FirstSouthwest
Continuing Disclosure Services

OFFICIAL STATEMENT

Dated January 20, 2015

Ratings:
S&P: "AA+"
Fitch: "AAA"
(see "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Series 2015A Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS – SERIES 2015A BONDS" herein, including the alternative minimum tax on corporations.

THE BONDS **HAVE NOT BEEN** DESIGNATED AS "QUALIFIED TAX-EXEMPT BONDS" FOR FINANCIAL INSTITUTIONS

$22,695,000
CITY OF GARLAND, TEXAS
(Dallas, Collin and Rockwall Counties)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015A

Dated Date: February 1, 2015 **Due: February 15, as shown on page 2 hereof**
Interest to accrue from the date of initial delivery.

PAYMENT TERMS. . . Interest on the $22,695,000 City of Garland, Texas, General Obligation Refunding Bonds, Series 2015A (the "Series 2015A Bonds" and together with the City of Garland, Texas, General Obligation Refunding Bonds, Taxable Series 2015B (the "Series 2015B Bonds") being offered herein and collectively with the Series 2015A Bonds, the "Bonds") will accrue from the date of initial delivery to the initial purchaser thereof (the "Initial Purchaser of the Series 2015A Bonds"), will be payable August 15 and February 15 of each year commencing February 15, 2016 until maturity, or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Series 2015A Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Series 2015A Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a stated maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Series 2015A Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Series 2015A Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The Series 2015A Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapter 1207, as amended, and are direct obligations of the City of Garland, Texas (the "City"), payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Series 2015A Bonds (the "2015A Bond Ordinance") (see "THE BONDS - Authority for Issuance of the Bonds").

PURPOSE. . . The Series 2015A Bonds are being issued for the purpose of refunding the City's outstanding general obligation commercial paper notes (the "Refunded Notes") in order to replace such notes with long-term fixed rate debt and (ii) to pay costs associated with the issuance of the Series 2015A Bonds. The City issued the Refunded Notes for the following purposes: (i) park improvements, (ii) street improvements, (iii) drainage improvements, (iv) acquisition and improvement of library materials, (v) public safety improvements and (vi) economic development/land acquisition.

CUSIP PREFIX: 366119

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

SEPARATE ISSUES…The Series 2015A Bonds are being offered by the City concurrently with the Series 2015B Bonds, under a common Official Statement. The Series 2015A Bonds and the Series 2015B Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds and other features.

LEGALITY . . . The Series 2015A Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinions").

DELIVERY. . . It is expected that the Series 2015A Bonds will be available for delivery through DTC on February 19, 2015.

MATURITY SCHEDULE

CUSIP Prefix: 366119 [(1)]

Par Amount	Maturity Feb. 15	Interest Rate	Initial Yield	CUSIP Suffix[(1)]
$ 335,000	2016	2.000%	0.250%	M44
780,000	2017	2.000%	0.500%	M51
805,000	2018	5.000%	0.700%	M69
845,000	2019	4.000%	0.950%	M77
880,000	2020	5.000%	1.150%	M85
925,000	2021	5.000%	1.350%	M93
970,000	2022	4.000%	1.550%	N27
1,015,000	2023	5.000%	1.700%	N35
1,065,000	2024	5.000%	1.820%	N43
1,120,000	2025	5.000%	1.920%	N50
1,165,000	2026	3.000%	2.100%	N68
1,200,000	2027	3.000%	2.250%	N76
1,250,000	2028	5.000%	2.190%	N84
1,315,000	2029	5.000%	2.260%	N92
1,380,000	2030	5.000%	2.310%	P25
***	***	***	***	***
1,530,000	2033	3.000%	3.100%	P58
1,575,000	2034	3.000%	3.141%	P66
1,620,000	2035	3.000%	3.170%	P74

$2,920,000 3.000% Term Bonds due February 15, 2032 at a Price of 99.250% to Yield 3.057%[(2)] - CUSIP No. [(1)] P41

(Interest to accrue from the delivery date.)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The City and the Financial Advisor take no responsibility for the accuracy of such numbers.

OPTIONAL REDEMPTION OF THE SERIES 2015A BONDS… The City reserves the right, at its option, to redeem Series 2015A Bonds having stated maturities on and after February 15, 2026, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption of the Series 2015A Bonds").

MANDATORY SINKING FUND REDEMPTION. . . The Bond maturing on February 15, 2032 is subject to mandatory redemption in part prior to maturity at a price of par plus accrued interest to the redemption date as described under "THE BONDS – Mandatory Sinking Fund Redemption."

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Ratings:
S&P: "AA+"
Fitch: "AAA"
(see "OTHER INFORMATION - Ratings" herein)

OFFICIAL STATEMENT

Dated January 20, 2015

NEW ISSUE - Book-Entry-Only

Interest on the Series 2015B Bonds will be included in gross income for federal income tax purposes. See "TAX MATTERS – SERIES 2015B BONDS" herein.

THE BONDS **HAVE NOT BEEN** DESIGNATED AS "QUALIFIED TAX-EXEMPT BONDS" FOR FINANCIAL INSTITUTIONS

$22,490,000
CITY OF GARLAND, TEXAS
(Dallas, Collin and Rockwall Counties)
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2015B

Dated Date: February 1, 2015 **Due: February 15, as shown on page 4 hereof**
Interest to accrue from the date of initial delivery.

PAYMENT TERMS. . . Interest on the $22,490,000 City of Garland, Texas, General Obligation Refunding Bonds, Taxable Series 2015B (the "Series 2015B Bonds" and together with the City of Garland, Texas, General Obligation Refunding Bonds, Series 2015A (the "Series 2015A Bonds") being offered herein, and collectively with the Series 2015B Bonds, the "Bonds") will accrue from the date of initial delivery to the initial purchaser thereof (the "Initial Purchaser of the Series 2015B Bonds"), will be payable August 15 and February 15 of each year commencing August 15, 2015 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Series 2015B Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Series 2015B Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a stated maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Series 2015B Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Series 2015B Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The Series 2015B Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Government Code, Chapter 1207, as amended and are direct obligations of the City of Garland, Texas (the "City"), payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Series 2015B Bonds (the "2015B Bond Ordinance") (see "THE BONDS - Authority for Issuance of the Bonds").

PURPOSE. . . The Series 2015B Bonds are being issued for the purpose of refunding the City's outstanding obligations listed in Schedule I (the "Refunded Obligations"), in order to lower the overall annual debt service requirements of the City, and to pay the costs of issuance of the Series 2015B Bonds. See Schedule I for a detailed listing of the Refunded Obligations and their call date.

CUSIP PREFIX: 366119

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 4

SEPARATE ISSUES…The Series 2015B Bonds are being offered by the City concurrently with Series 2015A Bonds, under a common Official Statement. The Series 2015B Bonds and the Series 2015A Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds and other features.

LEGALITY . . . The Series 2015B Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinions").

DELIVERY. . . It is expected that the Series 2015B Bonds will be available for delivery through DTC on February 19, 2015.

MATURITY SCHEDULE

CUSIP Prefix: 366119 [(1)]

Par Amount	Maturity Feb. 15	Interest Rate	Initial Yield	CUSIP Suffix[(1)]
$ 450,000	2016	2.000%	0.500%	P82
450,000	2017	2.000%	0.800%	P90
450,000	2018	2.000%	1.200%	Q24
450,000	2019	2.000%	1.500%	Q32
3,265,000	2020	2.000%	1.700%	Q40
3,330,000	2021	2.000%	1.900%	Q57
3,400,000	2022	2.100%	2.100%	Q65
3,475,000	2023	2.350%	2.350%	Q73
3,565,000	2024	2.500%	2.500%	Q81
3,655,000	2025	2.550%	2.550%	Q99

(Interest to accrue from the delivery date.)

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The City and the Financial Advisor take no responsibility for the accuracy of such numbers.

OPTIONAL REDEMPTION OF THE SERIES 2015B BONDS… The City reserves the right, at its option, to redeem Series 2015B Bonds having stated maturities on and after February 15, 2020, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption of the Series 2015B Bonds").

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This Official Statement, which includes the cover pages, the Schedule of Refunded Obligations, and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The Bonds are exempt from registration with the United States Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Bonds in accordance with applicable securities law provisions of the jurisdiction in which the Bonds have been registered, qualified, or exempted should not be regarded as a recommendation thereof.

Neither the City nor its Financial Advisor make any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its Book-Entry-Only System.

In connection with the offering of the Bonds, the Initial Purchaser of the Bonds may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein. **See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.**

The cover pages contain certain information for general reference only and are not intended as a summary of this offering. Investors should read the entire Official Statement, including the Schedule and all Appendices attached hereto, to obtain information essential to making an informed investment decision.

This Official Statement contains "Forward-Looking" Statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance, and achievements expressed or implied by such Forward-Looking Statements. Investors are cautioned that the actual results could differ materially from those set forth in the Forward-Looking Statements.

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The cover pages hereof, this page, the schedule, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY .... The City of Garland, Texas (the "City") is a political subdivision and home rule municipal corporation of the State of Texas (the "State"), located in Dallas, Collin and Rockwall Counties, Texas. The City covers approximately 57 square miles (see "INTRODUCTION - Description of the City").

THE SERIES 2015A BONDS .... The Series 2015A Bonds are issued as $22,695,000 General Obligation Refunding Bonds, Series 2015A. The Series 2015A Bonds are issued as serial bonds maturing on February 15 in each of the years 2016 through 2030 and 2033 through 2035 and a term bond maturing February 15, 2032 (see "THE BONDS – Description of the Bonds").

THE SERIES 2015B BONDS .... The Series 2015B Bonds are issued as $22,490,000 General Obligation Refunding Bonds, Taxable Series 2015B. The Series 2015B Bonds are issued as serial bonds maturing on February 15 in each of the years 2016 through 2025 (see "THE BONDS – Description of the Bonds").

PAYMENT OF INTEREST ON THE SERIES 2015A BONDS ..... Interest on the Series 2015A Bonds accrues from the date of delivery (anticipated to be February 19, 2015), and is payable February 15, 2016, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS – Optional Redemption of the Series 2015A Bonds" and "THE BONDS – Mandatory Sinking Fund Redemption of the Series 2015A Bonds").

PAYMENT OF INTEREST ON THE SERIES 2015B BONDS...... Interest on the Series 2015B Bonds accrues from the date of delivery (anticipated to be February 19, 2015), and is payable August 15, 2015, and each February 15 and August 15 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS –Optional Redemption of the Series 2015B Bonds").

AUTHORITY FOR ISSUANCE FOR THE BONDS.......................... The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Texas Government Code, Chapter 1207, as amended, and the respective Ordinances passed by the City Counsel of the City (see "THE BONDS - Authority for Issuance of the Bonds").

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, as provided in the and by the ordinance authorizing the issuance of the Series 2015A Bonds (the "2015A Ordinance") and the ordinance authorizing the issuance of the Series 2015B Bonds (the "2015B Ordinance" and, jointly with the 2015A Ordinance, the "Ordinances") (see "THE BONDS - Authority for Issuance of the Bonds").

OPTIONAL REDEMPTION OF THE SERIES 2015A BONDS .... The City reserves the right, at its option, to redeem the Series 2015A Bonds having stated maturities on and after February 15, 2026, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption of the Series 2015A Bonds).

MANDATORY SINKING FUND REDEMPTION OF THE SERIES 2015A BONDS .... The Series 2015A Bonds maturing on February 15, 2032 are subject to mandatory sinking fund redemption in part on February 15, 2031 (see "THE BONDS – Mandatory Sinking Fund Redemption").

OPTIONAL REDEMPTION OF THE SERIES 2015B BONDS .... The City reserves the right, at its option, to redeem Series 2015B Bonds having stated maturities on and after February 15, 2020, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption of the Series 2015B Bonds").

TAX EXEMPTION........................... In the opinion of Bond Counsel, the interest on the Series 2015A Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS – SERIES 2015A BONDS" herein, including the alternative minimum tax on corporations.

Interest on the Series 2015B Bonds will be included in gross income for federal income tax purposes. See "TAX MATTERS – SERIES 2015B BONDS" herein.

USE OF PROCEEDS FOR THE BONDS .... The Series 2015A Bonds are being issued for the purpose of refunding the City's outstanding general obligation commercial paper notes Series 2012 (the "Refunded Notes") in order to replace such notes with long-term fixed rate debt and (ii) to pay costs associated with the issuance of the Series 2015A Bonds. The City issued the Refunded Notes for the following purposes: (i) park improvements, (ii) street improvements, (iii) drainage improvements, (iv) acquisition and improvement of library materials, (v) public safety improvements and (vi) economic development/land acquisition.

The Series 2015B Bonds are being issued for the purpose of refunding the City's outstanding obligations listed in Schedule I (the "Refunded Obligations"), in order to lower the overall annual debt service requirements of the City, and to pay the costs of issuance of the Series 2015B Bonds. See Schedule I for a detailed listing of the Refunded Obligations and their call date.

RATINGS .... The Bonds have been rated "AA+" with a stable outlook by Standard and Poor's Ratings Services, a Standard and Poor's Financial Services LLC business ("S&P") and "AAA" with a stable outlook by Fitch Ratings ("Fitch") (see "OTHER INFORMATION – Ratings").

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System") .

PAYMENT RECORD .... The City has never defaulted on its general obligation debt.

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SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]		Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt Outstanding at End of Year[(3)]		Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita	% Total Collections
2011	226,915	$ 10,428,493,870	(4)	$ 45,958	$ 227,357,475		2.18%	$ 1,002	99.26%
2012	227,730	10,193,343,300	(5)	44,761	250,564,750		2.46%	1,100	99.33%
2013	231,618	10,117,079,195	(6)	43,680	239,809,352		2.37%	1,035	99.31%
2014	231,618	10,169,048,214	(7)	43,904	232,351,259		2.28%	1,003	99.78%
2015	233,206	10,449,430,568	(8)	44,808	235,460,000	(9)	2.25%	1,010	NA

(1) Source: Estimates of North Central Texas Council of Governments and the City Planning Department.
(2) As reported by the Appraisal Districts (defined herein) on the City's Annual State Property Tax Board Reports; subject to change during the ensuing year.
(3) Does not include self-supporting debt. See "Table 1 – Valuation, Exemptions and General Obligation Debt" and "Table 11 - Computation of Self-Supporting Debt"
(4) Includes taxable incremental value of approximately $78,423,558 that is not available for the City's general use.
(5) Includes taxable incremental value of approximately $69,121,790 that is not available for the City's general use.
(6) Includes taxable incremental value of approximately $69,188,538 that is not available for the City's general use.
(7) Includes taxable incremental value of approximately $79,613,585 that is not available for the City's general use.
(8) Includes taxable incremental value of approximately $87,323,362 that is not available for the City's general use.
(9) Projected, subject to change. Excludes the Refunded Notes and the Refunded Obligations, but includes the Bonds.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2014 [(1)]	2013	2012	2011	2010
Beginning Balance	$24,263,870	$22,063,521	$19,374,494	$20,204,524	$18,874,935
Total Revenues	114,873,032	112,670,494	111,082,970	106,300,154	106,583,408
Total Expenditures	(147,149,156)	(143,450,207)	(140,426,933)	(140,869,235)	(126,437,622)
Net Transfers	33,154,917	32,980,062	32,032,990	33,739,051	21,183,803
Ending Balance	$25,142,663	$24,263,870	$22,063,521	$19,374,494	$20,204,524

(1) Unaudited financials.

For additional information regarding the City, please contact:

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Director of Financial Services
City of Garland
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dschuler@garlandtx.gov

or

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325 North St. Paul, Suite 800
Dallas, Texas 75201
(214) 953-4195
jim.sabonis@firstsw.com

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Douglas Athas Mayor	1 Year	May, 2015	Telecom Consultant
Marvin "Tim" Campbell Deputy Mayor Pro-Tem District 1	2 Years	May, 2016	Retired, self-employed consultant
Anita Goebel District 2	2 Years	May, 2016	Photographer
Stephen W. Stanley District 3	1 Year	May, 2015	Realtor
B. J. Williams District 4	2 Years	May, 2016	Retired
Billy Mack Williams District 5	1 Month	May, 2016	Retired
Lori Barnett Dodson District 6	3 Years	May, 2015	Asset Manager
Scott LeMay District 7	1 Year	May, 2015	Store Planner
Jim Cahill Mayor Pro-Tem District 8	3 Years	May, 2015	Accountant

SELECTED ADMINISTRATIVE STAFF

Name	Position	Service to City
William E. Dollar	City Manager	42 Years
Martin E. Glenn	Deputy City Manager	34 Years
Bryan Bradford	Assistant City Manager	20 Years
David Schuler	Director of Financial Services	36 Years
Eloyce René Dowl	City Secretary	-

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Independent Auditors .... Deloitte & Touche LLP
Dallas, Texas

Bond Counsel .... Fulbright & Jaworski LLP
a member of Norton Rose Fulbright
Dallas, Texas

Financial Advisor.. First Southwest Company, LLC
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$22,695,000
CITY OF GARLAND, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015A

$22,490,000
CITY OF GARLAND, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2015B

INTRODUCTION

This Official Statement, which includes Schedule I and the Appendices hereto, provides certain information regarding the issuance of $22,695,000 City of Garland, Texas, General Obligation Refunding Bonds, Series 2015A (the "Series 2015A Bonds") and $22,490,000 City of Garland, Texas, General Obligation Refunding Bonds, Taxable Series 2015B (the "Series 2015B Bonds" and together with the Series 2015A Bonds, the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the respective ordinances authorizing the issuance of the Series 2015A Bonds and the Series 2015B Bonds to be adopted on the date of sale of the Bonds which will authorize the issuance of the respective Bonds, except as otherwise indicated herein.

This Official Statement contains descriptions of the Bonds and certain information regarding the City of Garland, Texas (the "City") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, LLC, Dallas, Texas.

SEPARATE ISSUES. . . The Series 2015A Bonds and the Series 2015B Bonds are being offered concurrently by the City under a common Official Statement. The Series 2015A Bonds and the Series 2015B Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Bonds share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of holders, and other features.

DESCRIPTION OF THE CITY. . . The City is a political subdivision and municipal corporation of the State of Texas (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, which Charter was last amended by election in May of 2007. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and eight Councilmembers. The term of office is two years with the term of office of the Mayor and four of the Councilmembers expiring in odd-numbered years and the terms of the other four Councilmembers expiring in even-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, water and sanitary sewer utilities, sanitation collection services, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2000 census population for the City was 215,768, while the 2010 census population was 226,876. The City's estimated population for 2015 is 233,206. The City covers approximately 57 square miles.

PLAN OF FINANCING

PURPOSE. . . The Series 2015A Bonds are being issued for the purpose of refunding the City's outstanding general obligation commercial paper notes (the "Refunded Notes") in order to replace such notes with long-term fixed rate debt and (ii) to pay costs associated with the issuance of the Series 2015A Bonds. The City issued the Refunded Notes for the following purposes: (i) park improvements, (ii) street improvements, (iii) drainage improvements, (iv) acquisition and improvement of library materials, (v) public safety improvements and (vi) economic development/land acquisition.

The Series 2015B Bonds are being issued for the purpose of refunding the City's outstanding obligations listed in Schedule I (the "Refunded Obligations"), in order to lower the overall annual debt service requirements of the City, and to pay the costs of issuance of the Series 2015B Bonds. See Schedule I for a detailed listing of the Refunded Obligations and their call date.

REFUNDED NOTES ... The principal and interest due on the Refunded Notes are to be paid on the redemption date of such Refunded Notes from funds to be deposited with Deutsche Bank Trust Company Americas (the "Commercial Paper Notes Paying Agent"). The 2015A Ordinance provides that from the proceeds of the sale of the Series 2015A Bonds received from the Initial Purchasers, the City will deposit with the Commercial Paper Notes Paying Agent the amount necessary to accomplish the discharge and final payment of the Refunded Notes on the redemption date of February 27, 2015. By the deposit with the Commercial Paper Notes Paying Agent, the City will have effected the defeasance of all of the Refunded Notes in accordance with the law.

REFUNDED OBLIGATIONS … The Refunded Obligations (as indicated in Schedule I hereto) and the interest due thereon are to be paid on the redemption date identified in Schedule I from funds to be deposited with Bank of America, as paying agent/registrar for the Refunded Obligations (the "Refunded Obligations Paying Agent"). The Series 2015B Ordinance provides that from the proceeds of the of the sale of the Series 2015B Bonds to the Initial Purchasers, the City will deposit with the Refunded Obligations Paying Agent an amount which, together with other available funds of the City, if necessary, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations. Such funds will be held uninvested by the Refunded Obligations Paying Agent pending their disbursement to redeem the Refunded Obligations on the redemption date. By the deposit of funds with the Refunded Obligations Paying Agent, the City will have effected the defeasance of the Refunded Obligations in accordance with applicable law. In the Series 2015B Ordinance, the City will give irrevocable instructions to provide the required notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed on the redemption date.

USE OF SERIES 2015A BOND PROCEEDS . . . Proceeds from the sale of the Series 2015A Bonds are expected to be expended as follows:

Sources of Funds	
Par Amount of 2015A Bonds	$ 22,695,000.00
Net Premium	2,427,732.49
Total Sources of Funds	$ 25,122,732.49
Uses of Funds	
Deposit to CP Notes Redemption Fund	$ 25,000,000.00
Costs of Issuance	122,732.49
Total Uses of Funds	$ 25,122,732.49

USE OF SERIES 2015B BOND PROCEEDS . . . Proceeds from the sale of the Series 2015B Bonds are expected to be expended as follows:

Sources of Funds	
Par Amount of Series 2015B Bonds	$ 22,490,000.00
Premium	7,413.96
Total Sources of Funds	$ 22,497,413.96
Uses of Funds	
Deposit Refunded Obligations Paying Agent	$ 22,376,392.89
Costs of Issuance	121,021.07
Total Uses of Funds	$ 22,497,413.96

THE BONDS

DESCRIPTION OF THE BONDS. . . The Bonds are dated February 1, 2015, and are scheduled to mature on February 15 in each of the years and in the amounts shown on page 2 hereof with respect to the Series 2015A Bonds and on February 15 in each of the years and in the amounts shown on page 4 hereof with respect to the Series 2015B Bonds. Interest on the Bonds will accrue from the date of initial delivery to the applicable Initial Purchaser, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable, on February 15 and August 15 of each year commencing February 15, 2016 until maturity or prior redemption in the case of the Series 2015A Bonds and commencing August 15, 2015 in the case of the Series 2015B Bonds, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at their stated maturity upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If the date for any payment on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

AUTHORITY FOR ISSUANCE OF THE BONDS. . . The Bonds are being authorized and issued pursuant to the Constitution and general laws of the State, particularly Texas Government Code, Chapter 1207, as amended, and by the ordinance authorizing the issuance of the Series 2015A Bonds (the "2015A Ordinance") and the ordinance authorizing the issuance of the Series 2015B Bonds (the "2015B Ordinance" and, jointly with the 2015A Ordinance, the "Ordinances").

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS. . . All taxable property within the City is subject to a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Bonds.

TAX RATE LIMITATION. . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per each $100 of Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per each $100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt, based on a 90% tax collection rate as calculated at the time of issuance.

OPTIONAL REDEMPTION OF THE SERIES 2015A BONDS. . . The City reserves the right, at its option, to redeem the Series 2015A Bonds having stated maturities on and after February 15, 2026, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

OPTIONAL REDEMPTION OF THE SERIES 2015B BONDS… The City reserves the right, at its option, to redeem Series 2015B Bonds having stated maturities on and after February 15, 2020, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2019, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

If less than all of the Bonds are to be redeemed, the City may select the maturities of the Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If an Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION. . . The Series 2015A Bonds maturing on February 15, 2032 (the "Term Bonds") are subject to mandatory sinking fund redemption in the principal amount and at the price of par plus accrued interest to the redemption date on February 15, 2031, as described below:

Term Bonds Due February 15, 2032

Redemption Date	Principal Amount
February 15, 2031	$1,440,000
February 15, 2032 (maturity)	$1,480,000

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select by the lot the numbers of the Term Bonds to be redeemed on the next following August 15 from moneys set aside for that purpose in the Bond Fund (as defined in the Bond Ordinance). Any Term Bond not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of Term Bonds required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION…Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE, PROVIDED THAT MONEYS FOR THE PAYMENT OF THE REDEMPTION PRICE AND THE INTEREST ACCRUED ON THE PRINCIPAL AMOUNT TO BE REDEEMED TO THE DATE OF REDEMPTION ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DEFEASANCE. . . The Ordinances provide for the defeasance of the Bonds, when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Ordinances provide that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (d) any other then authorized securities or obligation that may be used to defease obligations such as the Bonds under applicable laws of the State of Texas. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinances do not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

Upon such deposit as described above, the applicable Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that any right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS. . .The City may, without the consent of or notice to any Holders of the Bonds, from time to time and at any time, amend the Ordinances in any manner not detrimental to the interests of the Holders of the applicable Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of Holders of a majority in aggregate principal amount of the applicable Bonds, then Outstanding, amend, add to, or rescind any of the provisions of the applicable Ordinances; provided that, without the consent of all Holders of the applicable Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on such Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on such Bonds, (2) give any preference to any other such Bond over any other such Bond, or (3) reduce the aggregate principal amount of such Bonds, required to be held by Holders for consent to any such amendment, addition, or rescission.

BOOK-ENTRY-ONLY SYSTEM. . . This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct or Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. **Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system described herein is discontinued.**

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds, unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date (hereinafter defined). The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to one or both series of the Bonds at any time by giving reasonable notice to the City or Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Obligation certificates will be printed and delivered.

Effect of Termination of Book-Entry-Only System…In the event that the Book-Entry-Only System is discontinued, printed Bond certificates will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Ordinance and summarized under "THE BONDS - Transfer, Exchange and Registration" herein.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Financial Advisor.

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION. . . In the event the Book-Entry-Only System should be discontinued with respect to the Bonds, printed Bonds, will be delivered to the registered owners thereof, and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar, and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT. . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES. . . If the City defaults in the payment of principal, interest or redemption price, as applicable, on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinances, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinances, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinances and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or the covenants in the Ordinances. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinances and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

TAX INFORMATION

AD VALOREM TAX LAW. . . The appraisal of property within the City is the responsibility of the Dallas Central Appraisal District, the Rockwall Central Appraisal District, and the Collin County Appraisal District (collectively the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under, Texas Tax Code, Title 1, as amended (the "Property Tax Code"), to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Effective January 1, 2010, State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the property's market value for the most recent tax year in which the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, plus (b) the property's appraised value for the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board within each Appraisal District, consisting of members appointed by the Board of Directors of each respective Appraisal District. Each respective Appraisal District is required to review the value of property within each respective Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the appropriate Appraisal Review Board.

Reference is made to the Property Tax Code for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces. The exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000; provided, however, that a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, subject to certain conditions, effective January 1, 2012, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Under Article VIII and State law, the governing body of a county, municipality, or junior college district may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality, or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Sections 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as personal property acquired or imported into the State and transported to another location inside or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption, but not both, for items of personal property.

A city or a county may utilize tax increment financing ("TIF"), pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the "captured appraised value") by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the city created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit's tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit's percentage level of participation.

The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

The City is also authorized, pursuant to Texas Local Government Code, Chapter 380 as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however no Bonds secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

Effective Tax Rate and Rollback Tax Rate. . . By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per $100 taxable value for the current year. The City Council will be required to adopt the annual tax rate for the City before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such required date, the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate". A tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT. . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST. . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12)	6	18

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax, penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE. . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $51,000; the disabled are also granted an exemption of $51,000.

The City has granted an additional exemption of 8% of the market value of residence homesteads; minimum exemption of $5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and the City collects its taxes.

The City does not permit split payments, and discounts are not allowed.

The City does not tax freeport property.

The City does tax goods-in-transit.

The City has adopted a tax abatement policy which is described below.

The City has not adopted a freeze on property taxes of an individual over 65 and disabled.

TAX ABATEMENT POLICY. . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. Generally, projects are eligible for abatement for a period of five years. See "FINANCIAL INFORMATION - Table 1 - Valuation, Exemptions and General Obligation Debt" for a listing of the amounts of the exemptions described above and other exemptions.

TAX INCREMENT FINANCE ZONES…The City has established two tax increment reinvestment zones ("Zones"). The Tax Increment Revenues from the Zones are not available to pay the Bonds. Taxes assessed and collected against the base value in the Zones may be used for general fund purposes. However, taxes assessed and collected against the assessed valuation of real property in the Zones in excess of the tax increment bases ("Tax Increment Revenues") are restricted to pay or finance projects within the Zones.

Tax Increment Financing Reinvestment Zone Number One (“Zone One”), comprised of approximately 412 taxable acres in an area of the City bounded by the downtown district and west along Forest Avenue to Jupiter Road. The tax increment base value for Zone One established on January 1, 2004 was $102,575,503. The 2014/15 Taxable Assessed Value for the Zone One is $147,023,575 providing an incremental value of $44,448,072 for Zone One. The City issued Certificates of Obligation, Series 2013 on June 6, 2013. A portion of such Certificates were issued in conjunction with the second phase of the transit-oriented City Center Development.

Tax Increment Financing Reinvestment Zone Number Two (“Zone Two”), is comprised of approximately 520 taxable acres in an area of the City along Interstate Highway 30 from the City limit east to Lake Ray Hubbard. The tax increment base value for the Zone Two established on January 1, 2005 was $75,181,891. The 2014/15 Taxable Assessed Value for Zone Two is $118,057,181 providing an incremental value of $42,875,290 for Zone Two. The City issued $23,745,000 of Taxable General Obligation Bonds ("Zone Two Bonds") on September 1, 2005 to fund improvements and economic development within Zone Two. Zone Two Bonds are currently paid from a combination of the Tax Increment Revenues available from Zone Two and City-wide ad valorem taxes to the extent the Tax Increment Revenues from Zone Two are insufficient to pay all of the debt service on the Zone Two Bonds. The debt issue matures on February 15, 2025 and as of October 1, 2014 had a principal balance of $22,581,259.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2014/2015 Market Valuation Established by the Collin, Dallas and Rockwall Central Appraisal Districts		$ 12,908,439,090
Less Exemptions/Reductions at 100% Market Value:		
Totally Exempt	883,161,670	
Residential Homestead	418,419,887	
Over 65	625,232,763	
Disabled Persons	69,732,336	
Disabled Veterans	19,099,615	
Pollution Control	307,235	
Freeport	357,524,327	
Capped Loss	17,758,632	
Productivity Loss	61,217,926	
Prorated Total Exempt	312,091	
Tax Abatement Reductions	6,159,630	
Misc.	82,410	2,459,008,522
2014/2015 Taxable Assessed Valuation		$ 10,449,430,568
General Obligation Debt Payable from Ad Valorem Taxes (as of 1/15/2015) (1)		$ 432,400,813
The Series 2015A Bonds		22,695,000
The Series 2015B Bonds		22,490,000
Total General Obligation Debt Payable from Ad Valorem Taxes		$ 477,585,813
Less: Self Supporting Debt Balance (as of 1/15/15)		
Wastewater	$ 16,830,000	
Water	5,750,000	
Communications	2,965,000	
Electric	160,105,000	
Customer Service	22,775,000	
Environmental Waste Services	7,155,000	
Fleet Services	480,000	
Information Technology Services	3,385,000	
Warehouse	35,000	
Stormwater	120,000	
Downtown TIF	2,805,000	$ 222,405,000
Net General Obligation Debt Payable from Ad Valorem Taxes		$ 255,180,813
General Obligation Interest and Sinking Fund (as of 12/1/2014)		$ 10,939,857
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		2.44%

2015 Estimated Population - 233,206

Per Capita Taxable Assessed Valuation - $44,808

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $1,094

(1) Excludes the Refunded Obligations.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2015		2014		2013	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 7,021,659,004	54.40%	$ 6,801,414,247	57.66%	$ 6,819,142,345	58.02%
Real, Residential, Multi-Family	831,695,350	6.44%	748,208,080	6.34%	696,052,460	5.92%
Real, Vacant Lots/Tracts	340,387,159	2.64%	191,070,972	1.62%	188,876,446	1.61%
Real, Acreage (Land Only)	58,878,325	0.46%	62,163,305	0.53%	72,037,935	0.61%
Real, Farm and Ranch Improvements	3,720,190	0.03%	3,288,820	0.03%	3,288,820	0.03%
Real, Commercial	2,702,363,412	20.93%	1,930,990,965	16.37%	1,895,291,899	16.13%
Real, Industrial	172,885,600	1.34%	173,082,210	1.47%	169,240,240	1.44%
Real and Tangible Personal, Utilities	128,555,060	1.00%	118,870,250	1.01%	114,557,010	0.97%
Tangible Personal, Commercial	942,269,570	7.30%	936,248,510	7.94%	938,726,820	7.99%
Tangible Personal, Industrial	665,788,890	5.16%	795,046,790	6.74%	825,596,410	7.02%
Tangible Personal, Other	135,030	0.00%	83,660	0.00%	97,120	0.00%
Real Property, Inventory	52,500	0.00%	216,660	0.00%	120,250	0.00%
Special Inventory	40,049,000	0.31%	34,684,410	0.29%	29,687,000	0.25%
Total Appraised Value Before Exemptions	$ 12,908,439,090 (1)	100.00%	$ 11,795,368,879	100.00%	$ 11,752,714,755	100.00%
Less: Total Exemptions/Reductions	2,459,008,522		1,626,320,665		1,635,635,560	
Adjustments	-		-		-	
Taxable Assessed Value	$ 10,449,430,568 (2)		$ 10,169,048,214 (3)		$ 10,117,079,195 (4)	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2012		2011	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 6,962,292,170	59.13%	$ 7,073,887,451	59.69%
Real, Residential, Multi-Family	612,681,330	5.20%	596,206,640	5.03%
Real, Vacant Lots/Tracts	200,139,945	1.70%	214,871,109	1.81%
Real, Acreage (Land Only)	72,220,788	0.61%	72,190,794	0.61%
Real, Farm and Ranch Improvements	3,321,458	0.03%	3,594,261	0.03%
Real, Commercial	1,921,969,632	16.32%	1,976,653,896	16.68%
Real, Industrial	167,133,084	1.42%	174,815,270	1.48%
Real and Tangible Personal, Utilities	122,206,600	1.04%	119,478,850	1.01%
Tangible Personal, Commercial	919,460,140	7.81%	869,867,360	7.34%
Tangible Personal, Industrial	763,820,240	6.49%	717,623,160	6.06%
Tangible Personal, Other	101,160	0.00%	105,060	0.00%
Real Property, Inventory	114,692	0.00%	122,128	0.00%
Special Inventory	28,929,470	0.25%	31,071,560	0.26%
Total Appraised Value Before Exemptions	$ 11,774,390,709	100.00%	$ 11,850,487,539	100.00%
Less: Total Exemptions/Reductions	1,581,047,409		1,421,993,669	
Adjustments	-		-	
Taxable Assessed Value	$ 10,193,343,300 (5)		$ 10,428,493,870 (6)	

NOTE: All valuations shown other than Fiscal Year 2008 are certified taxable assessed values reported by the Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

(1) Includes Totally Exempt property as reported by Dallas Central Appraisal District.
(2) Includes taxable incremental value of approximately $87,323,362 that is not available for the City's general use.
(3) Includes taxable incremental value of approximately $79,613,585 that is not available for the City's general use.
(4) Includes taxable incremental value of approximately $69,188,538 that is not available for the City's general use.
(5) Includes taxable incremental value of approximately $69,121,790 that is not available for the City's general use.
(6) Includes taxable incremental value of approximately $78,423,558 that is not available for the City's general use.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]		Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt Outstanding at End of Year[(3)]		Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation		Net G.O. Tax Debt Per Capita	
2011	226,915	$ 10,428,493,870	(4)	$ 45,958	$ 227,357,475		2.18%		$ 1,002	
2012	227,730	10,193,343,300	(5)	44,761	250,564,750		2.46%		1,100	
2013	231,618	10,117,079,195	(6)	43,680	239,809,352		2.37%		1,035	
2014	231,618	10,169,048,214	(7)	43,904	232,351,259		2.28%		1,003	
2015	233,206	10,449,430,568	(8)	44,808	235,460,000	(9)	2.25%	(9)	1,010	(9)

(1) Source: Estimates of North Central Texas Council of Governments and the City Planning Department.
(2) As reported by the Appraisal District on the City's annual State Property Tax Reports; subject to change during the ensuing year.
(3) Does not include self-supporting debt. See "Table 1 – Valuation, Exemptions and General Obligation Debt" and "Table 11 - Computation of Self-Supporting Debt".
(4) Includes taxable incremental value of approximately $78,423,558 that is not available for the City's general use.
(5) Includes taxable incremental value of approximately $69,121,790 that is not available for the City's general use.
(6) Includes taxable incremental value of approximately $69,188,538 that is not available for the City's general use.
(7) Includes taxable incremental value of approximately $79,613,585 that is not available for the City's general use.
(8) Includes taxable incremental value of approximately $87,323,362 that is not available for the City's general use.
(9) Projected, subject to change. Excludes the Refunded Obligations, includes the Bonds.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2011	$ 0.7046	$ 0.3940	$ 0.3106	$ 73,103,187	98.82%	99.26%
2012	0.7046	0.3940	0.3106	71,331,267	99.00%	99.33%
2013	0.7046	0.3940	0.3106	71,284,940	99.05%	99.31%
2014	0.7046	0.3940	0.3106	71,107,556	99.25%	99.34%
2015	0.7046	0.3940	0.3106	73,963,461	10.01% (1)	10.18% (1)

(1) As of November 30, 2014.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2014/2015 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Walmart/Sam's Club	Retail	$ 125,014,200	1.20%
Simon Property Group	Real Estate Investor	102,138,280	0.98%
Plastipak Packaging Inc.	Manufacturer	68,368,153	0.65%
Verizon	Public Utility	51,972,530	0.50%
Valspar/Engineered Polymersolutions Inc.	Manufacturer	47,831,927	0.46%
Kraft Foods North America Inc.	Warehouse and Food Processing	46,497,245	0.44%
Sears, Roebuck and Co.	Warehouse and Service Center	44,163,664	0.42%
BMEF Stoneleigh LP	Real Estate Investor	43,500,000	0.42%
US Foood Service Inc.	Food Processing	41,190,562	0.39%
Omninet Town Centre LP	Real Estate Investor	40,386,830	0.39%
		$ 611,063,391	5.85%

GENERAL OBLIGATION DEBT LIMITATION. . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "THE BONDS - Tax Rate Limitation").

TABLE 6 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("G.O. Debt") 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 G.O. Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional G.O. Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping G.O. Debt of the City.

Taxing Jurisdiction	2014/2015 Taxable Assessed Value	2013/2014 Tax Rate	Total G.O. Debt As of 8/15/2014	Estimated % Applicable	City's Overlapping G.O. Debt As of 8/15/2014
City of Garland	$ 10,449,430,568	$ 0.7046	$ 477,585,813 [(1)]	100.00%	$ 477,585,813
Collin County	86,643,038,028	0.2375	391,410,000	0.03%	117,423
Collin County Community College District	89,105,668,602	0.0836	37,460,000	0.03%	11,238
Dallas County	175,072,563,521	0.2431	126,255,000	5.73%	7,234,412
Dallas County Community College District	182,822,509,060	0.1247	339,035,000	5.73%	19,426,706
Dallas County Hospital District	175,262,396,800	0.2760	743,250,000	5.73%	42,588,225
Dallas County Schools	158,470,993,744	0.0100	67,265,000	5.73%	3,854,285
Dallas Independent School District	85,633,556,319	1.2821	2,570,750,000	0.22%	5,655,650
Garland Independent School District	13,889,150,942	1.2533	346,746,128	71.72%	248,686,323
Mesquite Independent School District	6,348,669,133	1.4200	390,058,643	1.84%	7,177,079
Plano Independent School District	38,386,866,985	1.4530	922,505,466	0.06%	553,503
Richardson Independent School District	17,532,434,454	1.3401	430,134,988	3.40%	14,624,590

Total Overlapping G.O. Debt	$ 827,515,245
Ratio of Overlapping G.O. Debt to Taxable Assessed Valuation	7.92%
Per Capita Overlapping G.O. Debt	$ 3,548.43

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(1) Excludes the Refunded Obligations, includes the Bonds.

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DEBT INFORMATION

TABLE 7 –BOND DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service[1] Principal	Interest[2]	Total D/S	The Series 2015A Bonds[3] Principal	Interest	Total D/S	The Series 2015B Bonds[4] Principal	Interest	Total D/S	TOTAL General Obligation Debt Service	Less: Self-Supporting Debt Service	Net General Obligation Debt Service	% of Principal Retired
2015	$ 34,705,813	$ 18,511,983	$ 53,217,795	-	-	$ -	$ -	$ 246,053	$ 246,053	$ 53,463,848	$ 24,851,849	$ 28,611,999	
2016	39,715,000	17,121,730	56,836,730	335,000	1,311,264	1,646,264	450,000	498,790	948,790	59,431,785	24,662,451	34,769,333	
2017	32,220,000	15,784,193	48,004,193	780,000	868,450	1,648,450	450,000	489,790	939,790	50,592,433	23,194,339	27,398,094	
2018	34,060,000	14,391,839	48,451,839	805,000	840,525	1,645,525	450,000	480,790	930,790	51,028,154	22,459,742	28,568,413	
2019	33,570,000	12,916,293	46,486,293	845,000	803,500	1,648,500	450,000	471,790	921,790	49,056,583	21,202,404	27,854,178	38.90%
2020	30,425,000	11,472,687	41,897,687	880,000	764,600	1,644,600	3,265,000	434,640	3,699,640	47,241,927	19,871,003	27,370,924	
2021	30,225,000	10,101,434	40,326,434	925,000	719,475	1,644,475	3,330,000	368,690	3,698,690	45,669,599	19,855,365	25,814,234	
2022	28,410,000	8,798,899	37,208,899	970,000	676,950	1,646,950	3,400,000	299,690	3,699,690	42,555,539	18,432,445	24,123,094	
2023	25,390,000	7,581,581	32,971,581	1,015,000	632,175	1,647,175	3,475,000	223,159	3,698,159	38,316,915	17,609,070	20,707,845	
2024	25,125,000	6,379,653	31,504,653	1,065,000	580,175	1,645,175	3,565,000	137,765	3,702,765	36,852,593	17,527,957	19,324,636	70.64%
2025	25,345,000	5,166,926	30,511,926	1,120,000	525,550	1,645,550	3,655,000	46,601	3,701,601	35,859,077	17,493,315	18,365,762	
2026	19,700,000	4,080,804	23,780,804	1,165,000	480,075	1,645,075	-	-	-	25,425,879	16,945,877	8,480,002	
2027	21,250,000	3,097,518	24,347,518	1,200,000	444,600	1,644,600	-	-	-	25,992,118	16,947,178	9,044,940	
2028	20,275,000	2,058,597	22,333,597	1,250,000	395,350	1,645,350	-	-	-	23,978,947	16,952,394	7,026,553	
2029	15,910,000	1,167,988	17,077,988	1,315,000	331,225	1,646,225	-	-	-	18,724,213	16,357,313	2,366,900	94.48%
2030	14,865,000	409,825	15,274,825	1,380,000	263,850	1,643,850	-	-	-	16,918,675	14,627,194	2,291,481	
2031	450,000	33,947	483,947	1,440,000	207,750	1,647,750	-	-	-	2,131,697	5,406	2,126,291	
2032	360,000	19,869	379,869	1,480,000	163,950	1,643,950	-	-	-	2,023,819	5,244	2,018,575	
2033	245,000	9,594	254,594	1,530,000	118,800	1,648,800	-	-	-	1,903,394	5,081	1,898,313	
2034	155,000	2,713	157,713	1,575,000	72,225	1,647,225	-	-	-	1,804,938	-	1,804,938	99.64%
2035	-	-	-	1,620,000	24,300	1,644,300	-	-	-	1,644,300	-	1,644,300	100.00%
	$ 432,400,813	$ 139,108,069	$ 571,508,882	$ 22,695,000	$ 10,224,789	$ 32,919,789	$ 22,490,000	$ 3,697,758	$ 26,187,758	$ 630,616,429	$ 309,005,626	$ 321,610,804	

(1) Excludes the General Obligation Refunding Bonds, Taxable Series 2007B to be refunded by the Series 2015B bonds.

(2) Assumes the General Obligation Refunding Bonds, Taxable Series 2007B paid interest at 3.80% through 2/15/2015.

(3) Net Effective Interest Rate calculated at 2.85%.

(4) Net Effective Interest Rate calculated at 2.30%.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION

Debt Service Requirements, Fiscal Year Ending 9/30/2015		$ 53,463,848 (1)
Estimated Interest and Sinking Fund, 9/30/2014	$7,778,873 (2)	
Budgeted Interest and Sinking Fund Tax Collection	31,798,391	
Budgeted Transfers	25,304,453	
Estimated Investment Income	18,467	$ 64,900,184
Estimated Balance, Fiscal Year Ending 9/30/2015		$ 11,436,336

(1) Includes self-supporting debt service requirements.
(2) Unaudited.

TABLE 9 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Authorized Purpose	Date Authorized	Principal Amount Authorized	Amounts Heretofore Issued	Unissued Balance
Public Safety Facilities	05/04/1991	$ 7,226,086	$ 6,666,086	$ 560,000
Various Street Improvements	05/03/1997	67,970,000	65,330,000	2,640,000
Park Improvements	05/03/1997	12,370,000	10,065,000	2,305,000
Public Safety Improvements	05/03/1997	19,890,000	19,090,000	800,000
Street Improvements	05/15/2004	113,370,000	26,380,494	86,989,506
Drainage Improvements	05/15/2004	28,000,000	12,850,000	15,150,000
Park and Recreation Facilities and Improvements	05/15/2004	21,680,000	3,745,000	17,935,000
Library Facilities	05/15/2004	9,400,000	6,695,000	2,705,000
Public Safety Facilities	05/15/2004	12,950,000	11,500,000	1,450,000
Municipal Improvements	05/15/2004	11,180,000	-	11,180,000
Economic Development/Land Acquisition	05/15/2004	3,420,000	-	3,420,000
		$ 307,456,086	$ 162,321,580	$ 145,134,506

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT. . . The City anticipates the issuance of approximately $10,000,000 GO Commercial Paper Notes on February 19, 2015.

TABLE 10 - OTHER BONDS

As of November 1, 2014 the City had no unfunded debt outstanding.

CAPITAL IMPROVEMENT PROGRAM. . . . The City Council annually adopts a Capital Improvement Program (the "CIP") that consists of projects that involve the construction of infrastructure and major facilities and the acquisition of large equipment. The CIP, which is adopted on a calendar-year basis, details expected resources and planned expenditures over a five-year period, lists projects for each capital improvement fund and provides descriptions of projects and funding sources. The CIP budget differs from the City's operational budget because of its "multi-year" focus, which means that a project can span more than one fiscal year. In approving the CIP, the City Council actually appropriates the funds for the plan year, while approving, in concept, the plan for future years. The CIP is developed for planning purposes and may identify projects that will be deferred or omitted entirely in future years; only projects for the current fiscal year are included in the City's adopted budget. In addition, as conditions change, new projects may be added that were not identified in the prior year programs.

For 2014, the CIP includes approximately $173.8 million in total budgeted expenditures for all City capital projects, including general obligation, water, wastewater, and electric projects. The total CIP for the five-year period of 2014-2018 includes approximately $559 million of anticipated capital improvement projects. The City Council adopted CIP is available on the City's website at: http://www.ci.garland.tx.us/gov/ab/budget/cip.asp.

GENERAL OBLIGATION COMMERCIAL PAPER PROGRAM. . . Pursuant to an ordinance adopted by the City Council on December 13, 2011, the City authorized a General Obligation Commercial Paper Program (the "Program") pursuant to which the City is authorized to issue commercial paper notes (the "2012 Notes") for any Authorized Purposes described in Table 9 above, with a total available authorization in the principal amount of $50,000,000. The liquidity provider for the principal portion of the 2012 Notes is Royal Bank of Canada.

$25,000,000 of 2012 Notes are currently outstanding. The City is contemplating a refunding of all outstanding 2012 Notes in fiscal year 2014-15. In conjunction with the refunding, the City expects to terminate the 2012 program and establish a new commercial paper program.

The commercial paper notes may be issued for a period not to exceed 270 days and will bear interest upon the specific terms of the commercial paper notes, but not to exceed 15% per annum. The principal on the commercial paper notes is payable from ad valorem taxes and other funds that may be provided under the revolving credit agreement and from the proceeds of the newly-issued commercial paper notes, and from general obligation bonds issued to refund commercial paper notes. The interest is payable from the receipts of ad valorem taxes. The commercial paper notes are initially offered by the commercial paper dealer, and proceeds therefrom are used to finance various capital and public improvement projects authorized by the voters. The general types of these projects are set forth under "Table 9- Authorized but Unissued General Obligation Bonds."

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TABLE 11 – COMPUTATION OF SELF-SUPPORTING DEBT

	Electric		Water and Sewer	Customer Service	Environmental Waste Service	Fleet Services	Information Technology & Communications	Warehouse	Stormwater	Downtown TIF
Cash and Cash Equivalents Beginning of FY 2013(1)	$ 72,308,170		$12,643,854	$ 6,610,384	$ 183,406	$ 262,875	$ 3,775,025	$ -	$ 424,281	$1,095,790
Revenues FY 2013(2)	297,758,201		92,710,455	11,375,774	17,489,432	7,921,999	16,909,482	906,762	3,912,243	283,725
Operating Expenses FY 2013(3)	(241,171,931)		(55,799,905)	(10,321,733)	(15,632,216)	(8,057,429)	(12,692,668)	(839,399)	(3,835,810)	100,925
Net Available for Debt Service	$ 128,894,440		$49,554,404	$ 7,664,425	$ 2,040,622	$ 127,445	$ 7,991,839	$ 67,363	$ 500,714	$1,480,440
Revenue Bonds Debt Service FY 2015	$ 15,130,446	(4)	$20,522,013	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Available for Self-Supporting D/S	$ 113,763,994		$29,032,391	$ 7,664,425	$ 2,040,622	$ 127,445	$ 7,991,839	$ 67,363	$ 500,714	$1,480,440
Self-Supported GO Debt Service FY 2015	$ 14,182,382		$ 5,233,956	$ 2,185,315	$ 1,784,422	$ 123,169	$ 1,141,756	$ 6,600	$ 18,000	$ 176,250

(1) Unrestricted cash, rate mitigation funds, and available for debt retirement (not including revenue bonds' reserve funds).
(2) Includes investment income and gains on sale of capital assets. Excludes other contributions.
(3) Excludes non-cash operating expenses.
(4) Preliminary, subject the change. The City will issue the Electric Utility System Revenue Refunding Bonds, New Series 2015 at the same time as the Bonds.

PENSION FUND

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

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

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

CONTRIBUTIONS

The contribution rate for employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member’s projected benefit allocated annually. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as updated service credits and annuity increases. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

The City’s required contribution rate for FY13 was decreased from 12.07% in calendar 2012 to 11.07% in 2013.

The City's total payroll in fiscal year 2013 was $150,364,207, and the City’s contributions were based on a payroll of $126,390,079. Both the City and the covered employees made the required contributions, amounting to $14,913,038 for the City and $8,847,305 (7 %) for the employees.

A summary of City and employee contributions for the fiscal year ending September 30, 2013, follows:

	Gross Earnings	Normal Rate	Normal Contribution	Unfunded Actuarial Liability Rate	Unfunded Actuarial Liability Contribution	Death and Disability Benefit Rate	Death and Disability Benefit Contribution	Total Rate	Total Contribution
City Contribution:									
Months in calendar year 2012	$ 33,891,622	10.25%	$ 3,473,891	1.65%	$ 559,212	0.17%	$ 57,616	12.07%	$ 4,090,719
Months in calendar year 2013	92,498,457	10.43%	9,647,589	1.09%	1,008,233	0.18%	166,497	11.70%	10,822,319
Total Fiscal Year	$126,390,079		$ 13,121,480		$ 1,567,445		$ 224,113		$ 14,913,038
Employee Contribution:									
Months in calendar year 2012	$ 33,891,622	7.00%	$ 2,372,414	-	-	-	-	7.00%	$ 2,372,414
Months in calendar year 2013	92,498,457	7.00%	6,474,892	-	-	-	-	7.00%	6,474,892
Total Fiscal Year	$ 126,390,079		$ 8,847,305		-		-		$ 8,847,305
Total City and Employee Contributions			$21,968,786		$ 1,567,445		$ 224,113		$ 23,760,344

Three Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	$21,097,855	100%	--
2012	$16,792,548	100%	--
2013	$14,913,038	100%	--

Actuarial Assumptions

	Effective 12/31/2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	24.3 Years - Closed Period
Asset Valuation Method	10-year Smoothed Market
	(to accurately reflect the requirements of GASB stmt., No. 27, paragraphs 36e and 138)
Investment Rate of Return	7.0%
Projected Salary Increases	Varies by age and service
Includes Inflation At	3.0%
Cost-of-living Adjustments	None

Schedule of Funding Information

Actuarial valuation date	12/31/2012
Actuarial value of assets	$ 704,046,535
Actuarial accrued liability (AAL)	$ 713,843,979
Unfunded actuarial accrued liability (UAAL)	$ 9,797,444
Funded ratio	98.6%
Annual covered payroll (actuarial)	$ 124,371,393
UAAL as % of covered payroll	7.9%

OTHER POST EMPLOYMENT BENEFITS. . . In addition to providing benefits through the Texas Municipal Retirement System, the City has opted to provide eligible retired employees with the following post-employment benefits:

- Eligible retirees may purchase health insurance from the City's healthcare provider at the City's cost to cover current employees; and
- Eligible retirees may purchase health insurance from the City's healthcare provider at the City's cost to cover current employees for dependents if the dependents were covered at the point of retirement.

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Annual OPEB Cost and Net OPEB Obligation

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 years ended September 30, 2011, 2012 and 2013 the related information is listed below:

	2011	2012	2013
Annual Required Contribution	$ 5,692,690	$ 7,129,941	$ 7,420,023
Interest on Net OPEB Obligation	343,319	443,802	582,464
Adjustment to Annual Required Contribution	(300,316)	(430,688)	(613,259)
Annual OPEB Cost	5,735,693	7,143,055	7,389,228
Employer contribution to trust fund	-	-	(100,000)
Employer Contributions with interest	(3,620,249)	(4,223,866)	(3,609,475)
Increase in Net OPEB Obligation	2,115,444	2,919,189	3,679,753
Net OPEB Obligation beginning of year	7,227,764	9,343,208	12,262,397
Net OPEB Obligation end of year	$ 9,343,208	$ 12,262,397	$ 15,942,150

In addition to the employer contribution, the retirees paid $2,216,266 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) are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2011	$ 5,735,693	$ 3,620,249	63.1%	$ 9,343,208
9/30/2012	$ 7,143,055	$ 4,223,866	59.1%	$ 12,262,397
9/30/2013	$ 7,389,228	$ 3,709,475	48.8%	$ 15,942,150

Actuarial Assumptions

Actuarial Valuation Date		10/01/2011
Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	26 Years - Closed Period
Investment Rate of Return	-	7.25%
Projected Salary Increases	-	Varies by age and service
Includes Healthcare cost trend at	-	9.5% (the City's portion of the annual increase is expected to be capped at 3%)
Inflation rate	-	3.0%
Cost-of-living Adjustments	-	None

Schedule of Funding Information

Actuarial valuation date	10/01/2011
Actuarial value of assets	$845,836
Actuarial accrued liability (AAL)	$86,815,833
Unfunded actuarial accrued liability (UAAL)	$85,969,997
Funded ratio	1.0%
Annual covered payroll (actuarial)	$129,200,000
UAAL as % of covered payroll	67%

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, 2013, 2012, and 2011 were $224,113, $231,341, and $273,359 respectively.

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 $5,947,218 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, 2013, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in December 2012 claims payable as of September 30, 2013 was estimated at $6,721,727.

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 $3,885,997 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, 2013 a short-term liability of $1,280,274 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 2012 and 2013 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 – 2012	$ 6,198,614	$ 2,253,280	$ 523,113	$ 2,253,280	$ 6,721,727	$ 2,954,491
Self Insurance – 2013	6,721,727	2,448,740	-	2,448,740	6,721,727	2,954,491
Long-Term Disability – 2012	3,891,025	414,216	(5,028)	414,216	3,885,997	507,112
Long-Term Disability – 2013	3,885,997	289,793	-	289,793	3,885,997	507,112
Group Health – 2012	3,276,573	12,478,702	(2,433,559)	12,478,702	843,014	843,014
Group Health – 2013	843,014	15,378,482	437,260	15,378,482	1,280,274	1,280,274

FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
	2014 (1)	2013	2012	2011	2010
Revenues:					
Taxes	$ 64,690,375	$ 63,253,894	$ 62,808,891	$ 62,379,558	$ 63,184,478
Franchise Fees	9,091,491	8,646,942	7,887,388	8,255,818	8,352,056
Charges for Services	20,790,482	20,239,605	20,411,968	18,102,509	16,929,426
Licenses and Permits	3,781,703	3,393,137	3,751,589	2,893,000	3,085,185
Interest Revenue	259,387	213,732	240,654	211,524	207,698
Intergovernmental	692,292	1,190,211	1,073,364	725,320	818,723
Intragovernmental	8,002,858	7,973,376	8,010,474	7,871,534	7,430,975
Fines and Forfeitures	6,730,988	6,955,299	6,110,138	5,097,867	5,627,058
Rents and Concessions	833,456	804,298	788,504	763,023	947,809
Total Revenues	$ 114,873,032	$ 112,670,494	$ 111,082,970	$ 106,300,153	$ 106,583,408
Expenditures:					
General Government	$ 9,802,601	$ 9,679,317	$ 9,083,662	$ 9,137,993	$ 9,691,138
Public Safety	79,950,003	78,338,393	77,639,802	77,463,425	74,890,153
Public Works	19,361,023	17,391,246	18,457,911	19,151,977	8,709,794
Culture and Recreation	13,422,096	13,218,113	12,794,896	13,245,845	12,641,150
Public Health	3,620,675	3,579,737	3,364,592	3,174,073	3,189,738
Non-departmental	20,992,758	21,243,401	19,086,070	18,695,922	17,315,649
Total Expenditures	$ 147,149,156	$ 143,450,207	$ 140,426,933	$ 140,869,235	$ 126,437,622
Excess (deficiency) of Revenues Over Expenditures	$ (32,276,124)	$ (30,779,713)	$ (29,343,963)	$ (34,569,082)	$ (19,854,214)
Other Financing Sources (Uses):					
Sale of Capital Assets	$ 62,442	$ 361,687	$ 117,097	$ 25,747	$ -
Operating Transfers - Net	33,092,475	32,618,375	31,915,893	32,586,693	21,183,803
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	$ 878,793	$ 2,200,349	$ 2,689,027	$ (830,030)	$ 1,329,589
Beginning Fund Balance	24,263,870	22,063,521	19,374,494	20,204,524	18,874,935
Ending Fund Balance	$ 25,142,663	$ 24,263,870	$ 22,063,521	$ 19,374,494	$ 20,204,524

(1) Unaudited financials.

TABLE 12A - CHANGES IN NET POSITION – ENTITY WIDE

	For Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
Revenues:					
Program Revenues:					
Charges for Services	$ 454,125,594	$ 373,984,772	$ 379,070,149	$ 367,354,020	$ 358,036,848
Operation Grants and Contributions	17,203,324	16,885,088	21,723,466	21,420,963	17,351,640
Capital Grants and Contributions	3,573,169	2,064,844	3,862,403	1,853,467	5,761,688
General Revenues:					
Property Taxes	71,160,273	71,712,486	72,960,307	75,675,105	77,869,371
Sales Taxes	23,537,389	22,684,164	21,609,756	21,648,693	22,041,066
Other Taxes	9,833,804	9,003,805	9,306,683	9,277,552	8,758,016
Unrestricted Interest Earnings	308,938	2,351,518	1,557,474	2,157,756	7,802,591
Special Item - Impairement of Electric Assets	-	-	-	(1,529,932)	-
Miscellaneous	1,760,464	2,178,556	1,723,022	1,204,800	(2,624,811)
Total Revenues	$ 581,502,955	$ 500,865,233	$ 511,813,260	$ 499,062,424	$ 494,996,409
Expenses:					
General Government	$ 29,243,108	$ 29,569,285	$ 29,640,148	$ 32,846,193	$ 31,153,948
Public Safety	92,128,110	90,755,164	90,653,595	86,168,466	88,837,476
Public Works	40,870,496	41,666,670	42,540,513	41,358,430	40,530,087
Culture and Recreation	21,442,173	20,805,012	21,566,920	19,505,793	19,849,963
Public Health	4,322,827	4,018,652	3,881,311	3,604,317	3,455,498
Interest and Fiscal Charges	11,094,537	12,038,048	11,968,097	12,713,773	12,888,091
Electric	271,815,312	166,360,005	164,547,930	191,187,490	183,527,066
Water	43,758,542	40,702,500	38,602,207	34,274,026	33,000,743
Sewer	36,288,797	36,348,765	34,307,982	33,643,084	30,838,009
Golf	4,889,818	4,922,780	4,766,551	3,636,869	2,801,539
Heliport	5,365	85,480	30,292	39,590	27,482
Storm Water Management	3,926,814	3,519,113	3,669,785	3,598,351	3,176,002
Parks Performance	964,590	1,022,947	965,305	778,409	818,781
Sanitation	16,965,951	16,972,881	16,045,778	15,943,590	15,558,875
Total Expenses	$ 577,716,440	$ 468,787,302	$ 463,186,414	$ 479,298,381	$ 466,463,560
Increase in Net Position Before Transfers	$ 3,786,515	$ 32,077,931	$ 48,626,846	$ 19,764,043	$ 28,532,849
Transfers	-	-	-	-	-
Increase in Net Position	3,786,515	32,077,931	48,626,846	19,764,043	28,532,849
Net Position - Beginning	803,630,523 (1)	773,365,841	724,738,995	704,974,952	676,442,103
Net Position - Ending	$ 807,417,038	$ 805,443,772	$ 773,365,841	$ 724,738,995	$ 704,974,952

(1) Restated.

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The following table sets forth the municipal sales tax collections for the last four fiscal years and for approximately 10 months of the current fiscal year. The municipal sales tax is not pledged to the payment of the Bonds.

Fiscal Year Ended 9/30	Total Collected [(1)]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita [(2)]
2010	$ 21,648,653	28.61%	$ 0.2016	$ 95.42
2011	21,609,756	29.56%	0.2072	95.23
2012	22,684,164	31.80%	0.2225	99.61
2013	23,411,053	32.84%	0.2314	101.08
2014	24,613,106	34.35%	0.2420	106.27
2015	6,047,560 [(3)]	8.18%	0.0579	25.93

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(1) Source: CAFR
(2) Source: Estimates of North Central Texas Council of Governments and the City Planning Department.
(3) Partial collections through December, 2014, as reported by the City staff.

FINANCIAL POLICIES

Basis of Accounting . . . All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental fund types and agency funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into investments in capital assets, net of related debt, and restricted and unrestricted net assets. Proprietary fund-type operating statements represent increases and decreases in net total assets. Proprietary fund types are accounted for using the accrual basis of accounting.

General Fund Balance . . . It is the City's policy to maintain a balance which is greater than 30 days of adjusted working capital, less debt service, in immediately accessible cash and investments. If the fund balance is drawn down in any one year, the fund balance will be restored in the following year.

Use of Certificate Proceeds . . . It is the City's policy that the Certificate proceeds will only be used to finance capital expenditures related to the purposes specified in the Ordinance and for no other purpose; and, it is the City's policy that the Certificate proceeds will not be used to fund current expenditures.

Budgetary Procedures . . . It is the City's policy that a multi-year financial forecast shall be prepared annually, to be issued as a planning tool in developing the following year's operating budget. The budget is developed by the City staff and presented to the City Council for consideration.

INVESTMENTS

INVESTMENTS

The City invests its investable funds in investments authorized by State law in accordance with investment policies approved by the City Council of the City. Both State law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted, at least annually, by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State primary government securities dealer or a financial institution doing business in the State,(9) bankers' acceptances with a stated maturity of 270 days or less from the date of its issuance, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in Bonds described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in PFIA.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

INVESTMENT POLICIES . . . Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy, and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 14 - CURRENT INVESTMENTS

As of December 31, 2014 the following percentages of the City's investable funds were invested in the following categories of investments.

Type of Investments	Book Value Amount	Percent
Federal Agency Coupon Securities	$ 282,913,934	64.87%
Federal Agency Discount	36,620,523	8.40%
Municipal Bonds	3,419,891	0.78%
Certificates of Deposit	28,208,452	6.47%
Investment Pool	84,930,230	19.48%
	$ 436,093,030	100.00%

TAX MATTERS – SERIES 2015A BONDS

TAX EXEMPTION . . .The delivery of the Series 2015A Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Series 2015A Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. A form of Bond Counsel's opinion relating to the Series 2015A Bonds is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on the Series 2015A Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made a certificate dated the date of delivery of the Series 2015A Bonds pertaining to the use, expenditure, and investment of the proceeds of the Series 2015A Bonds and will assume continuing compliance by the City with the provisions of the 2015A Ordinance subsequent to the issuance of the Series 2015A Bonds. The 2015A Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Series 2015A Bonds and the facilities originally financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Series 2015A Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Series 2015A Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Series 2015A Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Series 2015A Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Series 2015A Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2015A Bonds, the City may have different or conflicting interests from the owners of the Series 2015A Bonds. Public awareness of any future audit of the Series 2015A Bonds could adversely affect the value and liquidity of the Series 2015A Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Series 2015A Bonds. Prospective purchasers of the Series 2015A Bonds should be aware that the ownership of tax-exempt obligations such as the Series 2015A Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Series 2015A Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Series 2015A Bonds. Prospective purchasers of the Series 2015A Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN SERIES 2015A BONDS. . .The initial public offering price of certain Series 2015A Bonds (the "Discount Series 2015A Bonds") may be less than the amount payable on such Series 2015A Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Series 2015A Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Series 2015A Bond. A portion of such original issue discount allocable to the holding period of such Discount Series 2015A Bond by the initial purchaser will, upon the disposition of such Discount Series 2015A Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Series 2015A Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Series 2015A Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Series 2015A Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Series 2015A Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Series 2015A Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Series 2015A Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Series 2015A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Series 2015A Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Series 2015A Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Series 2015A Bonds (the "Premium Series 2015A Bonds") may be greater than the amount payable on such Series 2015A Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Series 2015A Bond (assuming that a substantial amount of the Premium Series 2015A Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Series 2015A Bonds. The basis for federal income tax purposes of a Premium Series 2015A Bond in the hands of such initial purchaser must be reduced each year by the amortizable Series 2015A Bonds premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Series

2015A Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Series 2015A Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Series 2015A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Series 2015A Bonds.

TAX MATTERS – SERIES 2015B BONDS

The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the Series 2015B Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Series 2015B Bonds in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokers-dealers, and persons who have hedged the risk of owning the Series 2015B Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the Series 2015B Bonds as "capital assets" within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and acquire such Series 2015B Bonds for investment and not as a dealer or for resale. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2015B BONDS.

PAYMENTS OF STATED INTEREST ON THE SERIES 2015B BONDS…The stated interest paid on the Series 2015B Bonds will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when received or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

ORIGINAL ISSUE DISCOUNT…If a substantial amount of the Series 2015B Bonds of any stated maturity is purchased at original issuance for a purchase price (the "Issue Price") that is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Series 2015B Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such Series 2015B Bonds at maturity over its Issue Price, and the amount of the original issue discount on the Series 2015B Bonds will be amortized over the life of the Series 2015B Bonds using the "constant yield method" provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Series 2015B Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the Series 2015B Bonds that exceeds actual cash distributions to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on the Series 2015B Bonds each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds the Series 2015B Bonds will increase the adjusted tax basis of the Series 2015B Bonds in the hands of such beneficial owner.

PREMIUM . . . If a beneficial owner purchases a Series 2015B Bond for an amount that is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased the Series 2015B Bond with "amortizable bond premium" equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of the Series 2015B Bond and may offset interest otherwise required to be included in respect of the Series 2015B Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Series 2015B Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Series 2015B Bond. However, if the Series 2015B Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Series 2015B Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

MEDICARE CONTRIBUTION TAX . . . Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). Holders of the Series 2015B Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the Series 2015B Bonds as well as gain on the sale of a Series 2015B Bond.

DISPOSITION OF SERIES 2015B BONDS AND MARKET DISCOUNT…A beneficial owner of Series 2015B Bonds will generally recognize gain or loss on the redemption, sale or exchange of a Series 2015B Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the Series 2015B Bonds. Generally, the beneficial owner's adjusted tax basis in the Series 2015B Bonds will be the beneficial owner's initial cost, increased by the original issue discount previously included in the beneficial owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the Series 2015B Bonds.

Under current law, a purchaser of a Series 2015B Bonds who did not purchase the Series 2015B Bonds in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the Series 2015B Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." Market discount is the amount by which the price paid for the Series 2015B Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the Series 2015B Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Series 2015B Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The re-characterization of gain as ordinary income on a subsequent disposition of Series 2015B Bonds could have a material effect on the market value of the Series 2015B Bonds.

BACKUP WITHHOLDING…Under section 3406 of the Code, a beneficial owner of the Series 2015B Bonds who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest on the Series 2015B Bonds. This withholding applies if such beneficial owner of Series 2015B Bonds: (i) fails to furnish to payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the Series 2015B Bonds. Beneficial owners of the Series 2015B Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

WITHHOLDING ON PAYMENTS TO NONRESIDENT ALIEN INDIVIDUALS AND FOREIGN CORPORATIONS…Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the beneficial owners of the Series 2015B Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Series 2015B Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the Series 2015B Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Series 2015B Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge that such person is a United States person.

REPORTING OF INTEREST PAYMENTS…Subject to certain exceptions, interest payments made to beneficial owners with respect to the Series 2015B Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a Series 2015B Bond for U.S. federal income tax purposes.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the City has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS. . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 14 and in Appendix B. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2015. The City will additionally provide audited financial statements within 12 months at the end of each fiscal year ending in and after 2015.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial information of the general type described in the preceding paragraph by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS…The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

AVAILABILITY OF INFORMATION. . . The City has agreed to provide the foregoing financial and operating information only as described above. Investors may access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS. . . The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although the registered and beneficial owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the City, if (i) the agreement, as amended, would have permitted an Initial Purchaser to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the registered and beneficial owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Initial Purchaser from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the continuing disclosure agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . In connection with the City's outstanding general obligation, water and sewer system and electric system debt issuances, the City has entered into undertakings to provide certain updated financial information and operating data within six months of the end of the City's fiscal year along with notices of specified material events at required times. In addition, the City has agreed to provide audited financial statements within six months of the end of the fiscal year if the audited financial statements are available by such time. If audited financial statements are not available by the required time, the City has agreed to provide unaudited financial statements or unaudited financial information, depending on the specific undertaking, within six months of the end of the fiscal year, and audited financial statements when and if such audited financial statements become available.

The City filed certain updated quantitative financial and operating data in the form of certain tables identified for each of the respective debt issuances within six months after the end of each fiscal year (March 31). The respective tables included certain unaudited financial statements and financial information, but such tables were not complete unaudited financial statements. The audited financial statements for the fiscal year ended September 30, 2013 were filed within six months of the end of the fiscal year on March 31, 2014. The City filed audited financial statements of the City for the fiscal years ended September 30, 2012, September 30, 2011, September 30, 2010 and September 30, 2009, respectively, on May 1, 2013, April 17, 2012, August 2, 2011 and October 7, 2010, respectively.

The ratings on municipal bond insurers have been downgraded with frequency at various times in recent years. Information about the downgrades of municipal bond insurers has been publicly reported. During the previous five years, the City has filed notices of downgrades of municipal bond insurers that insured the City's outstanding obligations, but no assurances can be made that all the filings have been made or made in a timely manner.

Except as disclosed in this Official Statement, in the past five years the City has not failed in any material respect to satisfy its continuing disclosure obligations with respect to Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Bonds have been rated "AA+" with a stable outlook by Standard and Poor's Ratings Services, a Standard and Poor's Financial Services LLC business ("S&P") and "AAA" with a stable outlook by Fitch Ratings ("Fitch"). An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

City staff believes there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Texas Government Code Chapter 1201, as amended) provides that the Bonds are negotiable instruments, investment securities governed by Texas Business and Commerce Code, Chapter 8, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states. No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

The City made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes.

LEGAL OPINIONS AND NO LITIGATION CERTIFICATE

LEGAL OPINIONS

The City will furnish to the Initial Purchasers, complete transcripts of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bonds and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Series 2015A Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS – SERIES 2015A BONDS" herein, including the alternative minimum tax on corporations. The Firm name of Fulbright & Jaworski LLP may be amended prior to the delivery of the Bonds and if the firm name is so amended the opinion of Bond Counsel will reflect the amended name. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "PLAN OF FINANCING" (exclusive of subcaptions "Use of Series 2015A Bond Proceeds" and "Use of Series 2015B Bond Proceeds"), "THE BONDS" (exclusive of subcaptions "Book-Entry-Only System", "Bondholders' Remedies" and the last sentence under "Tax Rate Limitation"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings") and the subcaptions "Legal Opinions" (except for the last sentence of the first paragraph thereof), "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Registration and Qualification of Bonds for Sale" under the caption "OTHER INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinances. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER OF THE SERIES 2015A BONDS

After requesting competitive bids for the Series 2015A Bonds, the City accepted the bid of Citigroup Global Markets Inc. (the "Initial Purchaser of the Series 2015A Bonds") to purchase the Series 2015A Bonds at the interest rates shown on page 2 of the Official Statement at a price of 110.697213 % of par. The Initial Purchaser of the Series 2015A Bonds can give no assurance that any trading market will be developed for the Series 2015A Bonds after their sale by the City to the Initial Purchaser of the Series 2015A Bonds. The City has no control over the price at which the Series 2015A Bonds are subsequently sold and the initial yields at which the Series 2015A Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Series 2015A Bonds.

INITIAL PURCHASER OF THE SERIES 2015B BONDS

After requesting competitive bids for the Series 2015B Bonds, the City accepted the bid of Robert W. Baird & Co., Inc. (the "Initial Purchaser of the Series 2015B Bonds") to purchase the Series 2015B Bonds at the interest rates shown on page 2 of the Official Statement at a price of 100.032966 % of par. The Initial Purchaser of the Series 2015B Bonds can give no assurance that any trading market will be developed for the Series 2015B Bonds after their sale by the City to the Initial Purchaser of the Series 2015B Bonds. The City has no control over the price at which the Series 2015B Bonds are subsequently sold and the initial yields at which the Series 2015B Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Series 2015B Bonds.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

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CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the City will furnish the Purchaser a certificate, executed by an authorized representative of the City, acting in such person's representative capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

The Ordinances authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

/s/ Douglas Athas
Mayor
City of Garland, Texas

ATTEST:

/s/ Eloyce René Dowl
City Secretary
City of Garland, Texas

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SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

General Obligation Refunding Bonds, Taxable Series 2007B				
Original Dated Date	Original Maturity Date	Interest Rates	Amount	Call Date
2/15/2007	2/15/2016 (1)	0.000%	$ 1,585,446.14	2/24/2015
	2/15/2017 (1)	0.000%	1,665,000.00	2/24/2015
	2/15/2018 (1)	0.000%	1,735,000.00	2/24/2015
	2/15/2019 (1)	0.000%	1,810,000.00	2/24/2015
	2/15/2020 (1)	0.000%	1,890,000.00	2/24/2015
	2/15/2021 (1)	0.000%	1,970,000.00	2/24/2015
	2/15/2022 (1)	0.000%	2,060,000.00	2/24/2015
	2/15/2023 (1)	0.000%	2,155,000.00	2/24/2015
	2/15/2024 (1)	0.000%	2,255,000.00	2/24/2015
	2/15/2025 (1)	0.000%	5,230,000.00	2/24/2015
			$ 22,355,446.14	

(1) 2025 Term Bond with mandatory redemptions in 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, and 2024

The Refunded Obligations will be redeemed on February 24, 2015 at a price of par plus accrued interest to the redemption date.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION AND SIZE

The City of Garland (the "City") is located in Dallas, Collin and Rockwall Counties approximately 14 miles northeast of downtown Dallas. The City encompasses approximately 57 square miles, of which approximately 90% of the developable area is fully developed. The City abuts Dallas and the suburban cities of Richardson and Mesquite on its western and southern boundaries, while on its northern, eastern and a portion of its southern boundaries, it abuts the cities of Rowlett, Sachse and Sunnyvale, as well as several miles of shoreline along Lake Ray Hubbard.

The City is well balanced between residential, commercial and industrial development. The population increased 122%, from 81,437 in 1970 to 180,650 according to the 1990 Census, making Garland the second largest City in Dallas County. The 2000 Census population of the City was 215,768. The 2014 estimated population of the City is 231,618.

Garland is served directly by two railroads, with reciprocal switching agreements with other railroads in the area, and is also served by a national bus line and has park-and-ride bus and light rail service to downtown Dallas via Dallas Area Rapid Transit. Commercial air service is afforded by the convenient location of the Dallas-Fort Worth International Airport, Dallas' Love Field and the Garland Heliplex which opened in November of 1989.

I.H. 635 is an eight-lane expressway that encircles the outer limits of Dallas, passing through the southwest section of Garland. The Garland section provides convenient automotive access to the Dallas metropolitan area and to major area traffic arteries.

INDUSTRY AND BUSINESS

The City has several conveniently located industrial districts which are served by all utilities and with rail and motor freight transportation facilities. The ten largest businesses in the City are:

Name of Firm	Type of Business	Approximate Number of Employees
Raytheon	Aerospace and defense	1,700
Wal-Mart Super Centers	Retail Distribution Center	1,250
US Food Service	Food manufacturer	520
APEX Tool Group	Equipment and tool manufacturer	467
Atlas Copco	Mining/Drilling equipment manufacturer	409
Home Depot	Retailer	339
KARLEE	Sheet metal component manufacturer	330
Silverline Window	Building material manufacturer	307
Plastipak Packaging	Packaging manufacturer	269
Hatco (Resistol)	Apparel manufacturer	262

EDUCATION

Most of the City, as well as Rowlett and Sachse, are served by the Garland Independent School District. Small portions of the City lie within the Dallas, Mesquite and Richardson school districts. Garland Independent School District presently has 65 schools with approximately 55,100 students.

Higher educational facilities in the area include Amberton University (formerly Abilene Christian University-Dallas in Garland), Collin County Community College, Eastfield College and Richland College, branches of the Dallas County Community College, Texas A&M Commerce, North Texas State University, Southern Methodist University, Texas Christian University, Texas Wesleyan College, Texas Woman's University, the University of Texas at Arlington, and the University of Texas at Dallas.

FINANCIAL INSTITUTIONS

Several national banks operate full service banking centers and provide branches within various retail stores and shops throughout the City. Numerous savings and loan associations and credit unions are also located in the City.

HOSPITALS

The Baylor Medical Center at Garland, the largest in the City, has 206 beds with 342 doctors on staff. The Leland Medical Hospital has 118 beds, with an Intensive Care Unit for 6. There are 264 doctors on the staff.

RECREATION FACILITIES

The Parks and Recreation Department operates 68 parks, with a total of approximately 2,698 acres. Facilities provided include ball fields, swimming pools, golf facilities, recreation buildings and a tennis center, as well as playgrounds and picnic areas. Lake Lavon, 18 miles northeast of the City, has excellent facilities for fishing, swimming, boating and picnicking. Lake Ray Hubbard, formed by Forney Dam on the East Fork of the Trinity River, provides additional swimming, boating and fishing facilities. A part of the shoreline lies within the City limits of the City, and offers areas for lakeside recreational and residential development.

CITY OF GARLAND MISCELLANEOUS STATISTICS

Fiscal Year Ended 9/30	Population (1)	Assessed Valuation	Gas Customers	Electric Customers(2)	Water Customers
2009	225,865	$ 11,146,040,266	43,041	83,686	67,154
2010	226,876	10,740,574,940	43,010	82,944	67,317
2011	226,915	10,428,493,870	43,036	81,885	67,512
2012	227,730	10,193,343,300	43,489	81,977	68,408
2013	231,618	10,117,079,195	43,967	82,588	69,913

(1) As reported by the City.
(2) Includes both TXU Energy and the City's System.

EMPLOYMENT STATISTICS

	City of Garland (Average Annual)				
	2014 (1)	2013	2012	2011	2010
Civilian Labor Force	120,073	119,782	116,201	115,529	113,923
Total Employed	114,460	112,761	108,299	106,155	104,383
Total Unemployed	5,613	7,021	7,902	9,374	9,540
Unemployment Rate	4.7%	5.9%	6.8%	8.1%	8.4%

	Dallas County (Average Annual)				
	2014 (1)	2013	2012	2011	2010
Civilian Labor Force	1,230,116	1,216,359	1,184,434	1,176,200	1,161,562
Total Employed	1,169,615	1,144,563	1,099,277	1,077,721	1,059,734
Total Unemployed	60,501	71,796	85,157	98,479	101,828
Unemployment Rate	4.9%	5.9%	7.2%	8.4%	8.8%

Source: Texas Workforce Commission, Labor Market Information.
(1) Through November, 2014.

BUILDING PERMITS (FISCAL YEAR BASIS)

Year Ended	Single Family Residential		Multifamily Residential		Industrial and Commercial		Other		
9/30	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Grand Total
2008	205	$ 43,071,247	4	$ 24,915,377	49	$ 49,783,594	2,926	$ 58,521,878	$ 176,292,096
2009	168	35,990,069	1	1,620,000	24	6,907,837	2,739	38,599,174	83,117,080
2010	152	32,649,734	0	-	31	8,938,353	2,676	23,012,696	64,600,783
2011	141	29,792,325	1	10,138,561	23	9,515,211	1,935	35,651,045	85,097,142
2012	165	12,193,527	1	10,323,643	9	14,928,623	8,558	96,232,954	133,678,747
2013	207	44,470,197	1	19,918,534	63	34,163,289	2,331	61,382,085	159,934,105

Source: City of Garland Building Inspection Department.

APPENDIX B

EXCERPTS FROM THE FINANCIAL STATEMENTS

CITY OF GARLAND, TEXAS

For the Year Ended September 30, 2013

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Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit and remaining fund information of the City of Garland, Texas (the "City"), as of and for the year ended September 30, 2013, 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

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 three month period ended December 31, 2012. 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, each major fund, and the discretely presented component unit and remaining fund information of the City as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, 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.

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 of the City.

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 it.

Deloitte & Touche LLP

March 24, 2014

GARLAND

TEXAS MADE HERE

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, 2013. 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 at the close of the fiscal year by $807,417,038. Ending net position for governmental activities amount to $136,938,557 and the ending net position for the business type activities amount to $670,478,481.
- Net position for the governmental activities decreased $5,312,324 and the net position for the business type activities increased $9,098,839 for a total increase in the City's net position of $3,786,515. Contributing factors related to the decrease in governmental activities and the increase 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 $74,019,448. Of the combined ending fund balances, $43,901,135 is restricted, $7,385,448 is committed, $4,480,000 is assigned, and $18,252,865 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 and liabilities, with the difference between the two 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 24-25 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 and fiduciary funds.

Governmental funds

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

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

The City maintains 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 26-29 of this report.

Proprietary funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer, golf, heliport, storm water management, parks performance, and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for group health, self-insurance, long-term disability insurance, 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 and for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary fund financial statements can be found on pages 30-35 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 36-37 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-84 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, 2013, 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 85-87 of this report.

Government-wide Financial Analysis

Total assets and deferred outflows at fiscal year-end amount to $1,835,616,418. Current and other assets comprise 36.94% and capital assets comprise 63.06% of the total assets. Total assets and deferred outflows increased $68,190,200 during the fiscal year primarily as a result of capital assets increasing $76,489,572 as a result of changes in construction in progress and land. Significant additions to fixed asset and construction in progress are described in the capital asset section of this overview and analysis.

Total liabilities at the end of the fiscal year amount to $1,028,199,380. Long-term liabilities comprise 91.27% and other liabilities comprise 8.73% of the total liabilities. Total liabilities increased $66,216,934 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 (net position) by $807,417,038 for the fiscal year ended September 30, 2013. The largest portion of the City's net position (70.10%) 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 (23.10%) 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 (6.80%) 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.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets and deferred outflows	$ 146,397,659	$ 147,794,711	$ 531,754,724	$ 538,657,044	$ 678,152,383	$ 686,451,755
Capital assets	375,218,565	385,780,405	782,245,470	695,194,058	1,157,464,035	1,080,974,463
Total assets and deferred outflows	521,616,224	533,575,116	1,314,000,194	1,233,851,102	1,835,616,418	1,767,426,218
Long-term liabilities outstanding	335,443,535	341,663,779	603,012,064	540,921,155	938,455,599	882,584,934
Other liabilities	49,234,132	47,847,207	40,509,649	31,550,305	89,743,781	79,397,512
Total liabilities	384,677,667	389,510,986	643,521,713	572,471,460	1,028,199,380	961,982,446
Net position:						
Net investment in capital assets	127,763,560	95,930,730	438,249,356	346,557,013	566,012,916	442,487,743
Restricted for:						
Debt Service	4,691,533	2,206,544	3,739,680	2,518,448	8,431,213	4,724,992
Construction	1,531,005	5,188,023	-	-	1,531,005	5,188,023
Rate Mitigation	-	-	174,951,776	193,756,823	174,951,776	193,756,823
Housing Assistance	1,636,505	1,711,755	-	-	1,636,505	1,711,755
Unrestricted	1,315,954	39,027,078	53,537,669	118,547,358	54,853,623	157,574,436
Total net position	$ 136,938,557	$ 144,064,130	$ 670,478,481	$ 661,379,642	$ 807,417,038	$ 805,443,772

The total net position increased $3,786,515 in the 2013 fiscal year. Business-type activities contributed $9,098,839 to this increase while the governmental activities decreased this total by $5,312,324. 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	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$ 39,146,893	$ 37,535,544	$ 414,978,701	$ 336,449,228	$ 454,125,594	$ 373,984,772
Operation grants and contributions	17,203,324	16,885,088	-	-	17,203,324	16,885,088
Capital grants and contributions	1,785,232	815,387	1,787,937	1,249,457	3,573,169	2,064,844
General Revenues:						
Property taxes	71,160,273	71,712,486	-	-	71,160,273	71,712,486
Sales taxes	23,537,389	22,684,164	-	-	23,537,389	22,684,164
Other taxes	9,833,804	9,003,805	-	-	9,833,804	9,003,805
Unrestricted interest earnings	266,319	648,009	42,619	1,703,509	308,938	2,351,518
Miscellaneous	59,186	85,561	1,701,278	2,092,995	1,760,464	2,178,556
Total Revenues	162,992,420	159,370,044	418,510,535	341,495,189	581,502,955	500,865,233
Expenses:						
General government	29,243,108	29,569,285	-	-	29,243,108	29,569,285
Public safety	92,128,110	90,755,164	-	-	92,128,110	90,755,164
Public works	40,870,496	41,666,670	-	-	40,870,496	41,666,670
Culture and recreation	21,442,173	20,805,012	-	-	21,442,173	20,805,012
Public health	4,322,827	4,018,652	-	-	4,322,827	4,018,652
Interest and fiscal charges	11,094,537	12,038,048	-	-	11,094,537	12,038,048
Electric	-	-	271,815,312	166,360,005	271,815,312	166,360,005
Water	-	-	43,758,542	40,702,500	43,758,542	40,702,500
Sewer	-	-	36,288,797	36,348,765	36,288,797	36,348,765
Golf	-	-	4,889,818	4,922,780	4,889,818	4,922,780
Heliport	-	-	5,365	85,480	5,365	85,480
Storm Water Management	-	-	3,926,814	3,519,113	3,926,814	3,519,113
Parks Performance	-	-	964,590	1,022,947	964,590	1,022,947
Sanitation	-	-	16,965,951	16,972,881	16,965,951	16,972,881
Total expenses	199,101,251	198,852,831	378,615,189	269,934,471	577,716,440	468,787,302
Increase in net position before transfers	(36,108,831)	(39,482,787)	39,895,346	71,560,718	3,786,515	32,077,931
Transfers	30,796,507	29,484,492	(30,796,507)	(29,484,492)	-	-
Increase (decrease) in net position	(5,312,324)	(9,998,295)	9,098,839	42,076,226	3,786,515	32,077,931
Restated Net position – beginning, see Note S	142,250,881	154,062,425	661,379,642	619,303,416	803,630,523	773,365,841
Net position - ending	$136,938,557	$ 144,064,130	$ 670,478,481	$ 661,379,642	$ 807,417,038	$ 805,443,772

Governmental activities

Governmental activities decreased the City's net position by $5,312,324 in fiscal year 2013; however, the change in net position improved from fiscal year 2012 by $4,685,971. Key factors that contributed to this improvement are discussed below.

Revenues by Source – Governmental Activities

Revenues by Source

	2013		2012		Amount	Percentage
	Amount	Percentage	Amount	Percentage	Change	Change
Charges for services	$ 39,146,893	24.02%	$ 37,535,544	23.03%	$ 1,611,349	4.29%
Operating grants and contributions	17,203,324	10.55%	16,885,088	10.36%	318,236	1.88.%
Capital grants and contributions	1,785,232	1.10%	815,387	0.50%	969,845	118.94%
Property taxes	71,160,273	43.66%	71,712,486	44.00%	(552,213)	-0.77%
Sales taxes	23,537,389	14.44%	22,684,164	13.92%	853,225	3.76%
Other taxes	9,833,804	6.03%	9,003,805	5.52%	829,999	9.22%
Unrestricted interest earnings	266,319	0.16%	648,009	0.40%	(381,690)	-58.90%
Miscellaneous	59,186	0.04%	85,561	0.05%	(26,375)	-30.83%
Total Revenues	$ 162,992,420		$ 159,370,044		$ 3,622,376	

Key changes in revenue by source included the following:

Charges for services increased $1,611,349 as a result of the following:

- Municipal Court and Red Light Enforcement revenues increased $866,702 as a result of an increase in the number of citations and increased collection efforts.
- Reimbursement of expenses related to rebuilding the shooting range and completion of the Spring Creek Trail of $1,049,987.

Capital grants and contributions increased $969,845 as a result of the following:

- Developers contributions increased $860,917 as a result of new construction within the City.
- Recovery of expenditures increased $108,928 as a result of a payoff related to drainage projects.

Expenses by Source - Governmental Activities

Expenses by Source

	2013	2012	Change
General government	$ 29,243,108	$ 29,569,285	$ (326,177)
Public safety	92,128,110	90,755,164	1,372,946
Public works	40,870,496	41,666,670	(796,174)
Culture and recreation	21,442,173	20,805,012	637,161
Public health	4,322,827	4,018,652	304,175
Interest and fiscal charges	11,094,537	12,038,048	(943,511)
Total Expense	$ 199,101,251	$ 198,852,831	$ 248,420

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

Public safety expenses increased $1,372,946 as a result of the following:

- Support services expenses increased $898,165.
- Personnel and related expenses increased in public safety in an effort to enhance the City's ability to enforce commercial property standards and enhance the public safety of citizens.

Public works expenses decreased $796,174 as a result of the following:

- Depreciation expense increased $222,246 as a result of new purchases in the fiscal year.
- Public work expenses decreased approximately $1,100,000 due to maintenance projects that were moved to fiscal year 2014.

Interest and fiscal charges decreased $943,511 as a result of the following:

- Interest expense decreased as a result of a decrease in accrued interest payable on long term debt.

Business-type Activities

Business-type activities increased the City's net position by $9,098,839; however, the change in net position decreased $32,977,387 from fiscal year 2012. Key factors that contributed to this decrease are discussed below.

- The electric utility generated net income of $5,881,590. The net income for the electric utility decreased $33,403,909 from the prior fiscal year as a result of the following:
    - Demand charges increased $33,837,466 as a result of debt refunding by Texas Municipal Power Agency (TMPA) in 2010, which lowered debt service payments in fiscal years 2011 and 2012, and increased debt service payments in fiscal year 2013 associated with TMPA's 1993 refunding revenue series.
    - Fuel and energy purchases expense increased $76,323,410 as a result of an increase in wholesale sales activity. It is also attributable to TMPA fuel expense due to the Gibbons Creek plant running more in fiscal year 2013 than in 2012.
    - Revenue from charges for services increased $74,638,173 as a result of an increase in wholesale sales activity.

- The water utility incurred a net income of $2,867,380. The net income for the water utility increased $514,429 over the net income from the prior year. Key elements to this change are as follows.
    - Charges for services increased $3,650,898 as a result of a rate increase of 9% that went into effect in October 2012.
    - Operating expenses increased $3,551,918 as a result of increased expenses for water purchases due to rate increase, and maintenance, repairs, and supplies.

- The sewer utility incurred a net income of $850,314. The net income for the sewer utility decreased $35,010 from the prior fiscal year as a result of the following:
    - Charges for services decreased $341,010 as a result of decreased consumption.
    - Operating expenses increased $304,383 as a result of decreased capitalized general and administrative expenses.

- The combined net loss for non-major enterprise funds (golf, heliport, storm water management, parks performance, and sanitation) amounted to $161,512. The City continues to monitor these funds and implement programs and strategies to improve their financial condition.

Revenues by Source – Business-type Activities

	Charges for Service			Capital Grants and Contributions			Miscellaneous		
	2013	2012	Amount Change	2013	2012	Amount Change	2013	2012	Amount Change
Electric	$ 296,866,570	$ 222,228,397	$ 74,638,173	$ 143,377	$ 312,370	$ (168,993)	$ 891,631	$ 1,472,387	$ (580,756)
Water	50,176,879	46,525,981	3,650,898	1,092,419	684,608	407,811	345,897	295,633	50,264
Sewer	41,831,894	42,172,904	(341,010)	552,141	202,479	349,662	279,876	64,454	215,422
Non-major Enterprise	26,103,358	25,521,946	581,412	-	50,000	(50,000)	183,874	260,521	(76,647)
Total	$ 414,978,701	$ 336,449,228	$ 78,529,473	$ 1,787,937	$ 1,249,457	$ 538,480	$ 1,701,278	$ 2,092,995	$ (391,717)

Expenses by Source – Business-type Activities

	2013	2012	Amount Change	Percentage Change
Electric	$271,815,312	$ 166,360,005	$105,455,307	63.39%
Water	43,758,542	40,702,500	3,056,042	7.51%
Sewer	36,288,797	36,348,765	(59,968)	-0.16%
Non-Major	26,752,538	26,523,201	229,337	0.86%
	$378,615,189	$ 269,934,471	$108,680,718	40.26%

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 payment of $100,000 contribution in excess of the pay-as-you-go costs was made to the trust fund during the 2013 fiscal year. The City will make future contributions to this trust fund as economic conditions permit.

Capital Asset and Debt Administration

Capital Assets

At the end of the 2013 fiscal year, the City had $1,157,464,035 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 $76,489,572 or 7.08% 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	
	2013	2012	2013	2012	2013	2012
Land	$ 82,577,005	$ 80,495,198	$ 20,095,639	$ 20,082,357	$ 102,672,644	$ 100,577,555
Construction in Progress	18,948,112	17,705,232	116,490,541	42,353,304	135,438,653	60,058,536
Building, Improvements, equipment and systems	273,693,448	287,579,975	645,659,290	632,758,397	919,352,738	920,338,372
Total capital assets	$ 375,218,565	$ 385,780,405	$ 782,245,470	$ 695,194,058	$1,157,464,035	$1,080,974,463

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

Description	Amount
GP&L Distribution UG Conductors, Transformers, and Devices	$ 8,665
Water Distribution Mains up to 14 inch diameter	3,647
Rehabilitated Lavon Water Pump Station	3,570
Wastewater Laboratory Building	2,743
Jupiter/Shiloh Sewer Phase VI	2,533
Rowlett Creek WWTP Process Improvements	2,481
Cured-In-Place Pipe Mains and Lateral Rehabilitation	2,476
Major Rehabilitation of Wallace Pump Station and New Water Transmission Mains	2,404
Duck Creek WWTP Process Improvements	1,898
GP&L Generation Equipment	1,844
GP&L Sub-station Equipment	1,681
Petition Sidewalk, Curb, & Gutter Participation Program	1,680
Sewer Infiltration Corrections - Various	1,574
New Sidewalks	1,294
Articulated Dump Trucks for Landfill	1,204
Citywide Petition Drainage	1,034

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):

Description	Amount
GP&L CREZ Transmission Line	$72,249
Relocation of Water Mains Prior to Paving	3,815
Sewer Mains in Advance of Paving	2,883
GP&L Nevada Substation	2,300
Radio Read Water Meter Retrofit	1,819
Water Distribution Line Replacement	1,803
Pleasant Valley Road Bridge	1,586
Water Distribution Lines up to 14 inch diameter	1,452
GP&L UG Line Construction	1,388
West Pressure Plane Improvements	1,279
Duck Creek Sewer Sludge Transfer Station	1,278
Pleasant Valley-Firewheel Pkwy to Richfield	1,224
GP&L Rosehill Substation Transmission Lines	1,183
Water Transmission Lines 16" and above	1,081
Landfill Waste Cell 6	1,073

Additional information on the City's capital assets can be found in note IV.C. on pages 56-58 of this report.

Debt

Debt issues outstanding for the fiscal years 2013 and 2012 were as follows:

	Governmental Activities		Business-type Activities		Total		
	2013	2012	2013	2012	2013	2012	Change
Long-Term:							
General obligation bonds	$202,499,352	$218,769,750	$ 66,665,000	$ 75,000,000	$269,164,352	$293,769,750	$(24,605,398)
Certificates of obligation	72,005,000	65,310,000	130,820,000	130,665,000	202,825,000	195,975,000	6,850,000
Utility system revenue bonds	-	-	297,640,000	305,640,000	297,640,000	305,640,000	(8,000,000)
Commercial paper	-	-	80,000,000	10,000,000	80,000,000	10,000,000	70,000,000
Total Long-Term	274,504,352	284,079,750	575,125,000	521,305,000	849,629,352	805,384,750	44,244,602
Short-Term:							
Commercial Paper	10,000,000	10,000,000	-	-	10,000,000	10,000,000	-
Total Short-Term	10,000,000	10,000,000	-	-	10,000,000	10,000,000	-
Total outstanding debt	$284,504,352	$294,079,750	$575,125,000	$521,305,000	$859,629,352	$815,384,750	$ 44,244,602

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

Issue	Principal	Bond Ratings Standard & Poor's	Bond Ratings Fitch IBCA
Long-term			
Certificates of Obligation Bonds, Series 2013	$ 12,725,000	AA+	AAA
General Obligation Refunding Bonds, Series 2013	12,280,000	AA+	AAA
Electric Utility System Revenue Refunding Bonds, Series 2013	11,790,000	AA-	AA-
Water & Sewer System Revenue Refunding and Improvement Bonds, Series 2013	29,925,000	AA	AA+
Electric Commercial Paper, Series 2012A	40,000,000	A-1	F-1
Electric Commercial Paper, Series 2012B	40,000,000	A-1+	F-1
Short-term			
General Obligation Commercial Paper	10,000,000	A1+	F1+
Total debt financing	$156,720,000		

The proceeds of the Certificates of Obligation Bonds, Series 2013 will be used for the following:

- Constructing, equipping, and improving various facilities in the City,
- Improving and equipping the golf course and City Hall,
- Purchasing equipment for EWS, the street departments, and constructing improvements and purchasing equipment for management information services and fleet services departments.

The proceeds of the General Obligation Refunding Bonds, Series 2013 were used to advance refund General Obligation Bonds, Series 2008 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, Series 2013 were used to advance refund Electric Utility System Revenue Bonds, Series 2005 at the call date. As a result of the refunding, the Electric Fund decreased its total debt service payments.

The proceeds of the Water & Sewer System Revenue Refunding and Improvement Bonds, Series 2013 were used to advance refund Water and Sewer System Revenue Bonds, Series 2005 and 2006 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. These financing tools provide interest savings. During the year, the City issued general obligation commercial paper notes amounting to $10,000,000 to fund various governmental construction projects.

In 2012, the City initiated a three year $135 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 $80,000,000 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 66 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 $114,058,601. This other asset will be reviewed annually to determine if it has been impaired based on changes at TMPA and or changes in the electric industry.

The City's variable rate interest General Obligation Bonds, Series 2007B, are subject to an interest rate cap. The object of this interest rate cap is to provide a 3.8% ceiling on the interest rate paid on these bonds. Under the terms of this interest cap agreement, Bank of America is required to pay the City the amount of interest paid to the bond holders in excess of 3.8%. In addition, this agreement requires the City to pay Bank of America a quarterly fee for this interest rate cap. This interest rate cap agreement results in an interest 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 $537,499 based on the current interest rates and the net present value of the future fees to be paid to Bank of America. GASB 53 requires that the City record a liability and a deferred outflow of resources to reflect this potential liability. The City does not intend to terminate the interest rate swap with Bank of America before it is scheduled to end on August 15, 2015. Therefore, the City does not anticipate having to liquidate this liability with cash. Additional information related to this bond issue can be found in note IV.E. on pages 65-66 of this report.

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

The City's Funds

At the close of the City's fiscal year, the governmental funds of the City reported a combined fund balance of $74,019,448, a decrease of $2,403,266 from the prior fiscal year. The decrease in the net change in fund balance for the Capital Projects Fund of $6,395,574 is attributable to capital project expenditures funded by general obligation commercial paper $10,000,000. This loan instrument is reported as a liability on the Capital Projects Fund balance sheet and not as other financing sources revenue on the statement of revenues, expenditures and changes in fund balance. General obligation bond proceeds will be recognized as revenue in the future when the City issues general obligation refunding bonds to refund the outstanding commercial paper.

The General Fund ended the fiscal year with a fund balance of $24,263,870 which was an increase of $2,200,349 from the prior fiscal year. The original budget projected a decrease in fund balance of $2,214,515 which was later revised to a decrease of $4,295,963 in fund balance. Favorable budget variances were experienced for revenues as well as expenditures for the fiscal year. Actual revenues and proceeds from the sale of capital assets exceeded final budgeted revenues by $3,061,508 and actual expenditures were under the final budget amount by $2,673,715. This favorable budget variance was a result of better than anticipated property tax revenues, franchise fees, licenses and permits, sale of capital assets and other operational expenditure savings across General Fund departments.

The Debt Service Fund ended the fiscal year with a fund balance of $6,314,007 due to a net increase in fund balance for the fiscal year of $1,072,974. This increase in fund balance was the result of a decrease in the transfer of funds of $5,439,999 and an increase in principal and interest payments of $3,270,427.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2013, 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 $669,275.

Economic Factors and Next Year's Budgets and Rates

The City's unemployment rate at September 30, 2013 was 6.3% and the State of Texas unemployment rate was 7.2%. The City's estimated population of 231,618 (as estimated at January 1, 2013 by the City's Planning department) remained virtually unchanged from the prior year.

The primary focus of the 2013 Adopted Budget was to maintain the current Ad Valorem Tax rate and current City service levels while providing increases in compensation for City employees to the extent funding would allow. To address the 2013 economic forecast concerns, the City implemented the following measures in the 2012-13 adopted budget:

- 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.

No rate increases were included in the 2013 Adopted Budget for Electric, Wastewater, or Stormwater services. Fiscal year 2012-13 was the first year that the Electric Utility made draws from the Rate Mitigation Fund. These draws were made in order to offset increasing Debt Service cost being passed on to member cities by the Texas Municipal Power Agency (TMPA). Additional draws are anticipated each year until 2018.

The primary focus of the FY 2013-14 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.

Fiscal year 2013-14 will be the second 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. No rate increases were included in the FY2013-14 Budget and TMPA fuel costs show a modest increase of $2.4 million (9.4%), while TMPA demand costs are projected to decrease by $5.7 million or 9.3%.

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, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	As of December 31, 2012
ASSETS				
Cash and cash equivalents	$ 46,119,503	$ 26,397,456	$ 72,516,959	$ 585,314
Investments	78,405,151	49,343,067	127,748,218	-
Accounts Receivable, net of allowance for uncollectibles	14,969,591	74,450,685	89,420,276	51,043
Due from other governments	918,596	-	918,596	-
Internal Balances	(10,693,702)	10,693,702	-	-
Inventories	5,572,382	6,198,904	11,771,286	-
Prepaid and other items	-	2,300,760	2,300,760	-
Restricted Assets:				
Cash and cash equivalents	4,229,684	44,605,281	48,834,965	-
Investments	3,923,596	197,048,186	200,971,782	-
Accrued interest	3,833	269,998	273,831	-
Deferred bond issuance costs	2,338,466	5,870,223	8,208,689	-
Assets held for resale	73,060	-	73,060	494,307
Capital Assets:				
Land	82,577,005	20,095,639	102,672,644	1,140,710
Construction in Progress	18,948,112	116,490,541	135,438,653	-
Buildings, Improvements, Equipment and System (net of accumulated depreciation)	273,693,448	645,659,290	919,352,738	-
Other Assets	-	114,563,818	114,563,818	-
Total assets	521,078,725	1,313,987,550	1,835,066,275	2,271,374
Deferred Outflows				
Fair value of interest rate cap	537,499	-	537,499	-
Fair value of energy risk derivatives	-	12,644	12,644	-
Total deferred outflows	537,499	12,644	550,143	-
LIABILITIES				
Accounts payable and accrued liabilities	18,385,299	37,318,533	55,703,832	-
Escrow payable	239,195	-	239,195	-
Retainage payable	169,646	737,467	907,113	-
Accrued interest payable	1,622,474	2,441,005	4,063,479	-
Customer deposits	12,600,911	-	12,600,911	-
Commercial Paper	10,000,000	-	10,000,000	-
Interest rate cap	537,499	-	537,499	-
Derivative instrument-energy risk management	-	12,644	12,644	-
Due to other governments	571,687	-	571,687	-
Unearned revenue	5,107,421	-	5,107,421	1,206,625
Noncurrent Liabilities:				
Due within one year	36,946,213	30,097,740	67,043,953	-
Due in more than one year	298,497,322	572,914,324	871,411,646	-
Total liabilities	384,677,667	643,521,713	1,028,199,380	1,206,625
NET POSITION				
Net investment in capital assets	127,763,560	438,249,356	566,012,916	1,140,710
Restricted for:				
Debt Service	4,691,533	3,739,680	8,431,213	-
Construction	1,531,005	-	1,531,005	-
Rate Mitigation	-	174,951,776	174,951,776	-
Housing	1,636,505	-	1,636,505	-
Unrestricted net position	1,315,954	53,537,669	54,853,623	(75,961)
Total net position	$ 136,938,557	$ 670,478,481	$ 807,417,038	$ 1,064,749

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, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs	Expenses	Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	for three months ended 12/31/12
Primary Government								
Governmental activities:								
General government	$ 29,243,108	$ 6,792,917	$ 14,601,429	$ -	$ (7,848,762)	$ -	$ (7,848,762)	$ -
Public safety	92,128,110	15,467,011	2,058,379	-	(74,602,720)	-	(74,602,720)	-
Public works	40,870,496	14,626,584	-	1,785,232	(24,458,680)	-	(24,458,680)	-
Culture and recreation	21,442,173	1,726,202	76,236	-	(19,639,735)	-	(19,639,735)	-
Public health	4,322,827	534,179	467,280	-	(3,321,368)	-	(3,321,368)	-
Interest and fiscal charges	11,094,537	-	-	-	(11,094,537)	-	(11,094,537)	-
Total governmental activities	199,101,251	39,146,893	17,203,324	1,785,232	(140,965,802)	-	(140,965,802)	-
Business type activities:								
Electric	271,815,312	296,866,570	-	143,377	-	25,194,635	25,194,635	-
Water	43,758,542	50,176,879	-	1,092,419	-	7,510,756	7,510,756	-
Sewer	36,288,797	41,831,894	-	552,141	-	6,095,238	6,095,238	-
Golf	4,889,818	3,677,689	-	-	-	(1,212,129)	(1,212,129)	-
Heliport	5,365	6,865	-	-	-	1,500	1,500	-
Storm Water Management	3,926,814	3,824,990	-	-	-	(101,824)	(101,824)	-
Parks Performance	964,590	1,124,046	-	-	-	159,456	159,456	-
Sanitation	16,965,951	17,469,768	-	-	-	503,817	503,817	-
Total business-type activities	378,615,189	414,978,701	-	1,787,937	-	38,151,449	38,151,449	-
Total primary government	$ 577,716,440	$ 454,125,594	$ 17,203,324	$ 3,573,169	(140,965,802)	38,151,449	(102,814,353)	-
Component units								
Garland Housing Finance Corp.	$ 33,348	$ 8,632	$ -	-	-	-	-	(24,716)
	$ 33,348	$ 8,632	$ -	$ -				
General revenues:								
Sales taxes					23,537,389	-	23,537,389	-
Franchise fees					8,646,942	-	8,646,942	-
Property taxes					71,160,273	-	71,160,273	-
Hotel/Motel taxes					825,003	-	825,003	-
Mixed drink taxes					255,607	-	255,607	-
Bingo taxes					106,252	-	106,252	-
Unrestricted investment earnings					266,319	42,619	308,938	4,978
Miscellaneous					59,186	1,701,278	1,760,464	-
Transfers					30,796,507	(30,796,507)	-	-
Total general revenues and transfers					135,653,478	(29,052,610)	106,600,868	4,978
Change in net position					(5,312,324)	9,098,839	3,786,515	(19,738)
Net position-beginning as restated, see Note S					142,250,881	661,379,642	803,630,523	1,084,487
Net position-ending					$ 136,938,557	$ 670,478,481	$ 807,417,038	$ 1,064,749

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

City of Garland, Texas
Governmental Funds
Balance Sheet
September 30, 2013

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 9,246,724	$ 6,272,645	$ 13,551,727	$ 3,743,267	$ 32,814,363
Investments	17,754,937	-	29,609,350	6,886,048	54,250,335
Receivables:					
Accounts, net	9,017,838	-	-	4,012,654	13,030,492
Taxes, net	548,030	432,026	-	-	980,056
Accrued interest	34,623	1,741	37,673	8,391	82,428
Assessments	17,194	-	-	-	17,194
Other	-	-	-	-	-
Due from other funds	2,044,828	-	1,005,118	-	3,049,946
Due from other governments	302,814	-	-	615,782	918,596
Assets held for resale	-	-	-	73,060	73,060
Restricted assets:					
Cash and cash equivalents	-	-	-	2,188,065	2,188,065
Total Assets	$ 38,966,988	$ 6,706,412	$ 44,203,868	$ 17,527,267	$ 107,404,535
LIABILITIES					
Accounts payable and accrued liabilities	$ 10,341,334	$ 19,667	$ 1,790,247	$ 546,128	$ 12,697,376
Escrow payable	-	-	-	239,195	239,195
Due to other funds	5,118	-	160,820	265,776	431,714
Unearned/unavailable revenues	4,341,353	372,738	182,502	4,391,358	9,287,951
Due to other governments	-	-	-	571,687	571,687
Retainage payable	15,313	-	141,851	-	157,164
Commercial paper	-	-	10,000,000	-	10,000,000
Total Liabilities	14,703,118	392,405	12,275,420	6,014,144	33,385,087
FUND BALANCES					
Fund balances:					
Restricted	1,531,005	6,314,007	31,928,448	4,127,675	43,901,135
Committed	-	-	-	7,385,448	7,385,448
Assigned	4,480,000	-	-	-	4,480,000
Unassigned	18,252,865	-	-	-	18,252,865
Total Fund Balances	24,263,870	6,314,007	31,928,448	11,513,123	74,019,448
Total Liabilities and Fund Balances	$ 38,966,988	$ 6,706,412	$ 44,203,868	$ 17,527,267	$ 107,404,535

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, 2013

Total fund balances - governmental funds	$	74,019,448
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.		321,472,241
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.		4,180,530
Bond interest is not accrued at the fund level.		(1,434,220)
Deferred bond issuance costs are not reported at the fund level.		1,938,773
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		(242,669,352)
Landfill closure costs		(8,760,996)
Compensated absences		(18,788,447)
Unamortized premium, loss on refunding, and bond issue costs		(8,264,932)
Other Post Employment Benefits liability payable		(7,517,487)
Internal service funds net asset adjustment excluding assets and liabilities included in the adjustments listed above. Internal service funds are used by management to charge the costs of various services to individual funds. Certain assets and liabilities of the internal service funds are included with governmental activities in the statement of net position.		25,026,774
Total net position - governmental activities	$	139,202,332

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, 2013

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 63,253,894	$ 31,126,521	$ -	$ 1,413,579	$ 95,793,994
Franchise fees	8,646,942	-	-	-	8,646,942
Service charges	20,239,605	-	-	-	20,239,605
Licenses and permits	3,393,137	-	-	-	3,393,137
Earnings on investments	213,732	18,066	4,831	6,459	243,088
Intergovernmental	1,190,211	-	-	14,889,614	16,079,825
Intragovernmental	7,973,376	-	-	-	7,973,376
Fines and forfeits	6,955,299	-	-	-	6,955,299
Rents and concessions	804,298	-	-	-	804,298
Assessments	-	-	61,779	-	61,779
Impact Fees	-	-	-	377,520	377,520
Program income	-	-	-	365,103	365,103
Special event income	-	-	-	216,026	216,026
Court awarded seizures	-	-	-	192,737	192,737
Miscellaneous and other	-	-	1,384,555	957,551	2,342,106
Total revenues	112,670,494	31,144,587	1,451,165	18,418,589	163,684,835
EXPENDITURES					
Current:					
General government	9,679,317	-	141,535	-	9,820,852
Public safety	78,338,393	-	-	-	78,338,393
Public works	17,391,246	-	-	-	17,391,246
Culture and recreation	13,218,113	-	-	-	13,218,113
Public health	3,579,737	-	-	-	3,579,737
Nondepartmental	21,243,401	-	-	-	21,243,401
Operations	-	-	-	15,974,313	15,974,313
Capital outlay	-	-	16,954,849	1,505,278	18,460,127
Debt service:					
Principal	-	17,370,398	-	-	17,370,398
Interest	-	11,900,025	-	-	11,900,025
Issue costs on issuance of debt	-	160,687	167,631	-	328,318
Other and fiscal expenditures	-	339,837	-	-	339,837
Total expenditures	143,450,207	29,770,947	17,264,015	17,479,591	207,964,760
Excess (deficiency) of revenues over (under) expenditures	(30,779,713)	1,373,640	(15,812,850)	938,998	(44,279,925)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	361,687	-	80,000	86,500	528,187
Transfers in	34,515,966	552,682	2,664,645	114,305	37,847,598
Transfers out	(1,897,591)	(86,444)	(4,805,000)	(420,818)	(7,209,853)
Issuance of debt	-	-	10,790,000	-	10,790,000
Premium on issuance of debt	-	543,096	687,631	-	1,230,727
Issuance of refunding bonds	-	6,650,000	-	-	6,650,000
Payment to refunded bonds escrow agent	-	(7,960,000)	-	-	(7,960,000)
Total other financing sources (uses)	32,980,062	(300,666)	9,417,276	(220,013)	41,876,659
Net change in fund balance	2,200,349	1,072,974	(6,395,574)	718,985	(2,403,266)
Fund balances - beginning	22,063,521	5,241,033	38,324,022	10,794,138	76,422,714
Fund balances - ending	$ 24,263,870	$ 6,314,007	$ 31,928,448	$ 11,513,123	$ 74,019,448

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, 2013

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

Net change in fund balances - total governmental funds	$ (2,403,266)
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.	(8,142,489)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	144,524
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	7,385,714
Other Post Employment Benefits liability is accrued in the government wide financial statements but not at the fund level.	451,679
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.	1,413,665
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.	(1,446,698)
Net change in net position-total governmental activities	$ (2,596,871)

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, 2013

	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	$ 16,786,643	$ 3,110,197	$ 5,867,068	$ 633,548	$ 26,397,456	$ 13,305,139
Investments	30,979,650	5,973,319	11,273,255	1,116,843	49,343,067	24,154,815
Receivable, net of allowance	60,681,407	6,925,811	4,480,283	2,306,081	74,393,582	830,657
Accrued interest	33,933	6,856	14,738	1,576	57,103	28,763
Inventories	6,150,086	-	-	48,818	6,198,904	5,572,382
Prepaid Expense	2,300,760	-	-	-	2,300,760	-
Total current assets	116,932,479	16,016,183	21,635,344	4,106,866	158,690,872	43,891,756
Noncurrent Assets:						
Restricted assets						
Revenue bond retirement fund:						
Cash and cash equivalents	160,885	-	-	-	160,885	-
Total revenue bond retirement fund	160,885	-	-	-	160,885	-
Revenue bond reserve fund:						
Cash and cash equivalents	-	1,352,817	2,225,978	-	3,578,795	-
Total revenue bond reserve fund	-	1,352,817	2,225,978		3,578,795	-
Rate mitigation:						
Cash and cash equivalents	8,364,205	-	-	-	8,364,205	-
Investments	166,357,971	-	-	-	166,357,971	-
Accrued interest	229,600	-	-	-	229,600	-
Total rate mitigation	174,951,776	-	-	-	174,951,776	-
Construction funds:						
Cash and cash equivalents	19,409,310	3,311,588	9,130,688	649,810	32,501,396	2,041,620
Investments	5,528,005	6,367,281	17,549,088	1,245,841	30,690,215	3,923,596
Accrued interest	6,083	8,992	23,085	2,238	40,398	3,833
Total construction funds	24,943,398	9,687,861	26,702,861	1,897,889	63,232,009	5,969,049
Capital Assets:						
Land	5,078,858	1,491,430	2,338,807	11,186,544	20,095,639	221,949
Buildings, improvements, equipment and systems	426,218,077	240,590,732	429,550,285	32,849,437	1,129,208,531	94,825,238
Construction in progress	83,968,380	20,050,075	12,044,604	427,482	116,490,541	3,090,434
Less accumulated depreciation	(170,757,000)	(96,933,855)	(196,084,515)	(19,773,871)	(483,549,241)	(44,391,297)
Net capital assets	344,508,315	165,198,382	247,849,181	24,689,592	782,245,470	53,746,324
Unamortized bond issuance cost	2,944,700	1,216,264	1,655,432	53,827	5,870,223	399,693
Other Assets	114,563,818	-	-	-	114,563,818	-
Advance to other funds	3,896,269	-	-	-	3,896,269	-
Total noncurrent assets	665,969,161	177,455,324	278,433,452	26,641,308	1,148,499,245	60,115,066
Total Assets	$ 782,901,640	$ 193,471,507	$ 300,068,796	$ 30,748,174	$ 1,307,190,117	$ 104,006,822
Deferred Outflows						
Fair value of energy risk derivatives	$ 12,644	$ -	$ -	$ -	$ 12,644	$ -

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, 2013

	Business-type Activities					Governmental Activities
	Electric	**Water**	**Sewer**	**Other Nonmajor Enterprise Funds**	**Total Enterprise Funds**	**Internal Service Funds**
LIABILITIES						
Current liabilities:						
Payable from current assets						
Accounts payable and accrued liabilities	$ 16,564,925	$ 2,447,173	$ 893,938	$ 608,838	$ 20,514,874	$ 5,516,600
Due to other funds	1,000,000	-	-	1,156,210	2,156,210	462,022
Insurance claims payable	-	-	-	-	-	4,741,877
Accrued interest payable:						
General obligation bonds	266,303	49,846	136,441	-	452,590	5,405
Certificates of obligation	799,708	-	-	30,170	829,878	182,849
Revenue bonds	351,082	362,992	444,463	-	1,158,537	-
Customer deposits	-	-	-	-	-	12,600,911
General obligation bonds	5,095,000	935,000	2,440,000	-	8,470,000	50,000
Certificates of obligation	105,000	-	-	1,070,000	1,175,000	2,115,000
Revenue bonds	6,140,000	4,420,000	6,965,000	-	17,525,000	-
Capital lease-current portion	-	-	-	-	-	31,755
OPEB liability-current	426,586	114,712	173,861	249,141	964,300	451,679
Compensated absences	1,142,014	220,309	314,514	286,603	1,963,440	633,570
Total current liabilities	31,890,618	8,550,032	11,368,217	3,400,962	55,209,829	26,791,668
Long-term Liabilities:						
Payable from restricted assets						
Accounts payable	14,554,587	734,806	1,359,492	154,774	16,803,659	171,322
Retainage payable	-	409,230	328,237	-	737,467	12,482
Total payable from restricted assets	14,554,587	1,144,036	1,687,729	154,774	17,541,126	183,804
Advances from other funds	-	-	-	-	-	3,896,269
Revenue bonds payable (net of unamortized premium)	87,833,082	86,206,082	115,793,541	-	289,832,705	-
Certificates of obligation (net of unamortized premium)	136,575,781	-	-	3,062,300	139,638,081	29,531,677
General obligation bonds (net of unamortized premium and defeased bond costs)	36,339,985	5,951,037	17,595,189	-	59,886,211	831,894
Commercial paper	80,000,000	-	-	-	80,000,000	-
Capital lease	-	-	-	-	-	33,343
Derivative instruments-energy risk management	12,644	-	-	-	12,644	-
Insurance claims payable	-	-	-	-	-	7,146,121
OPEB liability	1,461,420	367,313	586,319	834,535	3,249,587	1,495,323
Compensated absences	238,769	863	32,783	35,325	307,740	116,307
Total other liabilities	342,461,681	92,525,295	134,007,832	3,932,160	572,926,968	43,050,934
Total Liabilities	388,906,886	102,219,363	147,063,778	7,487,896	645,677,923	70,026,406
NET POSITION						
Net investment in capital assets	209,648,278	76,230,088	130,070,583	22,300,407	438,249,356	27,002,998
Restricted for:						
Debt Service	160,885	1,352,817	2,225,978	-	3,739,680	-
Rate Mitigation	174,951,776	-	-	-	174,951,776	-
Unrestricted	9,246,459	13,669,239	20,708,457	959,871	44,584,026	6,977,419
Total net position	$ 394,007,398	$ 91,252,144	$ 153,005,018	$ 23,260,278	661,524,838	$ 33,980,417
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.					8,953,643	
Net assets of business type activities					$ 670,478,481	

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

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City of Garland, Texas
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended September 30, 2013

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:						
Charges for services	$ 296,866,570	$ 50,176,879	$ 41,831,894	$ 26,103,358	$ 414,978,701	$ 46,278,655
Insurance premiums	-	-	-	-	-	27,474,972
Other	891,631	345,897	279,876	183,874	1,701,278	1,642,364
Total Operating Revenues	297,758,201	50,522,776	42,111,770	26,287,232	416,679,979	75,395,991
OPERATING EXPENSES:						
Salaries and benefits	21,106,404	4,527,951	6,821,384	9,344,047	41,799,786	16,662,140
Demand charges	56,788,485	-	-	-	56,788,485	-
Amortization of other assets	6,912,643	-	-	-	6,912,643	
Energy and fuel purchases	136,202,089	-	-	-	136,202,089	-
Water purchases	-	22,431,264	-	-	22,431,264	-
Landfill fees	-	-	-	3,856,038	3,856,038	-
Maintenance, repairs, and other	12,169,585	4,735,091	8,351,407	8,328,916	33,584,999	17,939,015
Insurance and other expenses	3,057,223	260,407	443,197	635,426	4,396,253	-
General and administrative	11,421,559	4,405,943	4,377,028	2,057,201	22,261,731	6,872,114
Capitalized general and administrative	-	(770,177)	(72,163)	-	(842,340)	-
Premiums	-	-	-	-	-	7,474,566
Claims	426,586	114,712	173,861	249,141	964,300	19,005,953
Administrative services	-	-	-	-	-	1,020,144
Depreciation	12,018,431	6,068,923	12,237,872	2,203,115	32,528,341	7,084,128
Total Operating Expenses	260,103,005	41,774,114	32,332,586	26,673,884	360,883,589	76,058,060
Total Operating Income (Loss)	$ 37,655,196	$ 8,748,662	$ 9,779,184	$ (386,652)	$ 55,796,390	$ (662,069)
NONOPERATING REVENUES (EXPENSES)						
Gain (loss) on disposal of capital assets	$ (1,219,947)	$ -	$ 5,487	$ 27,035	$ (1,187,425)	$ 85,096
Investment income (loss)	(30,072)	22,172	48,250	2,269	42,619	23,233
Interest expense	(10,249,362)	(1,945,132)	(3,929,106)	(81,642)	(16,205,242)	(1,390,653)
Income (loss) before transfers and contributions	26,155,815	6,825,702	5,903,815	(438,990)	38,446,342	(1,944,393)
Capital contributions	143,377	1,092,419	552,141	-	1,787,937	-
TRANSFERS						
Transfers in	1,242,049	-	-	1,905,000	3,147,049	1,807,773
Transfers out	(21,659,651)	(5,050,741)	(5,605,642)	(1,627,522)	(33,943,556)	(1,649,011)
Net transfers	(20,417,602)	(5,050,741)	(5,605,642)	277,478	(30,796,507)	158,762
NET INCOME (LOSS)	5,881,590	2,867,380	850,314	(161,512)	9,437,772	(1,785,631)
Net position, beginning of year as restated, see Note S	388,125,808	88,384,764	152,154,704	23,421,790	652,087,066	35,766,048
Net position, end of year	$ 394,007,398	$ 91,252,144	$ 153,005,018	$ 23,260,278	661,524,838	$ 33,980,417

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	(338,933)
Change in net position of business-type activities	$ 9,098,839

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, 2013

	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	$ 273,516,532	$ 49,786,247	$ 41,591,481	$ 26,050,888	$ 390,945,148	$ 73,826,785
Cash received for customer deposit	-	-	-	-	-	591,776
Cash paid to suppliers	(217,630,825)	(30,657,239)	(12,994,235)	(14,784,088)	(276,066,387)	(49,995,194)
Cash paid to employees for services	(20,958,867)	(4,515,043)	(6,801,398)	(9,349,282)	(41,624,590)	(16,571,335)
Other operating revenues	891,631	345,896	279,877	183,875	1,701,279	1,642,364
Net cash provided by operations	35,818,471	14,959,861	22,075,725	2,101,393	74,955,450	9,494,396
Cash flows from noncapital financing activities:						
Due to other funds increases (decreases)	690,862	127,801	42,892	(262,457)	599,098	(1,160,896)
Due from other funds decreases (increases)	343,774	(226)	-	-	343,548	-
Due to other governments decreases	-	-	-	(227)	(227)	-
Transfers in	1,242,049	-	-	1,905,000	3,147,049	1,807,773
Transfers out	(21,659,653)	(5,050,741)	(5,605,642)	(1,627,522)	(33,943,558)	(1,649,011)
Net cash provided by (used for) noncapital financing activities	(19,382,968)	(4,923,166)	(5,562,750)	14,794	(29,854,090)	(1,002,134)
Cash flows from capital and related financing activities:						
Proceeds from sales of:						
Certificates of obligation	-	-	-	1,395,000	1,395,000	540,000
Revenue bonds	11,790,000	18,610,000	11,315,000	-	41,715,000	-
General obligation bonds	1,775,000	1,440,000	2,395,000	-	5,610,000	20,000
Premium on issuance of debt	278,525	826,674	720,738	109,541	1,935,478	35,676
Commercial paper	80,000,000	-	-	-	80,000,000	-
Acquisition and construction of capital assets	(72,049,548)	(15,725,497)	(9,871,519)	(2,646,823)	(100,293,387)	(6,530,542)
Principal paid on:						
Revenue bonds	(5,985,000)	(3,780,000)	(6,585,000)	-	(16,350,000)	-
Certificates of obligation	(45,000)	-	-	(1,195,000)	(1,240,000)	(2,170,000)
General obligation bonds	(4,470,000)	(830,000)	(2,220,000)	-	(7,520,000)	(45,000)
Advance from other funds (decrease)	13,458	-	-	(13,458)	-	-
Payment to escrow agent	(13,979,346)	(13,000,319)	(14,469,539)	-	(41,449,204)	(30,321)
Capital lease	-	-	-	-	-	(30,243)
Commercial paper	(10,000,000)	-	-	-	(10,000,000)	-
Interest paid on:						
Revenue bonds	(4,155,808)	(3,564,872)	(5,066,516)	-	(12,787,196)	-
Certificates of obligation	(6,259,039)	-	-	(90,222)	(6,349,261)	(1,338,242)
General obligation bonds	(2,110,604)	(299,379)	(937,965)	-	(3,347,948)	(83,154)
Commercial paper	(660,872)	-	-	-	(660,872)	-
Advances from other funds	-	-	-	(645)	(645)	-
Capital lease	-	-	-	-	-	(4,768)
Bond issue expense	(250,275)	(290,170)	(193,906)	(19,541)	(753,892)	(10,857)
Contributions	-	75,157	6,457	-	81,614	-
Proceeds from sales of assets	13,796	-	16,803	225,785	256,384	250,532
Net cash used for capital and related financing activities	(26,094,713)	(16,538,406)	(24,890,447)	(2,235,363)	(69,758,929)	(9,396,919)

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, 2013

	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	(187,978,191)	(12,151,030)	(32,060,730)	(2,522,950)	(234,712,901)	(29,622,295)
Proceeds from sale and maturities of investment securities	156,210,653	13,464,036	31,327,105	2,144,281	203,146,075	24,663,865
Interest (loss) received on investments	1,100,311	24,932	49,481	1,343	1,176,067	19,925
Net cash provided by (used for) investing activities	(30,667,227)	1,337,938	(684,144)	(377,326)	(30,390,759)	(4,938,505)
Net decrease in cash and cash equivalents	(40,326,437)	(5,163,773)	(9,061,616)	(496,502)	(55,048,328)	(5,843,162)
Cash and cash equivalents at beginning of the year	85,047,480	12,938,375	26,285,350	1,779,860	126,051,065	21,189,921
Cash and cash equivalents at end of the year	$ 44,721,043	$ 7,774,602	$ 17,223,734	$ 1,283,358	$ 71,002,737	$ 15,346,759
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities						
Operating income (loss)	$ 37,655,196	$ 8,748,662	$ 9,779,184	$ (386,652)	$ 55,796,390	$ (662,069)
Adjustments:						
Depreciation expense	12,018,431	6,068,923	12,237,872	2,203,115	32,528,341	7,084,128
Change in allowance for uncollectible accounts	10,020	(52,603)	(62,146)	(5,518)	(110,247)	-
Change in assets and liabilities						
Increase in accounts receivable	(23,360,059)	(338,029)	(178,267)	(46,952)	(23,923,307)	73,157
Increase in inventory	(1,510,236)	-	-	(48,818)	(1,559,054)	324,210
Decrease in other assets	6,407,426	-	-	-	6,407,426	-
(Increase) decrease in other prepaid expense	(465,509)	-	-	24,949	(440,560)	-
Increase in accounts payable	4,489,079	405,288	105,235	117,363	5,116,965	1,166,183
Increase (decrease) in compensated absences	147,537	12,908	19,986	(5,235)	175,196	28,072
Increase in customer deposits	-	-	-	-	-	591,776
Increase in OPEB payable	426,586	114,712	173,861	249,141	964,300	451,679
Decrease in insurance claims payable	-	-	-	-	-	437,260
Total adjustments	(1,836,725)	6,211,199	12,296,541	2,488,045	19,159,060	10,156,465
Net cash provided by operating activities	$ 35,818,471	$ 14,959,861	$ 22,075,725	$ 2,101,393	$ 74,955,450	$ 9,494,396
Noncash investing, capital and financing activities:						
Contributions from developers	143,377	1,017,262	545,685	-	1,706,324	-
Capitalized general & administrative expense	-	770,177	72,163	-	842,340	-
Capitalized Revenue Bond Interest	1,760,125	1,804,679	1,742,001	-	5,306,805	-
Loss on fair market value of investments	(1,161,657)	-	-	-	(1,161,657)	-
Change in restricted accounts payable	(13,322,041)	(201,554)	(413,708)	(44,241)	(13,981,544)	(112,922)

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, 2013

		Other Post Employment Benefits Trust Fund
Assets		
Investments:		
Equity mutual funds	$	358,162
Fixed income mutual funds		375,552
Money market fund		28,983
Total Investments		762,697
Total assets	$	762,697
Net Position		
Held in trust for other post employmenet benefits and other purposes		762,697
	$	762,697

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, 2013

		Other Post Employment Benefits Trust Fund
Additions		
Earnings from investments	$	63,825
Employer contributions		3,709,475
Retiree contributions		2,216,266
Total additions		5,989,566
Deductions		
Administrative expenses		5,362
Payments to beneficiaries		5,825,741
Total deductions		5,831,103
Change in net position		158,463
Net position, beginning of year		604,234
Net position, end of year	$	762,697

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

GARLAND

TEXAS MADE HERE

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 stub period of October 1, 2012 through December 31, 2012. Complete separate December 31, 2012 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.

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 taxes, licenses, mowing liens, sales taxes, EMS fees, court fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are available as defined above. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

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

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

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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 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.

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".

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

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

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

3. *Inventories and prepaid items*

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

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

4. *Restricted assets*

Certain proceeds of the City's general obligation bonds, certificates of obligation, and revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet or statement of net position because their use is limited by applicable bond covenants or they are maintained in separate bank accounts due to City Charter requirements. The "rate mitigation" account is used to report resources set aside to subsidize potential deficiencies from Electric Fund operations that could adversely affect rates that are charged to customers. The "revenue bond construction" accounts are used to report those proceeds of revenue bond issuances that are restricted for use in construction of assets.

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 $29,495,920. Of this amount, $5,306,805 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:

Assets	Years
Buildings	15 – 40
Improvements other than buildings	5 – 15
Equipment	2 – 10
Systems and Infrastructure	15 – 45

6. *Compensated absences*

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

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 amortized over the life of the related debt using the interest method. Defeased debt costs are amortized using the interest method over the shorter of the remaining life of the old debt or the life of the new debt.

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

8. *Classifications of Fund balance*

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 formal action of the City Council. Formal 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.

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, 2013 are:

Fund Balance	*General Fund*	*Debt Service*	*Capital Projects*	*Other Nonmajor Governmental Funds*	*Total Governmental Funds*
Nonspendable:					
Prepaids	$ -	$ -	$ -	$ -	$ -
Total Nonspendable	-	-	-	-	-
Restricted:					
General government	1,531,005	-	-	1,465,177	2,996,182
Debt service	-	6,314,007	-	-	6,314,007
Construction	-	-	31,928,448	-	31,928,448
Housing Assistance	-	-	-	1,727,296	1,727,296
Public Safety	-	-	-	935,202	935,202
Total Restricted	1,531,005	6,314,007	31,928,448	4,127,675	43,901,135
Committed:					
General government	-	-	-	444,858	444,858
Culture and recreation	-	-	-	1,934,063	1,934,063
Public works	-	-	-	5,006,527	5,006,527
Total Committed	-	-	-	7,385,448	7,385,448
Assigned:					
General government	4,480,000	-	-	-	4,480,000
Total Assigned	4,480,000	-	-	-	4,480,000
Unassigned	18,252,865	-	-	-	18,252,865
Total fund balance	$ 24,263,870	$ 6,314,007	$ 31,928,448	$ 11,513,123	$ 74,019,448

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.

10. *New accounting principles*

The City implemented the following new GASB standards during the fiscal year ended September 30, 2013:

The GASB has issued Statement No. 60, *"Accounting and Financial Reporting for Service Concession Arrangement"* ("GASB 60"), which became effective in fiscal year 2013. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The adoption of this statement had no impact on the financial statements.

The GASB has issued Statement No. 61, *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34"* ("GASB 61"), which became effective in fiscal year 2013. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, "*The Financial Reporting Entity"*, and the related financial report requirement of Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. The City determined that the Garland Health Facilities Development Corporation and the Garland Economic Development Authority, which were discretely presented 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 FY2013 Comprehensive Annual Financial Report.

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

The GASB has issued Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* ("GASB 63"), which became effective in fiscal year 2013. The requirements of this Statement improves financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The changes related to the adoption of this statement required changing the title of the Statement of Net Assets to the Statement of Net Position. The deferred outflows of resources and deferred inflows of resources are reflected as separate reporting categories on the Statement of Net Position.

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. 65, *"Items Previously Reported as Assets and Liabilities"* ("GASB 65"), which will be 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 City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 66, *"Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62"* ("GASB 66"), which will be 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 City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 67, *"Financial Reporting for Pension Plans – an amendment to GASB Statement No. 25"* ("GASB 67"), which will be 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 City has not yet evaluated the impact of the implementation of this standard.

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. 70, *"Accounting and Financial Reporting for Nonexchange Financial Guarantees"* ("GASB 70"), which will be 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 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 statement 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.

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 $242,669,352 difference is as follows:

General Obligation bonds – General Government portion	$201,589,352
Certificates of Obligation – General Government portion	41,080,000
Net adjustment to reduce *fund balance – total governmental funds* to arrive at net position – governmental activities	$242,669,352

The portion of Certificates of Obligation amounting to $30,925,000 and a portion of General Obligation amounting to $910,000 was issued for Internal Service fund projects.

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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between *net changes in fund balances – total governmental funds* and *change in net 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 issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $7,385,714 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds - Governmental Funds	$ (6,650,000)
Issuance of certificate of obligation – Governmental Funds	(10,790,000)
Net premium and issue costs on issuance of CO bonds	(520,000)
Net premium and issue costs on issuance of GO bonds	(382,409)
Principal repayments:	
General obligation debt	14,905,398
Certificates of obligation	2,465,000
Refunded debt on general obligation bonds	7,960,000
Amortization of bond issue costs	1,122,312
Change in landfill closure liability	(598,074)
Change in compensated absences liability	(126,513)
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*	$ 7,385,714

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 $8,142,489 difference are as follows:

Capital outlays	$ 18,460,127
Developers contributions	1,531,444
General Fund expense outlays	919,118
Depreciation expense	(28,695,090)
CIP expense outlays	(274,112)
Proceeds from disposal of assets	(528,187)
Gain on disposals of assets	444,211
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*	$ (8,142,489)

III. Stewardship, compliance, and accountability

Deficit fund equity

The NETLS Fund deficit of $2,119 will be closed in FY2014.

The Group Health Insurance Fund deficit of $1,358,155 will be eliminated by increasing charges to other operating funds in future years.

The Self-Insurance Fund deficit of $3,475,046 will be eliminated by increasing charges to other operating funds in future years.

The Long-Term Disability Insurance Fund deficit of $2,795,620 is the result of an accrual of claims incurred but not reported of $3,885,997. This accrual was made on the basis of an actuarial analysis completed in 2012. This fund is managed and funded on a cash basis. Therefore, this fund will continue to report a deficit.

The Fleet Fund deficit of $101,387 will be eliminated by increasing charges to other operating funds in future years.

The Facilities Fund deficit of $261,329 will be eliminated by increasing charges to other operating funds in future years.

IV. Detailed notes on all funds

A. Deposits and investments

As of September 30, 2013, the City had the following cash equivalents and investments:

		Investment Maturities (in Years)	
Investment Type	**Fair Value**	**Less than 1**	**1-5**
Federal Home Loan Bank	$ 85,100,808	$ -	$ 85,100,808
Federal National Mortgage Association	49,627,427	5,030,265	44,597,162
Federal Home Loan Mortgage Corp	55,804,911	-	55,804,911
Federal Farm Credit Bank	138,186,850	-	138,186,850
Certificates of Deposit	27,031,055	27,031,055	-
Investment Pools – Texpool	33,338,673	33,338,673	-
Investment Pools – Texstar	14,887,427	14,887,427	-
Money Market Fund	18,465,796	18,465,796	-
Total investment fair value	$ 422,442,947	$ 98,753,216	$ 323,689,731

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, 2013, 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, 2013. 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.

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, 2013, Texpool and Texstar had a weighted average maturity of 60 days and 51 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, 2013, the carrying amount of the City's deposits was $27,628,977 and the bank balance was $28,156,141. On September 30, 2013, the City's bank balance 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 $42,969.

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, 2013, 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.

As of September 30, 2013, the City had the following cash equivalents and investments held by the trust agency Public Agency Retirement Services (PARS) for the OPEB trust fund:

Investment Type	Fair Value
Equity Mutual Funds	$ 358,162
Fixed Income Mutual Funds	375,552
Money Market Fund	28,983
Total investment fair value	$ 762,697

As of September 30, 2013, the Discretely Presented Component Unit of the City had the following cash equivalents:

Garland Housing Finance Corp	Fair Value
Money Market Fund	$542,345

B. Receivables

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

	General	Debt Service	Capital Projects	Electric	Water	Sewer	Other Funds	Total
Receivables:								
Interest	$ 34,623	$ 1,741	$ 37,673	$ 33,933	$ 6,856	$ 14,738	$ 38,730	$ 168,294
Taxes	1,197,948	944,372	-	-	-	-	-	2,142,320
Utility Accounts	218,005	-	-	26,096,613	6,847,715	3,744,360	3,418,469	40,325,162
Mowing Liens	1,127,687	-	-	-	-	-	-	1,127,687
EMS Accounts	6,951,136	-	-	-	-	-	-	6,951,136
Franchise Fee	1,664,596	-	-	-	-	-	-	1,664,596
Sales Tax	3,813,292	-	-	-	-	-	-	3,813,292
Wholesale & Other Accts	2,393,755	-	-	35,922,474	257,504	894,890	4,045,697	43,514,320
Assessments	17,194	-	-	-	-	-	-	17,194
Gross Receivables	17,418,236	946,113	37,673	62,053,020	7,112,075	4,653,988	7,502,896	99,724,001
Less: allowance for uncollectibles	(7,800,550)	(512,346)	-	(1,337,680)	(179,408)	(158,967)	(314,774)	(10,303,725)
Net total receivables	$9,617,686	$ 433,767	$ 37,673	$ 60,715,340	$ 6,932,667	$ 4,495,021	$ 7,188,122	$89,420,276

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

	Unavailable	Unearned
Delinquent property taxes receivable (general fund)	$ 472,823	$ -
Delinquent property taxes receivable (debt service fund)	372,738	-
Sales tax, mowing liens, EMS, & other receivables (general fund)	3,334,969	-
Parks service charges for future events	-	111,340
Faulkner receivable	-	422,221
Grant drawdowns prior to meeting all eligibility requirements	-	253,220
Homeowner assistance	-	4,138,138
Special assessments prior to meeting all eligibility requirements	-	182,502
	$ 4,180,530	$ 5,107,421

C. Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

Primary government

	Balance at Oct. 1, 2012 (1)	Increases	Decreases	Balance at Sept. 30, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 80,495,198	$ 1,859,858	$ -	$ 82,355,056
Internal service land	-	221,949	-	221,949
Construction in progress	14,431,816	17,847,765	(16,421,903)	15,857,678
Internal service construction in progress	3,273,416	1,471,702	(1,654,684)	3,090,434
Total capital assets, not being depreciated	98,200,430	21,401,274	(18,076,587)	101,525,117
Capital assets, being depreciated:				
Buildings	104,210,008	93,140	-	104,303,148
Improvements other than buildings	437,799,191	7,741,725	-	445,540,916
Machinery and equipment	97,603,393	9,515,992	(6,560,394)	100,558,991
Internal service buildings, improvements, and equipment, as restated in Note S	97,249,170	6,826,448	(9,250,380)	94,825,238
Total capital assets being depreciated	736,861,762	24,177,305	(15,810,774)	745,228,293
Less accumulated depreciation for:				
Buildings	(35,060,733)	(2,711,989)	-	(37,772,722)
Improvements other than buildings	(296,249,136)	(19,083,841)	-	(315,332,977)
Machinery, furniture, and equipment	(73,615,005)	(6,899,260)	6,476,416	(74,037,849)
Internal service buildings, improvements, and equipment, as restated in Note S	(46,170,160)	(7,084,128)	8,862,991	(44,391,297)
Total accumulated depreciation	(451,095,034)	(35,779,218)	15,339,407	(471,534,845)
Total capital assets, being depreciated, net	285,766,728	(11,601,913)	(471,367)	273,693,448
Governmental activities capital assets, net	$ 383,967,158	$ 9,799,361	$ (18,547,954)	$375,218,565

(1) The City restated beginning capital assets. See Note S.

	Balance at Oct. 1, 2012	Increases	Decreases	Balance at Sept. 30, 2013
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 20,082,357	$ 13,282	$ -	$ 20,095,639
Construction in progress	42,353,304	119,472,606	(45,335,369)	116,490,541
Total capital assets, not being depreciated	62,435,661	119,485,888	(45,335,369)	136,586,180
Capital assets, being depreciated:				
Utility buildings, improvements, and equipment	1,088,114,380	47,049,288	(5,955,136)	1,129,208,532
Total capital assets being depreciated	1,088,114,380	47,049,288	(5,955,136)	1,129,208,532
Less accumulated depreciation for:				
Utility buildings, improvements, and equipment	(455,355,983)	(32,528,341)	4,335,082	(483,549,242)
Total accumulated depreciation	(455,355,983)	(32,528,341)	4,335,082	(483,549,242)
Total capital assets, being depreciated, net	632,758,397	14,520,947	(1,620,054)	645,659,290
Business-type activities capital assets, net	$695,194,058	$134,006,835	$ (46,955,423)	$782,245,470

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

Governmental activities:		
General government	$	1,040,219
Public safety		3,883,636
Public works		20,097,014
Culture and recreation		3,531,843
Public health		142,378
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets		7,084,128
Total depreciation expense – governmental activities	$	35,779,218

Business-type activities:		
Electric	$	12,018,431
Water		6,068,923
Sewer		12,237,872
Other non-major business-type activities		2,203,115
Total depreciation expense – business-type activities	$	32,528,341

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, 2013. At year-end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Water System	13,951,811	588,960
Sewer System	6,599,859	1,229,957
Landfill	1,290,089	1,088,578
Streets and Drainage	656,885	655,568
Buildings	1,227,563	1,753,720
Total	$ 23,726,207	$ 5,316,783

D. Capital Lease

The following is a summary of capital leases of the City for the fiscal year ended September 30, 2013:

	Vehicle Replacement	Total Governmental
Balance at Oct 1, 2012	$ 95,342	$ 95,342
Payments	(30,244)	(30,244)
Balance at Sept 30, 2013	$ 65,098	$ 65,098

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, 2013. The details of this lease are:

	Governmental activities	Total
Total Cost	$ 151,576	$ 151,576
Less: accumulated depreciation	(75,788)	(75,788)
	$ 75,788	$ 75,788

The following is a schedule of the lease payments required under the capital lease at September 30, 2013:

Fiscal year ending September 30,	Governmental activities	Total
2014	35,010	35,010
2015	35,010	35,010
Total minimum lease payments	70,020	70,020
Less: interest	(4,922)	(4,922)
Present value of minimum lease payments	$ 65,098	$ 65,098

E. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2013, is as follows:

Interfund Payable	General	Capital Projects	Total
General Fund	$ -	$ 5,118	$ 5,118
Capital Projects	160,820	-	160,820
Electric	-	1,000,000	1,000,000
Non-Major Business-type	1,156,210	-	1,156,210
Internal Service Funds	462,022	-	462,022
Non-Major Governmental	265,776	-	265,776
	$ 2,044,828	$ 1,005,118	$ 3,049,946

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, 2013, is as follows:

	Advance Receivable	
Advance Payable	Electric	Total
Internal Service	$ 3,896,269	$ 3,896,269
	$ 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 Projects Fund	Electric	Nonmajor Governmental Funds	Nonmajor Business-Type Funds	Internal Service Fund	Total Transfers
General Fund	$ -	$ -	$ 1,366,584	$ -	$ 31,007	$ 500,000	$ -	$ 1,897,591
Debt Service Fund	-	-	-	-	-	-	86,444	86,444
Capital Project Fund	3,400,000	-	-	-	-	1,405,000	-	4,805,000
Non-major governmental	-	297,554	-	-	-	-	123,264	420,818
Electric	19,651,897	161,788	1,000,000	-	-	-	845,966	21,659,651
Water	4,863,529	31,113	-	-	-	-	156,099	5,050,741
Sewer	5,580,751	24,891	-	-	-	-	-	5,605,642
Non-major Business-type	842,119	37,336	152,067	-	-	-	596,000	1,627,522
Internal Service	177,670	-	145,994	1,242,049	83,298	-	-	1,649,011
	$34,515,966	$ 552,682	$ 2,664,645	$ 1,242,049	$ 114,305	$ 1,905,000	$ 1,807,773	$ 42,802,420

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

F. Long-term liabilities

A summary of long-term liabilities, including current portion, for the year ended September 30, 2013, is as follows:

	Balance at Oct. 1, 2012	Increased	Retired	Balance at Sept. 30, 2013	Due within one year
Governmental activities:					
General obligation bonds	$ 218,769,750	$ 6,670,000	$ (22,940,398)	$ 202,499,352	$ 16,528,094
Certificates of obligation	65,310,000	11,330,000	(4,635,000)	72,005,000	5,745,000
Unamortized premium and defeased debt costs	9,478,478	1,266,436	(1,786,410)	8,958,504	-
Landfill post closure cost	8,162,922	598,074	-	8,760,996	-
Compensated absences	19,383,739	1,688,738	(1,534,153)	19,538,324	7,184,034
Capital lease payable	95,342	-	(30,244)	65,098	31,755
Insurance claims payable	11,450,738	18,554,275	(18,117,015)	11,877,998	4,741,877
OPEB liability	9,012,810	5,452,839	(2,737,386)	11,728,263	2,715,453
Governmental activities Long-term debt	$ 341,663,779	$ 45,560,362	$ (51,780,606)	$ 335,443,535	$ 36,946,213
Business-type activities:					
Utility System revenue bonds	$ 305,640,000	$ 41,715,000	$ (49,715,000)	$ 297,640,000	$ 17,525,000
General obligation bonds	75,000,000	5,610,000	(13,945,000)	66,665,000	8,470,000
Certificates of obligation	130,665,000	1,395,000	(1,240,000)	130,820,000	1,175,000
Unamortized premium and defeased debt costs	24,094,344	1,971,113	(4,663,460)	21,401,997	-
Commercial Paper	10,000,000	80,000,000	(10,000,000)	80,000,000	-
Compensated absences	2,095,984	534,867	(359,671)	2,271,180	1,963,440
Capital lease payable	176,240	-	(176,240)	-	-
OPEB liability	3,249,587	1,936,389	(972,089)	4,213,887	964,300
Business-type activities Long-term debt	$ 550,921,155	$ 133,162,369	$ (81,071,460)	$ 603,012,064	$ 30,097,740

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 $910,000 of general obligation bond debt, $30,925,000 of certificates of obligation, $749,877 of compensated absences, and $1,947,001 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.

The proceeds of $11,330,000 from the sale of certificates of obligation and $6,670,000 of general obligation for governmental activities are reported as follows:

Fund	**Certificates of Obligation**	**General Obligation Bond**	**Total Bonded Debt**
Capital Project Fund – proceeds from issuance of debt	$10,790,000	$ -	$ 10,790,000
Internal Service Fund statement of cash flows – proceeds from sale	540,000	20,000	560,000
Debt Service Fund – issuance of refunding bonds	-	6,650,000	6,650,000
Total	$11,330,000	$ 6,670,000	$ 18,000,000

A summary of short-term debt transactions for the year ended September 30, 2013, is as follows:

	Balance at October 1, 2012	Increased	Retired	Balance at September 30, 2013
Governmental activities:				
Commercial Paper	10,000,000	10,000,000	(10,000,000)	10,000,000
Governmental activities short-term debt	$ 10,000,000	$ 10,000,000	$ (10,000,000)	$ 10,000,000

Long-term debt at September 30, 2013, includes the following individual issues (not including the unamortized discount, premium, and refunding costs of $30,360,502):

	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	$ 19,985,000	$ 50,630,000
2005B Refunding	3.00 – 5.25	4/19/2005	2/15/2022	23,675,000	8,340,000	15,335,000
2007A Refunding	4.00 – 5.00	2/15/2007	2/15/2025	67,385,000	7,700,000	59,685,000
2007B Refunding	Variable	2/20/2007	2/15/2025	23,745,000	935,648	22,809,352
2008 Refunding	3.35	4/22/2008	2/15/2019	43,025,000	43,025,000	-
2008A Refunding	4.00 – 5.00	6/15/2008	2/15/2025	57,760,000	10,970,000	46,790,000
2011 Refunding	2.00 -- 5.00	2/01/2011	2/15/2015	10,860,000	5,220,000	5,640,000
2011A Refunding	2.00 -- 4.00	11/01/2011	2/15/2024	17,995,000	3,360,000	14,635,000
2011B Refunding	2.00 -- 5.00	11/01/2011	2/15/2028	41,360,000	-	41,360,000
2013 Refunding	2.00 – 4.00	6/6/2013	2/15/2019	12,280,000	-	12,280,000
				$ 368,700,000	$ 99,535,648	$ 269,164,352
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	16,320,000	3,955,000
2006 Various purpose	3.75 – 4.375	3/15/2006	2/15/2026	10,275,000	7,085,000	3,190,000
2007 Various purpose	4.00 – 5.625	5/15/2007	2/15/2022	16,975,000	3,240,000	13,735,000
2008 Various purpose	.3.00 – 4.75	6/15/2008	2/15/2028	15,965,000	5,705,000	10,260,000
2009 Various purpose	.3.00 – 5.25	5/15/2009	2/15/2029	22,985,000	3,385,000	19,600,000
2010 Electric utility	.2.00 – 5.00	3/01/2010	2/15/2030	126,885,000	45,000	126,840,000
2010 Various purpose	.2.00 – 4.50	4/15/2010	2/15/2030	3,205,000	790,000	2,415,000
2011 Various purpose	2.00 – 4.25	6/15/2011	2/15/2031	4,260,000	785,000	3,475,000
2012 Various purpose	2.00 – 3.375	6/01/2012	2/15/2032	6,755,000	725,000	6,030,000
2013 Various purpose	2.00 – 4.00	6/06/2013	2/15/2033	12,725,000	-	12,725,000
				$ 240,905,000	$ 38,080,000	$202,825,000

	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	$ 12,510,000	$ 25,975,000
2005 Electric Utility	2.75 – 5.25	4/19/2005	3/01/2025	18,935,000	17,150,000	1,785,000
2005 Water & Sewer	2.75 – 5.25	4/19/2005	3/01/2025	20,545,000	18,610,000	1,935,000
2006 Electric Utility	3.50 – 5.00	3/15/2006	3/01/2026	25,045,000	5,920,000	19,125,000
2006 Water & Sewer	4.00 – 4.50	3/15/2006	3/01/2026	16,180,000	14,585,000	1,595,000
2007 Electric Utility	4.00 – 5.625	5/15/2007	3/01/2027	21,050,000	3,935,000	17,115,000
2007 Water & Sewer	4.00 – 5.625	5/15/2007	3/01/2027	29,070,000	5,365,000	23,705,000
2008 Electric Utility	3.25 – 4.75	6/15/2008	3/01/2028	10,115,000	2,160,000	7,955,000
2008 Water & Sewer	3.00 – 5.00	6/15/2008	3/01/2028	39,900,000	6,730,000	33,170,000
2009 Electric Utility	3.25 – 5.25	5/15/2009	3/01/2029	11,760,000	4,665,000	7,095,000
2009 Water & Sewer	2.00 – 4.75	5/15/2009	3/01/2029	18,090,000	2,635,000	15,455,000
2010 Water & Sewer	2.00 – 4.75	4/15/2010	3/01/2030	21,270,000	1,970,000	19,300,000
2011 Electric Utility	2.00 – 5.00	6/15/2011	3/01/2031	7,185,000	65,000	7,120,000
2011 Water & Sewer	2.00 – 5.00	6/15/2011	3/01/2031	19,205,000	180,000	19,025,000
2011A Electric Utility	3.00 – 5.00	11/01/2011	3/01/2024	20,830,000	1,445,000	19,385,000
2011A Water & Sewer	3.00 – 5.00	11/01/2011	3/01/2024	30,150,000	2,090,000	28,060,000
2012 Water & Sewer	2.00 – 4.00	6/01/2012	3/01/2032	8,415,000	290,000	8,125,000
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	-	29,925,000
				$ 397,945,000	$100,305,000	$297,640,000

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Commercial Paper						
2013 Electric Commercial Paper Issue	0.12	8/27/2013	10/15/2013	30,000,000	-	30,000,000
2013 Electric Commercial Paper Issue	0.13	9/10/2013	12/13/2013	20,000,000	-	20,000,000
2013 Electric Commercial Paper Issue	0.14	9/12/2013	12/10/2013	15,000,000	-	15,000,000
2013 Electric Commercial Paper Issue	0.14	9/12/2013	12/13/2013	15,000,000	-	15,000,000
				$ 80,000,000	$ -	$ 80,000,000

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, 2013 was $22,809,352. 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 $537,499 as of September 30, 2013. 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, 2013, 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, 2013, the City would pay Bank of America $537,499 if the City elected to terminate the agreement.

Short-term debt at September 30, 2013, includes the following individual issues:

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Commercial Paper						
2013 GO Commercial Paper Issue	0.14	9/12/2013	12/17/2013	$ 10,000,000	$ -	$ 10,000,000
				$ 10,000,000	$ -	$ 10,000,000

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

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

The annual requirements to amortize outstanding debt as of September 30, 2013, including interest payments of $279,729,330 are summarized in the table below. Due to the nature of the obligation for compensated absences, annual requirements to amortize such obligations are not determinable, and have not been included in the following summary:

Governmental Activities

Years Ending September 30,	General Obligation	GO Interest	Certificates Of Obligation	CO Interest
2014	$ 16,528,093	$ 9,015,958	$ 5,745,000	$ 2,886,083
2015	15,210,813	8,292,428	6,210,000	2,608,633
2016	16,675,446	9,923,665	6,010,000	2,381,067
2017	16,290,000	8,980,988	5,485,000	2,152,636
2018	18,695,000	7,988,489	4,570,000	1,942,898
2019-2023	79,440,000	24,683,888	21,100,000	7,226,198
2024-2028	39,660,000	4,491,374	19,670,000	2,852,846
2029-2033	-	-	3,215,000	141,525
Total	$202,499,352	$ 73,376,790	$ 72,005,000	$ 22,191,886

Business-type Activities

Years Ending September 30,	Revenue	Revenue Interest	General Obligation	GO Interest	Certificates Of Obligation	CO Interest
2014	$ 17,525,000	$ 12,057,806	$ 8,470,000	$ 3,065,511	$ 1,175,000	$ 6,358,234
2015	16,760,000	11,370,148	9,620,000	2,662,007	2,315,000	6,287,661
2016	18,155,000	10,689,122	10,020,000	2,211,432	2,260,000	6,194,386
2017	19,340,000	9,988,089	9,300,000	1,724,007	2,140,000	6,118,242
2018	20,055,000	9,243,273	9,385,000	1,247,769	1,970,000	6,058,774
2019-2023	113,270,000	33,032,290	19,870,000	1,313,613	34,565,000	26,863,094
2024-2028	77,480,000	10,743,887	-	-	58,560,000	14,545,368
2029-2033	15,055,000	976,816	-	-	27,835,000	1,409,125
Total	$297,640,000	$ 98,101,431	$ 66,665,000	$ 12,224,339	$130,820,000	$ 73,834,884

At September 30, 2013, the City has authorized but not issued general obligation bonds and general obligation commercial paper in the amount of $135,134,506 as follows:

	Balance at Oct.1, 2012	General Obligation Bonds Issued	GO Commercial Paper Issued	Balance at Sept.30, 2013
Streets Improvements	$ 90,224,506	$ -	$ 3,335,000	$ 86,889,506
Park Improvements	20,240,000	-	1,110,000	19,130,000
Drainage Improvements	15,150,000	-	2,045,000	13,105,000
Municipal Facilities	10,640,000	-	1,315,000	9,325,000
Library Improvements	2,705,000	-	1,895,000	810,000
Public Safety	2,755,000	-	300,000	2,455,000
Economic Development	3,420,000	-	-	3,420,000
	$ 145,134,506	$ -	$ 10,000,000	$ 135,134,506

General Obligation Refunding Bonds do not impact the authorized but not issued 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 $120,301,936 in outstanding Electric Utility Revenue Bonds and $275,439,495 in outstanding Water & Sewer Utility Revenue Bonds. Proceeds from the revenue bonds provided financing for the acquisition and or construction of various Electric, Water and Sewer assets. The bonds are payable solely from Electric, Water and Sewer customer net revenues and are payable through 2033. Principal paid and interest incurred for the current year was as follows:

Utility Revenue Bonds	Principal	Interest	Total	Pledged Revenue
Electric	$ 5,985,000	$ 4,155,808	$ 10,140,808	$ 48,717,637
Water & Sewer	10,365,000	8,631,387	19,036,377	28,570,363

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

Debt issues for the year are as follows:

Issue		Principal	Purpose
Certificates of Obligation, Series 2013	$	12,725,000	Constructing and improving various facilities in the City, improving and equipping the golf course and City Hall, and purchasing equipment for Environmental Waste Services and the street departments, and constructing improvements and purchasing equipment for management information services and fleet services departments.
General Obligation Refunding Bond, Series 2013		12,280,000	Bond refunding
Electric Utility System Revenue Refunding Bond, Series 2013		11,790,000	Bond refunding
Water & Sewer System Revenue Refunding and Improvement Bonds, Series 2013		29,925,000	Bond refunding and system improvements
GO Commercial Paper		10,000,000	Short term debt
Electric Commercial Paper		30,000,000	Long term debt
Electric Commercial Paper		20,000,000	Long term debt
Electric Commercial Paper		30,000,000	Long term debt

On May 7, 2013, the City issued $12,280,000 in General Obligation Refunding Bonds to advance refund $14,415,000 of outstanding General Obligation, series 2008 at the call date. An amount of $14,569,261 was placed with an escrow agent to provide for debt service payments on the old 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 six years by $851,662 and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of $760,416. The refunding resulted in a book loss (difference between amount placed in escrow and carrying amount of debt refunded) of $206,464.

On May 7, 2013, the City issued $11,790,000 in Electric Utility System Revenue Refunding Bond, Series 2011A, to advance refund $11,240,000 of outstanding Electric Utility System Revenue bond, Series 2005 at the call date. An amount of $11,801,285 was placed with an escrow agent to provide for debt service payments on the old 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 twelve years by $2,228,561 and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of $2,018,317. The refunding resulted in a book loss (difference between amount placed in escrow and carrying amount of debt refunded) of $479,240.

On May 7, 2013, the City issued $29,925,000 in Revenue Refunding and Improvement Bonds. The issue included $22,245,000 to advance refund $22,125,000 of outstanding Water and Sewer System Revenue bonds, Series 2005 and 2006, and 7,680,000 for system improvements. An amount of $23,154,163 was placed with an escrow agent to provide for debt service payments on the old 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 $3,838,439 and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of $3,304,033. The refunding resulted in a book loss (difference between amount placed in escrow and carrying amount of debt refunded) of $838,909.

In prior years, the City defeased certain General Obligation Bonds, Certificates of Obligation and Utility System Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At September 30, 2013, $8,540,000 of General Obligation Bonds and $33,365,000 of Utility Revenue Bonds all of which are considered defeased, are still outstanding.

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) or by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153.

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

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

Contributions

The contribution rate for employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as updated service credits and annuity increases. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

The City's required contribution rate for FY13 was decreased from 12.07% in calendar 2012 to 11.70% in 2013.

The City's total payroll in fiscal year 2013 was $150,364,207 and the City's contributions were based on a payroll of $126,390,079. Both the City and the covered employees made the required contributions, amounting to $14,913,038 for the City and $8,847,305 (7 %) for the employees.

A summary of City and employee contributions for the fiscal year ended September 30, 2013, follows:

	Gross	Normal		Unfunded Actuarial Liability		Death and Disability Benefit		Total	Total
	Earnings	Rate	Contribution	Rate	Contribution	Rate	Contribution	Rate	Contribution
City Contribution:									
Months in calendar year 2012	$ 33,891,622	10.25%	$ 3,473,891	1.65%	$ 559,212	0.17%	$ 57,616	12.07%	$ 4,090,719
Months in calendar year 2013	92,498,457	10.43%	9,647,589	1.09%	1,008,233	0.18%	166,497	11.70%	10,822,319
Total Fiscal Year	$126,390,079		$ 13,121,480		$ 1,567,445		$ 224,113		$ 14,913,038
Employee Contribution:									
Months in calendar year 2012	$ 33,891,622	7.00%	$ 2,372,414	-	-	-	-	7.00%	$ 2,372,414
Months in calendar year 2013	92,498,457	7.00%	6,474,892	-	-	-	-	7.00%	6,474,892
Total Fiscal Year	$ 126,390,079		$ 8,847,305		-		-		$ 8,847,305
Total City and Employee Contributions			$21,968,786		$ 1,567,445		$ 224,113		$ 23,760,344

Three Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	$21,097,855	100%	--
2012	$16,792,548	100%	--
2013	$14,913,038	100%	--

Actuarial Assumptions

Actuarial Valuation Date		12/31/2012
Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	24.3 Years - Closed Period
Asset Valuation Method	-	10-year Smoothed Market (to accurately reflect the requirements of GASB stmt., No. 27, paragraphs 36e and 138)
Investment Rate of Return	-	7.0%
Projected Salary Increases	-	Varies by age and service
Includes Inflation At	-	3.0%
Cost-of-living Adjustments	-	None

Schedule of Funding Information

Actuarial valuation date	12/31/2012
Actuarial value of assets	$704,046,535
Actuarial accrued liability (AAL)	$713,843,979
Unfunded actuarial accrued liability (UAAL)	$9,797,444
Funded ratio	98.6%
Annual covered payroll (actuarial)	$124,371,393
UAAL as % of covered payroll	7.9%

See required supplemental information for schedule of funding progress.

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, 2013, the City has 184 retirees and 112 retirees and family participating in the health plan out of 1,806 employees eligible to participate upon retirement.

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

	2011	2012	2013
Annual Required Contribution	$ 5,692,690	$ 7,129,941	$ 7,420,023
Interest on Net OPEB Obligation	343,319	443,802	582,464
Adjustment to Annual Required Contribution	(300,316)	(430,688)	(613,259)
Annual OPEB Cost	5,735,693	7,143,055	7,389,228
Employer contribution to trust fund	-	-	(100,000)
Employer Contributions with interest	(3,620,249)	(4,223,866)	(3,609,475)
Increase in Net OPEB Obligation	2,115,444	2,919,189	3,679,753
Net OPEB Obligation beginning of year	7,227,764	9,343,208	12,262,397
Net OPEB Obligation end of year	9,343,208	$12,262,397	$15,942,150

In addition to the employer contribution, the retirees paid $2,216,266 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
9/30/2011	$ 5,735,693	$ 3,620,249	63.1%	$ 9,343,208
9/30/2012	$ 7,143,055	$ 4,223,866	59.1%	$ 12,262,397
9/30/2013	$ 7,389,228	$ 3,709,475	48.8%	$ 15,942,150

Actuarial Assumptions

Actuarial Valuation Date		10/01/2011
Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	26 Years - Closed Period
Investment Rate of Return	-	7.25%
Projected Salary Increases	-	Varies by age and service
Includes Healthcare cost trend at	-	9.5% (the City's portion of the annual increase is expected to be capped at 3%)
Inflation rate	-	3.0%
Cost-of-living Adjustments	-	None

Schedule of Funding Information

Actuarial valuation date	10/01/2011
Actuarial value of assets	$845,836
Actuarial accrued liability (AAL)	$86,815,833
Unfunded actuarial accrued liability (UAAL)	$85,969,997
Funded ratio	1.0%
Annual covered payroll (actuarial)	$129,200,000
UAAL as % of covered payroll	67%

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, 2013, 2012, and 2011 were $224,113, $231,341, and $273,359 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 $5,947,218 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, 2013, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in December 2012 claims payable as of September 30, 2013 was estimated at $6,721,727.

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 $3,885,997 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, 2013 a short-term liability of $1,280,274 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 2012 and 2013 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 – 2012	$ 6,198,614	$ 2,253,280	$ 523,113	$ 2,253,280	$ 6,721,727	$ 2,954,491
Self Insurance – 2013	6,721,727	2,448,740	-	2,448,740	6,721,727	2,954,491
Long-Term Disability – 2012	3,891,025	414,216	(5,028)	414,216	3,885,997	507,112
Long-Term Disability – 2013	3,885,997	289,793	-	289,793	3,885,997	507,112
Group Health – 2012	3,276,573	12,478,702	(2,433,559)	12,478,702	843,014	843,014
Group Health – 2013	843,014	15,378,482	437,260	15,378,482	1,280,274	1,280,274

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.

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 2013, the City paid TMPA $56,788,485 for these charges for the year. It is anticipated that the City will pay $53,771,672 for these charges during FY2014.

Total debt of TMPA at September 30, 2013, amounted to $804,343,000 of which $108,566,000 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, 2013
(reported in thousands)

	Long-Term	Current	Total
Revenue Bonds	$ 421,221	$ 33,722	$ 454,943
Zero Coupon Interest Payable	214,821	74,844	289,665
Tax Exempt Commercial Paper	59,735	-	59,735
	$ 695,777	$ 108,566	$ 804,343

On March 1, 2010, the City issued Electric Utility System Revenue Refunding Bonds, Series 2010 with a maturity of 20 years for the purpose of prepaying certain of these contractual obligations to TMPA. The principal amount of the bonds was $126,885,000 with a reoffering premium and other bond issuance costs of $11,777,850 for a total of $138,252,850. Since the proceeds of this debt issuance were placed with TMPA and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net 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 $24,194,249 of accrued amortization, leaving a balance in the Other Assets account of $114,058,601 at September 30, 2013.

Financial statements for TMPA are available from the TMPA website texasmpa.org or through the City of Garland's Finance 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 to their 457 qualified accounts. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under this plan, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefits of participants and their beneficiaries. Therefore, the Deferred Compensation Investments are no longer reported in the City's financial statements.

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 September 30, 2013, is as follows:

Series	Garland Housing Finance Corporation	Total
2000	$ 6,000,000	$ 6,000,000
2005	12,697,922	12,697,922
	$ 18,697,922	$ 18,697,922

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, 2013 is as follows:

Golf Fund Condensed
Statement of Net Position

	Golf	GFFD	Eliminating Entries	Total
Current Assets	$ 79,181	$ 72,114	$ (50,465)	$ 100,830
Other Assets	538,562	-	-	538,562
Capital Assets	17,337,284	-	-	17,337,384
Total Assets	17,955,027	72,114	(50,465)	17,976,676
Current Liabilities	1,295,235	109,898	(50,465)	1,354,668
Other Liabilities	240,434	-	-	240,434
Total Liabilities	1,535,669	109,898	(50,465)	1,595,102
Net Investment in Capital Assets	17,875,846	-	-	17,875,846
Unrestricted Net Position	(1,456,488)	(37,784)	-	(1,494,272)
Net Position	$ 16,419,358	$ (37,784)	-	$ 16,381,574

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

	Golf	GFFD	Eliminating Entries	Total
Operating Revenues	$ 3,117,825	$ 584,648	$ -	$ 3,702,473
Operating expenses before depreciation	(3,430,210)	(1,403,431)	774,996	(4,058,645)
Depreciation	(747,458)	-	-	(747,458)
Total Operating Loss	(1,059,843)	(818,783)	774,996	(1,103,630)
Loss on disposal of capital assets	(78,750)	-	-	(78,750)
Earnings on investments	1,386	-	-	1,386
Interest expense	(645)	-	-	(645)
Net transfers	1,309,000	774,996	(774,996)	1,309,000
Change in Net Position	171,148	(43,787)	-	127,361
Net Position, beginning of year	16,248,210	6,003	-	16,254,213
Net Position, end of year	$ 16,419,358	$ (37,784)	-	$ 16,381,574

Golf Fund Condensed Statement of Cash Flows

	Golf	GFFD	Eliminating Entries	Total
Net cash provided by (used for) operations	$ (319,646)	$ (759,679)	774,996	$ (304,329)
Net cash provided by noncapital financing activities	1,149,510	795,559	(774,996)	1,170,073
Net cash used for capital and related activities	(930,627)	-	-	(930,627)
Net cash used for investing activities	(18,361)	-	-	(18,361)
Net increase (decrease) in cash and cash equivalents	(119,124)	35,880	-	(83,244)
Cash and cash equivalents at beginning of year	296,328	23,827	-	320,155
Cash and cash equivalents at end of year	$ 177,204	$ 59,707	-	$ 236,911

N. Landfill Closure and Postclosure Care Cost

As of September 30, 2013, the total estimated landfill closure/postclosure cost for the City's Castle Drive landfill, Hinton landfill, and transfer station is $2,729,885, $33,515,648 and $30,927 respectively. The $8,760,996 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, 18.34% use of the Hinton landfill, 100% of the closure cost for the transfer station, less post closure expenditures to date of $145,796. The City will recognize the remaining estimated closure and postclosure care costs of $27,369,668 as the percentage of capacity depletion increases. These amounts are based on an engineering study performed in 1996 and updated in 2011, which estimated cost to perform all closure and postclosure care. In addition, the closure and postclosure care cost were adjusted for inflation annually based on the most recent Implicit Price Deflator for Gross National Product published by the United States Department of Commerce. Actual cost may differ from the estimate due to inflation, changes in technology, or regulatory changes. The Hinton landfill has an estimated remaining useful life of 49 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 $571,145, earned interest in the amount of $542, and ended the fiscal year with a balance of $571,687. There were no withdraws from this account during the fiscal year. The fiscal year-end balance of the HAPP account is reported on page 90 of this report as restricted cash and cash equivalents and due to other governments in Nonmajor Governmental Funds Balance Sheet for the Other Housing Assistance Governmental Fund.

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

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

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, 2013, the City had a net fair market value of $12,644 for fuel swaps that will be settled in subsequent months extending up to October 31, 2013.

At September 30, 2013, the City had seven outstanding contracts with wholesale customers to provide power supply and/or qualified scheduling entity services. The contract terms extend up to December 2018. 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.

<u>Congestion Revenue Rights</u>
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, 2013, the City held CRRs with a cost and fair market value of $2,300,760, that the City expects to use in normal operations, which is recorded as prepaid expense in the Electric fund.

<u>Risks</u>
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, 2013, the City had outstanding forward purchase contracts extending through May 31, 2015 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 is exposed to basis risk on its fuel hedges because 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.

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, 2012, related to this transaction of $725,625 will be amortized over the next 32.5 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.

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, 2012, GHFC received cash of $500,000 in up front lease payments that GHFC has recorded as deferred revenue. For the three months ended December 31, 2012, GHFC recognized revenue of $3,000 according to the terms of the lease agreement.

S. Beginning Net Position adjustment

During the City's 2013 fiscal year, the City identified and confirmed that assets related to the City's Wireless Communication Network should have been written off in a prior fiscal year. This reporting error resulted in capital assets for the Information Technology Fund and in the Governmental Activities to be overstated by $1,813,249 as of September 30, 2012. This error has been corrected by restating the beginning balance of net position in the 2013 Statement of Net Position.

The following is a reconciliation of beginning net position as originally reported to the restated amount.

	Governmental Activities	Internal Service Funds	Total Primary Government
Net Position, 9/30/12 as previously reported	$ 144,064,130	$ 37,579.297	$ 805,443,772
Restatement adjustment	(1,813,249)	(1,813,249)	(1,813,249)
Net Position, 9/30/12 as restated	$ 142,250,881	$ 35,766,048	$ 803,630,523

T. Subsequent Events

On January 21, 2014, the City issued $18,450,000 in General Obligation Refunding Bonds to refund $19,470,000 of outstanding Certificates of Obligations and General Obligation bonds. These bonds were refunded to lower the overall debt service requirements of the City and to pay the cost associated with the issuance of the Bonds. The transaction was a current refunding of outstanding debt.

APPENDIX C

FORM OF BOND COUNSEL'S OPINIONS

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[Closing Date]

NORTON ROSE FULBRIGHT

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IN REGARD to the authorization and issuance of the "City of Garland, Texas, General Obligation Refunding Bonds, Series 2015A," dated February 1, 2015, in the principal amount of $22,695,000 (the "Bonds"), we have examined into their issuance by the City of Garland, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds mature on February 15 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance, and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the

Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on the Bonds owned by a corporation will be included in such corporation’s adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, or a financial asset securitization investment trust (“FASIT”). A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

NORTON ROSE FULBRIGHT

[Closing Date]

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IN REGARD to the authorization and issuance of the "City of Garland, Texas, General Obligation Refunding Bonds, Taxable Series 2015B," dated February 1, 2015, in the principal amount of $22,490,000 (the "Bonds"), we have examined into their issuance by the City of Garland, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds mature on February 15 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the "Ordinance"), without right of prior redemption. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance, and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to certain facts within the knowledge and control of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the State of Texas in force and effect on the date hereof, the Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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