.

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 \$20,000,000 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 \$15,000,000 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 \$107,145,959. This other asset will be reviewed annually to determine if it has been impaired based on changes at TMPA and or changes in the electric industry.

The City's variable rate interest General Obligation Bonds, Series 2007B, is subject to an interest rate cap. The object of this interest rate cap is to provide a 3.8% ceiling on the interest rate paid on these bonds. Under the terms of this interest cap agreement, Bank of America is required to pay the City the amount of interest paid to the bond holders in excess of 3.8%. In addition, this agreement requires the City to pay Bank of America a quarterly fee for this interest rate cap. This interest rate cap agreement results in an interest rate swap that qualifies this debt instrument as a derivative instrument. To terminate this interest rate cap agreement the City would have to pay Bank of America \$263,442 based on the current interest rates and the net present value of the future fees to be paid to Bank of America. GASB 53 requires that the City record a liability and a deferred outflow of resources to reflect this potential liability. The City does not intend to terminate the interest rate cap with Bank of America before it is scheduled to end on August 15, 2015. Therefore, the City does not anticipate having to liquidate this liability with cash. Additional information related to this bond issue can be found in note IV.F on page 68 of this report.

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

The City's Funds

At the close of the City's fiscal year, the governmental funds of the City reported a combined fund balance of \$66,112,816, a decrease of \$7,906,632 from the prior fiscal year. The decrease in the net change in fund balance for the Capital Projects Fund of \$9,206,856 is attributable to capital project expenditures funded by general obligation commercial paper of \$20,000,000. 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 \$25,729,669 which was an increase of \$1,465,799 from the prior fiscal year. The original budget projected a decrease in fund balance of \$2,055,361 which was later revised to a decrease of \$5,182,397 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 \$2,078,287 and actual expenditures were under the final budget amount by \$3,999,447. This favorable budget variance was a result of better than anticipated property tax revenues, franchise fees, service charges, licenses and permits, and other operational expenditure savings across General Fund departments.

The Debt Service Fund ended the fiscal year with a fund balance of \$7,843,714 due to a net increase in fund balance for the fiscal year of \$1,529,707. This increase in fund balance was the result of an increase in revenues over expenditures and transfers to the fund.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2014, 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 \$592,249.

Economic Factors and Next Year's Budgets and Rates

The City's unemployment rate at September 30, 2014 was 5.1% and the State of Texas unemployment rate was 5.9%. The City's estimated population of 233,206 (as estimated at January 1, 2014 by the City's Planning department) remained virtually unchanged from the prior year.

The primary focus of the FY 2013-14 Adopted Budget was to maintain the Ad Valorem Tax rate and City service at current levels while providing increases in compensation for City employees to the extent funding would allow. In addition, finding an affordable solution for employee and retiree healthcare costs was a significant priority.

- Maintain property tax rate at 70.46 cents per \$100 of valuation.
- Maintain current service levels to the highest extent possible.
- Provide employee compensation increases to the extent funding will allow.
- Mitigate significant increases in employee and retiree healthcare costs.

No rate increases were included in the FY 2013-14 Adopted Budget for Electric or Stormwater services.

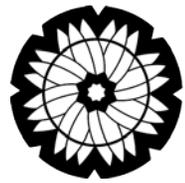
The primary focus of the FY 2014-15 Budget was to address needs that had to be deferred during the recession. In particular, these needs include street improvements, employee compensation, and capital equipment that are essential to providing quality services.

- Improve the condition of the City's street infrastructure.
- Address need for increases in employee compensation.
- Ensure that City service levels are maintained with the acquisition or replacement of critical capital items.

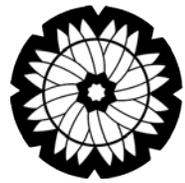
Fiscal year 2014-15 will be the third year that the Electric Utility will draw from the Rate Mitigation Fund in order to offset increasing debt service costs being passed on to member cities by the TMPA and higher energy costs. Additional draws are anticipated each year until 2018.

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, 2014

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		As of December 31, 2013
ASSETS				
Cash and cash equivalents	\$ 71,344,985	\$ 45,149,038	\$ 116,494,023	\$ 624,887
Investments	65,017,218	43,555,474	108,572,692	-
Accounts Receivable, net of allowance for uncollectibles	16,060,475	65,059,323	81,119,798	65,950
Due from other governments	485,145	-	485,145	-
Internal Balances	(14,676,898)	14,676,898	-	-
Inventories	5,566,483	4,455,346	10,021,829	-
Prepaid and other items	188,000	530,729	718,729	-
Restricted Assets:				
Cash and cash equivalents	5,827,249	53,317,739	59,144,988	-
Investments	4,106,550	181,870,402	185,976,952	-
Accrued interest	2,929	255,242	258,171	-
Assets held for resale	165,602	-	165,602	501,418
Capital Assets:				
Land	81,609,846	25,364,030	106,973,876	1,140,710
Construction in Progress	33,086,001	22,359,280	55,445,281	-
Buildings, Improvements, Equipment and System (net of accumulated depreciation)	261,645,274	765,890,259	1,027,535,533	-
Other Assets	-	107,145,959	107,145,959	-
Derivative instrument-energy risk management	-	303,169	303,169	-
Total assets	<u>530,428,859</u>	<u>1,329,932,888</u>	<u>1,860,361,747</u>	<u>2,332,965</u>
DEFERRED OUTFLOWS OF RESOURCES				
Fair value of interest rate cap	263,442	-	263,442	-
Deferred charges on debt refunding	647,921	2,006,575	2,654,496	-
Total deferred outflows of resources	<u>911,363</u>	<u>2,006,575</u>	<u>2,917,938</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued liabilities	20,163,752	25,731,184	45,894,936	-
Escrow payable	-	-	233,628	-
Retainage payable	575,132	606,270	1,181,402	-
Accrued interest payable	1,356,784	3,316,698	4,673,482	-
Customer deposits	13,127,043	-	13,127,043	-
Tax Note Payable	5,500,000	-	5,500,000	-
Commercial Paper	20,000,000	-	20,000,000	-
Interest rate cap	263,442	-	263,442	-
Due to other governments	571,879	-	571,879	-
Unearned revenue	5,501,084	-	5,501,084	1,172,125
Noncurrent Liabilities:				
Due within one year	36,453,357	34,276,583	70,729,940	-
Due in more than one year	287,518,080	597,656,473	885,174,553	-
Total liabilities	<u>391,264,181</u>	<u>661,587,208</u>	<u>1,052,851,389</u>	<u>1,172,125</u>
DEFERRED INFLOWS OF RESOURCES				
Fair value of energy risk derivatives	-	303,169	303,169	-
Deferred charges on debt refunding	485,564	42,648	528,212	-
Total deferred inflows of resources	<u>485,564</u>	<u>345,817</u>	<u>831,381</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	125,858,168	365,960,688	491,818,856	1,140,710
Restricted for:				
Debt Service	6,486,930	4,706,085	11,193,015	-
Construction	135,552	-	135,552	-
Rate Mitigation	-	176,149,687	176,149,687	-
Housing	952,365	-	952,365	-
Unrestricted net position	6,157,462	123,189,978	129,347,440	20,130
Total net position	<u>\$ 139,590,477</u>	<u>\$ 670,006,438</u>	<u>\$ 809,596,915</u>	<u>\$ 1,160,840</u>

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

**City of Garland, Texas
Statement of Activities
For the Year Ended September 30, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit as of 12/31/2013
	Expenses	Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 27,639,946	\$ 6,771,546	\$ 13,171,529	\$ -	\$ (7,696,871)	\$ -	\$ (7,696,871)	\$ -
Public safety	91,105,170	14,845,171	699,276	-	(75,560,723)	-	(75,560,723)	-
Public works	41,893,889	14,690,728	-	560,265	(26,642,896)	-	(26,642,896)	-
Culture and recreation	20,820,273	1,562,302	-	-	(19,257,971)	-	(19,257,971)	-
Public health	4,105,273	494,343	419,527	-	(3,191,403)	-	(3,191,403)	-
Interest and fiscal charges	9,696,538	-	-	-	(9,696,538)	-	(9,696,538)	-
Total governmental activities	195,261,089	38,364,090	14,290,332	560,265	(142,046,402)	-	(142,046,402)	-
Business type activities:								
Electric	344,969,100	376,657,906	-	252,307	-	31,941,113	31,941,113	-
Water	46,952,415	49,536,979	-	562,104	-	3,146,668	3,146,668	-
Sewer	36,080,645	43,460,465	-	138,600	-	7,518,420	7,518,420	-
Golf	4,738,094	3,630,768	-	-	-	(1,107,326)	(1,107,326)	-
Heliport	5,329	6,956	-	-	-	1,627	1,627	-
Storm Water Management	3,996,717	3,820,130	-	-	-	(176,587)	(176,587)	-
Parks Performance	1,031,470	1,005,702	-	-	-	(25,768)	(25,768)	-
Sanitation	17,415,020	17,586,500	-	-	-	171,480	171,480	-
Total business-type activities	455,188,790	495,705,406	-	953,011	-	41,469,627	41,469,627	-
Total primary government	\$ 650,449,879	\$ 534,069,496	\$ 14,290,332	\$ 1,513,276	(142,046,402)	41,469,627	(100,576,775)	-
Component units								
Garland Housing Finance Corp.	\$ 120,484	\$ 191,818	\$ -	-	-	-	-	71,334
	\$ 120,484	\$ 191,818	\$ -	\$ -				
General revenues:								
Sales taxes					24,667,765	-	24,667,765	-
Franchise fees					9,091,491	-	9,091,491	-
Property taxes					71,507,322	-	71,507,322	-
Hotel/Motel taxes					896,702	-	896,702	-
Mixed drink taxes					327,324	-	327,324	-
Bingo taxes					105,701	-	105,701	-
Unrestricted investment earnings					679,278	1,481,986	2,161,264	24,757
Miscellaneous					132,933	2,074,837	2,207,770	-
Transfers					39,628,270	(39,628,270)	-	-
Total general revenues and transfers					147,036,786	(36,071,447)	110,965,339	24,757
Change in net position					4,990,384	5,398,180	10,388,564	96,091
Net assets - beginning					136,938,557	670,478,481	807,417,038	1,064,749
Cumulative effect of change in accounting principle					(2,338,464)	(5,870,223)	(8,208,687)	-
Net position-beginning as restated					134,600,093	664,608,258	799,208,351	1,064,749
Net position-ending					\$ 139,590,477	\$ 670,006,438	\$ 809,596,915	\$ 1,160,840

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

**City of Garland, Texas
Governmental Funds
Balance Sheet
September 30, 2014**

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 14,858,199	\$ 6,785,483	\$ 25,461,764	\$ 4,872,748	\$ 51,978,194
Investments	14,267,315	999,923	27,079,315	4,506,954	46,853,507
Receivables:					
Accounts, net	9,420,668	-	-	4,303,803	13,724,471
Taxes, net	469,203	369,884	-	-	839,087
Accrued interest	26,572	1,155	35,134	6,464	69,325
Assessments	17,194	-	-	-	17,194
Due from other funds	2,243,862	-	-	-	2,243,862
Due from other governments	86,629	-	-	398,517	485,146
Assets held for resale	-	-	-	165,603	165,603
Restricted assets:					
Cash and cash equivalents	-	-	-	1,556,554	1,556,554
Total Assets	\$ 41,389,642	\$ 8,156,445	\$ 52,576,213	\$ 15,810,643	\$ 117,932,943
LIABILITIES					
Accounts payable and accrued liabilities	\$ 11,423,633	\$ -	\$ 3,599,916	\$ 380,791	\$ 15,404,340
Escrow payable	-	-	-	233,628	233,628
Due to other funds	-	-	15,942	57,041	72,983
Unearned revenues	569,120	-	182,502	4,749,462	5,501,084
Due to other governments	-	-	-	571,880	571,880
Retainage payable	14,323	-	556,261	-	570,584
Tax note payable	-	-	5,500,000	-	5,500,000
Commercial paper	-	-	20,000,000	-	20,000,000
Total Liabilities	12,007,076	-	29,854,621	5,992,802	47,854,499
DEFERRED INFLOWS OF RESOURCES	3,652,897	312,731	-	-	3,965,628
FUND BALANCES					
Fund balances:					
Restricted	135,552	7,843,714	22,721,592	1,815,695	32,516,553
Committed	-	-	-	8,007,646	8,007,646
Assigned	4,230,000	-	-	-	4,230,000
Unassigned	21,364,117	-	-	(5,500)	21,358,617
Total Fund Balances	25,729,669	7,843,714	22,721,592	9,817,841	66,112,816
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 41,389,642	\$ 8,156,445	\$ 52,576,213	\$ 15,810,643	\$ 113,967,315

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, 2014**

Total fund balances - governmental funds \$ 66,112,816

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. 325,346,363

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. 3,965,628

Bond interest is not accrued at the fund level. (1,190,218)

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	(230,681,259)
Landfill closure costs	(10,240,436)
Compensated absences	(18,845,549)
Unamortized premium and loss on refunding	(8,179,106)
Other Post Employment Benefits liability payable	(11,827,054)
Deferred loss on debt refunding	577,572
Deferred gain on debt refunding	(472,849)

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. 25,024,569

Total net position - governmental activities \$ 139,590,477

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, 2014

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 64,744,909	\$ 31,296,345	\$ -	\$ 1,544,000	\$ 97,585,254
Franchise fees	9,091,491	-	-	-	9,091,491
Service charges	20,791,739	-	-	-	20,791,739
Licenses and permits	3,781,703	-	-	-	3,781,703
Earnings on investments	259,387	19,142	217,188	34,195	529,912
Intergovernmental	692,291	-	80,000	12,677,785	13,450,076
Intragovernmental	8,002,858	-	-	-	8,002,858
Fines and forfeits	6,730,988	-	-	-	6,730,988
Rents and concessions	833,456	-	-	-	833,456
Assessments	-	-	77,710	-	77,710
Impact fees	-	-	-	380,120	380,120
Program income	-	-	-	292,533	292,533
Court awarded seizures	-	-	-	230,571	230,571
Miscellaneous and other	-	-	119,295	695,904	815,199
Total revenues	<u>114,928,822</u>	<u>31,315,487</u>	<u>494,193</u>	<u>15,855,108</u>	<u>162,593,610</u>
EXPENDITURES					
Current:					
General government	9,763,970	-	302,803	-	10,066,773
Public safety	79,341,146	-	-	-	79,341,146
Public works	19,617,640	-	-	-	19,617,640
Culture and recreation	13,371,187	-	-	-	13,371,187
Public health	3,606,072	-	-	-	3,606,072
Nondepartmental	20,992,758	-	-	-	20,992,758
Operations	-	-	-	15,229,201	15,229,201
Capital outlay	-	-	30,162,128	636,674	30,798,802
Debt service:					
Principal	-	20,108,094	-	-	20,108,094
Interest	-	9,949,833	-	-	9,949,833
Issue costs on issuance of debt	-	144,887	166,650	-	311,537
Other and fiscal expenditures	-	43,445	28,840	-	72,285
Total expenditures	<u>146,692,773</u>	<u>30,246,259</u>	<u>30,660,421</u>	<u>15,865,875</u>	<u>223,465,328</u>
Excess (deficiency) of revenues over (under) expenditures	(31,763,951)	1,069,228	(30,166,228)	(10,767)	(60,871,718)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	137,275	-	1,095,000	-	1,232,275
Transfers in	35,366,475	664,933	14,679,722	20,000	50,731,130
Transfers out	(2,274,000)	(86,408)	(4,477,000)	(1,704,515)	(8,541,923)
Issuance of debt	-	-	9,110,000	-	9,110,000
Premium on issuance of debt	-	895,774	551,650	-	1,447,424
Issuance of refunding bonds	-	17,515,000	-	-	17,515,000
Payment to refunded bonds escrow agent	-	(18,528,820)	-	-	(18,528,820)
Total other financing sources (uses)	<u>33,229,750</u>	<u>460,479</u>	<u>20,959,372</u>	<u>(1,684,515)</u>	<u>52,965,086</u>
Net change in fund balance	1,465,799	1,529,707	(9,206,856)	(1,695,282)	(7,906,632)
Fund balances - beginning	24,263,870	6,314,007	31,928,448	11,513,123	74,019,448
Fund balances - ending	<u>\$ 25,729,669</u>	<u>\$ 7,843,714</u>	<u>\$ 22,721,592</u>	<u>\$ 9,817,841</u>	<u>\$ 66,112,816</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, 2014**

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

Net change in fund balances - total governmental funds	\$ (7,906,632)
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.	3,874,120
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(214,902)
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.	10,642,098
Other Post Employment Benefits liability is accrued in the government wide financial statements but not at the fund level.	(2,045,792)
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.	244,001
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.	397,491
Net change in net position-total governmental activities	<u>\$ 4,990,384</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, 2014

	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	\$ 31,837,620	\$ 3,636,550	\$ 9,097,139	\$ 577,729	\$ 45,149,038	\$ 19,366,790
Investments	30,801,882	3,485,368	8,736,635	531,589	43,555,474	18,163,712
Receivable, net of allowance	52,713,339	5,479,471	4,629,022	2,184,301	65,006,133	1,384,900
Accrued interest	36,239	4,136	12,058	757	53,190	25,496
Inventories	4,401,280	-	-	54,066	4,455,346	5,566,483
Prepaid expense	530,729	-	-	-	530,729	188,000
Total current assets	<u>120,321,089</u>	<u>12,605,525</u>	<u>22,474,854</u>	<u>3,348,442</u>	<u>158,749,910</u>	<u>44,695,381</u>
Noncurrent Assets:						
Restricted assets						
Revenue bond retirement fund:						
Cash and cash equivalents	55,919	-	-	-	55,919	-
Total revenue bond retirement fund	<u>55,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,919</u>	<u>-</u>
Revenue bond reserve fund:						
Cash and cash equivalents	-	460,935	641,185	-	1,102,120	-
Investments	-	1,386,800	2,158,601	-	3,545,401	-
Accrued interest receivable	-	1,154	1,491	-	2,645	-
Total revenue bond reserve fund	<u>-</u>	<u>1,848,889</u>	<u>2,801,277</u>	<u>-</u>	<u>4,650,166</u>	<u>-</u>
Rate mitigation:						
Cash and cash equivalents	18,945,721	-	-	-	18,945,721	-
Investments	156,982,261	-	-	-	156,982,261	-
Accrued interest	221,705	-	-	-	221,705	-
Total rate mitigation	<u>176,149,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,149,687</u>	<u>-</u>
Construction funds:						
Cash and cash equivalents	13,075,025	7,289,813	11,951,282	897,859	33,213,979	4,270,695
Investments	1,995,347	7,013,725	11,473,161	860,507	21,342,740	4,106,550
Accrued interest	2,937	9,804	16,536	1,615	30,892	2,929
Total construction funds	<u>15,073,309</u>	<u>14,313,342</u>	<u>23,440,979</u>	<u>1,759,981</u>	<u>54,587,611</u>	<u>8,380,174</u>
Capital Assets:						
Land	10,030,714	1,807,965	2,338,807	11,186,544	25,364,030	221,949
Buildings, improvements, equipment and systems	521,842,370	267,340,148	444,432,881	37,237,864	1,270,853,263	96,484,563
Construction in progress	12,290,960	6,891,400	3,075,784	101,136	22,359,280	2,853,751
Less accumulated depreciation	(176,029,001)	(102,434,621)	(206,077,318)	(20,422,064)	(504,963,004)	(48,565,505)
Net capital assets	<u>368,135,043</u>	<u>173,604,892</u>	<u>243,770,154</u>	<u>28,103,480</u>	<u>813,613,569</u>	<u>50,994,758</u>
Other Assets	107,145,959	-	-	-	107,145,959	-
Advance to other funds	3,896,269	-	-	-	3,896,269	-
Derivative instruments - energy risk management	303,169	-	-	-	303,169	-
Total noncurrent assets	<u>670,759,355</u>	<u>189,767,123</u>	<u>270,012,410</u>	<u>29,863,461</u>	<u>1,160,402,349</u>	<u>59,374,932</u>
Total Assets	<u>791,080,444</u>	<u>202,372,648</u>	<u>292,487,264</u>	<u>33,211,903</u>	<u>1,319,152,259</u>	<u>104,070,313</u>
Deferred Outflows of Resources						
Deferred charges on debt refundings	946,578	316,742	743,255	-	2,006,575	70,353

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

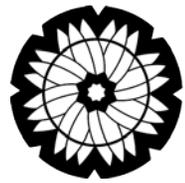
City of Garland, Texas
Proprietary Funds
Statement of Net Position
September 30, 2014

	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	\$ 18,519,473	\$ 2,580,485	\$ 619,430	\$ 702,967	\$ 22,422,355	\$ 4,669,138
Retainage	-	-	-	-	-	756
Due to other funds	-	-	-	868,966	868,966	1,301,913
Insurance claims payable	-	-	-	-	-	4,397,302
Accrued interest payable:						
General obligation bonds	227,837	33,743	104,228	-	365,808	7,792
Certificates of obligation	799,440	-	-	36,258	835,698	158,774
Revenue bonds	1,367,948	342,540	404,704	-	2,115,192	-
Customer deposits	-	-	-	-	-	13,127,043
General obligation bonds	5,280,000	1,210,000	3,130,000	-	9,620,000	265,000
Certificates of obligation	1,450,000	-	-	1,635,000	3,085,000	1,925,000
Revenue bonds	7,085,000	4,865,000	6,905,000	-	18,855,000	-
Capital lease-current portion	-	-	-	-	-	33,343
OPEB liability-current	305,748	77,960	118,157	154,701	656,566	307,965
Compensated absences	1,191,914	248,657	316,418	303,028	2,060,017	656,400
Total current liabilities	<u>36,227,360</u>	<u>9,358,385</u>	<u>11,597,937</u>	<u>3,700,920</u>	<u>60,884,602</u>	<u>26,850,426</u>
Long-term liabilities:						
<i>Payable from restricted assets</i>						
Accounts payable	664,375	1,246,701	989,362	408,391	3,308,829	90,274
Retainage payable	4,489	452,144	149,637	-	606,270	3,792
Total payable from restricted assets	<u>668,864</u>	<u>1,698,845</u>	<u>1,138,999</u>	<u>408,391</u>	<u>3,915,099</u>	<u>94,066</u>
Advances from other funds	-	-	-	-	-	3,896,269
Revenue bonds payable (net of unamortized premium)	178,569,342	98,119,406	111,315,808	-	388,004,556	-
Certificates of obligation (net of unamortized premium)	134,288,125	-	-	5,885,199	140,173,324	26,520,303
General obligation bonds (net of unamortized premium and defeased bond costs)	31,047,775	4,762,714	14,512,024	-	50,322,513	1,603,920
Commercial paper	15,000,000	-	-	-	15,000,000	-
Insurance claims payable	-	-	-	-	-	6,467,656
OPEB liability	1,648,044	420,839	667,446	977,557	3,713,886	1,946,004
Compensated absences	326,793	4,530	49,799	61,072	442,194	75,143
Total other liabilities	<u>360,880,079</u>	<u>103,307,489</u>	<u>126,545,077</u>	<u>6,923,828</u>	<u>597,656,473</u>	<u>40,509,295</u>
Total Liabilities	<u>397,776,303</u>	<u>114,364,719</u>	<u>139,282,013</u>	<u>11,033,139</u>	<u>662,456,174</u>	<u>67,453,787</u>
Deferred Inflows of Resources						
Deferred charges on debt refundings	-	6,308	36,340	-	42,648	12,715
Fair value of energy risk derivatives	303,169	-	-	-	303,169	-
Total deferred inflows of resources	<u>303,169</u>	<u>6,308</u>	<u>36,340</u>	<u>-</u>	<u>345,817</u>	<u>12,715</u>
NET POSITION						
Net investment in capital assets	136,554,246	77,262,269	130,209,302	21,934,871	365,960,688	28,966,643
Restricted for:						
Debt service	55,919	1,848,889	2,801,277	-	4,706,085	-
Rate mitigation	176,149,687	-	-	-	176,149,687	-
Unrestricted	81,187,698	9,207,205	20,901,587	243,893	111,540,383	7,707,521
Total net position	<u>\$ 393,947,550</u>	<u>\$ 88,318,363</u>	<u>\$ 153,912,166</u>	<u>\$ 22,178,764</u>	<u>658,356,843</u>	<u>\$ 36,674,164</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.

Net position of business type activities

11,649,595
\$ 670,006,438



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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, 2014

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:						
Charges for services	\$ 376,657,906	\$ 49,536,979	\$ 43,460,465	\$ 26,050,056	\$ 495,705,406	\$ 47,549,517
Insurance premiums	-	-	-	-	-	27,972,734
Other	725,327	331,689	825,047	192,774	2,074,837	7,451,874
Total Operating Revenues	377,383,233	49,868,668	44,285,512	26,242,830	497,780,243	82,974,125
OPERATING EXPENSES:						
Salaries and benefits	21,469,028	4,813,520	6,848,504	9,383,506	42,514,558	16,727,344
Demand charges	49,209,149	-	-	-	49,209,149	-
Amortization of other assets	6,912,643	-	-	-	6,912,643	-
Energy and fuel purchases	214,756,435	-	-	-	214,756,435	-
Water purchases	-	24,066,289	-	-	24,066,289	-
Landfill fees	-	-	-	3,951,065	3,951,065	-
Maintenance, repairs, and other	11,232,868	4,766,000	8,277,559	8,699,632	32,976,059	19,420,223
Insurance and other expenses	3,859,840	420,516	654,329	661,922	5,596,607	-
General and administrative	12,121,668	4,808,507	4,509,168	2,035,580	23,474,923	5,972,592
Capitalized general and administrative	-	(570,398)	(122,453)	-	(692,851)	-
Premiums	-	-	-	-	-	7,959,917
Claims	305,748	77,960	118,157	154,701	656,566	17,656,307
Administrative services	-	-	-	-	-	1,149,795
Depreciation	13,052,009	6,606,429	12,671,414	2,495,703	34,825,555	7,590,692
Total Operating Expenses	332,919,388	44,988,823	32,956,678	27,382,109	438,246,998	76,476,870
Total Operating Income (Loss)	\$ 44,463,845	\$ 4,879,845	\$ 11,328,834	\$ (1,139,279)	\$ 59,533,245	\$ 6,497,255
NONOPERATING REVENUES (EXPENSES)						
Gain (loss) on disposal of capital assets	\$ (3,590,836)	\$ -	\$ -	\$ 75,014	\$ (3,515,822)	\$ 228,787
Investment income (loss)	1,238,380	71,190	161,760	10,656	1,481,986	149,372
Interest expense	(10,496,543)	(2,243,848)	(3,339,274)	(42,259)	(16,121,924)	(1,221,032)
Income (loss) before transfers and contributions	31,614,846	2,707,187	8,151,320	(1,095,868)	41,377,485	5,654,382
Capital contributions	252,307	562,104	138,600	-	953,011	-
TRANSFERS						
Transfers in	-	-	-	957,000	957,000	1,753,955
Transfers out	(28,982,301)	(4,986,808)	(5,727,341)	(888,817)	(40,585,267)	(4,314,895)
Net transfers	(28,982,301)	(4,986,808)	(5,727,341)	68,183	(39,628,267)	(2,560,940)
NET INCOME (LOSS)	2,884,852	(1,717,517)	2,562,579	(1,027,685)	2,702,229	3,093,442
Net position, beginning of year	394,007,398	91,252,144	153,005,019	23,260,276	661,524,837	33,980,415
Cumulative effect of change in accounting principle	(2,944,700)	(1,216,264)	(1,655,432)	(53,827)	(5,870,223)	(399,693)
Net position, beginning of year, restated	391,062,698	90,035,880	151,349,587	23,206,449	655,654,614	33,580,722
Net position, end of year	\$ 393,947,550	\$ 88,318,363	\$ 153,912,166	\$ 22,178,764	658,356,843	\$ 36,674,164

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

2,695,951

Change in net position of business-type activities

\$ 5,398,180

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, 2014

	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	\$ 384,625,974	\$ 50,983,319	\$ 43,311,726	\$ 26,171,836	\$ 505,092,855	\$ 74,968,009
Cash received for customer deposit	-	-	-	-	-	526,132
Cash paid to suppliers	(285,441,318)	(33,418,787)	(13,685,845)	(15,365,438)	(347,911,388)	(53,904,472)
Cash paid to employees for services	(21,331,104)	(4,781,505)	(6,829,584)	(9,341,334)	(42,283,527)	(16,745,678)
Other operating revenues	725,327	331,689	825,047	192,774	2,074,837	7,451,875
Net cash provided by operations	78,578,879	13,114,716	23,621,344	1,657,838	116,972,777	12,295,866
Cash flows from noncapital financing activities:						
Retainage -increase	-	-	-	-	-	756
Due to other funds increases (decreases)	(1,000,000)	-	-	(287,243)	(1,287,243)	839,891
Transfers in	-	-	-	957,000	957,000	1,753,955
Transfers out	(28,982,301)	(4,986,808)	(5,727,341)	(888,817)	(40,585,267)	(4,314,895)
Net cash used for noncapital financing activities	(29,982,301)	(4,986,808)	(5,727,341)	(219,060)	(40,915,510)	(1,720,293)
Cash flows from capital and related financing activities:						
Proceeds from sales of:						
Certificates of obligation	-	-	-	4,365,000	4,365,000	-
Revenue bonds	-	14,790,000	2,070,000	-	16,860,000	-
Refunding bonds	85,305,000	-	21,315,000	-	106,620,000	935,000
Premium on issuance of debt	12,637,215	2,204,980	3,418,390	157,423	18,418,008	39,408
Commercial paper	32,230,000	-	-	-	32,230,000	-
Acquisition and construction of capital assets	(52,617,532)	(12,820,128)	(7,578,355)	(5,655,975)	(78,671,990)	(5,083,059)
Principal paid on:						
Revenue bonds	(6,140,000)	(4,420,000)	(6,965,000)	-	(17,525,000)	-
Certificates of obligation	(105,000)	-	-	(1,070,000)	(1,175,000)	(2,115,000)
General obligation bonds	(5,095,000)	(935,000)	(2,440,000)	-	(8,470,000)	(50,000)
Payment to escrow agent	(97,230,000)	-	(24,436,225)	-	(121,666,225)	(966,081)
Capital lease	-	-	-	-	-	(31,755)
Interest paid on:						
Revenue bonds	(4,501,695)	(3,629,093)	(4,824,414)	-	(12,955,202)	-
Certificates of obligation	(6,257,538)	-	-	(100,696)	(6,358,234)	(1,303,805)
General obligation bonds	(1,900,267)	(288,176)	(877,068)	-	(3,065,511)	(51,574)
Commercial paper	(95,747)	-	-	-	(95,747)	-
Capital lease	-	-	-	-	-	(3,255)
Bond issue expense	-	-	266,097	-	266,097	601
Contributions	-	55,554	-	-	55,554	-
Proceeds from sales of assets	33,976	-	-	75,014	108,990	382,981
Net cash used for capital and related financing activities	(43,736,588)	(5,041,863)	(20,051,575)	(2,229,234)	(71,059,260)	(8,246,539)

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, 2014

	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	(161,990,310)	(12,589,135)	(20,346,970)	(1,191,407)	(196,117,822)	(23,303,387)
Proceeds from sale and maturities of investment securities	175,139,507	13,043,842	26,800,916	2,161,994	217,146,259	29,111,536
Interest received on investments	1,184,055	71,944	169,498	12,099	1,437,596	153,543
Net cash provided by investing activities	<u>14,333,252</u>	<u>526,651</u>	<u>6,623,444</u>	<u>982,686</u>	<u>22,466,033</u>	<u>5,961,692</u>
Net increase in cash and cash equivalents	19,193,242	3,612,696	4,465,872	192,230	27,464,040	8,290,726
Cash and cash equivalents at beginning of the year	44,721,043	7,774,602	17,223,734	1,283,358	71,002,737	15,346,759
Cash and cash equivalents at end of the year	<u>\$ 63,914,285</u>	<u>\$ 11,387,298</u>	<u>\$ 21,689,606</u>	<u>\$ 1,475,588</u>	<u>\$ 98,466,777</u>	<u>\$ 23,637,485</u>
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities						
Operating income (loss)	\$ 44,463,845	\$ 4,879,845	\$ 11,328,834	\$ (1,139,279)	\$ 59,533,245	\$ 6,497,255
Adjustments:						
Depreciation expense	13,052,009	6,606,429	12,671,414	2,495,703	34,825,555	7,590,692
Change in allowance for uncollectible accounts	(129,325)	34,302	(28,705)	(21,896)	(145,624)	-
Change in assets and liabilities						
(Increase) decrease in accounts receivable	8,097,393	1,412,038	(120,034)	143,676	9,533,073	(554,243)
Increase (decrease) in inventory	1,748,806	-	-	(5,248)	1,743,558	5,899
Decrease in other assets	7,417,859	-	-	-	7,417,859	-
(Increase) decrease in other prepaid expense	1,770,031	-	-	-	1,770,031	(188,000)
Increase (decrease) in accounts payable	1,954,551	133,312	(274,508)	94,128	1,907,483	(847,463)
Increase (decrease) in compensated absences	137,924	32,015	18,920	42,172	231,031	(18,334)
Increase in customer deposits	-	-	-	-	-	526,132
Increase in OPEB payable	65,786	16,775	25,423	48,582	156,566	306,968
Decrease in insurance claims payable	-	-	-	-	-	(1,023,040)
Total adjustments	<u>34,115,034</u>	<u>8,234,871</u>	<u>12,292,510</u>	<u>2,797,117</u>	<u>57,439,532</u>	<u>5,798,611</u>
Net cash provided by operating activities	<u>\$ 78,578,879</u>	<u>\$ 13,114,716</u>	<u>\$ 23,621,344</u>	<u>\$ 1,657,838</u>	<u>\$ 116,972,777</u>	<u>\$ 12,295,866</u>
Noncash investing, capital and financing activities:						
Contributions from developers	252,307	562,104	138,600	-	953,011	-
Capitalized general & administrative expense	-	570,398	122,453	-	692,851	-
Capitalized Revenue Bond Interest	1,319,436	1,131,452	1,424,161	-	3,875,049	-
Change in restricted accounts payable	(13,890,212)	511,895	(370,130)	253,617	(13,494,830)	(81,048)

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, 2014

	Other Post Employment Benefits Trust Fund
Assets	
Investments:	
Equity mutual funds	\$ 665,095
Fixed income mutual funds	632,472
Money market fund	33,954
Total investments	1,331,521
Total assets	\$ 1,331,521
Net Position	
Held in trust for other post employemenet benefits and other purposes	1,331,521
	\$ 1,331,521

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

City of Garland, Texas
Fiduciary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended September 30, 2014

	Other Post Employment Benefits Trust Fund
Additions	
Earnings from investments	\$ 75,466
Employer contributions	5,108,747
Retiree contributions	2,335,514
Total additions	7,519,727
 Deductions	
Administrative expenses	6,642
Payments to beneficiaries	6,944,261
Total deductions	6,950,903
Change in net position	568,824
Net position, beginning of year	762,697
Net position, end of year	\$ 1,331,521

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, 2013 through December 31, 2013. Complete separate December 31, 2013 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 revenues sources are Community Development Block Grants, Housing Assistance Grants, Neighborhood Services Grants and Funding, Hotel/Motel Tax, Impact Fees, Landfill Closure Funding, Library Grants (NETLS), Police Training, Substandard Perimeter Road Funding, Narcotic Seizure Funding, Other Housing Assistance, Tax Increment Finance funds, and ARRA Recovery Act grants.

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

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

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

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.

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

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.

5. Capital assets

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value for buildings excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond 40 years. The reported value for infrastructure includes all upgrades and is depreciated over a useful life of 15-45 years. In the case of contributed assets, the City values these capital assets at the estimated fair value of the item at the date of its contribution.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capital value of the assets constructed. The total interest expense by the City during the current year was \$27,292,789. Of this amount, \$3,875,049 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

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

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.

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 imposed by ordinance or resolution action of the City Council. Ordinance or resolution action by the City Council is required to remove the limitations on committed fund balances.

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 Council delegates authority to the Director of Finance or the Director of Finance's designee to assign amounts for a specific purpose.

Unassigned – The portion of the fund balance that is not restricted, committed, or assigned to specific purposes.

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

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.

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, 2014 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	\$ 135,552	\$ -	\$ -	\$ 209,850	\$ 345,402
Debt service	-	7,843,714	-	-	7,843,714
Construction	-	-	22,721,592	-	22,721,592
Housing Assistance	-	-	-	1,035,676	1,035,676
Public Safety	-	-	-	570,169	570,169
Total Restricted	135,552	7,843,714	22,721,592	1,815,695	32,516,553
Committed:					
General government	-	-	-	453,849	453,849
Culture and recreation	-	-	-	2,149,180	2,149,180
Public works	-	-	-	5,404,617	5,404,617
Total Committed	-	-	-	8,007,646	8,007,646
Assigned:					
General government	4,230,000	-	-	-	4,230,000
Total Assigned	4,230,000	-	-	-	4,230,000
Unassigned	21,364,117	-	-	(5,500)	21,358,617
Total fund balance	\$ 25,729,669	\$ 7,843,714	\$ 22,721,592	\$ 9,817,841	\$ 66,112,816

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.

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.

11. New accounting principles

The City implemented the following new GASB standards during the fiscal year ended September 30, 2014:

The GASB has issued Statement No. 65, *“Items Previously Reported as Assets and Liabilities”* (“GASB 65”), which is effective in fiscal year 2014. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of this statement requires that debt issuance costs be recognized as an expense in the period incurred rather than as an asset amortized over the life of the bonds as previously reported. The remaining unamortized balance is reported as a change in accounting principle on the Statement of Activities.

The GASB has issued Statement No. 66, *“Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62”* (“GASB 66”), which is effective in fiscal year 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November, 1989 GASB and AICPA Pronouncements*. The adoption of this statement had no impact on the financial statements.

The GASB has issued Statement No. 67, *“Financial Reporting for Pension Plans – an amendment to GASB Statement No. 25”* (“GASB 67”), which is effective in fiscal year 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of this statement had no impact on the financial statements.

The GASB has issued Statement No. 70, *“Accounting and Financial Reporting for Nonexchange Financial Guarantees”* (“GASB 70”), which is effective in fiscal year 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. The adoption of this statement had no impact on the financial statements.

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

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. 68, *“Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”* (“GASB 68”), which will be effective in fiscal year 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 69, *“Government Combinations and Disposals of Government Operations”* (“GASB 69”), which will be effective in fiscal year 2015. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. This statement requires the use of carrying values to measure the assets and liabilities in a government merger. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 71, *“Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68”* (“GASB 71”), which will be effective in fiscal year 2015. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 72, *“Fair Value Measurement and Application”* (“GASB 72”), which will be effective 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.

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 \$230,681,259 difference is as follows:

General Obligation bonds – General Government portion	\$188,661,259
Certificates of Obligation – General Government portion	<u>42,020,000</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at net position – governmental activities	<u>\$230,681,259</u>

The portion of Certificates of Obligation amounting to \$27,845,000 and a portion of General Obligation amounting to \$1,795,000 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 \$10,642,098 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds - Governmental Funds	\$ (17,515,000)
Issuance of certificate of obligation – Governmental Funds	(9,110,000)
Net premium and issue costs on issuance of CO bonds	(551,650)
Net premium and issue costs on issuance of GO bonds	(895,774)
Principal repayments:	
General obligation debt	16,478,094
Certificates of obligation	3,630,000
Refunded debt on consolidated obligation bonds	13,965,000
Refunded debt on general obligation bonds	4,540,000
Amortization of bond premium	1,637,968
Change in landfill closure liability	(1,479,440)
Change in compensated absences liability	(57,100)
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 10,642,098

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 \$3,874,120 difference are as follows:

Capital outlays	\$ 30,798,802
Developers contributions	492,833
General Fund expense outlays	784,620
Depreciation expense	(26,786,612)
CIP expense outlays	(196,988)
Proceeds from disposal of assets	(1,232,275)
Gain on disposals of assets	13,740
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 3,874,120

III. Stewardship, compliance, and accountability

Deficit fund equity

The ARRA Recovery Fund deficit of \$5,500 will be closed in FY2015.

The Group Health Insurance Fund deficit of \$1,732,569 will be eliminated by increasing charges to other operating funds in future years.

The Self-Insurance Fund deficit of \$3,926,014 will be eliminated by increasing charges to other operating funds in future years.

The Long-Term Disability Insurance Fund deficit of \$1,655,684 is the result of an accrual of claims incurred but not reported of \$2,934,187. This accrual was made on the basis of an actuarial analysis completed in 2014. This fund is managed and funded on a cash basis. Therefore, this fund will continue to report a deficit.

The Facilities Fund deficit of \$201,139 will be eliminated by increasing charges to other operating funds in future years.

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

IV. Detailed notes on all funds

A. Deposits and investments

As of September 30, 2014, the City had the following cash equivalents and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Federal Home Loan Bank	\$ 89,822,709	\$ 9,997,760	\$ 79,824,949
Federal National Mortgage Association	23,486,422	-	23,486,422
Federal Home Loan Mortgage Corp	68,568,276	6,704,750	61,863,526
Federal Farm Credit Bank	109,303,587	-	109,303,587
Municipal Bonds	3,368,650	-	3,368,650
Certificates of Deposit	27,092,219	27,092,219	-
Money Market Fund	12,998,170	12,998,170	-
Investment Pools	102,455,394	102,455,394	-
Total investment fair value	<u>\$ 437,095,427</u>	<u>\$ 159,248,293</u>	<u>\$ 277,847,134</u>

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

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

Credit risk. The Texas State Legislature passed the Public Funds Investment Act in 1994. All state and local governments are bound by provisions dictated by the Public Funds Investment Act (Investment Act). The Investment Act governs items such as investment plans, training for investment officers, and the types of investments allowed. The City has developed an Investment Policy which is reviewed and approved through resolution by the City Council which is in compliance with the Investment Act.

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, 2014, the City held no direct investments in commercial paper. The City's investments in U. S. agencies were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service as of September 30, 2014. Due to the economic collapse and credit crisis, it was announced in August 2008 that US Agency debt would be explicitly backed by the US Treasury. The City's investments in Texpool was rated AAAM by Standard & Poor's. The City's investments in Texstar was rated AAAM by Standard & Poor's.

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

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

The City invests in Texpool 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. As of September 30, 2014, Texpool and Texstar had a weighted average maturity of 48 days and 50 days respectively. The City considers the holdings in these funds to have a weighted average maturity of one day, due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

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 CD's 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.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City follows the State regulations for collateralization of custodial credit risk. As of September 30, 2014, the carrying amount of the City's deposits was \$33,093,228 and the bank balance was \$32,222,272. These balances include the City's blended component unit (Garland Foundation for Development). On September 30, 2014, 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 \$191,114.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2014, the City's investments in U. S. agencies are categorized as insured or registered, or securities held by the City or its agent in the City's name.

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

As of September 30, 2014, 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	\$ 665,095
Fixed Income Mutual Funds	632,472
Money Market Fund	<u>33,954</u>
 Total investment fair value	 <u>\$ 1,331,521</u>

As of September 30, 2014, the Discretely Presented Component Unit of the City had the following cash equivalents:

<u>Garland Housing Finance Corp</u>	<u>Fair Value</u>
Money Market Fund	\$433,773

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	\$ 26,572	\$ 1,155	\$ 35,134	\$ 36,239	\$ 4,136	\$ 12,058	\$ 32,717	\$ 148,011
Taxes	1,046,298	824,823	-	-	-	-	-	1,871,121
Utility Accounts	179,677	-	-	23,040,876	5,315,374	3,440,682	3,121,990	35,098,599
Mowing Liens	982,133	-	-	-	-	-	-	982,133
EMS Accounts	4,826,357	-	-	-	-	-	-	4,826,357
Franchise Fee	1,866,520	-	-	-	-	-	-	1,866,520
Sales Tax	3,995,492	-	-	-	-	-	-	3,995,492
Wholesale & Other Accts	2,398,347	-	-	30,880,818	311,224	1,318,602	5,034,417	39,943,408
Assessments	17,194	-	-	-	-	-	-	17,194
Gross Receivables	<u>15,338,590</u>	<u>825,978</u>	<u>35,134</u>	<u>53,957,933</u>	<u>5,630,734</u>	<u>4,771,342</u>	<u>8,189,124</u>	<u>88,748,835</u>
Less: allowance for uncollectibles	<u>(5,404,953)</u>	<u>(454,939)</u>	<u>-</u>	<u>(1,208,355)</u>	<u>(147,127)</u>	<u>(130,262)</u>	<u>(283,401)</u>	<u>(7,629,037)</u>
Net total receivables	<u>\$9,933,637</u>	<u>\$ 371,039</u>	<u>\$ 35,134</u>	<u>\$ 52,749,578</u>	<u>\$ 5,483,607</u>	<u>\$ 4,641,080</u>	<u>\$ 7,905,723</u>	<u>\$81,119,798</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	\$ 184,750
Faulkner receivable	384,370
Grant drawdowns prior to meeting all eligibility requirements	258,723
Homeowner assistance	4,490,739
Special assessments prior to meeting all eligibility requirements	182,502
	\$ 5,501,084

Governmental funds defer revenue recognition in connection with resources that have been received, 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)	\$ 396,704
Delinquent property taxes receivable (debt service fund)	312,731
Sales tax, mowing liens, EMS, & other receivables (general fund)	3,256,193
	\$ 3,965,628

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

C. Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

Primary government

	Balance at Oct. 1, 2013	Increases	Decreases	Balance at Sept. 30, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 82,355,056	\$ 32,841	\$ (1,000,000)	\$ 81,387,897
Internal service land	221,949	-	-	221,949
Construction in progress	15,857,678	31,131,470	(16,756,898)	30,232,250
Internal service construction in progress	3,090,434	2,349,466	(2,586,149)	2,853,751
Total capital assets, not being depreciated	<u>101,525,117</u>	<u>33,513,777</u>	<u>(20,343,047)</u>	<u>114,695,847</u>
Capital assets, being depreciated:				
Buildings	104,303,148	350,000	(152,189)	104,500,959
Improvements other than buildings	445,540,916	10,066,877	(2,422,491)	453,185,302
Machinery and equipment	100,558,991	7,054,978	(23,614,979)	83,998,990
Internal service buildings, improvements, and equipment	94,825,238	5,230,004	(3,570,680)	96,484,562
Total capital assets being depreciated	<u>745,228,293</u>	<u>22,701,859</u>	<u>(29,760,339)</u>	<u>738,169,813</u>
Less accumulated depreciation for:				
Buildings	(37,772,722)	(2,742,163)	95,118	(40,419,767)
Improvements other than buildings	(315,332,977)	(17,884,249)	2,422,435	(330,794,791)
Machinery, furniture, and equipment	(74,037,849)	(6,160,199)	23,453,571	(56,744,477)
Internal service buildings, improvements, and equipment	(44,391,297)	(7,590,692)	3,416,485	(48,565,504)
Total accumulated depreciation	<u>(471,534,845)</u>	<u>(34,377,303)</u>	<u>29,387,609</u>	<u>(476,524,539)</u>
Total capital assets, being depreciated, net	<u>273,693,448</u>	<u>(11,675,444)</u>	<u>(372,730)</u>	<u>261,645,274</u>
Governmental activities capital assets, net	<u>\$ 375,218,565</u>	<u>\$ 21,838,333</u>	<u>\$ (20,715,777)</u>	<u>\$376,341,121</u>

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

	Balance at Oct. 1, 2013	Increases	Decreases	Balance at Sept. 30, 2014
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 20,095,639	\$ 5,268,391	\$ -	\$ 25,364,030
Construction in progress	116,490,541	70,121,295	(164,252,556)	22,359,280
Total capital assets, not being depreciated	136,586,180	75,389,686	(164,252,556)	47,723,310
Capital assets, being depreciated:				
Utility buildings, improvements, and equipment	1,129,208,532	158,831,477	(17,186,752)	1,270,853,257
Total capital assets being depreciated	1,129,208,532	158,831,477	(17,186,752)	1,270,853,257
Less accumulated depreciation for:				
Utility buildings, improvements, and equipment	(483,549,242)	(34,825,555)	13,411,799	(504,962,998)
Total accumulated depreciation	(483,549,242)	(34,825,555)	13,411,799	(504,962,998)
Total capital assets, being depreciated, net	645,659,290	124,005,922	(3,774,953)	765,890,259
Business-type activities capital assets, net	\$782,245,470	\$199,395,608	\$(168,027,509)	\$813,613,569

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	\$ 950,578
Public safety	3,799,285
Public works	18,546,423
Culture and recreation	3,362,185
Public health	128,140
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	7,590,692
Total depreciation expense – governmental activities	<u>\$ 34,377,303</u>
Business-type activities:	
Electric	\$ 13,052,009
Water	6,606,429
Sewer	12,671,414
Other non-major business-type activities	2,495,703
Total depreciation expense – business-type activities	<u>\$ 34,825,555</u>

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, 2014. At year-end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Water System	14,504,071	4,049,342
Sewer System	1,869,459	203,645
Electric System	512,815	1,346,149
Streets and Drainage	12,407,281	8,752,855
Buildings	9,593,242	9,132,728
Total	<u>\$ 38,886,868</u>	<u>\$ 23,484,719</u>

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

D. Capital Lease

The following is a summary of capital leases of the City for the fiscal year ended September 30, 2014:

	Vehicle Replacement	Total Governmental
Balance at Oct 1, 2013	\$ 65,098	\$ 65,098
Payments	(31,755)	(31,755)
Balance at Sept 30, 2014	<u>\$ 33,343</u>	<u>\$ 33,343</u>

The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The leased equipment meets the City's capitalization threshold of \$5,000 and is included in the capital assets at September 30, 2014. The details of this lease are:

	Governmental activities	Total
Total Cost	\$ 151,576	\$ 151,576
Less: accumulated depreciation	(113,682)	(113,682)
	<u>\$ 37,894</u>	<u>\$ 37,894</u>

The following is a schedule of the lease payments required under the capital lease at September 30, 2014:

Fiscal year ending	Governmental activities	Total
September 30, 2015	\$ 35,010	\$ 35,010
Total minimum lease payments	35,010	35,010
Less: interest	(1,667)	(1,667)
Present value of minimum lease payments	<u>\$ 33,343</u>	<u>\$ 33,343</u>

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

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2014, is as follows:

Interfund Payable	General	Total
Capital Projects	\$ 15,942	\$ 15,942
Non-Major Business-type	868,966	868,966
Internal Service Funds	1,301,913	1,301,913
Non-Major Governmental	57,041	57,041
	\$ 2,243,862	\$ 2,243,862

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, 2014, 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 Funds	Nonmajor Governmental Funds	Nonmajor Business-Type Funds	Internal Service Funds	Total Transfers
General Fund	\$ -	\$ -	\$ 1,550,000	\$ 20,000	\$ 500,000	\$ 204,000	\$ 2,274,000
Debt Service Fund	-	-	-	-	-	86,408	86,408
Capital Project Funds	3,400,000	-	-	-	457,000	620,000	4,477,000
Non-major Governmental Funds	-	411,393	1,277,122	-	-	16,000	1,704,515
Electric Fund	20,398,636	160,781	7,595,337	-	-	827,547	28,982,301
Water Fund	4,955,889	30,919	-	-	-	-	4,986,808
Sewer Fund	5,702,604	24,737	-	-	-	-	5,727,341
Non-major Business-type Funds	851,714	37,103	-	-	-	-	888,817
Internal Service Funds	57,632	-	4,257,263	-	-	-	4,314,895
	<u>\$35,366,475</u>	<u>\$ 664,933</u>	<u>\$14,679,722</u>	<u>\$ 20,000</u>	<u>\$ 957,000</u>	<u>\$ 1,753,955</u>	<u>\$ 53,442,085</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)

F. Long-term liabilities

A summary of long-term liabilities, including current portion, for the year ended September 30, 2014, is as follows:

	Balance at Oct. 1, 2013	Increased	Retired	Balance at Sept. 30, 2014	Due within one year
<u>Governmental activities:</u>					
General obligation bonds	\$ 202,499,352	\$ 18,450,000	\$ (30,493,093)	\$ 190,456,259	\$ 16,725,813
Certificates of obligation	72,005,000	9,110,000	(11,250,000)	69,865,000	5,275,000
Unamortized premium and deceased debt costs	8,958,504	1,706,983	(1,812,158)	8,853,329	-
Landfill post closure cost	8,760,996	1,479,440	-	10,240,436	-
Compensated absences	19,538,324	1,869,003	(1,830,235)	19,577,092	7,362,177
Capital lease payable	65,098	-	(31,755)	33,343	33,343
Insurance claims payable	11,887,998	18,674,893	(19,697,934)	10,864,957	4,397,302
OPEB liability	11,728,263	6,124,798	(3,772,040)	14,081,021	2,659,722
Governmental activities Long-term debt	<u>\$ 335,443,535</u>	<u>\$ 57,415,117</u>	<u>\$ (68,887,215)</u>	<u>\$ 323,971,437</u>	<u>\$ 36,453,357</u>
<u>Business-type activities:</u>					
Utility System revenue bonds	\$ 297,640,000	\$ 123,480,000	\$ (41,525,000)	\$ 379,595,000	\$ 18,855,000
General obligation bonds	66,665,000	-	(8,470,000)	58,195,000	9,620,000
Certificates of obligation	130,820,000	4,365,000	(1,175,000)	134,010,000	3,085,000
Unamortized premium and deceased debt costs	21,401,997	20,703,505	(3,845,109)	38,260,393	-
Commercial Paper	80,000,000	32,230,000	(97,230,000)	15,000,000	-
Compensated absences	2,271,180	584,322	(353,291)	2,502,211	2,060,017
OPEB liability	4,213,887	1,993,273	(1,836,708)	4,370,452	656,566
Business-type activities Long-term debt	<u>\$ 603,012,064</u>	<u>\$ 183,356,100</u>	<u>\$ (154,435,108)</u>	<u>\$ 631,933,056</u>	<u>\$ 34,276,583</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 \$1,795,000 of general obligation bond debt, \$27,845,000 of certificates of obligation, \$731,543 of compensated absences, \$674,223 of unamortized premium costs, and \$2,253,967 of OPEB liabilities from the Internal Service Funds are included in the governmental activities general obligation bonds, certificates of obligation, compensated absences and OPEB 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 \$9,110,000 from the sale of certificates of obligation and \$18,450,000 of general obligation bonds for governmental activities are reported as follows:

<u>Fund</u>	Certificates of Obligation	General Obligation Bond	Total Bonded Debt
Capital Project Fund – proceeds from issuance of debt	\$9,110,000	\$ -	\$ 9,110,000
Internal Service Fund statement of cash flows – proceeds from sale	-	935,000	935,000
Debt Service Fund – issuance of refunding bonds	-	17,515,000	17,515,000
Total	<u>\$9,110,000</u>	<u>\$ 18,450,000</u>	<u>\$ 27,560,000</u>

A summary of short-term debt transactions for the year ended September 30, 2014, is as follows:

	Balance at October 1, 2013	Increased	Retired	Balance at September 30, 2014
<u>Governmental activities:</u>				
Commercial Paper	\$ 10,000,000	\$ 20,000,000	\$ (10,000,000)	\$ 20,000,000
Governmental activities short-term debt	<u>\$ 10,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ (10,000,000)</u>	<u>\$ 20,000,000</u>

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

Long-term debt at September 30, 2014, includes the following individual issues (not including the unamortized premium costs of \$47,113,722):

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
General obligation bonds:						
2005A Refunding	3.5 – 5.25	4/19/2005	2/15/2020	\$ 70,615,000	\$ 26,375,000	\$ 44,240,000
2005B Refunding	3.00 – 5.25	4/19/2005	2/15/2022	23,675,000	23,675,000	-
2007A Refunding	4.00 – 5.00	2/15/2007	2/15/2025	67,385,000	12,285,000	55,100,000
2007B Refunding	Variable	2/20/2007	2/15/2025	23,745,000	1,163,741	22,581,259
2008A Refunding	4.00 – 5.00	6/15/2008	2/15/2025	57,760,000	14,080,000	43,680,000
2011 Refunding	2.00 -- 5.00	2/01/2011	2/15/2015	10,860,000	7,985,000	2,875,000
2011A Refunding	2.00 -- 4.00	11/01/2011	2/15/2024	17,995,000	6,550,000	11,445,000
2011B Refunding	2.00 -- 5.00	11/01/2011	2/15/2028	41,360,000	830,000	40,530,000
2013 Refunding	2.00 – 4.00	6/6/2013	2/15/2019	12,280,000	2,530,000	9,750,000
2014 Refunding	2.00 – 3.00	2/20/2014	2/15/2022	18,450,000	-	18,450,000
				<u>\$ 344,125,000</u>	<u>\$ 95,473,741</u>	<u>\$ 248,651,259</u>
Certificates of Obligation:						
1997B Golf course	5.50 – 5.50	8/15/1997	8/15/2027	\$ 600,000	\$ -	\$ 600,000
2005 Various purpose	3.00 – 5.25	4/19/2005	2/15/2025	20,275,000	20,275,000	-
2006 Various purpose	3.75 – 4.375	3/15/2006	2/15/2026	10,275,000	10,275,000	-
2007 Various purpose	4.00 – 5.625	5/15/2007	2/15/2022	16,975,000	3,945,000	13,030,000
2008 Various purpose	.3.00 – 4.75	6/15/2008	2/15/2028	15,965,000	6,600,000	9,365,000
2009 Various purpose	.3.00 – 5.25	5/15/2009	2/15/2029	22,985,000	4,360,000	18,625,000
2010 Electric utility	.2.00 – 5.00	3/01/2010	2/15/2030	126,885,000	150,000	126,735,000
2010 Various purpose	.2.00 – 4.50	4/15/2010	2/15/2030	3,205,000	1,075,000	2,130,000
2011 Various purpose	2.00 – 4.25	6/15/2011	2/15/2031	4,260,000	1,190,000	3,070,000
2012 Various purpose	2.00 – 3.375	6/01/2012	2/15/2032	6,755,000	1,485,000	5,270,000
2013 Various purpose	2.00 – 4.00	6/06/2013	2/15/2033	12,725,000	1,150,000	11,575,000
2014 Various purpose	2.00 – 4.00	6/19/2014	2/15/2034	13,475,000	-	13,475,000
				<u>\$ 254,380,000</u>	<u>\$ 50,505,000</u>	<u>\$203,875,000</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:						
2004 Water & Sewer	2.00 – 5.00	5/25/2004	3/01/2024	\$ 38,485,000	\$ 38,485,000	\$ -
2005 Electric Utility	2.75 – 5.25	4/19/2005	3/01/2025	18,935,000	18,025,000	910,000
2005 Water & Sewer	2.75 – 5.25	4/19/2005	3/01/2025	20,545,000	19,560,000	985,000
2006 Electric Utility	3.50 – 5.00	3/15/2006	3/01/2026	25,045,000	7,000,000	18,045,000
2006 Water & Sewer	4.00 – 4.50	3/15/2006	3/01/2026	16,180,000	15,365,000	815,000
2007 Electric Utility	4.00 – 5.625	5/15/2007	3/01/2027	21,050,000	4,805,000	16,245,000
2007 Water & Sewer	4.00 – 5.625	5/15/2007	3/01/2027	29,070,000	6,555,000	22,515,000
2008 Electric Utility	3.25 – 4.75	6/15/2008	3/01/2028	10,115,000	2,550,000	7,565,000
2008 Water & Sewer	3.00 – 5.00	6/15/2008	3/01/2028	39,900,000	8,385,000	31,515,000
2009 Electric Utility	3.25 – 5.25	5/15/2009	3/01/2029	11,760,000	6,030,000	5,730,000
2009 Water & Sewer	2.00 – 4.75	5/15/2009	3/01/2029	18,090,000	3,385,000	14,705,000
2010 Water & Sewer	2.00 – 4.75	4/15/2010	3/01/2030	21,270,000	2,775,000	18,495,000
2011 Electric Utility	2.00 – 5.00	6/15/2011	3/01/2031	7,185,000	130,000	7,055,000
2011 Water & Sewer	2.00 – 5.00	6/15/2011	3/01/2031	19,205,000	445,000	18,760,000
2011A Electric Utility	3.00 – 5.00	11/01/2011	3/01/2024	20,830,000	2,940,000	17,890,000
2011A Water & Sewer	3.00 – 5.00	11/01/2011	3/01/2024	30,150,000	4,240,000	25,910,000
2012 Water & Sewer	2.00 – 4.00	6/01/2012	3/01/2032	8,415,000	635,000	7,780,000
2013 Electric Utility	2.00 – 2.25	6/06/2013	3/01/2025	11,790,000	-	11,790,000
2013 Water & Sewer	3.00 – 3.375	6/06/2013	3/01/2033	29,925,000	520,000	29,405,000
2014 Electric Utility	2.00 – 5.00	6/30/2014	3/01/2034	85,305,000	-	85,305,000
2014 Water & Sewer	3.00 – 3.375	6/19/2014	3/01/2034	38,175,000	-	38,175,000
				<u>\$ 521,425,000</u>	<u>\$ 141,830,000</u>	<u>\$ 379,595,000</u>

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Tax anticipation notes						
2014 Tax anticipation	0.64	9/30/2014	11/01/2015*	5,500,000	-	5,500,000
				<u>\$ 5,500,000</u>	<u>\$ -</u>	<u>\$ 5,500,000</u>

*The City considers this short-term. The notes were called and final payment was made on March 1, 2015.

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

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Commercial Paper						
2012 Electric Commercial Paper Issue	0.10	6/09/2014	6/30/2014	\$ 30,000,000	\$ 30,000,000	\$ -
2012 Electric Commercial Paper Issue	0.13	6/11/2014	6/30/2014	22,000,000	22,000,000	-
2012 Electric Commercial Paper Issue	0.10	6/09/2014	6/30/2014	5,000,000	5,000,000	-
2012 Electric Commercial Paper Issue	0.13	6/17/2014	6/30/2014	22,000,000	22,000,000	-
2012 Electric Commercial Paper Issue	0.14	6/26/2014	6/30/2014	25,000,000	25,000,000	-
2014 Electric Commercial Paper Issue	0.09	9/29/2014	3/03/2015	15,000,000	-	15,000,000
				<u>\$ 119,000,000</u>	<u>\$ 104,000,000</u>	<u>\$ 15,000,000</u>

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

Terms of the Interest Rate Cap commenced on May 15, 2007, whereby the City is entitled to receive a payment from Bank of America on each February 15, May 15, August 15, and November 15. The amount of any such payment by Bank of America is based on: i) the amount that the LIBOR rate with a stated maturity of three months exceeds 3.80%; and ii) the currently outstanding notional balance of the Cap. The notional amount of the cap at September 30, 2014 was \$22,581,259. The Cap is scheduled to terminate on August 15, 2015.

The fair value of the Cap, if it were to be terminated, was a negative \$263,442 as of September 30, 2014. Caps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair value was determined based on the dollar offset of future cash flows.

As of September 30, 2014, the City was exposed to credit risk by the amount of the Fair Value of the Cap. The counter party ratings are A2, A, and A by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.

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

As of September 30, 2014, the City would pay Bank of America \$263,442 if the City elected to terminate the agreement.

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

Short-term debt at September 30, 2014, includes the following individual issues:

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Commercial Paper						
2012 GO Commercial Paper Issue	0.14	9/12/2013	12/17/2013	\$ 10,000,000	\$ 10,000,000	\$ -
2012 GO Commercial Paper Issue	0.11	9/15/2014	12/04/2014	20,000,000	-	20,000,000
				<u>\$ 30,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 20,000,000</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 CP.

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

The annual requirements to amortize outstanding debt as of September 30, 2014, including interest payments of \$307,768,143 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
2015	\$ 16,725,813	\$ 8,027,804	\$ 5,275,000	\$ 2,691,916
2016	17,720,446	9,681,540	5,505,000	2,481,336
2017	16,950,000	8,772,514	5,285,000	2,295,243
2018	19,060,000	7,820,657	5,215,000	2,099,677
2019	19,300,000	6,777,733	4,695,000	1,918,248
2020-2024	73,160,000	19,876,158	23,470,000	6,917,451
2025-2029	27,540,000	2,202,828	18,610,000	2,208,835
2030-2034	-	-	1,810,000	119,320
Total	\$190,456,259	\$ 63,159,234	\$ 69,865,000	\$ 20,732,026

Business-type Activities						
Years Ending September 30,	Revenue Bonds		General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 18,855,000	\$ 17,206,354	\$ 9,620,000	\$ 2,662,006	\$ 3,085,000	\$ 6,387,659
2016	21,060,000	15,705,709	10,020,000	2,211,432	3,060,000	6,264,186
2017	22,425,000	14,831,169	9,300,000	1,724,006	2,955,000	6,171,892
2018	23,330,000	13,893,000	9,385,000	1,247,769	2,800,000	6,095,974
2019	24,340,000	12,899,508	8,365,000	794,775	3,740,000	5,977,249
2020-2024	136,140,000	47,051,603	11,505,000	518,838	42,545,000	24,982,145
2025-2029	88,665,000	20,248,288	-	-	61,560,000	11,552,418
2030-2034	44,780,000	5,094,278	-	-	14,265,000	356,625
Total	\$379,595,000	\$146,929,909	\$ 58,195,000	\$ 9,158,826	\$134,010,000	\$ 67,788,148

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

At September 30, 2014, the City has authorized but unissued general obligation bonds and general obligation commercial paper in the amount of \$125,134,506 as follows:

	Balance at Oct.1, 2013	General Obligation Bonds Issued	GO Commercial Paper Issued	Balance at Sept.30, 2014
Streets Improvements	\$ 90,224,506	\$ -	\$ 12,345,000	\$ 77,879,506
Park Improvements	20,240,000	-	1,440,000	18,800,000
Drainage Improvements	15,150,000	-	2,425,000	12,725,000
Municipal Facilities	10,640,000	-	1,445,000	9,195,000
Library Improvements	2,705,000	-	1,895,000	810,000
Public Safety	2,755,000	-	450,000	2,305,000
Economic Development	3,420,000	-	-	3,420,000
	<u>\$ 145,134,506</u>	<u>\$ -</u>	<u>\$ 20,000,000</u>	<u>\$ 125,134,506</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 \$246,391,346 in outstanding Electric Utility System Revenue Bonds and \$280,133,563 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	\$ 6,140,000	\$ 3,789,481	\$ 9,929,481	\$ 58,172,687
Water & Sewer	11,385,000	8,187,410	19,572,410	34,417,288

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 2014	\$ 13,475,000	Constructing and improving various facilities in the City, acquiring equipment and vehicles for Firewheel golf course, the environmental waste services department, the solid waste department and the municipal street department, street and drainage improvements
General Obligation Refunding Bond, Series 2014	18,450,000	Bond refunding
Electric Utility System Revenue Refunding Bond, New Series 2014	85,305,000	Bond refunding
Water & Sewer System Revenue Refunding and Improvement Bonds, New Series 2014	38,175,000	Bond refunding and system improvements
GO Commercial Paper	20,000,000	Short term debt
Electric Commercial Paper	15,000,000	Long term debt
Tax Anticipation Note, Series 2014	5,500,000	Short term capital projects

On Feb 20, 2014, the City issued \$18,450,000 in General Obligation Refunding Bonds, Series 2014 to refund \$13,965,000 of outstanding General Obligation Bonds, Series 2005B and \$5,505,000 of outstanding Certificates of Obligation, series 2005 and 2006, at the call date. An amount of \$19,494,902 was placed with an escrow agent to provide for debt service payments on the refunded bonds at the call date. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next thirteen years by \$2,882,509, and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$2,708,740. The refunding resulted in a book gain (difference between amount placed in escrow and carrying amount of debt refunded) of \$604,026.

On June 30, 2014, the City issued \$85,305,000 in Electric Utility System Revenue Refunding Bond, New Series 2014, to take out \$97,230,000 of Electric Commercial Paper debt Series 2012A and Series 2012B.

On June 19, 2014, the City issued \$38,175,000 in Water & Sewer Utility System Revenue Refunding and Improvement Bonds, New Series 2014. The issue included \$21,315,000 to refund \$24,000,000 of outstanding Water and Sewer Utility System Revenue bonds, Series 2004A, and \$2,510,000 for system improvements. An amount of \$24,436,225 was placed with an escrow agent to provide for debt service payments on the refunded bonds at the call date. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next thirteen years by \$2,042,170 and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$1,771,495. The refunding resulted in a book loss (difference between amount placed in escrow and carrying amount of debt refunded) of \$170,128.

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

G. Retirement Plans

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. A copy of separately audited financial statements of the plan can be obtained from the TMRS internet site tmrs.org.

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

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

Contributions

The contribution rate for employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. While the City is required to contribute the statutory rate, as a practical matter, TMRS adopts statutory rates that conform with Generally Accepted Accounting Principles (GAAP). The City discloses the annual pension costs based on the calculated rates per GAAP for the City's fiscal year. The rate per GAAP is 11.70% of covered payroll for the three months in calendar year 2013, and 11.40% for the nine months in calendar year 2014. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as updated service credits and annuity increases. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

The City's total payroll in fiscal year 2014 was \$152,117,129 and the City's contributions were based on a payroll of \$128,321,066. Both the City and the covered employees made the required contributions, amounting to \$14,733,133 for the City and \$8,982,475 (7 %) for the employees.

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

A summary of City and employee contributions for the fiscal year ended September 30, 2014, follows:

	Gross Earnings	Normal		Unfunded Actuarial Liability		Death and Disability Benefit		Total	Total
		Rate	Contribution	Rate	Contribution	Rate	Contribution	Rate	Contribution
City Contribution:									
Months in calendar year 2013	\$ 34,844,038	10.43%	\$ 3,634,233	1.09%	\$ 379,800	0.18%	\$ 62,719	11.70%	\$ 4,076,752
Months in calendar year 2014	93,477,028	10.73%	10,030,085	.48%	448,690	0.19%	177,606	11.40%	10,656,381
Total Fiscal Year	<u>\$128,321,066</u>		<u>\$ 13,664,318</u>		<u>\$ 828,490</u>		<u>\$ 240,325</u>		<u>\$ 14,733,133</u>
Employee Contribution:									
Months in calendar year 2013	\$ 34,844,038	7.00%	\$ 2,439,083	-	-	-	-	7.00%	\$ 2,439,083
Months in calendar year 2014	93,477,028	7.00%	6,543,392	-	-	-	-	7.00%	6,543,392
Total Fiscal Year	<u>\$ 128,321,066</u>		<u>\$ 8,982,475</u>		<u>-</u>		<u>-</u>		<u>\$ 8,982,475</u>
Total City and Employee Contributions			<u><u>\$22,646,793</u></u>		<u><u>\$ 828,490</u></u>		<u><u>\$ 240,325</u></u>		<u><u>\$ 23,715,608</u></u>

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

Three Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$16,792,548	100%	--
2013	\$14,913,038	100%	--
2014	\$14,733,133	100%	--

Actuarial Assumptions

Actuarial valuations involve estimations of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based upon the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with the perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	12/31/2013
Actuarial Cost Method	- Entry Age Normal
Amortization Method	- Level Percent of Payroll
Remaining Amortization Period	- 14.0 Years - Closed Period
Asset Valuation Method	- 10-year Smoothed Market
Investment Rate of Return	- 7.0%
Projected Salary Increases	- Varies by age and service
Includes Inflation At	- 3.0%
Cost-of-living Adjustments	- None

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

Funding Information

On October 9, 2013, the TMRS Board of Trustees adopted two significant changes that impact actuarial values:

1. Update the morality table used to determine the annuity purchase rate – The change in mortality tables was necessary to reflect the increasing life expectancy of plan members and retirees. Effective January 2, 2015, the change will affect future retirees only and is being phased in over a thirteen year period.
2. Change from the Projected Unit Credit to the Entry Age Normal actuarial method – Entry Age Normal (EAN) is the actuarial method most widely used by public sector pension plans and will be required by GAAP beginning fiscal year 2014 for the determination of the Net Pension Liability for financial reporting purposes. Changing to the EAN actuarial method for funding purposes enables TMRS to more closely coordinate funding with the financial reporting once GASB Statement No. 68 is implemented (see I.D.11).

Actuarial valuation date	12/31/2013
Actuarial value of assets	\$748,331,339
Actuarial accrued liability (AAL)	\$787,353,277
Unfunded actuarial accrued liability (UAAL)	\$39,021,938
Funded ratio	95.0%
Annual covered payroll (actuarial)	\$127,271,478
UAAL as % of covered payroll	30.7%

H. 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 70. 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, 2014, the City has 188 retirees and 107 retirees and family participating in the health plan out of 1,813 employees eligible to participate upon retirement.

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

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:

	2012	2013	2014
Annual Required Contribution	\$ 7,129,941	\$ 7,420,023	\$ 7,612,703
Interest on Net OPEB Obligation	443,802	582,464	757,252
Adjustment to Annual Required Contribution	(430,688)	(613,259)	(751,885)
Annual OPEB Cost	7,143,055	7,389,228	7,618,070
Employer contribution to trust fund	-	(100,000)	(500,000)
Employer Contributions with interest	(4,223,866)	(3,609,475)	(4,608,747)
Increase in Net OPEB Obligation	2,919,189	3,679,753	2,509,323
Net OPEB Obligation beginning of year	9,343,208	12,262,397	15,942,150
Net OPEB Obligation end of year	<u>\$12,262,397</u>	<u>\$15,942,150</u>	<u>\$18,451,473</u>

In addition to the employer contribution, the retirees paid \$2,335,514 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
9/30/2012	\$ 7,143,055	\$ 4,223,866	59.1%	\$ 12,262,397
9/30/2013	\$ 7,389,228	\$ 3,709,475	50.2%	\$ 15,942,150
9/30/2014	\$ 7,618,070	\$ 5,108,747	67.1%	\$ 18,451,473

Actuarial Assumptions

Actuarial Valuation Date	10/01/2013
Actuarial Cost Method	- Projected Unit Credit
Amortization Method	- Level Percent of Payroll
Remaining Amortization Period	- 25 Years - Closed Period
Investment Rate of Return	- 7.25%
Projected Salary Increases	- Varies by age and service
Includes Healthcare cost trend at	- 8.0% (the City's portion of the annual increase is expected to be capped at 3%)
Inflation rate	- 3.0%
Cost-of-living Adjustments	- None

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

Schedule of Funding Information

Actuarial valuation date	10/01/2013
Actuarial value of assets	\$762,697
Actuarial accrued liability (AAL)	\$86,226,002
Unfunded actuarial accrued liability (UAAL)	\$85,463,305
Funded ratio	0.9%
Annual covered payroll (actuarial)	\$121,174,000
UAAL as % of covered payroll	71%

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

Supplemental Death Benefits Plan (SDBF)

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

Funding Requirements: The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to SDBF for the years ended September 30, 2014, 2013, and 2012 were \$240,325, \$224,113, and \$231,341, respectively.

I. 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 \$6,109,534 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, 2014, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in December 2014 claims payable as of September 30, 2014 was estimated at \$7,123,929.

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

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 \$2,934,187 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, 2014 a short-term liability of \$806,842 was recognized for open claims and claims incurred but not reported. The claims incurred but not reported are calculated based on a monthly average for claims paid during the current fiscal year.

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

Changes in the self-insurance, long-term disability and group health insurance claims payable in fiscal years 2013 and 2014 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 – 2013	\$ 6,721,727	\$ 2,448,740	\$ -	\$ 2,448,740	\$ 6,721,727	\$ 2,954,491
Self Insurance – 2014	6,721,727	2,764,707	402,202	2,764,707	7,123,929	3,149,974
Long-Term Disability – 2013	3,885,997	289,793	-	289,793	3,885,997	507,112
Long-Term Disability – 2014	3,885,997	279,435	(951,810)	279,435	2,934,187	440,486
Group Health – 2013	843,014	15,378,482	437,260	15,378,482	1,280,274	1,280,274
Group Health – 2014	1,280,274	15,228,550	(473,432)	15,228,550	806,842	806,842

J. 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.

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

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 2014, the City paid TMPA \$49,209,149 for these charges for the year. It is anticipated that the City will pay \$68,533,058 for these charges during FY2015.

Total debt of TMPA at September 30, 2014, amounted to \$718,274,000 of which \$103,116,000 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, 2014
 (reported in thousands)

	Long-Term	Current	Total
Revenue Bonds	\$ 387,372	\$ 30,343	\$ 417,715
Zero Coupon Interest Payable	151,101	72,773	223,874
Tax Exempt Commercial Paper	76,685	-	76,685
	\$ 615,158	\$ 103,116	\$ 718,274

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 \$31,106,891 of accrued amortization, leaving a balance in the Other Assets account of \$107,145,959 at September 30, 2014.

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

K. 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)

L. 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, 2013, is as follows:

Series	Garland Housing Finance Corporation	Total
2000	\$ 6,000,000	\$ 6,000,000
2005	12,420,872	12,420,872
	<u>\$ 18,420,872</u>	<u>\$ 18,420,872</u>

M. 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, 2014 is as follows:

Golf Fund Condensed
Statement of Net Position

	Golf	GFFD	Eliminating Entries	Total
Current Assets	\$ 55,608	\$ 76,745	\$ (55,849)	\$ 76,504
Other Assets	291,480	-	-	291,480
Capital Assets	17,275,932	-	-	17,275,932
Total Assets	17,623,020	76,745	(55,849)	17,643,916
Current Liabilities	1,149,801	75,775	(55,849)	1,169,727
Other Liabilities	242,076	-	-	242,076
Total Liabilities	1,391,877	75,775	(55,849)	1,411,803
Net Investment in Capital Assets	17,475,641	-	-	17,475,641
Unrestricted Net Position	(1,244,498)	970	-	(1,243,528)
Net Position	<u>\$ 16,231,143</u>	<u>\$ 970</u>	<u>-</u>	<u>\$ 16,232,113</u>

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	\$ 3,046,311	\$ 612,240	\$ -	\$ 3,658,551
Operating expenses before depreciation	(3,399,252)	(1,428,486)	855,000	(3,972,738)
Depreciation	(840,050)	-	-	(840,050)
Total Operating Loss	(1,192,991)	(816,246)	855,000	(1,154,237)
Gain on disposal of capital assets	46,137	-	-	46,137
Earnings on investments	1,639	-	-	1,639
Net transfers	957,000	855,000	(855,000)	957,000
Change in Net Position	(188,215)	38,754	-	(149,461)
Net Position, beginning of year	16,419,358	(37,784)	-	16,381,574
Net Position, end of year	\$ 16,231,143	\$ 970	-	\$ 16,232,113

Golf Fund Condensed Statement of Cash Flows

	Golf	GFFD	Eliminating Entries	Total
Net cash provided by (used for) operations	\$ (311,401)	\$ (820,006)	855,000	\$ (276,407)
Net cash provided by noncapital financing activities	638,902	855,000	(855,000)	638,902
Net cash used for capital and related activities	(640,789)	-	-	(640,789)
Net cash used for investing activities	213,349	-	-	213,349
Net increase (decrease) in cash and cash equivalents	(99,939)	34,994	-	(64,945)
Cash and cash equivalents at beginning of year	177,204	59,707	-	236,911
Cash and cash equivalents at end of year	\$ 77,265	\$ 94,701	-	\$ 171,966

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

N. Landfill Closure and Postclosure Care Cost

As of September 30, 2014, the total estimated landfill closure/postclosure cost for the City's Castle Drive landfill, Hinton landfill, and transfer station is \$2,781,758, \$36,168,761 and \$33,336 respectively. The \$10,240,436 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, 20.93% use of the Hinton landfill, 100% of the closure cost for the transfer station, less post closure expenditures to date of \$145,796. The City will recognize the remaining estimated closure and postclosure care costs of \$28,597,623 as the percentage of capacity depletion increases. These amounts are based on an engineering study performed in 1996 and updated in 2014, 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 48 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.

O. 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 \$571,687, earned interest in the amount of \$192, and ended the fiscal year with a balance of \$571,879. There were no withdraws from this account during the fiscal year. The fiscal year-end balance of the HAPP account is reported on page 94 of this report as restricted cash and cash equivalents and due to other governments in Nonmajor Governmental Funds Balance Sheet for the Other Housing Assistance Governmental Fund.

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 Commercial Operation Date is expected to be no later than December 31, 2015. The City will purchase 26% of the output from the 194 MW facility.

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 Commercial Operation Date is expected to be no later than June 30, 2016. The City will purchase 45.96% of the output from the 110MW facility.

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. 50% 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.

P. 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.

At September 30, 2014, the City had a net fair market value of \$303,169 for fuel swaps that will be settled in subsequent months extending up to April 30, 2017. The following information details the City Electric Fund’s hedging derivative instruments as of September 30, 2014:

Type	Terms	Volume Hedged (MMBtu)	Maturity Dates	Referenced Index	Fair Value
Commodity Swaps	City pays prices of \$3.7110 - \$4.8260	16,933,741	Oct 2014-April 2017	NYMEX/HSC	\$303,169
		16,933,741			\$303,169

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

At September 30, 2014, the City had eight outstanding contracts with wholesale customers to provide power supply and/or qualified scheduling entity services. The contract terms extend up to December 2021. 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, 2014, the City held CRRs with a cost and fair market value of \$533,261, 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, 2014, the City had outstanding forward purchase contracts extending through December 31, 2021 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)

Q. 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.

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, 2013, related to this transaction of \$725,625 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)

R. 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, 2013, GHFC received cash of \$500,000 in up front lease payments that GHFC has recorded as deferred revenue. For the year ended December 31, 2013, GHFC recognized revenue of \$12,000 according to the terms of the lease agreement with a deferred revenue balance of \$469,000.

S. Subsequent Events

On November 20, 2014, the City issued \$34,215,000 General Obligation Refunding Bonds, Series 2014A to refund \$37,485,000 of outstanding General Obligation Refunding Bonds, Series 2005A. 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 17, 2015, the City approved an ordinance to call \$5,500,000 of Tax Anticipation Note, Series 2014 to be called on March 1, 2015.

On February 19, 2015, the City issued \$22,695,000 General Obligation Refunding Bonds, Series 2015A to refund \$25,000,000 of outstanding General Obligation Commercial Paper notes, Series 2012. The transaction was a current refunding of outstanding commercial paper debt.

On February 19, 2015, the City issued \$22,490,000 General Obligation Refunding Bonds, Series 2015B to refund \$22,355,446 of outstanding General Obligation Refunding Bonds, Series 2007B. 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 19, 2015, the City issued \$15,355,000 Electric Utility System Revenue Refunding Bonds, New Series 2015 to refund \$16,910,000 of outstanding Electric Utility System Revenue bonds, Series 2006. 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.

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, 2014
(unaudited)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 62,554,792	\$ 63,668,829	\$ 64,744,909	\$ 1,076,080
Franchise fees	8,489,405	8,795,230	9,091,491	296,261
Service charges	19,605,707	20,275,051	20,791,739	516,688
Licenses and permits	3,416,593	3,567,541	3,781,703	214,162
Earnings on investments	257,298	245,464	259,387	13,923
Intergovernmental	731,929	765,929	692,291	(73,638)
Intragovernmental	8,002,859	8,002,859	8,002,858	(1)
Fines and forfeits	6,023,143	6,759,489	6,730,988	(28,501)
Rents and concessions	763,524	770,143	833,456	63,313
Total revenues	<u>109,845,250</u>	<u>112,850,535</u>	<u>114,928,822</u>	<u>2,078,287</u>
Expenditures:				
Current:				
General government	9,307,627	10,914,902	9,763,970	1,150,932
Public safety	77,064,374	77,634,352	79,341,146	(1,706,794)
Public works	19,971,357	21,956,413	19,617,640	2,338,773
Culture and recreation	13,372,702	13,546,685	13,371,187	175,498
Public health	3,444,775	3,582,608	3,606,072	(23,464)
Nondepartmental	22,191,812	23,057,260	20,992,758	2,064,502
Total expenditures	<u>145,352,647</u>	<u>150,692,220</u>	<u>146,692,773</u>	<u>3,999,447</u>
Excess of revenues over expenditures	<u>(35,507,397)</u>	<u>(37,841,685)</u>	<u>(31,763,951)</u>	<u>6,077,734</u>
Other financing sources (uses):				
Sale of capital assets	35,000	273,208	137,275	(135,933)
Transfer in	39,276,609	39,372,378	35,366,475	(4,005,903)
Transfers out	(5,859,573)	(6,986,298)	(2,274,000)	4,712,298
Total other financing sources (uses)	<u>33,452,036</u>	<u>32,659,288</u>	<u>33,229,750</u>	<u>570,462</u>
Net Change in fund balances	(2,055,361)	(5,182,397)	1,465,799	6,648,196
Fund balance, beginning of year	<u>24,263,870</u>	<u>24,263,870</u>	<u>24,263,870</u>	<u>-</u>
Fund balance, end of year	<u>\$ 22,208,509</u>	<u>\$ 19,081,473</u>	<u>\$ 25,729,669</u>	<u>\$ 6,648,196</u>

See notes to required supplementary information.

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

Schedule of TMRS pension funding progress and contributions
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
12/31/2005	\$ 311,474,351	\$ 415,172,643	75.00%	\$ 103,698,292	\$ 101,175,792	102.50%
12/31/2006	324,018,467	437,356,769	74.10%	113,338,302	108,456,120	104.50%
12/31/2007	339,856,766	541,298,967	62.80%	201,442,201	114,140,292	176.50%
12/31/2008	347,564,834	456,083,557	76.20%	108,518,723	119,081,305	91.10%
12/31/2009	366,884,729	483,517,234	75.90%	116,632,505	125,891,786	92.30%
12/31/2010	621,330,352	656,017,662	94.70%	34,687,310	120,647,657	28.80%
12/31/2011	661,956,058	684,678,761	96.70%	22,722,703	121,677,308	18.70%
12/31/2012	704,046,535	713,843,979	98.60%	9,797,444	124,371,393	7.90%
12/31/2013	748,331,339	787,353,277	95.00%	39,021,938	127,271,478	30.70%

* Assets are stated at amortized cost as of December 31 for the preceding year for years 2005-2008. Beginning in 2009, actuarial value of assets is calculated using 10-year smoothing.

Notes:

The actuarial accrued liability was calculated using the Unit Credit actuarial method for fiscal years 2005 to 2007, Projected Unit credit actuarial funding method for fiscal years 2008 to 2013, and Entry Age Normal actuarial funding method for fiscal year 2014.

Fiscal year 2008 and forward actuarial accrued liability adjusted for plan changes adopted effective January 1, 2009.

Fiscal year 2009 and forward actuarial accrued liability adjusted for plan changes effective January 1, 2010.

Fiscal years 2011 and forward includes the impact of Senate Bill 350 enacted by the Texas Legislature in June, 2011. This legislation provided a restructuring of the Texas Municipal Retirement System funds effective December 31, 2010. Previously reported amounts included only the Employee Savings Fund and the Municipal Accumulation Fund and excluded the City's portion of the Current Service Annuity Fund (CSARF) in which costs for all retirees were shared. The legislation eliminated the CSARF which had the effect of returning both the liabilities and the assets for the retirees to the respective employer accounts.

Fiscal year 2014 includes an update to the mortality table used to determine the annuity purchase rate.

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

**Schedule of other postemployment benefits (OPEB) funding progress
 Last seven 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%

(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.



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City of Garland, Texas Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

TIF Fund – This fund is used to account for the Downtown Tax Increment 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.

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

City of Garland, Texas
Nonmajor Governmental Funds
Balance Sheet
September 30, 2014

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Other Housing Assistance	TIF's	ARRA Recovery Act	Total Other Governmental Funds
Assets														
Cash and cash equivalents	\$ 21,004	\$ 111,066	\$ 193,063	\$ 1,101,517	\$ 1,908,211	\$ 100,662	\$ -	\$ 107,844	\$ 746,389	\$ 444,477	\$ 27,020	\$ 111,495	\$ -	\$ 4,872,748
Investments	20,196	105,889	184,364	1,057,920	1,833,544	96,663	-	103,435	716,714	258,008	25,986	104,235	-	4,506,954
Receivables:														
Accrued interest	11	161	374	1,468	2,423	131	-	164	1,004	409	-	319	-	6,464
Other	1,222,814	-	3,080,989	-	-	-	-	-	-	-	-	-	-	4,303,803
Due from other governments	44,825	-	269,126	-	-	-	-	84,566	-	-	-	-	-	398,517
Assets held for resale	128,665	-	36,938	-	-	-	-	-	-	-	-	-	-	165,603
Total Current Assets	1,437,515	217,116	3,764,854	2,160,905	3,744,178	197,456	-	296,009	1,464,107	702,894	53,006	216,049	-	14,254,089
Restricted assets:														
Cash and cash equivalents	-	903,481	-	-	-	-	-	26,878	-	54,316	571,879	-	-	1,556,554
Total Restricted Assets	-	903,481	-	-	-	-	-	26,878	-	54,316	571,879	-	-	1,556,554
Total Assets	\$ 1,437,515	\$ 1,120,597	\$ 3,764,854	\$ 2,160,905	\$ 3,744,178	\$ 197,456	\$ -	\$ 322,887	\$ 1,464,107	\$ 757,210	\$ 624,885	\$ 216,049	\$ -	\$ 15,810,643
LIABILITIES														
Current liabilities:														
Accounts payable and accrued liabilities	\$ 55,731	\$ 168,232	\$ 120,203	\$ 11,725	\$ -	\$ 1,124	\$ -	\$ 12,452	\$ -	\$ 5,125	\$ -	\$ 6,199	\$ -	\$ 380,791
Due to other funds	-	-	51,541	-	-	-	-	-	-	-	-	-	5,500	57,041
Escrow payable	-	-	-	-	-	-	-	-	-	233,628	-	-	-	233,628
Unearned revenues	1,351,478	-	3,139,261	-	-	-	-	258,723	-	-	-	-	-	4,749,462
Due to other governments	-	-	-	-	-	-	-	-	-	-	571,880	-	-	571,880
Total Liabilities	1,407,209	168,232	3,311,005	11,725	-	1,124	-	271,175	-	238,753	571,880	6,199	5,500	5,992,802
FUND BALANCES (DEFICITS)														
Fund balances:														
Restricted	30,306	952,365	-	-	-	-	-	51,712	-	518,457	53,005	209,850	-	1,815,695
Committed	-	-	453,849	2,149,180	3,744,178	196,332	-	-	1,464,107	-	-	-	-	8,007,646
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	(5,500)	(5,500)
Total fund balances (deficits)	30,306	952,365	453,849	2,149,180	3,744,178	196,332	-	51,712	1,464,107	518,457	53,005	209,850	(5,500)	9,817,841
Total Liabilities and Fund Balances	\$ 1,437,515	\$ 1,120,597	\$ 3,764,854	\$ 2,160,905	\$ 3,744,178	\$ 197,456	\$ -	\$ 322,887	\$ 1,464,107	\$ 757,210	\$ 624,885	\$ 216,049	\$ -	\$ 15,810,643

City of Garland, Texas
 Nonmajor Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended September 30, 2014

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Other Housing Assistance	TIF's	ARRA Recovery Act	Total Other Governmental Funds
REVENUES														
Taxes	\$ -	\$ -	\$ -	\$ 896,702	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 647,298	\$ -	\$ 1,544,000
Earnings on investments	61	1,209	1,223	7,541	13,074	716	-	854	5,304	1,940	50	2,223	-	34,195
Intergovernmental	1,498,003	9,563,853	1,447,357	-	-	-	-	168,572	-	-	-	-	-	12,677,785
Impact Fees	-	-	-	-	380,120	-	-	-	-	-	-	-	-	380,120
Program income	153,559	-	138,974	-	-	-	-	-	-	-	-	-	-	292,533
Awards	-	-	-	-	-	-	-	-	-	230,571	-	-	-	230,571
Miscellaneous and other	-	662,216	100	2,295	-	-	2,120	27,369	-	1,804	-	-	-	695,904
Total Revenues	1,651,623	10,227,278	1,587,654	906,538	393,194	716	2,120	196,795	5,304	234,315	50	649,521	-	15,855,108
EXPENDITURES														
Current:														
Operations	1,201,269	10,878,674	1,567,972	691,421	-	1,124	-	129,526	-	553,385	-	205,830	-	15,229,201
Capital outlay	490,696	32,746	-	-	-	-	-	59,232	-	54,000	-	-	-	636,674
Total Expenditures	1,691,965	10,911,420	1,567,972	691,421	-	1,124	-	188,758	-	607,385	-	205,830	-	15,865,875
Excess (deficiency) of revenues over (under) expenditures	(40,342)	(684,142)	19,682	215,117	393,194	(408)	2,120	8,037	5,304	(373,070)	50	443,691	-	(10,767)
OTHER FINANCING SOURCES (USES)														
Transfers in	-	-	20,000	-	-	-	-	-	-	-	-	-	-	20,000
Transfers out	32,810	-	(32,810)	-	-	-	-	-	-	-	-	(1,688,516)	(15,999)	(1,704,515)
Total other financing sources (uses)	32,810	-	(12,810)	-	-	-	-	-	-	-	-	(1,688,516)	(15,999)	(1,684,515)
Net change in fund balances (deficits)	(7,532)	(684,142)	6,872	215,117	393,194	(408)	2,120	8,037	5,304	(373,070)	50	(1,244,825)	(15,999)	(1,695,282)
Fund balances (deficits) - beginning	37,838	1,636,507	446,977	1,934,063	3,350,984	196,740	(2,120)	43,675	1,458,803	891,527	52,955	1,454,675	10,499	11,513,123
Fund balances (deficits) - ending	\$ 30,306	\$ 952,365	\$ 453,849	\$ 2,149,180	\$ 3,744,178	\$ 196,332	\$ -	\$ 51,712	\$ 1,464,107	\$ 518,457	\$ 53,005	\$ 209,850	\$ (5,500)	\$ 9,817,841

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, 2014

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
Revenues:				
General property taxes	\$ 31,080,075	\$ 31,256,603	\$ 31,296,345	\$ 39,742
Earnings on investments	17,513	18,868	19,142	274
Miscellaneous	35,415	35,415	-	(35,415)
Total Revenues	<u>31,133,003</u>	<u>31,310,886</u>	<u>31,315,487</u>	<u>4,601</u>
Expenditures:				
Principal retirement	21,808,094	20,108,094	20,108,094	-
Interest	10,540,755	9,947,334	9,949,833	(2,499)
Cost of issuance	-	-	144,887	(144,887)
Fiscal charges	531,000	525,000	43,445	481,555
Total Expenditures	<u>32,879,849</u>	<u>30,580,428</u>	<u>30,246,259</u>	<u>334,169</u>
Excess of revenues over expenditures	<u>(1,746,846)</u>	<u>730,458</u>	<u>1,069,228</u>	<u>338,770</u>
Other financing sources:				
Transfers in	524,908	707,159	664,933	(42,226)
Transfers out	(86,408)	(86,408)	(86,408)	-
Premium on issuance of debt	-	-	895,774	895,774
Issuance of refunding bonds	-	-	17,515,000	17,515,000
Payment to refunded bonds escrow agent	-	-	(18,528,820)	(18,528,820)
Total other financing sources	<u>438,500</u>	<u>620,751</u>	<u>460,479</u>	<u>(160,272)</u>
Net change in fund balances	(1,308,346)	1,351,209	1,529,707	178,498
Fund balance, beginning of year	<u>6,314,007</u>	<u>6,314,007</u>	<u>6,314,007</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,005,661</u>	<u>\$ 7,665,216</u>	<u>\$ 7,843,714</u>	<u>\$ 178,498</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, 2014

	<u>Hotel/Motel Tax</u>				<u>Narcotic Seizure</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:								
Occupancy taxes	\$ 618,188	\$ 895,814	\$ 896,702	\$ 888	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	7,541	7,541	-	-	1,940	1,940
Awards	-	-	-	-	-	-	230,571	230,571
Special event income	6,000	14,000	-	(14,000)	-	-	-	-
Miscellaneous	-	-	2,295	2,295	-	-	1,804	1,804
Total revenues	<u>624,188</u>	<u>909,814</u>	<u>906,538</u>	<u>(3,276)</u>	<u>-</u>	<u>-</u>	<u>234,315</u>	<u>234,315</u>
Expenditures:								
Current:								
Operations	749,449	831,913	691,421	140,492	421,000	461,000	553,385	(92,385)
Capital	-	-	-	-	55,000	55,000	54,000	1,000
Total expenditures	<u>749,449</u>	<u>831,913</u>	<u>691,421</u>	<u>140,492</u>	<u>476,000</u>	<u>516,000</u>	<u>607,385</u>	<u>(91,385)</u>
Excess (deficiency) of revenues over expenditures	<u>(125,261)</u>	<u>77,901</u>	<u>215,117</u>	<u>137,216</u>	<u>(476,000)</u>	<u>(516,000)</u>	<u>(373,070)</u>	<u>142,930</u>
Net change in fund balances	(125,261)	77,901	215,117	137,216	(476,000)	(516,000)	(373,070)	142,930
Fund balances, beginning of year	<u>1,934,063</u>	<u>1,934,063</u>	<u>1,934,063</u>	<u>-</u>	<u>891,527</u>	<u>891,527</u>	<u>891,527</u>	<u>-</u>
Fund balances end of year	<u>\$ 1,808,802</u>	<u>\$ 2,011,964</u>	<u>\$ 2,149,180</u>	<u>\$ 137,216</u>	<u>\$ 415,527</u>	<u>\$ 375,527</u>	<u>\$ 518,457</u>	<u>\$ 142,930</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, 2014

	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	\$ 22,438	\$ 81,690	\$ 219,587	\$ 146,906	\$ 107,108	\$ 577,729
Investments	-	78,452	209,674	140,848	102,615	531,589
Receivable, net of allowance	-	-	346,593	336	1,837,372	2,184,301
Accrued interest	-	109	277	214	157	757
Inventories	54,066	-	-	-	-	54,066
Total current assets	76,504	160,251	776,131	288,304	2,047,252	3,348,442
Noncurrent assets						
<i>Restricted assets</i>						
Construction funds:						
Cash and cash equivalents	149,528	-	1,715	-	746,616	897,859
Investments	141,758	-	1,745	-	717,004	860,507
Accrued interest	194	-	-	-	1,421	1,615
Total construction funds	291,480	-	3,460	-	1,465,041	1,759,981
Capital Assets						
Land	9,111,400	1,776,208	-	-	298,936	11,186,544
System	16,405,050	746,069	3,785,849	252,838	16,048,058	37,237,864
Construction in progress	101,136	-	-	-	-	101,136
Less accumulated depreciation	(8,341,654)	(683,221)	(2,274,244)	(156,624)	(8,966,321)	(20,422,064)
Net capital assets	17,275,932	1,839,056	1,511,605	96,214	7,380,673	28,103,480
Total noncurrent assets	17,567,412	1,839,056	1,515,065	96,214	8,845,714	29,863,461
Total assets	\$ 17,643,916	\$ 1,999,307	\$ 2,291,196	\$ 384,518	\$ 10,892,966	\$ 33,211,903

**City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Position
September 30, 2014**

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
LIABILITIES						
Current Liabilities						
<i>Payable from current assets:</i>						
Accounts payable and accrued liabilities	\$ 186,876	\$ -	\$ 134,971	\$ 26,244	\$ 354,876	\$ 702,967
Accrued certificates of obligation interest	-	-	402	-	35,856	36,258
Certificates of obligation	-	-	15,000	-	1,620,000	1,635,000
Due to other funds	838,112	-	30,854	-	-	868,966
OPEB payable-current	19,490	-	29,235	-	105,976	154,701
Compensated absences	33,478	-	72,223	-	197,327	303,028
<i>Total current liabilities</i>	<u>1,077,956</u>	<u>-</u>	<u>282,685</u>	<u>26,244</u>	<u>2,314,035</u>	<u>3,700,920</u>
Long-term Liabilities						
<i>Payable from restricted assets:</i>						
Accounts payable	91,771	-	-	-	316,620	408,391
<i>Total payable from restricted assets</i>	<u>91,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,620</u>	<u>408,391</u>
Certificates of obligation (net of unamortized premium)	-	-	109,813	-	5,775,386	5,885,199
OPEB payable	217,077	-	166,533	-	593,947	977,557
Compensated absences	24,999	-	-	-	36,073	61,072
Total long-term liabilities	<u>242,076</u>	<u>-</u>	<u>276,346</u>	<u>-</u>	<u>6,405,406</u>	<u>6,923,828</u>
Total Liabilities	<u>1,411,803</u>	<u>-</u>	<u>559,031</u>	<u>26,244</u>	<u>9,036,061</u>	<u>11,033,139</u>
NET POSITION						
Net investment in capital assets	17,475,641	1,839,056	1,390,252	96,214	1,133,708	21,934,871
Unrestricted (deficit)	(1,243,528)	160,251	341,913	262,060	723,197	243,893
Total net position	<u>\$ 16,232,113</u>	<u>\$ 1,999,307</u>	<u>\$ 1,732,165</u>	<u>\$ 358,274</u>	<u>\$ 1,856,905</u>	<u>\$ 22,178,764</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, 2014

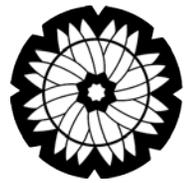
	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
OPERATING REVENUES						
Charges for services	\$ 3,630,768	\$ 6,956	\$ 3,820,130	\$ 1,005,702	\$ 17,586,500	\$ 26,050,056
Other	27,783	-	141	116,552	48,298	192,774
Total Operating Revenues	<u>3,658,551</u>	<u>6,956</u>	<u>3,820,271</u>	<u>1,122,254</u>	<u>17,634,798</u>	<u>26,242,830</u>
OPERATING EXPENSES						
Salaries and benefits	1,916,051	-	2,050,998	169,585	5,246,872	9,383,506
Landfill fees	-	-	-	-	3,951,065	3,951,065
Maintenance, repairs, and supplies	1,926,110	-	1,320,905	840,213	4,612,404	8,699,632
Insurance and other expenses	93,626	-	89,340	-	478,956	661,922
General and administrative	17,461	-	329,773	1,730	1,686,616	2,035,580
Claims	19,490	-	29,235	-	105,976	154,701
Depreciation	840,050	5,361	199,466	26,099	1,424,727	2,495,703
Total Operating Expenses	<u>4,812,788</u>	<u>5,361</u>	<u>4,019,717</u>	<u>1,037,627</u>	<u>17,506,616</u>	<u>27,382,109</u>
Total Operating Income (Loss)	<u>(1,154,237)</u>	<u>1,595</u>	<u>(199,446)</u>	<u>84,627</u>	<u>128,182</u>	<u>(1,139,279)</u>
NONOPERATING REVENUES (EXPENSES)						
Gain (loss) on sale of capital assets	46,137	-	1,240	-	27,637	75,014
Investment income	1,639	572	1,786	921	5,738	10,656
Interest expense	-	-	(2,104)	-	(40,155)	(42,259)
Income (loss) before transfers	<u>(1,106,461)</u>	<u>2,167</u>	<u>(198,524)</u>	<u>85,548</u>	<u>121,402</u>	<u>(1,095,868)</u>
TRANSFERS						
Transfers in	957,000	-	-	-	-	957,000
Transfers out	-	-	(6,184)	(100,000)	(782,633)	(888,817)
Total transfers	<u>957,000</u>	<u>-</u>	<u>(6,184)</u>	<u>(100,000)</u>	<u>(782,633)</u>	<u>68,183</u>
NET INCOME (LOSS)	<u>(149,461)</u>	<u>2,167</u>	<u>(204,708)</u>	<u>(14,452)</u>	<u>(661,231)</u>	<u>(1,027,685)</u>
Net position, beginning of year	16,381,574	1,997,140	1,939,077	372,726	2,569,759	23,260,276
Cumulative effect of change in accounting principle	-	-	(2,204)	-	(51,623)	(53,827)
Net assets restated, beginning of year	16,381,574	1,997,140	1,936,873	372,726	2,518,136	23,206,449
Net position, end of year	<u>\$ 16,232,113</u>	<u>\$ 1,999,307</u>	<u>\$ 1,732,165</u>	<u>\$ 358,274</u>	<u>\$ 1,856,905</u>	<u>\$ 22,178,764</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2014

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Cash flows from operating activities:						
Cash received from customers	\$ 3,630,768	\$ 6,956	\$ 3,845,417	\$ 1,005,702	\$ 17,682,993	\$ 26,171,836
Cash payments for goods and services	(2,018,667)	-	(1,775,680)	(856,680)	(10,714,411)	(15,365,438)
Cash payments to employees for services	(1,916,291)	-	(2,050,872)	(169,585)	(5,204,586)	(9,341,334)
Other operating revenues	27,783	-	141	116,552	48,298	192,774
Net cash provided (used for) by operating activities	<u>(276,407)</u>	<u>6,956</u>	<u>19,006</u>	<u>95,989</u>	<u>1,812,294</u>	<u>1,657,838</u>
Cash flows from non-capital financing activities:						
Due to other funds - (increase) decreases	(318,098)	-	30,855	-	-	(287,243)
Transfers in	957,000	-	-	-	-	957,000
Transfers out	-	-	(6,184)	(100,000)	(782,633)	(888,817)
Net cash provided by (used for) non-capital financing activities	<u>638,902</u>	<u>-</u>	<u>24,671</u>	<u>(100,000)</u>	<u>(782,633)</u>	<u>(219,060)</u>
Cash flows from capital and related financing activities:						
Certificate of obligation issues	-	-	-	-	4,365,000	4,365,000
Premium on issuance of debt	-	-	-	-	157,423	157,423
Acquisition of capital assets	(686,926)	-	(550,324)	(58,110)	(4,360,615)	(5,655,975)
Principal paid on certificates of obligation	-	-	(15,000)	-	(1,055,000)	(1,070,000)
Interest paid on certificates of obligation	-	-	(3,300)	-	(97,396)	(100,696)
Proceeds from sale of fixed assets	46,137	-	1,240	-	27,637	75,014
Net cash used for capital and related financing activities	<u>(640,789)</u>	<u>-</u>	<u>(567,384)</u>	<u>(58,110)</u>	<u>(962,951)</u>	<u>(2,229,234)</u>
Cash flows from investing activities:						
Purchase of investment securities	(121,517)	(67,059)	(181,666)	(120,594)	(700,571)	(1,191,407)
Proceeds from the sale and maturity of investment securities	332,309	88,972	597,807	209,203	933,703	2,161,994
Interest received on investments	2,557	586	2,292	961	5,703	12,099
Net cash provided by investing activities	<u>213,349</u>	<u>22,499</u>	<u>418,433</u>	<u>89,570</u>	<u>238,835</u>	<u>982,686</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2014

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Net increase (decrease) in cash and cash equivalents	(64,945)	29,455	(105,274)	27,449	305,545	192,230
Cash and cash equivalents at beginning of year	236,911	52,235	326,576	119,457	548,179	1,283,358
Cash and cash equivalents at end of year	<u>\$ 171,966</u>	<u>\$ 81,690</u>	<u>\$ 221,302</u>	<u>\$ 146,906</u>	<u>\$ 853,724</u>	<u>\$ 1,475,588</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (1,154,237)	\$ 1,595	\$ (199,446)	\$ 84,627	\$ 128,182	\$ (1,139,279)
Adjustments:						
Depreciation	840,050	5,361	199,466	26,099	1,424,727	2,495,703
Provision for uncollectible accounts	-	-	(2,683)	-	(19,213)	(21,896)
Change in assets and liabilities:						
Increase in inventory	(5,248)	-	-	-	-	(5,248)
Decrease in accounts receivable	-	-	27,970	-	115,706	143,676
Increase (decrease) in accounts payable	23,778	-	(12,717)	(14,737)	97,804	94,128
Increase (decrease) in compensated absences	(240)	-	126	-	42,286	42,172
Increase in OPEB payable	19,490	-	6,290	-	22,802	48,582
Total adjustments	<u>877,830</u>	<u>5,361</u>	<u>218,452</u>	<u>11,362</u>	<u>1,684,112</u>	<u>2,797,117</u>
Net cash provided by (used for) operating activities	<u>\$ (276,407)</u>	<u>\$ 6,956</u>	<u>\$ 19,006</u>	<u>\$ 95,989</u>	<u>\$ 1,812,294</u>	<u>\$ 1,657,838</u>
Non-cash transactions:						
Change in restricted accounts payable	91,771	-	-	-	161,846	253,617



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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, 2014

	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	\$ -	\$ 1,916,554	\$ 651,850	\$ 274,199	\$ 5,079,637	\$ 3,696,381	\$ 272,656	\$ -	\$ 7,475,513	\$ 19,366,790
Investments	-	1,840,804	626,098	264,713	4,875,477	3,548,544	261,970	-	6,746,106	18,163,712
Accrued interest	68	2,440	888	293	7,339	4,868	310	1	9,289	25,496
Other Receivables	620,433	-	-	-	-	106,257	-	-	658,210	1,384,900
Inventories	-	-	-	305,388	-	-	-	5,261,095	-	5,566,483
Prepaid expense	-	-	-	188,000	-	-	-	-	-	188,000
Total current assets	620,501	3,759,798	1,278,836	1,032,593	9,962,453	7,356,050	534,936	5,261,096	14,889,118	44,695,381
Noncurrent assets:										
<i>Restricted</i>										
Construction funds:										
Cash and cash equivalents	-	-	-	234,513	-	3,696,569	-	2,853	346,760	4,270,695
Investments	-	-	-	225,183	-	3,554,088	-	2,739	324,540	4,106,550
Accrued interest	-	-	-	315	-	2,165	-	4	445	2,929
Total construction funds	-	-	-	460,011	-	7,242,822	-	5,596	671,745	8,380,174
Capital assets										
Land	-	-	-	-	-	-	-	-	221,949	221,949
System	21,834	24,844	-	2,381,415	32,547,749	29,183,574	82,036	263,818	31,979,293	96,484,663
Construction in progress	-	-	-	56,894	-	2,796,857	-	-	-	2,853,751
Less accumulated depreciation	(21,834)	(24,844)	-	(1,772,830)	(23,735,659)	(16,473,710)	(82,036)	(160,135)	(6,294,457)	(48,565,505)
Net capital assets	-	-	-	665,479	8,812,090	15,506,721	-	103,683	25,906,785	50,994,758
Total noncurrent assets	-	-	-	1,125,490	8,812,090	22,749,543	-	109,279	26,578,530	59,374,932
Total assets	620,501	3,759,798	1,278,836	2,158,083	18,774,543	30,105,593	534,936	5,370,375	41,467,648	104,070,313
Deferred Outflows of Resources										
Deferred charges on debt refundings	-	-	-	1,004	-	15,408	-	89	53,852	70,353
LIABILITIES										
Current Liabilities:										
<i>Payable from current assets</i>										
Accounts payable and accrued liabilities	950,780	455,958	333	883,276	271,014	782,980	328,207	359,228	637,362	4,669,138
Accrued interest payable:										
General obligation bonds	-	-	-	326	-	698	-	217	6,551	7,792
Certificates of obligation	-	-	-	2,292	-	32,961	-	-	123,521	158,774
Customer deposits	-	-	-	-	-	-	-	-	13,127,043	13,127,043
Retainage payable	-	-	-	-	-	-	756	-	-	756
Due to other funds	516,056	-	-	-	-	-	-	785,857	-	1,301,913
Compensated absences	16,768	26,742	-	87,520	-	216,639	105,109	19,310	184,312	656,400
Insurance claims payable	806,842	3,149,974	440,486	-	-	-	-	-	-	4,397,302
Capital lease	-	-	-	-	33,343	-	-	-	-	33,343
OPEB payable-current	13,399	6,091	-	42,634	-	75,305	42,634	12,181	115,721	307,965
General obligation bonds	-	-	-	25,000	-	95,000	-	5,000	140,000	265,000
Certificates of obligation	-	-	-	80,000	-	800,000	-	-	1,045,000	1,925,000
Total current liabilities	2,303,845	3,638,765	440,819	1,121,048	304,357	2,003,583	476,706	1,181,793	15,379,510	26,850,426
Long-term Liabilities:										
<i>Payable from restricted assets</i>										
Accounts payable	-	-	-	-	-	90,274	-	-	-	90,274
Retainage payable	-	-	-	-	-	3,792	-	-	-	3,792
Total payable from restricted assets	-	-	-	-	-	94,066	-	-	-	94,066
Advances from other funds	-	-	-	-	-	-	-	3,896,269	-	3,896,269
Certificates of obligation (net of amortized bond premium)	-	-	-	346,000	-	5,391,862	-	-	20,782,441	26,520,303
General obligation bonds (net of amortized bond premium and defeased debt cost)	-	-	-	52,126	-	136,768	-	30,099	1,384,927	1,603,920
Compensated absences	2,454	12,452	-	129	-	51,161	3,275	5,672	-	75,143
Insurance claims payable	-	3,973,955	2,493,701	-	-	-	-	-	-	6,467,656
OPEB payable	46,771	60,640	-	275,525	-	483,727	256,094	84,786	738,461	1,946,004
Total Long-term Liabilities	49,225	4,047,047	2,493,701	673,780	-	6,063,518	259,369	4,016,826	22,905,829	40,509,295
Total Liabilities	2,353,070	7,685,812	2,934,520	1,794,828	304,357	8,161,167	736,075	5,198,619	38,285,339	67,453,787
Deferred Inflows of resources										
Deferred charges on debt refundings	-	-	-	-	-	759	-	-	11,956	12,715
NET POSITION										
Net investment in capital assets	-	-	-	622,364	8,812,090	16,231,847	-	74,180	3,226,162	28,966,643
Unrestricted	(1,732,569)	(3,926,014)	(1,655,684)	(258,105)	9,658,096	5,727,228	(201,139)	97,665	(1,957)	7,707,521
Total net position	\$ (1,732,569)	\$ (3,926,014)	\$ (1,655,684)	\$ 364,259	\$ 18,470,186	\$ 21,959,075	\$ (201,139)	\$ 171,845	\$ 3,224,205	\$ 36,674,164

City of Garland, Texas
Internal Service Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended September 30, 2014

	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	\$ -	\$ -	\$ -	\$ 8,041,175	\$ 3,362,083	\$ 16,425,493	\$ 7,188,192	\$ 716,084	\$ 11,816,490	\$ 47,549,517
Premiums	21,400,182	6,109,534	463,018	-	-	-	-	-	-	27,972,734
Other	995,240	32,879	-	1,858	-	6,234,025	49	19,999	167,824	7,451,874
Total Operating Revenues	22,395,422	6,142,413	463,018	8,043,033	3,362,083	22,659,518	7,188,241	736,083	11,984,314	82,974,125
OPERATING EXPENSES:										
Salaries and benefits	774,277	539,667	-	2,099,607	-	5,464,895	1,902,359	542,820	5,403,719	16,727,344
Maintenance, repairs, and other	330,957	361,758	-	4,943,420	39,126	7,240,086	4,747,066	48,395	1,709,415	19,420,223
Premiums	5,945,104	2,014,813	-	-	-	-	-	-	-	7,959,917
Claims	14,768,517	3,173,330	(672,375)	42,634	99,360	74,305	42,634	12,181	115,721	17,656,307
Administrative services	1,086,090	63,705	-	-	-	-	-	-	-	1,149,795
General and administrative	175,514	84,848	-	612,939	-	1,491,247	430,206	198,895	2,978,943	5,972,592
Depreciation	-	-	-	88,087	3,392,813	2,709,594	708	26,392	1,373,098	7,590,692
Total Operating Expenses	23,080,459	6,238,121	(672,375)	7,786,687	3,531,299	16,980,127	7,122,973	828,683	11,580,896	76,476,870
Total Operating Income (Loss)	(685,037)	(95,708)	1,135,393	256,346	(169,216)	5,679,391	65,268	(92,600)	403,418	6,497,255
NONOPERATING REVENUES (EXPENSES):										
Investment income	1,538	11,457	4,542	2,871	38,418	35,694	1,714	20	53,118	149,372
Interest expense	-	-	-	(5,946)	(3,255)	(243,193)	-	(1,648)	(966,990)	(1,221,032)
Gain (loss) on sale of capital assets	-	-	-	-	-	319,631	(6,792)	-	-	228,787
Total nonoperating revenues (expenses)	1,538	11,457	4,542	(3,075)	354,794	(291,551)	(5,078)	(1,628)	(913,872)	(842,873)
Income (loss) before transfers	(683,499)	(84,251)	1,139,935	253,271	185,578	5,387,840	60,190	(94,228)	(510,454)	5,654,382
TRANSFERS										
Transfers in	-	-	-	237,450	239,564	620,000	-	-	656,941	1,753,955
Transfers out	309,085	(366,717)	-	-	(22,364)	(219,836)	-	-	(4,015,063)	(4,314,895)
Net transfers	309,085	(366,717)	-	237,450	217,200	400,164	-	-	(3,358,122)	(2,560,940)
NET INCOME (LOSS)	(374,414)	(450,968)	1,139,935	490,721	402,778	5,788,004	60,190	(94,228)	(3,868,576)	3,093,442
Net position, beginning of year	(1,358,155)	(3,475,046)	(2,795,619)	(101,387)	18,067,408	16,297,076	(261,329)	266,103	7,341,364	33,980,415
Cumulative effect of change in accounting principle	-	-	-	(25,075)	-	(126,005)	-	(30)	(248,583)	(399,693)
Net assets restated, beginning of year	(1,358,155)	(3,475,046)	(2,795,619)	(126,462)	18,067,408	16,171,071	(261,329)	266,073	7,092,781	33,580,722
Net position, end of year	\$ (1,732,569)	\$ (3,926,014)	\$ (1,655,684)	\$ 364,259	\$ 18,470,186	\$ 21,959,075	\$ (201,139)	\$ 171,845	\$ 3,224,205	\$ 36,674,164

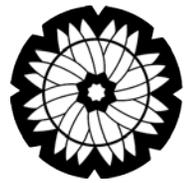


GARLAND

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City of Garland, Texas
Internal Service Funds
Statement of Cash Flows
For the Year Ended September 30, 2014

	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
Cash flows from operating activities:										
Cash received from customers	\$ 20,779,749	\$ 6,127,765	\$ 463,018	\$ 8,041,175	\$ 3,362,083	\$ 16,324,409	\$ 7,188,192	\$ 716,084	\$ 11,965,534	\$ 74,968,009
Cash received for customer deposits	-	-	-	-	-	-	-	-	526,132	526,132
Cash payments for goods and services	(22,432,038)	(5,136,775)	(324,091)	(5,538,058)	(1,159,853)	(8,921,928)	(5,231,001)	(510,520)	(4,650,208)	(53,904,472)
Cash payments to employees for services	(789,839)	(541,257)	-	(2,100,977)	-	(5,463,880)	(1,894,596)	(542,611)	(5,412,518)	(16,745,678)
Other operating revenues	995,240	32,879	-	1,858	-	6,234,025	50	19,999	167,824	7,451,875
Net cash provided by (used for) operating activities	(1,446,888)	482,612	138,927	403,998	2,202,230	8,172,626	62,645	(317,048)	2,596,764	12,295,866
Cash flows from non-capital financing activities:										
Retainage - increase	-	-	-	-	-	-	756	-	-	756
Due to other funds - increase	516,056	-	-	-	-	-	-	323,835	-	839,891
Transfers in	-	-	-	237,450	239,564	620,000	-	-	656,941	1,753,955
Transfers out	309,085	(366,717)	-	-	(22,364)	(219,836)	-	-	(4,015,063)	(4,314,895)
Net cash provided by (used for) non-capital financing activities	825,141	(366,717)	-	237,450	217,200	400,164	756	323,835	(3,358,122)	(1,720,293)
Cash flows from capital and financing activities:										
Refunding bond issues	-	-	-	30,000	-	180,000	-	-	725,000	935,000
Acquisition of capital assets	-	-	-	(28,277)	(3,523,922)	(1,530,860)	-	-	-	(5,083,059)
Principal paid on certificates of obligation	-	-	-	(55,000)	-	(920,000)	-	-	(1,140,000)	(2,115,000)
Principal paid on general obligation bonds	-	-	-	(10,000)	-	(25,000)	-	(5,000)	(10,000)	(50,000)
Decrease in advance from other funds	-	-	-	-	-	-	-	-	-	-
Decrease in capital lease	-	-	-	-	(31,755)	-	-	-	-	(31,755)
Interest paid on certificates of obligation	-	-	-	(20,427)	-	(281,260)	-	-	(1,002,118)	(1,303,805)
Interest paid on general obligations	-	-	-	(2,436)	-	(4,098)	-	(1,801)	(43,239)	(51,574)
Interest paid on capital lease	-	-	-	-	(3,255)	-	-	-	-	(3,255)
Premium on issuance of debt	-	-	-	748	-	4,415	-	-	34,245	39,408
Bond issue expense	-	-	-	17	-	109	-	-	475	601
Payment to escrow agent	-	-	-	(30,031)	-	(180,196)	-	-	(755,854)	(966,081)
Proceeds from sale of assets	-	-	-	-	369,943	9,916	3,122	-	-	382,981
Net cash provided by (used for) financing activities	-	-	-	(115,406)	(3,188,989)	(2,746,974)	3,122	(6,801)	(2,191,491)	(8,246,539)
Cash flows from investing activities:										
Purchase of investment securities	-	(1,573,290)	(555,931)	(726,384)	(4,169,850)	(9,863,374)	(237,955)	(2,341)	(6,174,262)	(23,303,387)
Proceeds from the sale and maturity of investment securities	408,213	2,120,329	675,926	545,645	6,321,903	8,433,249	282,727	3,267	10,320,277	29,111,536
Interest received on investments	1,543	11,050	4,579	2,667	39,595	35,593	1,734	34	56,748	153,543
Net cash provided by (used for) investing activities	409,756	558,089	124,574	(178,072)	2,191,648	(1,394,532)	46,506	960	4,202,763	5,961,692
Net increase (decrease) in cash and cash equivalents	(211,991)	673,984	263,501	347,970	1,422,089	4,431,284	113,029	946	1,249,914	8,290,726
Cash and cash equivalents at beginning of year	211,991	1,242,570	388,349	160,742	3,657,548	2,951,666	159,627	1,907	6,572,359	15,346,759
Cash and cash equivalents at end of year	\$ -	\$ 1,916,554	\$ 651,850	\$ 508,712	\$ 5,079,637	\$ 7,382,950	\$ 272,656	\$ 2,853	\$ 7,822,273	\$ 23,637,485
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:										
Operating income (loss)	\$ (685,037)	\$ (95,708)	\$ 1,135,393	\$ 256,346	\$ (169,216)	\$ 5,679,391	\$ 65,269	\$ (92,600)	\$ 403,418	\$ 6,497,256
Adjustments:										
Depreciation	-	-	-	88,087	3,392,813	2,709,594	708	26,392	1,373,098	7,590,692
Change in assets and liabilities:										
(Increase) decrease in inventory	-	-	-	51,553	-	-	-	(45,654)	-	5,899
(Increase) decrease in accounts receivable	(620,433)	18,231	-	-	-	(101,085)	-	-	149,044	(554,243)
Increase (decrease) in accounts payable	334,177	153,386	(44,656)	154,748	(1,021,367)	(190,594)	(53,730)	(217,577)	38,149	(847,464)
Increase in customer deposits	-	-	-	-	-	-	-	-	526,132	526,132
Increase (decrease) in compensated absences	(15,562)	(1,590)	-	(1,370)	-	1,015	7,763	209	(8,799)	(18,334)
Increase in prepaid expense	-	-	-	(188,000)	-	-	-	-	-	(188,000)
Increase in OPEB payable	13,399	6,091	-	42,634	-	74,305	42,635	12,182	115,722	306,968
Increase in insurance claims payable	(473,432)	402,202	(951,810)	-	-	-	-	-	-	(1,023,040)
Total adjustments	(761,851)	578,320	(996,466)	147,652	2,371,446	2,493,235	(2,624)	(224,448)	2,193,346	5,798,610
Net cash provided by (used for) operating activities	\$ (1,446,888)	\$ 482,612	\$ 138,927	\$ 403,998	\$ 2,202,230	\$ 8,172,626	\$ 62,645	\$ (317,048)	\$ 2,596,764	\$ 12,295,866



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

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Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	121
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.	125
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.	130
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.	132

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



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

Table 1

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net investment in capital assets	\$ 152,244,746	\$ 150,638,419	\$ 146,152,849	\$ 152,134,216	\$ 151,311,862	\$ 119,059,830	\$ 109,150,600	\$ 95,930,730	\$ 127,763,560	\$ 125,858,168
Restricted	9,332,603	11,148,268	16,539,955	24,872,761	18,134,847	13,646,512	12,875,368	9,106,322	7,859,043	7,574,847
Unrestricted	(5,114,118)	3,205,798	3,861,767	(8,120,300)	(6,063,639)	25,421,938	32,036,457	39,027,078	1,315,954	6,157,462
Total governmental activities net position	\$ 156,463,231	\$ 164,992,485	\$ 166,554,571	\$ 168,886,677	\$ 163,383,070	\$ 158,128,280	\$ 154,062,425	\$ 144,064,130	\$ 136,938,557	\$ 139,590,477
Business-type activities										
Net investment in capital assets	\$ 316,840,492	\$ 321,262,146	\$ 357,951,642	\$ 355,663,983	\$ 337,930,445	\$ 334,698,641	\$ 343,566,237	\$ 346,557,013	\$ 438,249,356	\$ 365,960,688
Restricted	72,202,545	73,218,539	77,356,305	80,549,836	82,525,231	116,110,801	157,524,421	196,275,271	178,691,456	180,855,772
Unrestricted	35,223,599	85,484,980	64,523,017	71,341,607	121,136,206	115,801,273	118,212,758	118,547,358	53,537,669	123,189,978
Total business-type activities net position	\$ 424,266,636	\$ 479,965,665	\$ 499,830,964	\$ 507,555,426	\$ 541,591,882	\$ 566,610,715	\$ 619,303,416	\$ 661,379,642	\$ 670,478,481	\$ 670,006,438
Primary government										
Net investment in capital assets	\$ 469,085,238	\$ 471,900,565	\$ 504,104,491	\$ 507,798,199	\$ 489,242,307	\$ 453,758,471	\$ 452,716,837	\$ 442,487,743	\$ 566,012,916	\$ 491,818,856
Restricted	81,535,148	84,366,807	93,896,260	105,422,597	100,660,078	129,757,313	170,399,789	205,381,593	186,550,499	188,430,619
Unrestricted	30,109,481	88,690,778	68,384,784	63,221,307	115,072,567	141,223,211	150,249,215	157,574,436	54,853,623	129,347,440
Total primary government activities net position	\$ 580,729,867	\$ 644,958,150	\$ 666,385,535	\$ 676,442,103	\$ 704,974,952	\$ 724,738,995	\$ 773,365,841	\$ 805,443,772	\$ 807,417,038	\$ 809,596,915

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

	2005	2006	2007	2008	Fiscal Year					
					2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 32,392,426	\$ 30,790,105	\$ 37,623,390	\$ 31,821,475	\$ 31,153,948	\$ 32,846,193	\$ 29,640,148	\$ 29,569,285	\$ 29,243,108	\$ 27,639,946
Public safety	71,669,173	80,537,648	82,379,317	85,948,538	88,837,476	86,168,466	90,653,595	90,755,164	92,128,110	91,105,170
Public works	33,252,736	35,936,678	39,645,423	41,491,649	40,530,087	41,358,430	42,540,513	41,666,670	40,870,496	41,893,889
Culture and recreation	18,188,655	19,160,660	19,159,881	19,925,775	19,849,963	19,505,793	21,566,920	20,805,012	21,442,173	20,820,273
Public health	2,581,301	2,771,112	3,085,931	3,346,806	3,455,498	3,604,317	3,881,311	4,018,652	4,322,827	4,105,273
Interest and fiscal charges	9,222,475	10,348,493	10,686,236	10,476,757	12,888,091	12,713,773	11,968,097	12,038,048	11,094,537	9,696,538
Tri-City Academy	12,721	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>167,319,487</u>	<u>179,544,696</u>	<u>192,580,178</u>	<u>193,011,000</u>	<u>196,715,063</u>	<u>196,196,972</u>	<u>200,250,584</u>	<u>198,852,831</u>	<u>199,101,251</u>	<u>195,261,089</u>
Business-type activities:										
Electric	222,883,550	222,703,702	212,231,176	255,025,955	183,527,066	191,187,490	164,547,930	166,360,005	271,815,312	344,969,100
Water	25,806,273	25,540,630	28,221,876	29,979,447	33,000,743	34,274,026	38,602,207	40,702,500	43,758,542	46,952,415
Sewer	22,685,980	24,768,707	26,661,625	29,021,769	30,838,009	33,643,084	34,307,982	36,348,765	36,288,797	36,080,645
Golf	2,796,283	2,953,267	2,844,792	2,827,100	2,801,539	3,636,869	4,766,551	4,922,780	4,889,818	4,738,094
Heliport	28,576	76,842	28,007	27,335	27,482	39,590	30,292	85,480	5,365	5,329
Storm water management	2,961,292	3,535,492	3,227,420	3,192,094	3,176,002	3,598,351	3,669,785	3,519,113	3,926,814	3,996,717
Parks performance	749,667	773,516	718,131	702,176	818,781	778,409	965,305	1,022,947	964,590	1,031,470
Sanitation	13,301,942	13,399,591	14,741,829	15,618,088	15,558,875	15,943,590	16,045,778	16,972,881	16,965,951	17,415,020
Total business-type activities expenses	<u>291,213,563</u>	<u>293,751,747</u>	<u>288,674,856</u>	<u>336,393,964</u>	<u>269,748,497</u>	<u>283,101,409</u>	<u>262,935,830</u>	<u>269,934,471</u>	<u>378,615,189</u>	<u>455,188,790</u>
Total primary government expenses	<u>\$ 458,533,050</u>	<u>\$ 473,296,443</u>	<u>\$ 481,255,034</u>	<u>\$ 529,404,964</u>	<u>\$ 466,463,560</u>	<u>\$ 479,298,381</u>	<u>\$ 463,186,414</u>	<u>\$ 468,787,302</u>	<u>\$ 577,716,440</u>	<u>\$ 650,449,879</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 6,676,910	\$ 6,858,486	\$ 6,611,850	\$ 6,687,922	\$ 6,010,639	\$ 6,086,998	\$ 6,403,716	\$ 6,761,126	\$ 6,792,917	\$ 6,771,546
Public safety	10,202,599	10,803,372	10,568,258	9,335,039	12,015,983	11,904,259	12,685,675	14,130,333	15,467,011	14,845,171
Public works	11,200,394	12,990,004	13,651,673	12,565,983	13,317,251	12,326,162	18,311,836	14,710,176	14,626,584	14,690,728
Culture and recreation	1,745,890	1,615,310	1,530,098	1,655,630	1,871,402	1,701,121	1,673,984	1,523,989	1,726,202	1,562,302
Public health	179,789	177,835	331,128	321,296	314,819	501,507	283,433	409,920	534,179	494,343
Operating grants and contributions	19,713,353	21,863,489	22,852,488	21,055,526	17,351,640	21,420,963	21,723,466	16,885,088	17,203,324	14,290,332
Capital grants and contributions	3,556,983	8,445,411	3,811,318	6,398,010	2,082,015	974,984	649,244	815,387	1,785,232	560,265
Total governmental activities program revenues	<u>53,275,918</u>	<u>62,753,907</u>	<u>59,356,813</u>	<u>58,019,406</u>	<u>52,963,749</u>	<u>54,915,994</u>	<u>61,731,354</u>	<u>55,236,019</u>	<u>58,135,449</u>	<u>53,214,687</u>
Business-type activities:										
Charges for services:										
Electric	224,884,115	271,751,654	233,626,927	270,716,085	229,710,285	231,758,075	222,638,789	222,228,397	296,866,570	376,657,906
Water	28,235,537	35,641,398	26,528,327	30,974,200	34,236,560	40,688,647	50,472,770	46,525,981	50,176,879	49,536,979
Sewer	26,719,862	34,668,202	33,628,914	35,436,808	38,396,280	40,316,535	41,809,811	42,172,904	41,831,894	43,460,465
Golf	2,133,498	2,224,318	2,070,839	2,069,842	1,996,599	2,163,761	3,596,869	3,724,490	3,677,689	3,630,768
Heliport	6,000	5,556	6,098	6,299	6,451	6,528	6,523	6,713	6,865	6,956
Storm water management	3,088,386	3,140,224	3,116,627	3,160,313	3,137,707	3,455,484	3,775,995	3,840,350	3,824,990	3,820,130
Parks performance	838,064	745,186	666,131	744,918	831,481	694,108	1,004,106	1,052,256	1,124,046	1,005,702
Sanitation	13,159,315	13,331,142	15,054,605	15,574,619	16,191,391	15,750,835	16,406,642	16,898,137	17,469,768	17,586,500
Capital grants and contributions	1,890,046	3,103,011	2,853,227	4,226,700	3,679,673	878,483	3,213,159	1,249,457	1,787,937	953,011
Total business-type activities program revenues	<u>300,954,823</u>	<u>364,610,691</u>	<u>317,551,695</u>	<u>362,909,784</u>	<u>328,186,427</u>	<u>335,712,456</u>	<u>342,924,664</u>	<u>337,698,685</u>	<u>416,766,638</u>	<u>496,658,417</u>
Total primary government program revenues	<u>\$ 354,230,741</u>	<u>\$ 427,364,598</u>	<u>\$ 376,908,508</u>	<u>\$ 420,929,190</u>	<u>\$ 381,150,176</u>	<u>\$ 390,628,450</u>	<u>\$ 404,656,018</u>	<u>\$ 392,934,704</u>	<u>\$ 474,902,087</u>	<u>\$ 549,873,104</u>

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

Table 2

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (expense)/revenue										
Governmental activities	\$ (114,043,569)	\$ (116,790,789)	\$ (133,223,365)	\$ (134,991,594)	\$ (143,751,314)	\$ (141,280,978)	\$ (138,519,230)	\$(143,616,812)	\$(140,965,802)	\$(142,046,402)
Business-type activities	9,741,260	70,858,944	28,876,839	26,515,820	58,437,930	52,611,047	79,988,834	67,764,214	38,151,449	41,469,627
Total primary government net expense	<u>\$ (104,302,309)</u>	<u>\$ (45,931,845)</u>	<u>\$ (104,346,526)</u>	<u>\$ (108,475,774)</u>	<u>\$ (85,313,384)</u>	<u>\$ (88,669,931)</u>	<u>\$ (58,530,396)</u>	<u>\$ (75,852,598)</u>	<u>\$(102,814,353)</u>	<u>\$(100,576,775)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 61,816,669	\$ 66,825,355	\$ 70,205,635	\$ 74,677,018	\$ 77,869,371	\$ 75,675,105	72,960,307	71,712,486	71,160,273	71,507,322
Sales taxes	19,368,101	22,517,489	23,278,730	23,694,596	22,041,066	21,648,693	21,609,756	22,684,164	23,537,389	24,667,765
Franchise taxes	7,268,396	7,883,149	8,028,128	8,372,409	7,935,599	8,352,056	8,255,818	7,887,388	8,646,942	9,091,491
Hotel/motel taxes	417,034	464,905	488,123	469,185	483,639	562,590	687,233	773,753	825,003	896,702
Mixed drink taxes	121,644	135,586	167,372	216,527	233,290	263,272	262,941	238,486	255,607	327,324
Bingo taxes	88,918	101,189	97,866	87,133	105,488	99,634	100,691	104,178	106,252	105,701
Unrestricted investment earnings	1,875,018	3,883,272	5,061,009	3,486,049	2,771,407	730,796	512,142	648,009	266,319	679,278
Miscellaneous	700,956	140,242	850,982	46,672	(58,601)	28,089	89,257	85,561	59,186	132,933
Transfers	19,317,950	23,368,856	26,607,606	26,274,111	26,866,448	28,665,953	29,975,230	29,484,492	30,796,507	39,628,270
Total governmental activities	<u>110,974,686</u>	<u>125,320,043</u>	<u>134,785,451</u>	<u>137,323,700</u>	<u>138,247,707</u>	<u>136,026,188</u>	<u>134,453,375</u>	<u>133,618,517</u>	<u>135,653,478</u>	<u>147,036,786</u>
Business-type activities:										
Unrestricted investment earnings	4,166,933	8,932,791	13,001,111	7,794,879	5,031,184	1,426,960	1,045,332	1,703,509	42,619	1,481,986
Miscellaneous	2,719,099	3,595,093	4,594,955	3,235,856	(2,566,210)	1,176,711	1,633,765	2,092,995	1,701,278	2,074,837
Loss on sale of capital assets	-	-	-	-	-	(1,529,932)	-	-	-	-
Special item-impairment of electric assets	-	-	-	(3,547,982)	-	-	-	-	-	-
Transfers	(19,317,950)	(23,368,856)	(26,607,606)	(26,274,111)	(26,866,448)	(28,665,953)	(29,975,230)	(29,484,492)	(30,796,507)	(39,628,270)
Total business-type activities	<u>(12,431,918)</u>	<u>(10,840,972)</u>	<u>(9,011,540)</u>	<u>(18,791,358)</u>	<u>(24,401,474)</u>	<u>(27,592,214)</u>	<u>(27,296,133)</u>	<u>(25,687,988)</u>	<u>(29,052,610)</u>	<u>(36,071,447)</u>
Total primary government	<u>\$ 98,542,768</u>	<u>\$ 114,479,071</u>	<u>\$ 125,773,911</u>	<u>\$ 118,532,342</u>	<u>\$ 113,846,233</u>	<u>\$ 108,433,974</u>	<u>107,157,242</u>	<u>107,930,529</u>	<u>106,600,868</u>	<u>110,965,339</u>
Change in Net Position										
Governmental activities	\$ (3,068,883)	\$ 8,529,254	\$ 1,562,086	\$ 2,332,106	\$ (5,503,607)	\$ (5,254,790)	(4,065,855)	(9,998,295)	(5,312,324)	4,990,384
Business-type activities	(2,690,658)	60,017,972	19,865,299	7,724,462	34,036,456	25,018,833	52,692,701	42,076,226	9,098,839	5,398,180
Cumulative effect of change in acctg principle	-	(4,318,943)	-	-	-	-	-	-	-	(8,208,687)
Total primary government	<u>\$ (5,759,541)</u>	<u>\$ 64,228,283</u>	<u>\$ 21,427,385</u>	<u>\$ 10,056,568</u>	<u>\$ 28,532,849</u>	<u>\$ 19,764,043</u>	<u>\$ 48,626,846</u>	<u>\$ 32,077,931</u>	<u>\$ 3,786,515</u>	<u>\$ 2,179,877</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
2005	\$ 61,816,669	\$ 19,368,101	\$ 7,268,396	\$ 417,034	\$ 121,644	\$ 88,918	\$ 89,080,762
2006	66,825,355	22,517,489	7,883,149	464,905	135,586	101,189	97,927,673
2007	70,205,635	23,278,730	8,028,128	488,123	167,372	97,866	102,265,854
2008	74,677,018	23,694,596	8,598,552	469,185	216,527	87,133	107,743,011
2009	77,869,371	22,041,066	7,935,599	483,639	233,290	105,488	108,668,453
2010	75,591,153	21,573,549	8,352,056	562,590	263,272	99,634	106,442,254
2011	72,960,307	21,609,756	8,255,818	687,233	262,941	100,691	103,876,746
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

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

Table 4

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved for other	\$ -	\$ -	\$ -	\$ 231,850	\$ 394,642	\$ 564,849	\$ -	\$ -	\$ -	\$ -
Restricted for construction							762,541	758,444	1,531,005	135,552
Assigned							4,730,000	4,730,000	4,480,000	4,230,000
Unreserved	13,190,208	20,888,141	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
Total general fund	<u>\$ 13,190,208</u>	<u>\$ 20,888,141</u>	<u>\$ 17,308,504</u>	<u>\$ 17,282,273</u>	<u>\$ 18,874,935</u>	<u>\$ 20,204,524</u>	<u>\$ 19,374,494</u>	<u>\$ 22,063,521</u>	<u>\$ 24,263,870</u>	<u>\$ 25,729,669</u>
All other government funds										
Reserved for:										
Debt service	\$ 2,745,794	\$ 3,210,136	\$ 3,643,875	\$ 5,285,612	\$ 6,140,162	\$ 6,051,447	\$ -	\$ -	\$ -	\$ -
Capital project funds	31,249,119	(10,079,482)	-	5,166,823	-	-	-	-	-	-
Special revenue funds	6,586,809	7,938,132	12,896,080	14,188,476	14,329,972	9,411,927	-	-	-	-
Unreserved, reported in:										
Special revenue funds	5,753,428	4,596,233	7,293,957	8,678,081	3,721,683	4,624,832	-	-	-	-
Capital project funds	-	-	(26,178,715)	5,649,541	1,727,367	(3,467,032)	-	-	-	-
Non spendable:										
Prepaid	-	-	-	-	-	-	902,142	-	-	-
Restricted for:										
General government	-	-	-	-	-	-	1,122,223	39,730,596	33,393,625	22,931,442
Debt service	-	-	-	-	-	-	6,265,763	5,241,033	6,314,007	7,843,714
Housing assistance	-	-	-	-	-	-	3,577,680	1,774,748	1,727,296	1,035,676
Public safety	-	-	-	-	-	-	1,305,371	984,567	935,202	570,169
Culture & recreation	-	-	-	-	-	-	-	53,785	-	-
Committed for:										
General government	-	-	-	-	-	-	303,531	332,670	444,858	453,849
Culture & recreation	-	-	-	-	-	-	1,429,229	1,615,772	1,934,063	2,149,180
Public works	-	-	-	-	-	-	4,240,615	4,626,022	5,006,527	5,404,617
Unassigned										
Capital project funds	-	-	-	-	-	-	(5,016,257)	-	-	-
Nonmajor governmental funds	-	-	-	-	-	-	-	-	-	(5,500)
Total all other governmental funds	<u>\$ 46,335,150</u>	<u>\$ 5,665,019</u>	<u>\$ (2,344,803)</u>	<u>\$ 38,968,533</u>	<u>\$ 25,919,184</u>	<u>\$ 16,621,174</u>	<u>\$ 14,130,297</u>	<u>\$ 54,359,193</u>	<u>\$ 49,755,578</u>	<u>\$ 40,383,147</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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 81,838,275	\$ 89,864,990	\$ 94,277,497	\$ 99,567,491	\$ 100,620,433	\$ 98,370,888	\$ 95,523,675	\$ 95,535,319	\$ 95,793,994	\$ 97,585,254
Franchise fees	7,268,396	7,883,149	8,028,128	8,372,409	7,935,599	8,352,056	8,255,818	7,887,388	8,646,942	9,091,491
Service charges	14,600,925	16,382,249	17,224,499	17,268,733	17,537,722	16,929,426	18,102,510	20,411,968	20,239,605	20,791,739
Licenses and permits	2,701,470	3,104,974	3,056,687	2,632,116	2,566,182	3,085,185	2,893,000	3,751,589	3,393,137	3,781,703
Investment earnings	1,875,021	3,883,271	5,061,009	3,486,049	1,739,575	501,419	384,119	482,567	243,088	529,912
Intergovernmental	17,835,272	19,092,728	20,938,438	19,709,837	16,786,683	19,995,862	20,304,725	15,573,047	16,079,825	13,450,076
Intragovernmental	5,790,632	5,803,231	6,068,356	6,727,768	7,324,102	7,430,975	7,871,534	8,010,474	7,973,376	8,002,858
Fines and forfeits	6,073,988	5,915,617	5,324,440	5,195,729	6,064,644	5,627,058	5,097,867	6,110,138	6,955,299	6,730,988
Rents and concessions	770,684	946,539	959,214	1,066,932	1,089,898	947,961	762,914	788,504	804,298	833,456
Assessments	56,039	43,908	54,207	37,546	32,609	49,455	34,223	61,182	61,779	77,710
Impact fees	558,677	1,043,145	1,215,941	728,946	140,278	252,767	289,553	368,620	377,520	380,120
Contributions	582,969	1,789,346	378,732	8,173	418,424	619,197	5,219,595	31,881	-	-
Program income	531,270	580,242	197,794	251,679	135,695	163,681	193,209	376,059	365,103	292,533
Special event income	434,879	79,439	1,623	-	-	-	174,578	-	216,026	-
Miscellaneous	2,314,668	2,727,545	1,737,656	1,174,425	1,998,868	1,124,216	2,248,086	998,201	2,342,106	815,199
Awards	93,334	498,287	445,701	347,993	374,145	665,163	467,831	573,187	192,737	230,571
Total Revenues	143,326,499	159,638,660	164,969,922	166,575,826	164,764,857	164,115,309	167,823,237	160,960,124	163,684,835	162,593,610
Expenditures										
General government	9,846,252	8,399,455	16,162,770	9,035,894	10,183,430	9,817,583	9,415,810	9,339,438	9,820,852	10,066,773
Public safety	62,364,342	67,979,184	71,923,692	75,115,520	75,268,367	74,890,153	77,463,425	77,639,802	78,338,393	79,341,146
Public works	7,080,641	8,087,824	9,765,312	9,659,895	8,931,181	8,709,794	19,151,977	18,457,911	17,391,246	19,617,640
Culture and recreation	11,072,061	11,487,982	12,401,080	13,209,936	12,550,200	12,641,150	13,245,845	12,794,896	13,218,113	13,371,187
Public health	2,136,542	2,275,483	2,721,376	2,965,945	2,893,506	3,189,738	3,174,073	3,364,592	3,579,737	3,606,072
Nondepartmental	12,826,489	14,498,714	16,258,263	17,075,180	16,941,189	17,315,649	18,695,922	19,086,070	21,243,401	20,992,758
Operations	26,842,657	26,199,922	25,113,864	29,652,263	28,925,801	28,602,430	17,392,687	16,978,956	15,974,313	15,229,201
Capital Outlay	43,223,875	55,132,525	31,349,700	28,377,230	16,664,598	18,721,222	19,475,793	12,977,724	18,460,127	30,798,802
Debt service										
Principal	12,018,720	12,973,186	14,015,396	15,317,098	16,637,994	17,476,637	16,165,582	17,922,725	17,370,398	20,108,094
Interest	8,385,551	12,418,459	12,282,296	11,353,053	12,767,629	10,879,254	10,215,634	8,991,405	11,900,025	9,949,833
Issue costs on issuance of debt	-	-	133,969	720,789	35,000	70,000	107,306	1,038,554	307,935	311,537
Tri City Academy	12,721	-	-	-	-	-	-	-	-	-
Other charges	519,353	146,905	120,590	162,728	475,849	617,619	758,265	454,846	339,837	72,285
Total expenditures	196,329,204	219,599,639	212,248,308	212,645,531	202,274,744	202,931,229	205,262,319	199,046,919	207,944,377	223,465,328
Excess of revenues over (under) expenditures	(53,002,705)	(59,960,979)	(47,278,386)	(46,069,705)	(37,509,887)	(38,815,920)	(37,439,082)	(38,086,795)	(44,259,542)	(60,871,718)
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
Transfers in	28,899,080	32,423,803	38,353,344	40,925,950	40,823,290	49,485,628	47,439,233	42,083,177	37,847,598	50,731,130
Transfers out	(9,657,539)	(9,550,022)	(17,040,435)	(17,903,902)	(15,483,332)	(20,970,518)	(16,395,360)	(12,675,653)	(7,209,853)	(8,541,923)
Issuance of debt	65,895,000	4,115,000	13,825,000	59,830,000	350,000	2,220,000	2,545,000	46,245,000	10,835,000	9,110,000
Premium on issuance of debt	3,392,524	-	1,493,762	2,761,825	-	-	280,745	4,905,097	1,165,344	1,447,424
Refunding proceeds	28,305,000	-	39,200,000	26,940,000	-	-	4,655,000	17,365,000	6,650,000	17,515,000
Payment to bond refunding agent	(30,803,121)	-	(40,559,793)	(27,401,656)	-	-	(4,432,030)	(17,035,000)	(7,960,000)	(18,528,820)
Total other financing sources (uses)	86,030,944	26,988,781	35,688,923	87,356,809	26,053,202	30,847,499	34,118,335	81,004,718	41,856,276	52,965,086
Net change in fund balances	\$ 33,028,239	\$ (32,972,198)	\$ (11,589,463)	\$ 41,287,104	\$ (11,456,685)	\$ (7,968,421)	\$ (3,320,747)	\$ 42,917,923	\$ (2,403,266)	\$ (7,906,632)
Debt service as a percentage of noncapital expenditures	13.33%	15.44%	14.54%	14.47%	15.84%	15.39%	14.20%	14.46%	15.45%	15.60%

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
2005	\$ 7,077,522,770	\$ 3,326,226,180	\$ 568,356,980	\$ 1,429,095,701	\$ 9,543,010,229	0.6411
2006	7,229,465,100	3,500,737,880	664,641,720	1,578,751,415	9,816,093,285	0.6661
2007	8,397,628,690	3,017,766,630	838,155,930	1,836,648,950	10,416,902,300	0.6786
2008	8,523,853,140	3,517,203,860	775,413,890	1,933,972,589	10,882,498,301	0.6886
2009	8,663,790,930	3,721,257,230	864,829,660	2,128,083,759	11,121,794,061	0.6996
2010	8,409,174,740	3,617,980,940	889,829,860	2,198,702,169	10,718,283,371	0.7046
2011	8,182,727,940	3,466,044,330	865,690,790	2,162,392,225	10,352,070,835	0.7046
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

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	
2005	\$ 0.3740	\$ 0.2671	\$ 0.6411	\$ 1.6214	\$ 0.2039	\$ 0.2540	\$ 0.0803	\$ 1.6694	\$ 1.8200	\$ 1.7600	\$ -	\$ -	\$ -	
2006	0.3890	0.2771	0.6661	1.6701	0.2139	0.2540	0.0816	1.6884	1.8200	1.7624	-	-	-	
2007	0.3890	0.2896	0.6786	1.6701	0.2139	0.2540	0.0816	1.6884	1.6301	1.6680	-	-	-	
2008	0.3890	0.2996	0.6886	1.2533	0.2281	0.2540	0.0804	1.5026	1.3401	1.3767	-	-	-	
2009	0.3890	0.3106	0.6996	1.2533	0.2281	0.2540	0.0894	1.1834	1.3401	1.4000	-	-	-	
2010	0.3890	0.3156	0.7046	1.2533	0.2281	0.2740	0.0949	1.2713	1.3401	1.4200	0.2425	0.0863	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	

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>2014</u>			<u>2005</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	\$ 101,023,420	1	0.99%	\$ 85,994,840	1	0.89%
Simon Property Group	94,854,830	2	0.93%	-		-
Plastipak Packaging	67,746,208	3	0.67%	-		-
Verizon	50,442,570	4	0.50%	60,429,730	4	0.62%
Valspar Engineered Polymer	49,711,257	5	0.49%	36,117,131	8	0.37%
SST Truck Company LLC	44,923,653	6	0.44%	59,915,600	5	0.62%
Kraft Foods, Inc	43,095,416	7	0.42%	41,910,825	7	0.43%
Sears Roebuck and Co.	42,387,861	8	0.42%	73,484,209	2	0.76%
BMEF Stoneleigh LP	41,900,000	9	0.41%	-		-
Advenir @ Town Center	38,247,990	10	0.38%	-		-
Eckerd Drugs, Inc.	-		-	62,975,861	3	0.65%
Simpson Financing				46,395,660	6	0.48%
Stoneleigh				35,000,000	9	0.36%
Old Dominion Real Estate	-		-	34,500,000	10	0.36%
	<u>\$ 574,333,205</u>		<u>5.65%</u>	<u>\$ 536,723,856</u>		<u>5.55%</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
2005	\$ 61,180,242	\$ 60,323,475	98.60%	\$ 821,112	\$ 61,144,587	99.94%
2006	65,446,028	64,291,109	98.24%	1,101,337	65,392,446	99.92%
2007	69,481,794	68,346,908	98.37%	1,072,259	69,419,167	99.91%
2008	74,759,668	73,764,627	98.67%	930,729	74,695,357	99.91%
2009	77,977,700	76,842,208	98.54%	1,058,166	77,900,373	99.90%
2010	75,678,090	74,800,032	98.84%	790,132	75,590,164	99.88%
2011	73,103,186	72,238,056	98.82%	693,125	72,931,181	99.76%
2012	71,301,935	70,589,967	99.00%	495,678	71,085,645	99.70%
2013	70,801,851	70,130,748	99.05%	364,845	70,495,593	99.57%
2014	71,071,583	70,536,234	99.25%	-	70,536,234	99.25%

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

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

Table 10

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Tax Anticipation Note	Other Obligations	Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Other Obligations			
2005	\$ 148,032,971	\$ 86,936,889	\$ 3,640,000	\$ -	\$ 154,895,000	\$ 55,582,029	\$ 72,188,318	\$ -	\$ 521,275,207	12.66%	2,352
2006	140,958,212	88,835,115	5,373,000	-	191,935,000	53,411,788	67,864,920	-	548,378,035	12.71%	2,465
2007	152,557,291	76,814,236	4,240,000	-	235,485,000	75,067,709	38,550,764	-	582,715,000	10.87%	2,590
2008	205,520,000	80,360,204	3,185,000	-	277,435,000	84,685,000	22,789,796	-	673,975,000	12.51%	2,980
2009	194,650,000	95,934,063	5,530,000	-	296,575,000	82,285,000	17,920,937	-	692,895,000	10.66%	3,068
2010	183,442,550	89,971,568	5,050,000	-	304,765,000	79,785,000	140,758,432	-	803,772,550	12.31%	3,542
2011	173,692,475	83,830,000	5,440,000	124,145	316,815,000	81,170,000	131,930,000	-	793,001,620	12.11%	3,482
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	5,500,000	33,343	406,859,556	59,942,513	143,258,324	-	884,768,323	17.28%	3,794

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 130 for personal income and population data.

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

Table 11

Fiscal Year	General Obligation Debt	Certificates of Obligation	Tax Anticipation Note	Total	Less: Amount Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property*	Per Capita**
2005	\$ 203,615,000	\$ 159,125,207	\$ 3,640,000	\$ 366,380,207	\$ 2,745,794	\$ 363,634,413	3.81%	1,641
2006	194,370,000	156,700,035	5,373,000	356,443,035	3,210,136	353,232,899	3.60%	1,588
2007	227,625,000	115,365,000	4,240,000	347,230,000	3,643,875	343,586,125	3.30%	1,527
2008	290,205,000	103,150,000	3,185,000	396,540,000	5,285,612	391,254,388	3.60%	1,730
2009	276,935,000	113,855,000	6,170,000	396,960,000	6,140,162	390,819,838	3.51%	1,730
2010	263,227,550	230,730,000	5,050,000	499,007,550	6,051,447	492,956,103	4.60%	2,172
2011	254,862,475	215,760,000	5,440,000	476,062,475	6,265,763	469,796,712	4.54%	2,063
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	5,500,000	477,875,424	7,843,714	470,031,710	4.68%	2,016

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 121 for property value data.

** Population data can be found in the Schedule of Demographic and Economic Statistics on page 130.

City of Garland
Estimated Direct and Overlapping Governmental Activities Debt
September 30, 2014
(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	\$ 346,746,128	71.72%	\$ 248,686,323
Collin County	391,410,000	0.03%	117,423
Collin County Community College District	37,460,000	0.03%	11,238
Dallas County	126,255,000	5.73%	7,234,412
Dallas County Community College District	339,035,000	5.73%	19,426,706
Dallas County Hospital District	743,250,000	5.73%	42,588,225
Dallas County Schools	67,265,000	5.73%	3,854,285
Dallas Independent School District	2,570,750,000	0.22%	5,655,650
Richardson Independent School District	430,134,988	3.40%	14,624,590
Plano Independent School District	922,505,466	0.06%	553,503
Mesquite Independent School District	390,058,643	1.84%	<u>7,177,079</u>
Subtotal, overlapping debt			349,929,432
City direct debt			<u>274,674,587</u>
Total estimated direct and overlapping debt			<u><u>\$ 624,604,019</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, 2014
(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 FY14 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					
	Charges for Services	Less: Operating Expenses	Net Available Revenue	Average Annual Debt Service		Times Coverage	Charges for Services	Less: Operating Expenses	Net Available Revenue	Average Annual Debt Service		Times Coverage
				Principal	Interest					Principal	Interest	
2005	\$ 228,947,259	\$ 207,006,704	\$ 21,940,555	\$ 2,465,952	\$ 1,343,233	5.76	\$ 55,278,540	\$ 34,521,360	\$ 20,757,180	\$ 5,039,524	\$ 2,587,796	2.72
2006	278,495,241	207,677,043	70,818,198	3,610,238	1,937,279	12.77	70,938,017	36,061,645	34,876,372	5,728,810	2,747,140	4.11
2007	244,179,434	195,648,649	48,530,785	4,523,333	2,411,386	7.00	61,219,697	38,218,281	23,001,416	7,003,095	3,362,221	2.22
2008	278,688,019	238,988,738	39,699,281	4,756,190	2,240,833	5.67	67,608,735	40,565,444	27,043,291	8,877,750	4,052,695	2.09
2009	234,046,619	167,009,741	67,036,878	5,385,500	2,351,999	8.66	73,238,821	43,211,675	30,027,146	9,443,250	4,067,502	2.22
2010	232,689,990	169,922,518	62,767,472	5,399,211	2,207,117	8.25	81,075,657	46,002,329	35,073,328	10,109,000	4,243,081	2.44
2011	223,439,359	138,663,012	84,776,347	5,212,750	2,082,419	11.62	92,330,704	49,155,966	43,174,738	10,628,000	4,374,209	2.88
2012	223,567,545	140,852,028	82,715,517	5,095,000	1,887,700	11.85	88,795,586	52,500,437	36,295,149	10,441,750	3,965,662	2.52
2013	296,802,209	248,084,572	48,717,637	5,076,111	1,607,330	7.29	96,736,703	68,166,340	28,570,363	10,313,500	3,458,475	2.07
2014	378,040,063	319,867,376	58,172,687	8,526,750	3,792,817	4.72	93,084,946	58,667,658	34,417,288	10,453,000	3,553,678	2.46

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

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

Table 15

Fiscal Year	Population	Personal Income (000's)	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
2005	221,588	\$ 5,280,220	\$ 23,829	32.0	12.9	57,265	5.4%
2006	222,432	5,300,332	23,829	32.0	12.9	56,593	4.7%
2007	224,988	5,361,239	23,829	32.7	12.9	56,579	4.2%
2008	226,144	5,388,785	23,829	32.7	12.9	56,579	5.8%
2009	225,865	6,497,458	28,767	32.7	12.9	56,579	8.3%
2010	226,915	6,527,664	28,767	34.6	12.9	57,405	8.6%
2011	227,726	6,550,994	28,767	33.2	12.9	57,833	7.8%
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%

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>2014</u>			<u>2005</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	1.97%	2,469	1	2.08%
Walmart Super Centers	1,250	2	1.12%	1,400	2	1.18%
Atlas Copco	727	3	0.65%	400	10	-
US Food Service	500	4	0.45%	-	-	-
APEX Tool Group	467	5	0.42%	-	-	-
KARLEE, Inc	451	6	0.40%	-	-	-
Hatco (Risistol)	372	7	0.33%	-	-	-
Home Depot	339	8	0.30%	-	-	-
Prestige Ford	310	9	0.28%	425	9	0.36%
Plastipak Packaging	269	10	0.24%	-	-	-
Sears Industrial Park	-	-	-	1,250	3	1.05%
Baylor Medical Center	-	-	-	1,105	4	0.93%
International/SST Truck	-	-	-	700	5	0.59%
General Dynamics	-	-	-	550	6	0.46%
Kraft Foods	-	-	-	500	7	0.42%
Northrup Grumman	-	-	-	450	8	0.38%
	<u>6,885</u>		<u>6.15%</u>	<u>9,249</u>		<u>7.44%</u>

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

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

Table 17

	Full-time Equivalent Employees as of December 31									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function										
General Government	292	291	290	297	284	282	350	344	348	351
Police										
Sworn (civil service)	314	326	327	328	324	323	323	323	323	323
Non-Sworn (non-civil service)	133	133	138	135	134	133	133	132	133	133
Fire										
Sworn (civil service)	246	254	255	255	251	249	249	255	255	255
Non-Sworn (non-civil service)	9	9	7	7	7	7	7	7	7	7
Culture and Recreation	162	162	162	162	152	151	157	158	159	159
Internal Services	246	197	201	255	252	251	254	252	252	252
Electric	236	236	247	256	252	252	238	238	249	251
Water	54	54	57	61	61	62	62	64	63	64
Sewer	102	102	102	101	100	99	99	97	97	97
Solid Waste	88	88	88	88	88	88	90	87	87	87
Stormwater Management	25	25	25	25	25	25	25	24	24	24
Golf	36	36	36	29	28	28	28	28	17	16
Special Revenue	117	162	169	117	113	115	44	44	42	41
Total FTE Employees	2,060	2,075	2,104	2,116	2,071	2,065	2,059	2,053	2,056	2,060

Source: City of Garland Budget Office

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

Table 18

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function										
Police										
Physical arrests	15,933	16,166	15,440	14,019	13,902	11,803	11,431	11,284	11,168	10,587
Citations issued	59,461	61,143	60,226	60,298	56,982	53,666	53,613	61,591	62,737	57,341
Fire										
Number of calls answered	19,442	20,024	19,085	20,464	19,770	20,047	20,670	21,146	21,924	21,349
Business Inspections	6,774	7,785	7,964	5,354	5,575	5,188	4,116	2,506	2,029	2,354
Highways and streets										
Street resurfacing (miles)	26	20	14	19	17	14	15	23	15	16
Service maintenance requests	1,923	1,396	1,607	1,538	1,463	1,794	1,550	1,719	2,099	1,963
Parks and recreation										
Performing arts center attendance	170,939	152,508	180,000	170,000	158,103	153,450	150,496	158,500	134,637	136,255
Recreation center attendance	820,497	856,663	820,000	813,000	970,966	722,462	1,004,064	1,104,143	1,199,720	1,307,212
Library										
Volumes, items, or physical units	521,952	491,220	460,774	433,938	436,783	409,378	409,378	337,728	346,108	342,826
Number of Library circulation transactions	1,190,882	1,178,165	1,383,490	1,438,442	1,736,304	1,857,317	1,783,536	1,549,358	1,569,059	1,524,365
Electric										
Number of accounts	67,761	68,048	68,671	67,899	67,956	68,001	68,034	68,396	69,126	69,262
Average daily usage (KWH)	5,532,836	5,712,121	5,413,698	5,640,434	5,381,022	5,614,012	5,707,569	5,370,791	5,270,163	5,450,915
Water										
New connections	223	337	467	519	188	9	20	103	196	36
Water main breaks	401	507	398	247	303	393	479	400	438	449
Average daily consumption (thousands of gallons)	29,966	33,882	25,792	28,537	32,716	32,041	34,812	29,498	30,058	26,503
Wastewater										
Average daily sewage treatment (millions of gallons)	33	31	36	34	35	41	34	34	34	32

Sources: Various City departments

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

Table 19

Function	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	N/A	65	66	78	78	81	81	81	81	123
Fire Stations	10	10	11	11	11	11	11	11	11	11
Highways and streets										
Streets (miles)	687.60	687.60	690.77	690.77	690.77	697.05	697.00	697.00	700.00	700.00
Streetlights	11,228	11,228	11,228	11,376	15,107	13,662	14,068	14,062	14,104	14,060
Traffic signals	181	182	182	181	181	182	185	185	185	190
Parks and recreation										
Parks acreage	2,865	2,865	2,428	2,428	2,428	2,880	2,880	2,880	2,880	2,880
Parks	68	68	68	68	68	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	22	22	23	23	23	23	23	23	28
Miles of service lines	2,007	2,140	2,142	2,140	2,140	1,012	1,073	1,082	1,090	1,174
Maximum daily capacity (MWH)	576.8	576.8	576.8	576.8	574.1	408.0	408.0	408.0	528.0	530.0
Water										
Water mains (miles)	1,085	1,085	1,097	1,107	1,111	1,111	1,113	1,114	1,117	1,118
Fire Hydrants	7,095	7,160	7,270	7,391	7,442	7,456	8,244	8,271	8,305	8,325
Maximum daily capacity (millions of gallons)	230	230	230	230	227	221	221	221	221	225
Sewer										
Sanitary sewers (miles)	983	990	995	999	1,000	1,001	1,001	1,001	1,003	1,004
Maximum daily treatment capacity (millions of gallons)	54	64	64	64	64	64	64	110	68	59

Sources: Various City departments

**Texas Municipal Power Agency
Condensed Financial Information
September 30, 2014**

	Amount in (000's)
Total assets	\$ <u>960,066</u>
Total liabilities	919,123
Total net assets	<u>40,943</u>
Total liabilities and net assets	\$ <u>960,066</u>
Total operating revenues	\$ 271,281
Total operating expenses	<u>143,548</u>
Income from operations	127,733
Total other income(expenses)	332
Total interest charges	(43,277)
Deferred revenue	34,949
Deferred cost	(94,431)
Refunds to member Cities	<u>(39,476)</u>
Change in net assets	(14,170)
Net assets - beginning balance	55,113
Net assets - ending balance	\$ <u>40,943</u>

Source: TMPA Comprehensive Annual Financial Report

City of Garland
Schedule of Insurance in Force
September 30, 2014
(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	SM892976	4/2/14	4/2/15	Medical ProfessionalLiability	\$2,500	\$3,000,000
Federal Insurance Company	6801-8884	12/3/13	12/3/14	Crime Coverage	\$100,000	\$750,000
Great American Insurance Company	IMP523230106	10/15/13	10/15/14	Contractors Equip &Fleet Catastrophe	\$100,000	\$25,000,000
Lexington Insurance Company	21469073	10/15/13	10/15/14	Property Coverage	\$100,000	\$500,000,000
Nationwide Mutual Insurance Company	FWC0000026015000	10/15/13	10/15/14	General Liability-Special Events	\$0	\$5,000,000
Genesis Insurance Company	YXB301166	10/1/13	10/1/14	Excess LiabilityPackage Policy	\$500,000	\$20,000,000
Travelers Indemnity Company	BM21303D3252-TCT-13	10/1/13	10/1/14	Boiler/Machinery/Transformers	\$250,000	\$50,000,000
Safety National Casualty Corporation	SP4049571	10/1/13	10/1/14	Excess Workers Compensation	\$650,000	Statutory

Sources: *City of Garland Risk Management Department*