

City of Garland, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2009



Prepared by
Department of Finance and the Accounting Office

On the Cover

Left - 5th Street Crossing, a residential/retail complex developed by Trammel Crow, opened in 2009. It is located at Fifth and Austin Streets in downtown Garland. This master-planned community is a transit-oriented mixed-use development designed for people with culturally diverse, on-the-go lifestyles.

Center - The Generator Coffee Shop opened in 2010. Housed in a reconstructed commercial building on Sixth Street in downtown Garland, the coffee shop provides free wi-fi, along with fresh coffee, games and space for study groups and other gatherings. Built around 1901, the building was originally a grocery store, then became Handley Drug Store, a meat market and a sewing store before being vacant for 15 years.

Right - The Garland Chamber of Commerce and Richland College-Garland Campus share a new facility at the corner of Glenbrook Drive and Walnut Street. The facility contains more than 30,000 square feet of flexible gallery space, conference rooms, classrooms, labs, and offices. The Chamber of Commerce occupies the designated community partnership space, helping Richland meet its mission of teaching, learning, and community building. The building is designed to function in ways that produce minimal impact to the environment and carbon footprint.

CITY OF GARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2009

CITY COUNCIL

Ronald Jones, Mayor
Douglas Athas, District 1
Laura Perkins Cox, District 2
Preston Edwards, District 3
Larry Jeffus, District 4
John Willis, District 5
Barbara Chick, District 6
Rick Williams, District 7
Darren Lathen, District 8

CITY MANAGER

William E. Dollar

MANAGING DIRECTOR OF FINANCIAL SERVICES

George Kauffman

Prepared by

Department of Finance
Accounting Office

**CITY OF GARLAND, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Table of Contents

I. Introductory Section - Unaudited	
Letter of Transmittal.....	v
Certificate of Achievement.....	x
Organizational Chart.....	xi
II. Financial Section	
Independent Auditors' Report.....	1
A. Management Discussion and Analysis - Unaudited	3
B. Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets.....	24
Statement of Activities.....	25
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet.....	26
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	27
Statement of Revenues, Expenditures, and Changes in Fund Balances	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Proprietary Fund Financial Statements	
Statement of Net Assets.....	30
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	32
Statement of Cash Flows	34
Fiduciary Fund Financial Statements	
Statement of Net Assets	36
Statement of Revenues, Expenses, and Changes in Fund Net Assets	37
Notes to the Financial Statements	39

Required Supplementary Information - Unaudited

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.	75
TMRS and Other Post Employment Benefits – Schedule of Funding Progress	76
Notes to Required Supplementary Information	77

C. Combining Financial Statements

Nonmajor Governmental Funds

Balance Sheet	80
Statement of Revenues, Expenditures, and Changes in Fund Balances	81
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund.....	82
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Hotel/Motel and Infrastructure Repair Funds.....	83

Nonmajor Enterprise Funds

Statement of Net Assets.....	86
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	88
Statement of Cash Flows	90

Internal Service Funds

Statement of Net Assets.....	94
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	95
Statement of Cash Flows	97

Component Units

Statement of Net Assets	100
Statement of Revenues, Expenses, and Changes in Fund Net Assets	101
Statement of Cash Flows	102

III. Statistical Section - Unaudited

Net Assets by Component	105
Changes in Net Assets	106
Governmental Activities Tax Revenues by Source	108
Fund Balances of Government Funds	109
Changes in Fund Balances of Governmental Funds	110
Assessed Value and Actual Value of Taxable Property	111
Direct and Overlapping Governments	112
Principal Property Tax Payers	113
Property Tax Levies and Collections	114
Ratios of Outstanding Debt by Year	115
Ratios of General Bonded Debt Outstanding	116

Estimated Direct and Overlapping Governmental Activities Debt	117
Legal Debt Margin Information	118
Pledged Revenue Coverage	119
Demographic and Economic Statistics	120
Principal Employers	121
Full-time Equivalent City Government Employees by Function	122
Operating Indicators by Function	123
Capital Asset Statistics by Function	124
Texas Municipal Power Agency	125



March 31, 2009

Citizens of the City of Garland
Garland, Texas

Dear Citizens:

The Comprehensive Annual Financial Report (CAFR) of the City of Garland, Texas, for the year ended September 30, 2009, is hereby submitted. The report is published to provide detailed information concerning the financial condition of the City to our citizens and the financial community, as well as other interested parties. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Governmental Accounting Standards Board requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City's MD&A can be found immediately after the independent auditors' report.

GENERAL INFORMATION – CITY OF GARLAND

The City of Garland is located in Dallas County, approximately 15 miles northeast of downtown Dallas. The City's population of 225,865 (as estimated by the City's Planning Department as of January 1, 2009) makes it the tenth largest city in the state of Texas, and places it among the top 100 largest municipalities in the United States.

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's home rule Charter. The City was incorporated in 1891, and first adopted its Home Rule Charter in 1951. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and eight Council members. The City Manager is the chief administrative officer for the City.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of Garland as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services including police and fire protection; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events; electric, water, and wastewater utility services; golf course facilities; storm water facilities, and sanitation collection services.

Discretely presented component units are legally separate entities and not part of the primary government's operations. Accordingly, the Garland Housing Finance Corporation, the Garland Economic Development Authority, and the Garland Health Facilities Development Corporation are not included in the governmental business type activities. The Garland Independent School District is excluded from this report because it is a separate governmental entity with a separately elected board of trustees.

ECONOMIC CONDITIONS AND OUTLOOK

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

The impacts of the recession are apparent in the planning for the 2010 fiscal year budget. Projected General Fund revenues declined \$2.6 million from the levels reflected in the 2009 fiscal year budget. The decline is primarily the result of a 3.7% decline in certified property values, a 10.8% decline in Sales Tax revenue, and a \$725,000 decline in investment earnings. In addition, the City's, long-term financial forecast, indicated significant challenges for at least the next three to five years.

To address the 2010 economic forecast concerns, the City implemented the following measures in the 2010 adopted budget.

- Implemented a 1% franchise fee increase for the natural gas utility
- Implemented a temporary employee pay reduction of 1.15% (the equivalent of three days) and the suspension of second language pay, while providing an additional three days in employee leave banks.
- Elimination or banking of nine (9) vacant full-time positions in the General Fund and three (3) positions in other funds.
- Cost-cutting measures in departmental operating expenditures.
- Reduction in the annual transfer to the Information Technology (IT) Replacement Fund.
- Reduction of \$1.0 million in the annual transfer to the Infrastructure Repair & Replacement Fund.
- Utilization of \$1.5 million in fund balance reserves.

FINANCIAL INFORMATION

Accounting and Budgetary Controls

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the liability is incurred. Proprietary operations are maintained on a full accrual basis.

Budgetary control is maintained at the fund level, and encumbrances are entered at the time a purchase order is issued. Outstanding encumbrances lapse at fiscal year end and the subsequent year's budget is amended to reflect these outstanding encumbrances. Unspent and unencumbered appropriations lapse at the end of the fiscal year.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's revenue managers and the Senior Managing Director of Budget & Research. Expenditure budgets are then developed using a *target budgeting* approach. Departments base their initial budget submission on their allocated share of the projected resources, but can make requests for additional items which the City Manager or City Council may choose to fund. This target budget methodology results in a balanced budget presented to Council. The proposed budget is reviewed extensively by the City Council and the process includes a Charter-mandated public hearing and work sessions that are open to the public. The City Charter requires adoption of the City budget by no later than September 20th.

While the budget is developed and controlled at the departmental level, appropriations are set at the fund level. An ordinance establishes the budget for operating expenses, debt services payments, and interfund transfers, while a separate ordinance establishes the property tax rate.

Changes to approved expenditures are incorporated into the current year budget throughout the year in the form of budget amendments approved by Council. These amendments, as well as updated revenues and other re-estimated expenses become part of the Revised Budget that is presented to Council concurrent with the Proposed Budget.

During the course of the fiscal year, each department head monitors expenditure controls with overall review exercised by the Senior Managing Director of Budget & Research and the City Manager. Monthly expenditure reports are distributed based on the automated accounting system that provide year-to-date expenditure totals for each line item compared to the amount expended at that point in time in the prior year. Capital purchase requests are reviewed and approved on an individual basis by the City Manager prior to encumbrance of the funds.

Constant review of revenue and expenditure trends is maintained with specific responsibility assigned to department heads, revenue managers, and the Senior Managing Director of Budget & Research. Recommendations for corrective action are made to the City Manager (and to the City Council, if appropriate) as needed to ensure the integrity of the adopted budget.

Management of the City is responsible for establishing and maintaining an internal control system designed to ensure that the City's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these

objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal and State financial awards, the City is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations relating to these programs. Internal controls are subject to periodic evaluation by management, the City's Internal Audit Department, and independent auditors.

As part of the City's single audit, tests are made to determine the adequacy of the internal controls, including that portion related to Federal financial awards programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the Single Audit are published in a separate report.

Long-term financial planning

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

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

OTHER INFORMATION

Independent Audit

According to Article IV, Section 7 of the City Charter, an annual audit to be performed by independent, certified public accountants, is required to be made of the financial records of the City. Deloitte & Touche LLP was selected in July 2004, by the City Council to perform the annual audits. In addition to meeting the requirements set forth in the Charter, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133. The independent auditors' report on the government-wide and combining and individual fund statements is included in the financial section of this report. The independent auditors' reports related specifically to the single audit will be issued in a separate document.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Garland for its Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2008. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

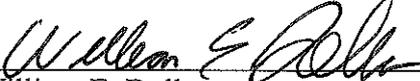
A Certificate of Achievement is valid for a period of one year only. The City of Garland has received a Certificate of Achievement for the last twenty-seven consecutive years. We believe that our current report continues to conform to the Certificate of Achievement Program requirements, and we will submit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

Acknowledgements

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

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

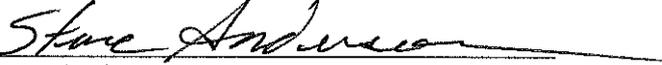
Sincerely,



William E. Dollar
City Manager



George Kauffman
Managing Director of Financial Services



Steve Anderson
Accounting Manager

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Garland
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

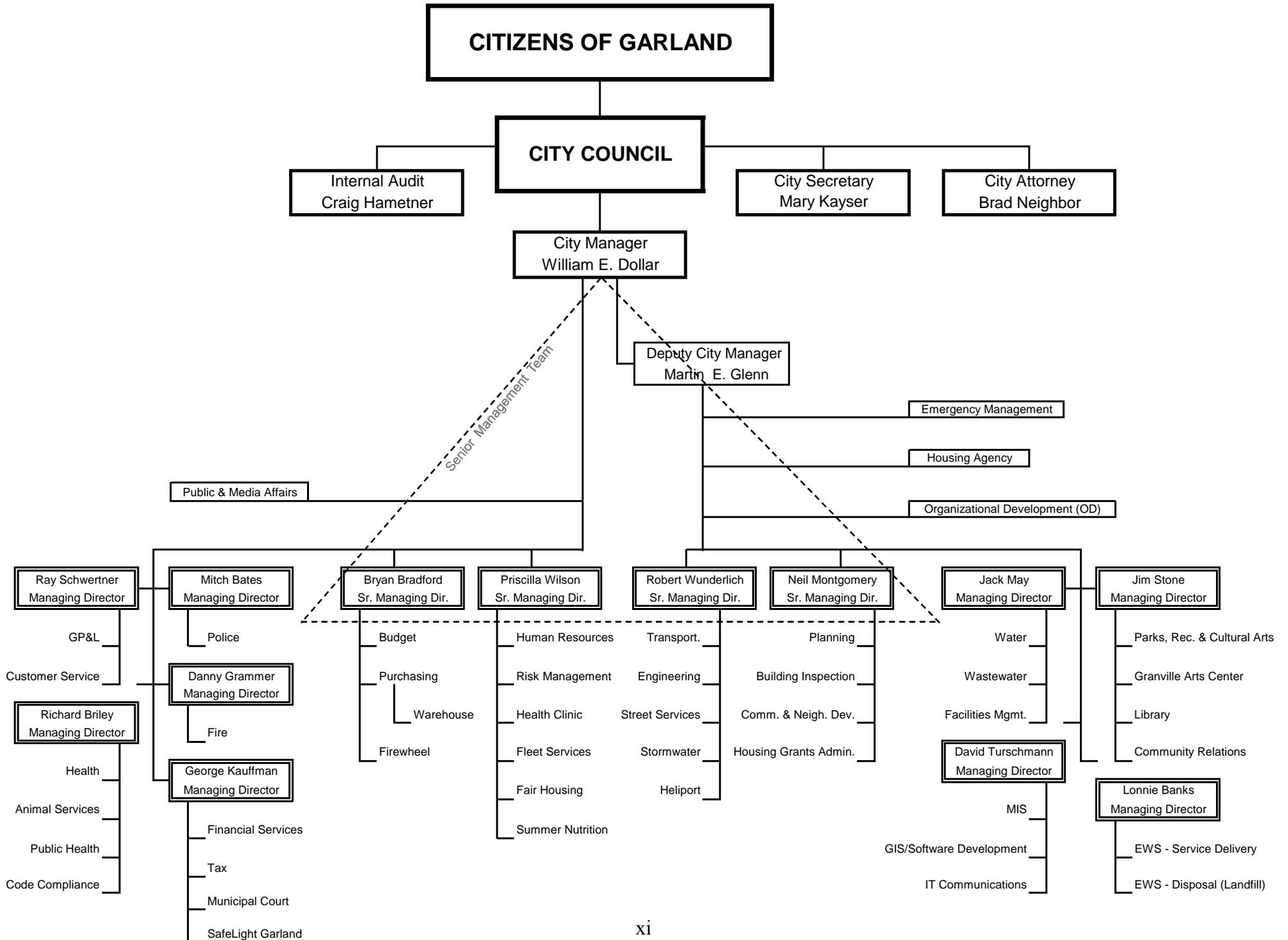


A handwritten signature in black ink, appearing to read "Jeffrey R. Emor".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emor".

Executive Director



GARLAND



Deloitte & Touche LLP

JPMorgan Chase Tower
2200 Ross Avenue, Suite 1600
Dallas, TX 75201-6778
USA

Tel: +1 214 840 7000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Garland, Texas (the "City"), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Garland's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Garland, Texas, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Member of
Deloitte Touche Tohmatsu

The management's discussion and analysis, the general fund budgetary comparison schedule, and the schedules of funding progress for the Texas Municipal Retirement System and for the other postemployment benefits as described in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the City's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the City's respective financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. These financial statements and schedules are the responsibility of the City's management. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical information listed in the table of contents have not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

Deloitte & Touche LLP

March 31, 2010

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, 2009. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets of the City of Garland (City) exceeded its liabilities at the close of the fiscal year by \$704,974,952.
- Net Assets for the governmental activities decreased \$5,503,607 and the net assets for the business type activities increased \$34,036,456 for a total increase in the City's net assets of \$28,532,849. Contributing factors related to the increases are discussed in the government activities and business type activities sections of this overview and analysis.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$44,794,119. Of the combined ending fund balances, \$18,480,293 is unreserved and \$394,642 is reserved in the General Fund, \$6,140,162 is reserved for debt service, \$1,727,367 is unreserved in the Capital Projects Fund, and \$3,721,683 is unreserved and \$14,329,972 is reserved in special revenue funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all of a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, landfill, economic development, and culture and recreation. The business-type activities of the City include electric, water, sewer, golf, heliport, storm water, parks performance, and sanitation operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also legally separate non-profit corporations for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 24-25 of this report.

Fund financial statement

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

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for the government-wide financial statement. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the 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 seventeen individual governmental funds. The general fund, the debt service fund, and the capital project fund, are considered to be major funds. Major funds are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 26-29 of this report.

Business type funds

The City maintains two different types of business type funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer, golf, heliport, storm water management, parks performance, and sanitation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for group health, self-insurance, long-term disability insurance, fleet, vehicle replacement, information technology, facilities management, warehouse, and customer service operations. The internal service funds are allocated between the governmental and business-type activities based on the level of support each internal service provides to a governmental and business-type activity.

Business type funds provide the same type of information as the government-wide financial statements, only in more detail. The electric, water, and sewer operations are considered to be major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the business type fund financial statements. Individual fund data for the non-major enterprise funds and for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic business type fund financial statements can be found on pages 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 statement 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 39-74 of this report.

Other information

Required supplementary information concerning the General Fund statement of revenues, expenditures, and changes in fund balances – budget and actual for the year ended September, 30, 2009, the City's progress in funding its obligation to provide Texas Municipal Retirement System pension benefits and Post Employment Benefits (OPEB) to its employees, are presented on pages 75-77 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, enterprise, and internal service funds are presented on pages 79-102 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities (net assets) by \$704,974,952 for the year ended September 30, 2009. The largest portion of the City's net assets (69.4 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and systems); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (14.3 percent) represents resources that are subject to external restrictions on how they may be used. These restrictions are detailed in revenue bond debt covenants, the City of Garland Charter, grant contracts and state law. The remaining balance of unrestricted net assets (16.3 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Net assets:						
Invested in capital assets, net of related debt	151,311,862	152,134,216	337,930,445	355,663,983	489,242,307	507,798,199
Restricted for:						
Debt Service	4,369,046	5,285,612	-	-	4,369,046	5,285,612
Construction	11,341,678	16,000,679	-	-	11,341,678	16,000,679
Rate Mitigation	-	-	82,525,231	80,549,836	82,525,231	80,549,836
Housing Assistance	2,424,123	3,586,470	-	-	2,424,123	3,586,470
Unrestricted	(6,063,639)	(8,120,300)	121,136,206	71,341,607	115,072,567	63,221,307
Total net assets	<u>\$ 163,383,070</u>	<u>\$ 168,886,677</u>	<u>\$ 541,591,882</u>	<u>\$ 507,555,426</u>	<u>\$ 704,974,952</u>	<u>\$ 676,442,103</u>

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2009

The total net assets increased \$28,532,849 for the 2009 fiscal year. Business type activities contributed \$34,036,456 of this increase while the governmental activities decreased this total by \$5,503,607.

Schedule of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 33,530,094	\$ 30,565,870	\$ 324,506,754	\$ 358,683,084	\$ 358,036,848	\$ 389,248,954
Operation grants and contributions	17,351,640	21,055,526	-	-	17,351,640	21,055,526
Capital grants and contributions	2,082,015	6,398,010	3,679,673	4,226,700	5,761,688	10,624,710
General Revenues:						
Property taxes	77,869,371	74,677,018	-	-	77,869,371	74,677,018
Sales taxes	22,041,066	23,694,596	-	-	22,041,066	23,694,596
Other taxes	8,758,016	9,145,254	-	-	8,758,016	9,145,254
Unrestricted interest earnings	2,771,407	3,486,049	5,031,184	7,794,879	7,802,591	11,280,928
Miscellaneous	(58,601)	46,672	(2,566,210)	3,235,856	(2,624,811)	3,282,528
Total Revenues	<u>164,345,008</u>	<u>169,068,995</u>	<u>330,651,401</u>	<u>373,940,519</u>	<u>494,996,409</u>	<u>543,009,514</u>
Expenses:						
General government	31,153,948	31,821,475	-	-	31,153,948	31,821,475
Public safety	88,837,476	85,948,538	-	-	88,837,476	85,948,538
Public works	40,530,087	41,491,649	-	-	40,530,087	41,491,649
Culture and recreation	19,849,963	19,925,775	-	-	19,849,963	19,925,775
Public health	3,455,498	3,346,806	-	-	3,455,498	3,346,806
Interest and fiscal charges	12,888,091	10,476,757	-	-	12,888,091	10,476,757
Electric	-	-	183,527,066	255,025,955	183,527,066	255,025,955
Water	-	-	33,000,743	29,979,447	33,000,743	29,979,447
Sewer	-	-	30,838,009	29,021,769	30,838,009	29,021,769
Golf	-	-	2,801,539	2,827,100	2,801,539	2,827,100
Heliport	-	-	27,482	27,335	27,482	27,335
Storm Water Management	-	-	3,176,002	3,192,094	3,176,002	3,192,094
Parks Performance	-	-	818,781	702,176	818,781	702,176
Sanitation	-	-	15,558,875	15,618,088	15,558,875	15,618,088
Total expenses	<u>196,715,063</u>	<u>193,011,000</u>	<u>269,748,497</u>	<u>336,393,964</u>	<u>466,463,560</u>	<u>529,404,964</u>
Increase in net assets before transfers and special items	(32,370,055)	(23,942,005)	60,902,904	37,546,555	28,532,849	13,604,550
Transfers	26,866,448	26,274,111	(26,866,448)	(26,274,111)	-	-
Increase (decrease) in net assets	(5,503,607)	2,332,106	34,036,456	11,272,444	28,532,849	13,604,550
Net assets - beginning	168,886,677	166,554,571	507,555,426	499,830,964	676,442,103	666,385,535
Cumulative effect of change in accounting principle	-	-	-	(3,547,982)	-	(3,547,982)
Net assets restated - beginning	<u>168,886,677</u>	<u>166,554,571</u>	<u>507,555,426</u>	<u>496,282,982</u>	<u>676,442,103</u>	<u>662,837,553</u>
Net assets - ending	<u>\$ 163,383,070</u>	<u>\$ 168,886,677</u>	<u>\$ 541,591,882</u>	<u>\$ 507,555,426</u>	<u>\$ 704,974,952</u>	<u>\$ 676,442,103</u>

Governmental activities

Governmental activities decreased the City's net assets by \$5,503,607. This decrease is discussed below.

Revenues by Source – Governmental Activities

Revenues by Source

	2009		2008		Amount Change	Percentage Change
	Amount	Percentage	Amount	Percentage		
Charges for services	\$ 33,530,094	20.40%	\$ 30,565,870	18.08%	\$ 2,964,224	9.70%
Operation grants and contributions	17,351,640	10.56%	21,055,526	12.45%	(3,703,886)	-17.59%
Capital grants and contributions	2,082,015	1.27%	6,398,010	3.78%	(4,315,995)	-67.46%
Property taxes	77,869,371	47.38%	74,677,018	44.17%	3,192,353	4.27%
Sales taxes	22,041,066	13.41%	23,694,596	14.01%	(1,653,530)	-6.98%
Other taxes	8,758,016	5.33%	9,145,254	5.41%	(387,238)	-4.23%
Unrestricted interest earnings	2,771,407	1.69%	3,486,049	2.06%	(714,642)	-20.50%
Miscellaneous	(58,601)	-0.04%	46,672	0.03%	(105,273)	-225.56%
Total Revenues	<u>\$ 164,345,008</u>		<u>\$ 169,068,995</u>		<u>\$ (4,723,987)</u>	

Charges for services increased \$2,964,224 as a result of the following:

- Ambulance revenue increased \$1,173,686 due to a bad debt write off recorded in the prior fiscal year.
- Municipal Court and Red Light Enforcement revenues increased \$874,299 as a result of an increase in the number of citations and increased collection efforts.
- Landfill revenues increased \$395,074 as a result of a rate increase for residential customers and increased tonnage dumped at the landfill for commercial customers.
- Licenses and permit revenue rebounded from the prior year increasing revenue by \$142,091 over the prior fiscal year.
- Reimbursements from Garland ISD for the school resource officer program and security for various school activities increased \$111,938 over the prior fiscal year.
- Fees for 911 phone service increased \$103,537.

Operating grants and contributions decreased \$3,703,886 as a result of the following:

- Housing Assistance grant revenues decreased \$1,309,960 as a result of HUD adjusting current year revenues down as a result of lower than anticipated rental assistance expense in the prior year. In addition certain housing assistance programs that provided rental assistance programs for Hurricanes Katrina and Ike evacuees are in the process of ending.
- Grant awards for the Northeast Texas Library System (NETLS) grant decreased \$208,678 from the prior fiscal year.
- The decrease of \$614,364 in the Other Housing Assistance fund was the result on a one time FEMA grant to assist Hurricane Katrina victims.
- Grant revenue in the Neighborhood Services fund decreased \$1,515,141 as a result of decreased activities in the Home program and the Summer Nutrition program.
- The decrease of \$425,638 in the Police Training Grant fund is the result of a decrease in the Urban Areas Security Initiative and the end of the G.R.E.A.T. Grant program.

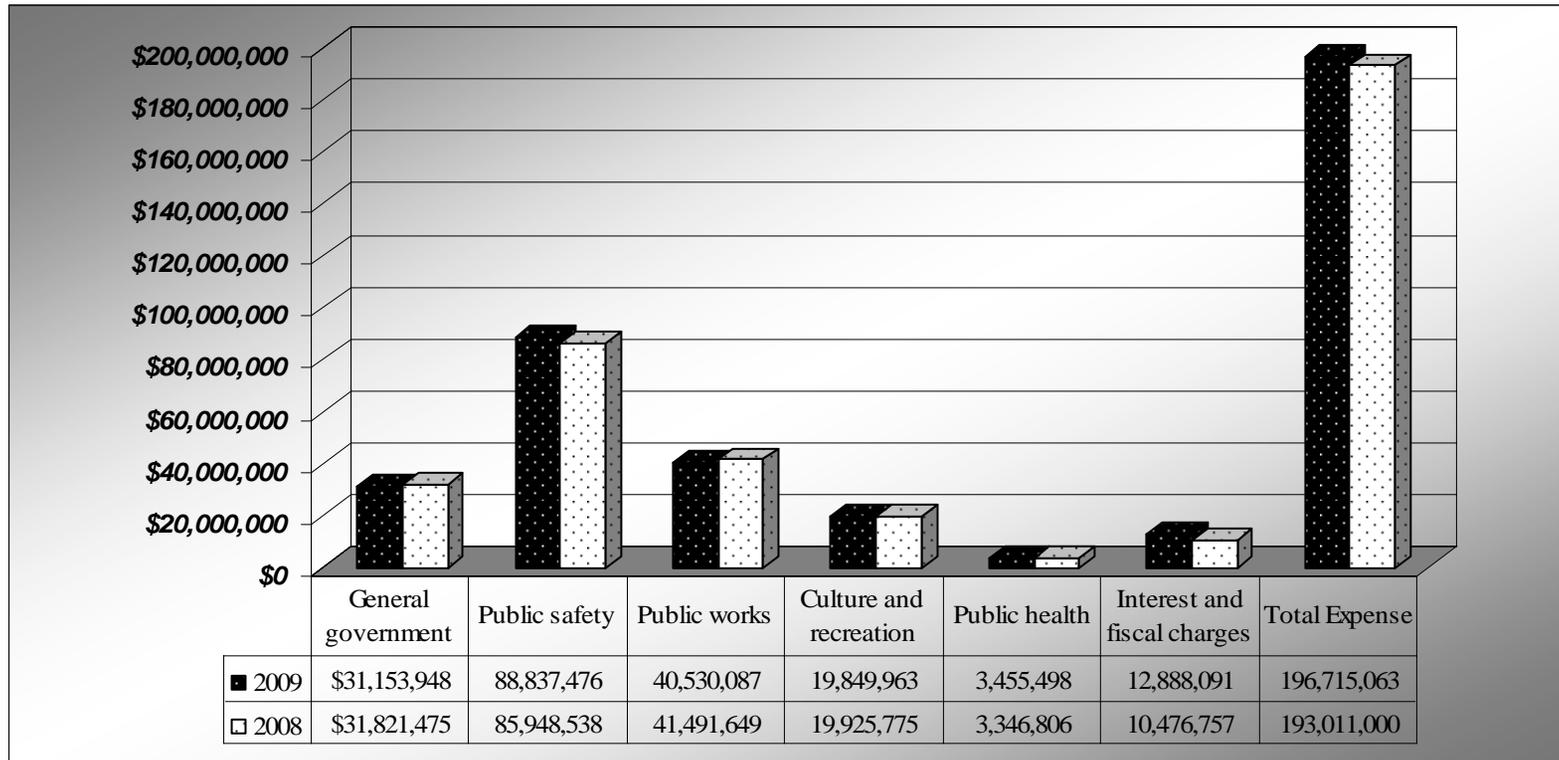
Capital grants and contributions decreased \$4,315,995 as a result of a decrease in contributions from developers for streets, alleys and drainage in new developments.

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

- Property taxes increased \$3,192,353 as a result of a 1.1 cent increase in the tax rate for debt service and a 2.1% growth in the City's tax base.
- Sales tax revenue decreased \$1,653,530 and 6.98% from the prior year. This decrease reflects the continued slow down in the economy.
- Interest earnings decreased as a result of lower yields earned on investments.

Expenses by Source – Governmental Activities

The following chart provides a summary of expenses by source for the governmental activities for the 2009 and 2008 fiscal years.



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

General government expenses decreased \$667,527 as a result of the following:

- Home Program and Summer Nutrition Program expenses decreased \$1,522,362 as a result of reduced activity in these programs
- Housing Assistance expenditures decreased \$227,520 because certain rental assistance programs that provided rental assistance for Hurricanes Katrina and Ike evacuees is in the process of ending.
- Depreciation expense for general government departments decreased \$45,540 from the prior year.
- The general government's portion of Internal Service cost increased \$987,793 as a result of the Internal Service funds incurring an operating loss during the current fiscal year of \$240,607 and an operating income of \$6,116,981 in the prior fiscal year.

- Economic development expense in the Capital Projects Fund increased \$141,355. This increase is a result of a joint traffic light project between the City and the City of Richardson, Texas that is funded by the DART.

Public safety expenses increased \$2,888,938 as a result of the following:

- Loss on disposal of assets increased \$613,450. The majority of this increase was the result of the retirement of the public safety building located at 217 N. Fifth.
- Depreciation expense increased \$558,770. The majority of this increase was the result of a new fire administration and training facility as well as two new fire stations.
- The Internal Service cost allocated to public safety increased \$1,948,361 as a result of the Internal Service funds incurring an operating loss during the current fiscal year of \$240,607 and an operating income of \$6,116,981 in the prior fiscal year.
- Other Post Employment Benefit cost decreased \$209,220 from the prior year.

Public works expenses decreased \$961,562. Contributing factors to this decrease are as follows:

- General Fund expenditures decreased \$728,714. Contributing factors in this decrease include the following.
 - Fuel Expense for the landfill operation decreased due to lower fuel cost per gallon.
 - Professional fees related to the landfill decreased.
 - Temporary labor and other services performed at the landfill decreased.
 - More time was devoted to working on capital projects by Engineering Department employees.
- Depreciation expense decrease \$213,145 as a result of the sale of equipment and the retirement of street and drainage improvements.

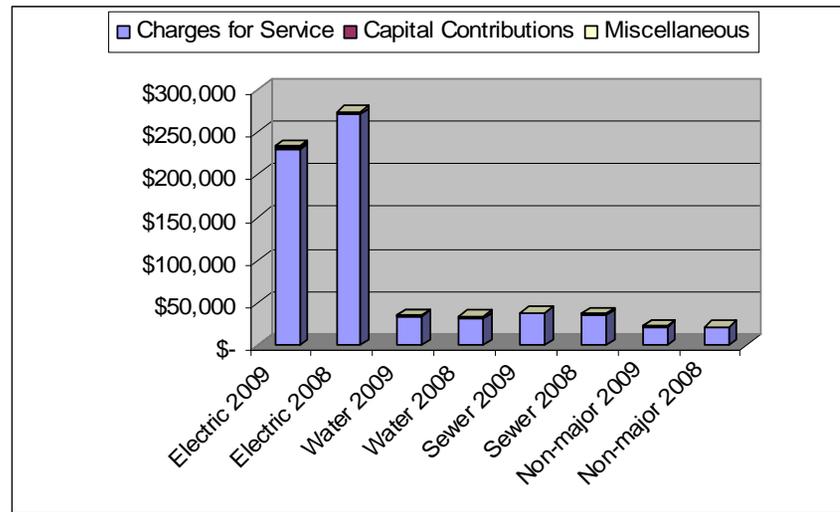
Interest and fiscal charges increased \$2,411,334 primarily as a result of increased interest cost in the internal service funds.

Business-type Activities

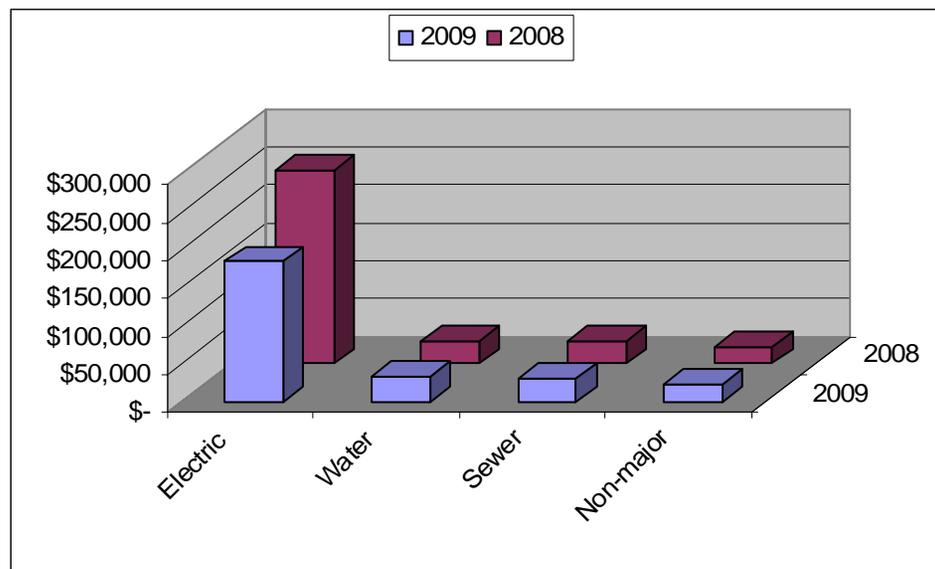
Business-type activities increased the City's net assets by \$34,036,456. Key elements of this change are as follows:

- The electric utility generated a net income of \$30,047,540. The net income for the electric utility increased \$30,239,202 from the prior fiscal year as a result of the following.
 - Charges for services decreased \$41 million. Of this decrease \$30.4 million was related to wholesale energy sales and the balance related to decreases in retail energy sales.
 - Fuel and energy purchase expense decreased \$52.8 million as a result of lower natural gas prices than the prior fiscal year and lower electric consumption by the electric customers.
 - Demand charges increased \$14.5 million as a result of decreased fixed costs at Texas Municipal Power Agency (TMPA).
 - Maintenance, repairs and supplies decreased 3.2 million dollars as a result of lower cost of operating the power plants, less obsolete inventory disposals and other cost cutting measures.
- The water utility incurred a net loss of \$745,317. The net income for the water utility decreased \$1,665,922 from the prior year as a result of the following.
 - The cost of purchasing water increased \$1,265,007 as result of a North Texas Municipal Water rate increase.
 - Depreciation expense increased \$450,020 due to current year asset addition for water meters, water lines and other water assets.
- The net income for the sewer utility amounted to \$3,993,032. The net income for the sewer utility decreased \$1,030,371 from the prior year as a result of Depreciation expense increasing \$920,259 and a result of the addition of a new sewer interceptor line during the current fiscal year.
- The combined net losses for non-major enterprise funds (golf, heliport, storm water, parks performance and sanitation) amounted to \$119,570. The City continues to monitor these funds and implement programs and strategies to improve their financial condition.
- The net cost allocated to the business-type activities from the internal service funds amounted to \$621,631.

Revenues by Source – Business-type Activities (amounts in thousands)



Expenses by Source – Business-type Activities (amounts in thousands)



Fiduciary funds

During the current 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. The City contributed \$250,000 to the trust fund during the fiscal year and \$10,941 was earned from those investments. The City will make future contributions to this trust fund as the economic environment allows.

Capital Asset and Debt Administration

Capital Assets

At the end of the fiscal year 2009, the City had \$1,074,124,306 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 \$41,949,668 or 4.06 percent over the prior fiscal year. Key elements of this change are as follows.

**Capital Assets at Year-end
(Net of Accumulated Depreciation)**

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Land	\$ 77,740,605	\$ 74,426,709	\$ 17,951,637	\$ 17,043,964	\$ 95,692,242	\$ 91,470,673
Construction in Progress	68,386,012	50,589,552	71,678,163	112,624,416	140,064,175	163,213,968
Building, Improvements, equipment and systems	269,681,231	287,221,335	568,686,658	490,268,662	838,367,889	777,489,997
Total capital assets	<u>\$ 415,807,848</u>	<u>\$ 412,237,596</u>	<u>\$ 658,316,458</u>	<u>\$ 619,937,042</u>	<u>\$ 1,074,124,306</u>	<u>\$ 1,032,174,638</u>

City of Garland, Texas
 Management's Discussion and Analysis (continued)
 September 30, 2009

Major capital asset additions for the current fiscal year include (amounts in thousands):

Description	Amount
Duck Creek Wastewater Interceptor Line	\$50,633
Transmission & Distribution Equipment for Electric Substations	20,960
Towers, Transformers, & Conductors for Electric Distribution Assets	7,520
Street & Storm Drainage Improvements at Naaman School Road - SH78 to Pleasant Valley	6,913
Street & Storm Drainage Improvements at Kingsley Road	5,264
Poles & Fixtures for Electric Transmission Assets	4,402
Structural Improvements & Equipment Additions for Electric Generation Assets	3,941
Water Mains	3,211
Street & Storm Drainage Improvements at Zion Road	2,980
Wastewater Treatment Plant Bio-solid Expansion	2,631
Police Shooting Range	2,358
Rowlett Creek Wastewater Treatment Plant Process Improvement	1,816
Street & Apron Replacement at Fleet Service Center	1,597
Sachse Relief Line & Meter Station	1,390

City of Garland, Texas
 Management's Discussion and Analysis (continued)
 September 30, 2009

A few of the Capital Improvement Program projects under construction as of the end of the current fiscal year include (amounts in thousands):

<u>Description</u>	<u>Amount</u>	<u>Description</u>	<u>Amount</u>
Utility Service Building	\$12,750	Hinton Landfill Cell #4	\$2,193
Downtown Reconstruction & Development	7,642	Electric underground line replacement	2,465
Broadway Water Pump Station Improvement	5,143	Fifth St. Street Improvements - Miller to Ave. D	2,039
Radio System Replacement	4,485	Various Electric transmission upgrades	1,969
Centerville Road Water Transmission Line	4,238	Bradfield, Wynne, Holford Pool	1,785
Electric O/H line replacement	4,124	Electric substation conversion	1,622
Country Club Street Improvements - Walnut to Commerce	3,987	Wastewater Main Replacement	1,547
Centerville -Pleasant Valley Water Transmission Line	3,634	Electric transmission line upgrade	1,527
Petition Drainage	3,601	Local flooding	1,469
New Water Tower at East Zone	3,503	City employee health clinic	1,390
Sixth Street	3,312	Library facilities upgrades	1,363
Eastern Hill Wastewater Relief Line	3,224	Carroll relief sewer line	1,257
Information Technology\Emergency Mgmt Office	3,055	Electric T&D Building	1,172
Radio Read Water Meters	2,852	Electric loop replacement	1,080
City Development	2,391	Park playground improvements	1,065
Duck Creek Wastewater Interceptor Line	2,320	Telephone system upgrades	1,051
Electric substation upgrades	2,258	Electric commercial and industrial service upgrades	1,005

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

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2009

Debt

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

Outstanding Debt, at Year-end

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Long-Term:						
General obligation bonds	\$ 194,650,000	\$ 205,520,000	\$ 82,285,000	\$ 84,685,000	\$ 276,935,000	\$ 290,205,000
Certificates of obligation	95,934,063	80,360,205	17,920,937	22,789,795	113,855,000	103,150,000
Tax Notes	360,000	-	-	-	360,000	-
Utility system revenue bonds	-	-	296,575,000	277,435,000	296,575,000	277,435,000
Total Long-Term	<u>290,944,063</u>	<u>285,880,205</u>	<u>396,780,937</u>	<u>384,909,795</u>	<u>687,725,000</u>	<u>670,790,000</u>
Short-Term:						
Commercial Paper	25,000,000	10,000,000	-	-	25,000,000	10,000,000
Tax Notes	5,810,000	3,185,000	-	-	5,810,000	3,185,000
Total Short-Term	<u>30,810,000</u>	<u>13,185,000</u>	<u>-</u>	<u>-</u>	<u>30,810,000</u>	<u>13,185,000</u>
Total outstanding debt	<u>\$ 321,754,063</u>	<u>\$ 299,065,205</u>	<u>\$ 396,780,937</u>	<u>\$ 384,909,795</u>	<u>\$ 718,535,000</u>	<u>\$ 683,975,000</u>

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

Current fiscal year debt issues

Issue	Principal	Bond Ratings	
		Standard & Poor's	Fitch IBCA
Long-term			
Certificates of Obligation, Series 2009	\$ 22,985,000	AA+	AA+
Tax Anticipation Note, Series 2009	360,000	AA+	AA+
Electric Utility System Revenue Bonds, Series 2009	11,760,000	A+	A+
Water & Sewer System Revenue Bonds, Series 2009	18,090,000	AA	AA
Short-term			
Commercial Paper	25,000,000	--	--
Tax Anticipation Note, Series 2009A	5,810,000	--	--
Total debt financing	<u>\$ 84,005,000</u>		

The proceeds of the certificates of obligation will be used for the following:

- Acquiring and constructing fiber optic facilities.
- Constructing, improving and equipping a radio system for the communications department.
- Acquiring, constructing, improving and equipping the City's utility service building.

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

The City continued the use of short term financing with general obligation commercial paper notes and tax anticipation notes. These financing tools provide interest savings as well as an additional funding source for street improvements projects. During the year the City issued general obligation commercial paper notes amounting to \$25 million. In addition, the City issued \$6,170,000 in tax anticipation notes to fund various street improvements during the 2010 fiscal year and to purchase public safety equipment.

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 \$44,794,119, a decrease of \$11,456,685 from the prior year. The decrease in the net change in fund balance for the Capital Projects Fund of \$12,117,537 is attributable to capital project expenditures funded by general obligation commercial paper (\$25 million) and tax notes (\$5.8 million). These two loan instruments are reported as liabilities on the Capital Projects balance sheet and not as other financing sources revenue on the statement of revenues, expenditures and changes in fund balance. Issuance of debt revenue will be recognized in the future when the City issues general obligation refunding bonds to refund the outstanding commercial paper and as the tax notes are paid off annually.

The General Fund ended the fiscal year with a fund balance of \$18,874,935, which was an increase of \$1,592,662 from the prior year. The original budget projected a decrease in fund balance of \$550,207 which was later revised to a decrease of \$687,913 in fund balance. Favorable budget variances were experienced for revenues as well as expenditures for the fiscal year. Actual revenues, proceeds from the sale of capital assets and transfers in exceeded final budgeted revenues by \$1,512,762 and actual expenditures and transfers out were under the final budget amount by \$767,812. This favorable budget variance was a result of increased property tax revenues, service charges, fines and forfeits, sale of capital assets and other operational expenditure savings across General Fund departments.

It is the City's declared policy to maintain a minimum unreserved general fund balance equivalent to 30 days of expenditures on a budget basis. At the end of the current fiscal year the unreserved fund balance for the general fund is equivalent to 42 days of expenditures as calculated by the City's Budget Department.

The Debt Service Fund ended the fiscal year with a fund balance of \$6,140,162 due to a net increase in fund balance for the fiscal year of \$854,550. This increase in fund balance was the result of debt service revenues increasing \$1,047,182, primarily due to a debt service tax rate increase, debt service payments and fiscal and other expenses increasing \$2,422,973, and other financing sources and uses increasing \$588,604.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2009, the City Council amended the budget for the General Fund on several occasions. The amendments were made up of supplemental appropriations and adjusted budgets. Appropriations are adjusted annually for open purchase orders and various grant awards. Budgets are reviewed and adjusted during the fiscal year to address changing operational and or economic situations. These supplemental appropriations and re-estimated allocations amounted to decreasing appropriations by \$631,143.

Economic Factors and Next Year's Budgets and Rates

The City's unemployment rate at September 30, 2009, was 8.1%, the State of Texas unemployment rate was 8.8%, and the unemployment rate for Dallas County was 8.7%. The City's estimated population of 225,865 (as estimated at January 1, 2009, by the City's Planning department) remained virtually unchanged from the prior year.

The operating budget for the 2009 fiscal year as developed by City management and approved by the City's elected officials focused on using the City's available financial resources to address the following priority areas:

- Eliminate a \$5 million deficit projected for the General Fund without increasing the operations and maintenance property tax rate.
- Implement changes to employee retirement benefits that will enable the TMRS plan to be financially sustainable for the future.
- Provide a pay increase to employees to help offset rising living costs.
- Provide the resources necessary for the electric utilities efficient operation and success in the new nodal electric market.

The adopted 2009 fiscal year budget addressed the priorities listed above in the following ways:

- No change was made to the operations and maintenance portion of the tax rate. However a tax rate increase of 1.1 cent was approved to fund debt service cost related to the 1997 and 2004 bond programs.
- In order to maintain sustainable contribution rates for employee retirement, the TMRS cost-of-living adjustments (COLA) were discontinued for both current and future retirees. By making this modification in the benefit structure, the projected TMRS contribution rate, drops from 23.13% to 16.54%. This action is consistent with the findings and recommendations of an outside actuarial firm hired to review the TMRS plan and the City's options.
- The adopted budget included an average merit increase of 3.5% for general employees and average increases of 3.7% for the police schedule and 3.8% for the fire schedule.
- Three professional positions in Electric Administration were added to address ongoing changes in the industry.

Highlights of the 2010 fiscal year budget are outlined below:

The primary focus of the 2010 Adopted Budget was to absorb the impact of a significant downturn in the national and regional economy without increasing the Operations and Maintenance (O&M) tax rate and minimizing the impact to service levels. Preliminary projections indicated Garland faced a \$7 million deficit in the General Fund for FY 2010 with shortfalls continuing for the next three to five years as the economy struggles to recover. In addition to challenges in the General Fund, the City's utilities are facing increasing expenditures and/or declining revenues due to situations unique to each service. The measures approved to eliminate the FY 2010 deficit in the General Fund are as follows:

- Revenue Enhancements – fee and rate increases.
- Temporary 1.15% reduction in employee pay.
- Elimination of vacant positions.
- Cost-cutting measures in operating expenditures.
- Increase in Charge-Outs to the Hotel/Motel and Stormwater Management Funds.
- Reduction in transfers to the IT Replacement Fund.
- Reduction in transfers to the Infrastructure Repair & Replacement Fund.
- Use of \$1.5 million in fund balance reserves.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial Services Department, at the City of Garland, 200 North Fifth, Garland, TX 75040 or through the City's internet site (www.ci.garland.tx.us).

GARLAND

GARLAND

City of Garland, Texas
Statement of Net Assets
September 30, 2009

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Cash and cash equivalents	\$ 98,872,902	\$ 60,147,170	\$ 159,020,072	\$ 629,398
Investments	20,397,145	15,051,507	35,448,652	-
Accounts Receivable, net of allowance for uncollectibles	10,642,366	39,575,256	50,217,622	43,555
Due from other governments	1,908,931	-	1,908,931	-
Internal Balances	(12,356,745)	12,356,745	-	-
Inventories	5,619,651	2,393,927	8,013,578	-
Prepaid and other items	958,813	-	958,813	-
Restricted Assets:				
Cash and cash equivalents	20,357,259	122,918,690	143,275,949	-
Investments	4,915,816	50,388,503	55,304,319	-
Accrued interest	39,405	259,956	299,361	-
Deferred bond issuance costs	3,026,939	7,106,784	10,133,723	-
Assets held for resale	-	-	-	546,855
Capital Assets (net of accumulated depreciation)				
Land	77,740,605	17,951,637	95,692,242	900,000
Construction in Progress	68,386,012	71,678,163	140,064,175	-
Buildings, Improvements, Equipment and System	269,681,231	568,686,658	838,367,889	-
Total assets	<u>570,190,330</u>	<u>968,514,996</u>	<u>1,538,705,326</u>	<u>2,119,808</u>
LIABILITIES				
Accounts payable and accrued liabilities	16,443,903	11,867,467	28,311,370	6,599
Escrow payable	350,159	-	350,159	-
Retainage payable	785,913	2,956,230	3,742,143	-
Accrued interest payable	1,771,116	2,055,943	3,827,059	-
Customer deposits	10,215,197	-	10,215,197	-
Tax Note Payable	6,170,000	-	6,170,000	-
Commercial Paper	25,000,000	-	25,000,000	-
Due to other governments	655,507	279,592	935,099	-
Unearned revenue	2,000,605	-	2,000,605	798,750
Unamortized bond premium, and defeased debt cost	7,326,738	9,452,008	16,778,746	-
Noncurrent Liabilities:				
Due within one year	34,635,987	22,533,530	57,169,517	-
Due in more than one year	301,452,135	377,778,344	679,230,479	-
Total liabilities	<u>406,807,260</u>	<u>426,923,114</u>	<u>833,730,374</u>	<u>805,349</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	151,311,862	337,930,445	489,242,307	101,250
Restricted for:				
Debt Service	4,369,046	-	4,369,046	-
Construction	11,341,678	-	11,341,678	-
Rate Mitigation	-	82,525,231	82,525,231	-
Housing	2,424,123	-	2,424,123	-
Unrestricted net assets (deficit)	(6,063,639)	121,136,206	115,072,567	1,213,209
Total net assets	<u>\$ 163,383,070</u>	<u>\$ 541,591,882</u>	<u>\$ 704,974,952</u>	<u>\$ 1,314,459</u>

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

City of Garland, Texas
Statement of Activities
For the Year Ended September 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business Type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 31,153,948	\$ 6,010,639	\$ 15,087,752	\$ -	\$ (10,055,557)	\$ -	\$ (10,055,557)	\$ -
Public safety	88,837,476	12,015,983	1,393,795	-	(75,427,698)	-	(75,427,698)	-
Public works	40,530,087	13,317,251	-	2,082,015	(25,130,821)	-	(25,130,821)	-
Culture and recreation	19,849,963	1,871,402	694,494	-	(17,284,067)	-	(17,284,067)	-
Public health	3,455,498	314,819	175,599	-	(2,965,080)	-	(2,965,080)	-
Interest and fiscal charges	12,888,091	-	-	-	(12,888,091)	-	(12,888,091)	-
Total governmental activities	<u>196,715,063</u>	<u>33,530,094</u>	<u>17,351,640</u>	<u>2,082,015</u>	<u>(143,751,314)</u>	<u>-</u>	<u>(143,751,314)</u>	<u>-</u>
Business type activities:								
Electric	183,527,066	229,710,285	-	2,308,720	-	48,491,939	48,491,939	-
Water	33,000,743	34,236,560	-	1,084,665	-	2,320,482	2,320,482	-
Sewer	30,838,009	38,396,280	-	286,288	-	7,844,559	7,844,559	-
Golf	2,801,539	1,996,599	-	-	-	(804,940)	(804,940)	-
Heliport	27,482	6,451	-	-	-	(21,031)	(21,031)	-
Storm Water Management	3,176,002	3,137,707	-	-	-	(38,295)	(38,295)	-
Parks Performance	818,781	831,481	-	-	-	12,700	12,700	-
Sanitation	15,558,875	16,191,391	-	-	-	632,516	632,516	-
Total business-type activities	<u>269,748,497</u>	<u>324,506,754</u>	<u>-</u>	<u>3,679,673</u>	<u>-</u>	<u>58,437,930</u>	<u>58,437,930</u>	<u>-</u>
Total primary government	<u>\$ 466,463,560</u>	<u>\$ 358,036,848</u>	<u>\$ 17,351,640</u>	<u>\$ 5,761,688</u>	<u>(143,751,314)</u>	<u>58,437,930</u>	<u>(85,313,384)</u>	<u>-</u>
Component units								
Garland Housing Finance Corp.	\$ 121,444	\$ 24,575	\$ 22,500	-	-	-	-	(74,369)
Garland Health Facilities Development Corp.	36,686	25,000	-	-	-	-	-	(11,686)
Garland Economic Develop. Authority	7,683	-	-	-	-	-	-	(7,683)
	<u>\$ 165,813</u>	<u>\$ 49,575</u>	<u>\$ 22,500</u>	<u>\$ -</u>				
General revenues:								
Sales taxes					22,041,066	-	22,041,066	-
Franchise fees					7,935,599	-	7,935,599	-
Property taxes					77,869,371	-	77,869,371	-
Hotel/Motel taxes					483,639	-	483,639	-
Mixed drink taxes					233,290	-	233,290	-
Bingo taxes					105,488	-	105,488	-
Unrestricted investment earnings					2,771,407	5,031,184	7,802,591	11,635
Miscellaneous					(58,601)	(2,566,210)	(2,624,811)	(10,629)
Transfers					26,866,448	(26,866,448)	-	-
Total general revenues and transfers					<u>138,247,707</u>	<u>(24,401,474)</u>	<u>113,846,233</u>	<u>1,006</u>
Net change in net assets					(5,503,607)	34,036,456	28,532,849	(92,732)
Net assets-beginning					168,886,677	507,555,426	676,442,103	1,407,191
Net assets-ending					<u>\$ 163,383,070</u>	<u>\$ 541,591,882</u>	<u>\$ 704,974,952</u>	<u>\$ 1,314,459</u>

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

**City of Garland, Texas
Governmental Funds
Balance Sheet
September 30, 2009**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 14,530,176	\$ 6,612,203	\$ 30,678,069	\$ 14,950,620	\$ 66,771,068
Investments	3,639,651	-	5,200,619	3,688,890	12,529,160
Receivables:					
Accounts, net	8,029,816	-	-	15,382	8,045,198
Taxes, net	687,765	549,151	-	-	1,236,916
Accrued interest	62,323	506	40,424	33,937	137,190
Assessments	-	-	-	21,307	21,307
Due from other funds	3,651,675	-	-	-	3,651,675
Due from other governments	72,568	-	28,484	1,807,879	1,908,931
Prepaid items	-	-	-	958,813	958,813
Total Current Assets	<u>30,673,974</u>	<u>7,161,860</u>	<u>35,947,596</u>	<u>21,476,828</u>	<u>95,260,258</u>
Restricted assets:					
Cash and cash equivalents	-	-	-	568,656	568,656
Total Restricted Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>568,656</u>	<u>568,656</u>
Total Assets	<u>\$ 30,673,974</u>	<u>\$ 7,161,860</u>	<u>\$ 35,947,596</u>	<u>\$ 22,045,484</u>	<u>\$ 95,828,914</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 7,776,224	\$ -	\$ 1,842,066	\$ 1,459,223	\$ 11,077,513
Escrow payable	-	-	-	350,159	350,159
Due to other funds	68,480	552,622	288,233	1,167,212	2,076,547
Deferred revenues	3,951,845	469,076	967,803	412,821	5,801,545
Due to other governments	-	-	45,069	568,656	613,725
Retainage payable	2,490	-	267,058	35,758	305,306
Tax note payable	-	-	5,810,000	-	5,810,000
Commercial paper	-	-	25,000,000	-	25,000,000
Total Liabilities	<u>11,799,039</u>	<u>1,021,698</u>	<u>34,220,229</u>	<u>3,993,829</u>	<u>51,034,795</u>
FUND BALANCES					
Fund balances:					
Reserved for:					
Debt service	-	6,140,162	-	-	6,140,162
Construction	394,642	-	-	10,947,036	11,341,678
Housing	-	-	-	2,424,123	2,424,123
Prepaid items	-	-	-	958,813	958,813
Unreserved	18,480,293	-	1,727,367	3,721,683	23,929,343
Total Fund Balances	<u>18,874,935</u>	<u>6,140,162</u>	<u>1,727,367</u>	<u>18,051,655</u>	<u>44,794,119</u>
Total Liabilities and Fund Balances	<u>\$ 30,673,974</u>	<u>\$ 7,161,860</u>	<u>\$ 35,947,596</u>	<u>\$ 22,045,484</u>	<u>\$ 95,828,914</u>

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

**City of Garland, Texas
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Assets
September 30, 2009**

Total fund balances - governmental funds \$ 44,794,119

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This amount includes capital assets used in the internal service funds of \$49,447,676. 415,807,848

Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds. 3,800,940

Bond interest is not accrued at the fund level. (1,771,116)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. This includes long-term liabilities of the internal service fund of \$57,979,923. Long-term liabilities consist of:

Bonds payable	(290,944,063)
Landfill closure costs	(7,792,465)
Compensated absences	(20,385,621)
Unamortized premium, loss on refunding, and bond issue costs	(4,299,799)
Other Post Employment Benefits liability payable	(3,511,760)
Insurance claims payable	(13,814,214)

Internal service funds net asset adjustment excluding assets and liabilities included in the adjustments listed above. Internal service funds are used by management to charge the costs of various services to individual funds. Certain assets and liabilities of the internal service funds are included with governmental activities in the statement of net assets. 41,499,201

Total net assets - governmental activities \$ 163,383,070

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, 2009

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 65,588,323	\$ 33,883,557	\$ -	\$ 1,148,553	\$ 100,620,433
Franchise fees	7,935,599	-	-	-	7,935,599
Service charges	17,537,722	-	-	-	17,537,722
Licenses and permits	2,566,182	-	-	-	2,566,182
Earnings on investments	660,299	101,307	571,353	406,616	1,739,575
Intergovernmental	512,162	-	846,827	15,427,694	16,786,683
Intragovernmental	7,324,102	-	-	-	7,324,102
Fines and forfeits	6,064,644	-	-	-	6,064,644
Rents and concessions	1,088,743	-	-	1,155	1,089,898
Assessments	-	-	26,459	6,150	32,609
Impact Fees	-	-	-	140,278	140,278
Contributions	-	-	418,418	6	418,424
Program income	-	-	-	135,695	135,695
Awards	-	-	-	374,145	374,145
Miscellaneous and other	-	40,715	795,752	1,162,401	1,998,868
Total revenues	<u>109,277,776</u>	<u>34,025,579</u>	<u>2,658,809</u>	<u>18,802,693</u>	<u>164,764,857</u>
EXPENDITURES					
Current:					
General government	10,033,725	-	149,705	-	10,183,430
Public safety	75,268,367	-	-	-	75,268,367
Public works	8,931,181	-	-	-	8,931,181
Culture and recreation	12,550,200	-	-	-	12,550,200
Public health	2,893,506	-	-	-	2,893,506
Nondepartmental	16,941,189	-	-	-	16,941,189
Operations	-	-	-	28,925,801	28,925,801
Capital outlay	-	-	15,026,061	1,638,537	16,664,598
Debt service:					
Principal	-	16,637,994	-	-	16,637,994
Interest	-	12,767,629	-	-	12,767,629
Issue Costs on issuance of debt	-	-	35,000	-	35,000
Other and fiscal expenditures	-	475,849	-	-	475,849
Total expenditures	<u>126,618,168</u>	<u>29,881,472</u>	<u>15,210,766</u>	<u>30,564,338</u>	<u>202,274,744</u>
Excess (deficiency) of revenues over (under) expenditures	(17,340,392)	4,144,107	(12,551,957)	(11,761,645)	(37,509,887)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	363,244	-	-	-	363,244
Transfers in	25,410,565	659,368	4,609,199	10,144,158	40,823,290
Transfers out	(6,840,755)	(3,948,925)	(4,324,779)	(368,873)	(15,483,332)
Issuance of debt	-	-	150,000	200,000	350,000
Total other financing sources (uses)	<u>18,933,054</u>	<u>(3,289,557)</u>	<u>434,420</u>	<u>9,975,285</u>	<u>26,053,202</u>
Net change in fund balance	1,592,662	854,550	(12,117,537)	(1,786,360)	(11,456,685)
Fund balances - beginning	17,282,273	5,285,612	13,844,904	19,838,015	56,250,804
Fund balances - ending	<u>\$ 18,874,935</u>	<u>\$ 6,140,162</u>	<u>\$ 1,727,367</u>	<u>\$ 18,051,655</u>	<u>\$ 44,794,119</u>

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

**City of Garland, Texas
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
For the Year Ended September 30, 2009**

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

Net change in fund balances - total governmental funds	\$ (11,456,685)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(16,684,904)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(493,892)
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.	19,066,328
Other Post Employment Benefits liability is accrued in the government wide financial statements but not at the fund level.	(1,550,116)
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.	1,526,162
Internal service funds are used by management to charge the costs of vehicle services, building services, printing services, and insurance services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>4,089,500</u>
Net change in net assets-total governmental activities	<u><u>\$ (5,503,607)</u></u>

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

City of Garland, Texas
Proprietary Funds
Statement of Net Assets
September 30, 2009

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 47,496,272	\$ 194,115	\$ 10,625,204	\$ 1,831,579	\$ 60,147,170	\$ 32,101,834
Investments	11,883,140	66,602	2,648,153	453,612	15,051,507	7,867,985
Receivable, net of allowance	28,690,953	4,608,961	4,158,980	1,996,651	39,455,545	1,131,783
Accrued interest	91,400	713	23,376	4,222	119,711	69,972
Due from other funds	-	-	-	3,836	3,836	-
Inventories	2,393,927	-	-	-	2,393,927	5,619,651
Total unrestricted current assets	<u>90,555,692</u>	<u>4,870,391</u>	<u>17,455,713</u>	<u>4,289,900</u>	<u>117,171,696</u>	<u>46,791,225</u>
<i>Restricted assets</i>						
Rate mitigation:						
Cash and cash equivalents	50,335,999	-	-	-	50,335,999	-
Investments	32,088,431	-	-	-	32,088,431	-
Accrued interest	100,801	-	-	-	100,801	-
Total rate mitigation	<u>82,525,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,525,231</u>	<u>-</u>
Construction funds:						
Cash and cash equivalents	25,240,251	14,075,254	32,920,869	346,317	72,582,691	19,788,603
Investments	6,177,403	3,680,862	8,346,594	95,213	18,300,072	4,915,816
Accrued interest	51,765	34,008	72,474	908	159,155	39,405
Total construction funds	<u>31,469,419</u>	<u>17,790,124</u>	<u>41,339,937</u>	<u>442,438</u>	<u>91,041,918</u>	<u>24,743,824</u>
Total current assets	<u>204,550,342</u>	<u>22,660,515</u>	<u>58,795,650</u>	<u>4,732,338</u>	<u>290,738,845</u>	<u>71,535,049</u>
Noncurrent Assets:						
Capital Assets:						
Land	3,023,404	1,491,430	2,250,259	11,186,544	17,951,637	-
Buildings, improvements, equipment and systems	359,532,179	180,268,550	380,620,182	26,477,042	946,897,953	63,579,172
Construction in progress	31,557,526	25,071,532	14,830,488	218,617	71,678,163	31,389,194
Less accumulated depreciation	<u>(139,686,456)</u>	<u>(75,589,703)</u>	<u>(150,245,145)</u>	<u>(12,689,991)</u>	<u>(378,211,295)</u>	<u>(45,520,690)</u>
Net capital assets	254,426,653	131,241,809	247,455,784	25,192,212	658,316,458	49,447,676
Unamortized bond discount and issue cost	3,368,730	1,265,973	2,348,826	123,255	7,106,784	700,791
Advance to other funds	5,071,477	-	-	-	5,071,477	-
Total noncurrent assets	<u>262,866,860</u>	<u>132,507,782</u>	<u>249,804,610</u>	<u>25,315,467</u>	<u>670,494,719</u>	<u>50,148,467</u>
Total Assets	<u>\$ 467,417,202</u>	<u>\$ 155,168,297</u>	<u>\$ 308,600,260</u>	<u>\$ 30,047,805</u>	<u>\$ 961,233,564</u>	<u>\$ 121,683,516</u>

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

**City of Garland, Texas
Proprietary Funds
Statement of Net Assets
September 30, 2009**

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES						
Current liabilities:						
<i>Payable from current assets</i>						
Accounts payable and accrued liabilities	\$ 6,945,606	\$ 1,664,387	\$ 527,899	\$ 490,820	\$ 9,628,712	\$ 3,538,098
Retainage	-	-	-	-	-	38,462
Due to other funds	-	-	-	1,578,964	1,578,964	-
Insurance claims payable	-	-	-	-	-	7,570,584
Accrued interest payable:						
General obligation bonds	314,141	46,619	133,670	-	494,430	5,625
Certificates of obligation	46,161	9,895	35,261	17,690	109,007	452,751
Customer deposits	-	-	-	-	-	10,215,197
General obligation bonds	1,140,000	485,000	875,000	-	2,500,000	30,000
Certificates of obligation	2,677,838	281,186	1,123,482	950,000	5,032,506	2,243,307
Compensated absences	1,085,366	204,588	297,941	333,129	1,921,024	699,777
Total payable from current assets	<u>12,209,112</u>	<u>2,691,675</u>	<u>2,993,253</u>	<u>3,370,603</u>	<u>21,264,643</u>	<u>24,793,801</u>
<i>Payable from restricted assets</i>						
Accounts payable	589,679	1,049,956	599,120	-	2,238,755	1,828,292
Retainage payable	109,570	401,629	2,445,031	-	2,956,230	442,145
Due to other governments	200,799	44,631	9,950	24,212	279,592	41,782
Accrued interest payable-revenue bonds	572,434	307,167	572,905	-	1,452,506	-
Revenue bonds payable	5,125,000	2,625,287	5,329,713	-	13,080,000	-
Total payable from restricted assets	<u>6,597,482</u>	<u>4,428,670</u>	<u>8,956,719</u>	<u>24,212</u>	<u>20,007,083</u>	<u>2,312,219</u>
Total current liabilities	18,806,594	7,120,345	11,949,972	3,394,815	41,271,726	27,106,020
Long-term Liabilities:						
Advances from other funds	-	-	-	50,250	50,250	5,021,227
Revenue bonds payable	102,585,000	61,135,919	119,774,081	-	283,495,000	-
Certificates of obligation	4,652,997	1,337,898	4,597,537	2,300,000	12,888,432	37,119,032
General obligation bonds	49,680,000	8,100,000	22,005,000	-	79,785,000	975,000
Unamortized bond premium, and defeased debt cost	4,471,449	1,848,089	2,987,892	144,578	9,452,008	1,113,735
Insurance claims payable	-	-	-	-	-	6,243,629
OPEB payable	580,239	139,234	229,513	323,096	1,272,082	578,979
Compensated absences	218,182	51,361	28,191	40,096	337,830	106,670
Total other liabilities	<u>162,187,867</u>	<u>72,612,501</u>	<u>149,622,214</u>	<u>2,858,020</u>	<u>387,280,602</u>	<u>51,158,272</u>
Total Liabilities	<u>180,994,461</u>	<u>79,732,846</u>	<u>161,572,186</u>	<u>6,252,835</u>	<u>428,552,328</u>	<u>78,264,292</u>
NET ASSETS						
Invested in capital assets, net of related debt	114,864,539	71,766,969	129,058,865	22,240,072	337,930,445	30,398,207
Restricted for:						
Rate Mitigation	82,525,231	-	-	-	82,525,231	-
Unrestricted	<u>89,032,971</u>	<u>3,668,482</u>	<u>17,969,209</u>	<u>1,554,898</u>	<u>112,225,560</u>	<u>13,021,017</u>
Total net assets	<u>\$ 286,422,741</u>	<u>\$ 75,435,451</u>	<u>\$ 147,028,074</u>	<u>\$ 23,794,970</u>	<u>532,681,236</u>	<u>\$ 43,419,224</u>
Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.					<u>8,910,646</u>	
Net assets of business type activities					<u>\$ 541,591,882</u>	

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

City of Garland, Texas
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2009

	Business-type Activities				Governmental	Internal Service
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	
OPERATING REVENUES:						
Charges for services	\$ 229,710,285	\$ 34,236,560	\$ 38,396,280	\$ 22,163,629	\$ 324,506,754	\$ 41,200,516
Insurance premiums	-	-	-	-	-	27,017,352
Other	1,420,972	169,974	170,702	176,381	1,938,029	2,286,553
Total Operating Revenues	231,131,257	34,406,534	38,566,982	22,340,010	326,444,783	70,504,421
OPERATING EXPENSES:						
Salaries and benefits	21,978,714	3,981,096	6,273,635	8,542,289	40,775,734	16,404,133
Demand charges	47,103,675	-	-	-	47,103,675	-
Fuel purchases	76,826,800	-	-	-	76,826,800	-
Water purchases	-	15,599,285	-	-	15,599,285	-
Landfill fees	-	-	-	3,792,158	3,792,158	-
Maintenance, repairs, and supplies	9,074,855	3,454,082	7,137,682	5,666,400	25,333,019	16,432,754
Insurance and other expenses	2,239,933	215,902	357,665	467,764	3,281,264	-
General and administrative	11,024,125	3,348,532	3,519,980	1,807,615	19,700,252	5,338,463
Capitalized general and administrative	(1,495,862)	(312,529)	(528,170)	-	(2,336,561)	-
Premiums	-	-	-	-	-	7,481,498
Claims	-	-	-	-	-	18,938,884
Insurance claims payable	257,501	62,332	102,183	144,078	566,094	(152,558)
Administrative services	-	-	-	-	-	1,161,576
Depreciation	11,372,987	4,397,668	9,874,145	1,859,424	27,504,224	5,140,278
Total Operating Expenses	178,382,728	30,746,368	26,737,120	22,279,728	258,145,944	70,745,028
Total Operating Income (Loss)	\$ 52,748,529	\$ 3,660,166	\$ 11,829,862	\$ 60,282	\$ 68,298,839	\$ (240,607)

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

City of Garland, Texas
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2009

	Business-type Activities					Governmental
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
NONOPERATING REVENUES (EXPENSES)						
Gain (loss) on disposal of capital assets	\$ (4,528,341)	\$ 1,377	\$ -	\$ 22,725	\$ (4,504,239)	\$ 171,942
Earnings from investments:						
Current operations	2,915,362	31,128	234,177	39,416	3,220,083	830,695
Construction fund	568,041	471,782	755,113	16,165	1,811,101	201,137
Total earnings on investments	<u>3,483,403</u>	<u>502,910</u>	<u>989,290</u>	<u>55,581</u>	<u>5,031,184</u>	<u>1,031,832</u>
Interest expense:						
Revenue bonds	(4,690,128)	(2,772,423)	(5,161,807)	-	(12,624,358)	-
Certificates of obligation	(450,487)	(84,033)	(301,385)	(150,305)	(986,210)	(1,059,308)
General obligation bonds	(2,433,424)	(391,552)	(1,063,259)	(1,319)	(3,889,554)	(59,379)
Advance from other funds	-	-	-	(2,944)	(2,944)	-
Less capitalized interest	2,006,903	917,531	2,354,448	-	5,278,882	-
Total interest expense	<u>(5,567,136)</u>	<u>(2,330,477)</u>	<u>(4,172,003)</u>	<u>(154,568)</u>	<u>(12,224,184)</u>	<u>(1,118,687)</u>
Income (loss) before transfers, contributions, and special item	<u>46,136,455</u>	<u>1,833,976</u>	<u>8,647,149</u>	<u>(15,980)</u>	<u>56,601,600</u>	<u>(155,520)</u>
TRANSFERS						
Transfers in	-	-	-	250,000	250,000	1,594,748
Transfers out	(18,397,635)	(3,663,958)	(4,940,405)	(114,450)	(27,116,448)	(68,258)
Net transfers	<u>(18,397,635)</u>	<u>(3,663,958)</u>	<u>(4,940,405)</u>	<u>135,550</u>	<u>(26,866,448)</u>	<u>1,526,490</u>
Capital contributions	2,308,720	1,084,665	286,288	-	3,679,673	833
NET INCOME (LOSS)	30,047,540	(745,317)	3,993,032	119,570	33,414,825	1,371,803
Net assets, beginning of year	256,375,201	76,180,768	143,035,042	23,675,400	499,266,411	42,047,421
Net assets, end of year	<u>\$ 286,422,741</u>	<u>\$ 75,435,451</u>	<u>\$ 147,028,074</u>	<u>\$ 23,794,970</u>	<u>532,681,236</u>	<u>\$ 43,419,224</u>

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

621,631

Change in net assets of business-type activities

\$ 34,036,456

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, 2009

	Business-type Activities				Governmental Activities	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	\$ 237,848,223	\$ 33,412,444	\$ 38,306,493	\$ 22,340,704	\$ 331,907,864	\$ 69,001,159
Cash received for customer deposit	-	-	-	-	-	1,288,418
Cash paid to suppliers	(165,222,023)	(21,547,709)	(10,399,726)	(11,676,065)	(208,845,523)	(49,701,527)
Cash paid to employees for services	(21,868,701)	(3,934,117)	(6,239,173)	(8,538,572)	(40,580,563)	(16,348,272)
Other operating revenues	1,420,972	169,974	170,702	176,381	1,938,029	2,286,553
Net cash provided by operations	<u>52,178,471</u>	<u>8,100,592</u>	<u>21,838,296</u>	<u>2,302,448</u>	<u>84,419,807</u>	<u>6,526,331</u>
Cash flows from noncapital financing activities:						
Retainage - increase	-	-	-	-	-	38,462
Due to other funds (decreases)	(37,007)	-	-	(382,768)	(419,775)	(1,262,059)
Due from other funds decreases	175,000	100,000	-	283,171	558,171	359,431
Advance to other funds decrease	168,330	-	-	-	168,330	-
Transfers in	-	-	-	250,000	250,000	1,594,748
Transfers out	(18,397,635)	(3,663,958)	(4,940,405)	(114,450)	(27,116,448)	(68,258)
Net cash provided by (used for) noncapital financing activities	<u>(18,091,312)</u>	<u>(3,563,958)</u>	<u>(4,940,405)</u>	<u>35,953</u>	<u>(26,559,722)</u>	<u>662,324</u>
Cash flows from capital and related financing activities:						
Proceeds from sales of:						
Certificates of obligation	-	-	-	-	-	22,985,000
Revenue bonds	11,760,000	6,255,000	11,835,000	-	29,850,000	-
Premium on issuance of debt	377,218	40,054	67,811	-	485,083	837,233
Acquisition and construction of capital assets	(30,237,273)	(22,337,719)	(18,298,131)	(1,022,256)	(71,895,379)	(19,309,428)
Principal paid on:						
Revenue bonds	(3,930,000)	(2,146,513)	(4,633,487)	-	(10,710,000)	-
Certificates of obligation	(2,544,388)	(269,879)	(1,069,639)	(985,000)	(4,868,906)	(1,603,149)
General obligation bonds	(1,055,000)	(440,000)	(800,000)	(105,000)	(2,400,000)	(40,000)
Advance from other funds	-	-	-	(11,159)	(11,159)	(157,171)
Interest paid on:						
Revenue bonds	(3,410,294)	(2,156,290)	(3,379,106)	-	(8,945,690)	-
Certificates of obligation	(344,488)	(65,572)	(220,184)	(167,627)	(797,871)	(774,337)
General obligation bonds	(1,882,629)	(309,487)	(786,197)	(2,863)	(2,981,176)	(57,507)
Advances from other funds	-	-	-	(2,944)	(2,944)	-
Bond issue expense	(237,218)	(120,054)	(232,811)	-	(590,083)	(302,233)
Contributions	2,308,720	39,244	24,777	-	2,372,741	-
Proceeds from sales of assets	51,263	-	-	36,361	87,624	194,825
Net cash provided by (used for) capital and related financing activities	<u>(29,144,089)</u>	<u>(21,511,216)</u>	<u>(17,491,967)</u>	<u>(2,260,488)</u>	<u>(70,407,760)</u>	<u>1,773,233</u>

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

City of Garland, Texas
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2009

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from investing activities:						
Purchase of investment securities	(61,011,818)	(3,461,644)	(12,486,436)	(1,153,487)	(78,113,385)	(20,499,493)
Proceeds from sale and maturities of investment securities	139,884,259	21,420,670	35,599,246	2,238,291	199,142,466	41,487,139
Interest received on investments	4,289,374	624,869	1,135,256	62,135	6,111,634	1,212,387
Net cash provided by investing activities	<u>83,161,815</u>	<u>18,583,895</u>	<u>24,248,066</u>	<u>1,146,939</u>	<u>127,140,715</u>	<u>22,200,033</u>
Net increase in cash and cash equivalents	88,104,885	1,609,313	23,653,990	1,224,852	114,593,040	31,161,921
Cash and cash equivalents at beginning of the year	34,967,637	12,660,056	19,892,083	953,044	68,472,820	20,728,516
Cash and cash equivalents at end of the year	<u>\$ 123,072,522</u>	<u>\$ 14,269,369</u>	<u>\$ 43,546,073</u>	<u>\$ 2,177,896</u>	<u>\$ 183,065,860</u>	<u>\$ 51,890,437</u>
 Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities						
Operating income (loss)	\$ 52,748,529	\$ 3,660,166	\$ 11,829,862	\$ 60,282	\$ 68,298,839	\$ (240,607)
Adjustments:						
Depreciation expense	11,372,987	4,397,668	9,874,145	1,859,424	27,504,224	5,140,278
Change in allowance for uncollectible accounts	(85,153)	(9,329)	(8,265)	(38,767)	(141,514)	(35,595)
Change in assets and liabilities						
(increase) decrease in accounts receivable	8,223,091	(814,787)	(81,522)	215,842	7,542,624	818,886
(increase) decrease in inventory	(1,061,440)	-	-	-	(1,061,440)	226,162
increase (decrease) in accounts payable	(19,387,057)	757,563	87,431	57,872	(18,484,191)	(574,514)
increase in compensated absences	110,013	46,979	34,462	3,717	195,171	55,861
increase in customer deposits	-	-	-	-	-	1,288,418
increase in OPEB payable	257,501	62,332	102,183	144,078	566,094	257,501
decrease in insurance claims payable	-	-	-	-	-	(410,059)
Total adjustments	<u>(570,058)</u>	<u>4,440,426</u>	<u>10,008,434</u>	<u>2,242,166</u>	<u>16,120,968</u>	<u>6,766,938</u>
Net cash provided by operating activities	<u>\$ 52,178,471</u>	<u>\$ 8,100,592</u>	<u>\$ 21,838,296</u>	<u>\$ 2,302,448</u>	<u>\$ 84,419,807</u>	<u>\$ 6,526,331</u>
 Noncash investing, capital and financing activities:						
Contributions from developers	-	1,045,421	261,511	-	1,306,932	-

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

**City of Garland, Texas
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2009**

	<u>Other Post Employment Benefits Trust Fund</u>
Assets	
Investments	\$ 260,941
Total assets	<u>260,941</u>
 NET ASSETS	
Held in trust for pension benefits and other purposes	260,941
	<u>\$ 260,941</u>

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

City of Garland, Texas
Fiduciary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2009

	Other Post Employment Benefits Trust Fund
Additions	
Earnings from investments	\$ 10,941
Employer contributions	250,000
Total additions	260,941
 Net assets, beginning of year	 -
 Net assets, end of year	 \$ 260,941

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

GARLAND

City of Garland, Texas
Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Discretely Presented Component Units

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

Each component unit is governed by a board of directors that are appointed by and serve at the discretion of the City Council. All three component units are reported as proprietary entities and maintain their accounts on an accrual basis of accounting. The financial statements for each component unit are presented in this report and these component units do not issue separate financial statements.

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The capital projects fund accounts for the financial resources to be used for the acquisition of 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.

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

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, Infrastructure Repair Funding, Landfill Closure Funding, Library Grants (NETLS), Police Training, Substandard Perimeter Road Funding, Narcotic Seizure Funding, Library Contributions, Other Housing Assistance, Downtown Tax Increment Fund, and Bass Pro Tax Increment Fund.

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

Internal service funds account for group health, self-insurance, long-term disability, 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 accumulate resources for OPEB related benefits.

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

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. *Deposits and investments*

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

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

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

Investments for the primary government, as well as for its component units, are reported at fair value. The Texpool, Texpool Prime, and Logic investment pools operate in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. *Receivables and payables*

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

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

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.

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

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

5. *Capital assets*

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

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

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 \$29,880,306. Of this amount, \$5,278,882 was included as part of the cost of capital assets under construction in connection with electric, water, and sewer construction projects.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	15
Equipment	2 – 10
Systems and Infrastructure	15 - 45

6. *Compensated absences*

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

7. *Long-term obligations*

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

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

8. *Fund equity*

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

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

9. *New accounting principles*

The City implemented the following new GASB standards during the fiscal year ended September 30, 2009:

GASB Statement No. 49, “*Accounting and Financial Reporting for Pollution Remediation Obligations*” (“GASB 49”): This statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation and be required to estimate its expected outlays for pollution remediation if it knows a site is polluted and if any of the predefined recognition triggers occur.

GASB Statement No. 52, “*Land and Other Real Estate Held as Investments by Endowments*” (“GASB 52”): Prior to the issuance of GASB 52, accounting standards required permanent and term endowments, including permanent funds, to report land and other real estate held as investments at historical cost. Other entities that exist for the purpose of generating income – such as pension plans – report them at fair value. The GASB believes that fair value information about investments is more transparent and useful to the users of financial statements than original cost. Statement 52 eliminates the reporting inconsistency by requiring permanent and term endowments to report these assets at fair value. It also requires the changes in fair value to be reported as investment income and the methods and significant assumptions employed to determine fair value to be disclosed. Governments should also disclose other information that they currently present for other investments reported at fair value.

GASB Statement No. 55, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*” (“GASB 55”): The objective of this statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The “GAAP hierarchy” consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

GASB Statement No. 56, “*Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*” (“GASB 56”): The objective of this statement is to incorporate into the GASB authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ Statements on Auditing Standards. This statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. This statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards.

The adoption of these statements had no impact on the financial statements.

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

The GASB has issued Statement No. 51, “*Accounting and Financial Reporting for Intangible Assets*” (“GASB 51”), which will be effective in fiscal year 2010. This statement establishes accounting and financial reporting requirements for intangible assets used in providing government services. The statement requires that all intangible assets covered under the provisions of the statement should be considered capital assets. The City has not yet evaluated the impact of the implementation of this standard.

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

The GASB has also issued Statement No. 53, “*Accounting and Financial Reporting for Derivative Instruments*” (“GASB 53”), which will be effective in fiscal year 2010. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. The City has not yet evaluated the impact of the implementation of this standard.

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

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

The GASB has issued Statement No. 58, “*Accounting and Financial Reporting for Chapter 9 Bankruptcies*” (“GASB 58”) ,which will be effective in fiscal year 2010. The objective of this statement is to provide accounting and financial report guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The City has not yet evaluated the impact of the implementation of this standard.

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

II. Reconciliation of government-wide and fund financial statements

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide financial statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$290,944,063 difference are as follows:

General Obligation bonds	\$194,650,000
Certificates of Obligation – General Government portion	95,934,063
Tax Note Payable	360,000
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at net assets – governmental activities	\$290,944,063

The portion of Certificates of Obligation amounting to \$39,362,339 and a portion of General Obligation amounting to \$1,005,000 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 governmental-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between *net changes in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$19,066,328 difference are as follows:

Debt issued or incurred:	
Issuance of tax note payable - Governmental Funds	\$ (360,000)
Principal repayments:	
General obligation debt	10,870,000
Certificates of obligation	7,411,141
Amortization of bond issue costs	464,080
Change in landfill closure liability	1,273,662
Change in compensated absences liability	(592,555)
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 19,066,328

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

Another element of that reconciliation states that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.” The details of this \$16,684,904 difference are as follows:

Capital outlays	\$ 16,664,598
Developers contributions	1,106,472
General Fund expense outlays	69,667
Depreciation expense	(31,985,064)
CIP expense outlays	(1,105,785)
Loss on disposals of assets	<u>(1,434,792)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$(16,684,904)</u></u>

III. Stewardship, compliance, and accountability

A. Budgetary information

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

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

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

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

B. Deficit fund equity

The CDBG Fund deficit of \$29,266 will be eliminated through reimbursements for projects in the next fiscal year.

The NETLS Fund deficit of \$14,501 will be eliminated through reimbursements for projects in the next fiscal year.

The Group Health Fund deficit of \$229,426 will be eliminated by increasing charges to other operating funds in future years.

The Self-Insurance Fund deficit of \$1,704,611 decreased by \$888,537 from the prior year. This deficit will be eliminated by increasing charges to other operating funds in future years.

The Long-Term Disability Insurance Fund deficit of \$3,343,354 is the result of an accrual of claims incurred but not reported of \$3,891,025. This accrual was made on the basis of an actuarial analysis completed in December of 2008. This fund is managed and funded on a cash basis. Therefore, this fund will continue to report a deficit.

The Warehouse Fund deficit of \$28,351 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, 2009, the City had the following cash equivalents and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Federal Home Loan Bank	\$ 44,312,692	\$ 9,026,564	\$ 35,286,128
Federal National Mortgage Association	6,761,644	4,747,894	2,013,750
Federal Home Loan Mortgage Corp	15,316,693	6,082,260	9,234,433
Federal Farm Credit Bank	21,861,942	-	21,861,942
Investment Pools – Texpool & Texpool Prime	213,955,194	213,955,194	-
Investment Pools – Texstar	82,494,453	82,494,453	-
Investment Pools – Logic	5,895	5,895	-
Money Market Fund	3,909,716	3,909,716	-
Commercial Paper	5,000,000	5,000,000	-
Investment Allowance	(2,500,000)	(2,500,000)	-
Total investment fair value	<u>\$ 391,118,229</u>	<u>\$ 322,721,976</u>	<u>\$ 68,396,253</u>

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

Investment allowance. Investment allowance represents the write-down of a commercial paper issue in the original par amount of \$5,000,000 whose issuer is in receivership. The City expects to collect 50% of face value. As of the opinion date, the investment is not rated.

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

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. 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, 2009, the City held no investments in commercial paper except as discussed above. The City's investments in U. S. agencies were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. Due to the economic collapse and credit crisis, it was announced in August 2008 that US Agency debt would be explicitly backed by the US Treasury. The City's investments in Texpool and Texpool Prime were rated AAAM by Standard & Poor's. The City's investment in Texstar and LOGIC were rated AAAM by Standard & Poor's.

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

The City invests in Texpool, Texpool Prime, Texstar, and Logic to meet its daily liquidity needs. Texpool, Texpool Prime, Texstar, and Logic are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texpool, Texpool Prime, Texstar, and Logic are SEC rule 2(a)7 like pool funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. Texpool, Texpool Prime, Texstar, and Logic are all rated AAAM and must maintain a dollar weighted average maturity not to exceed a 60 day limit. As of September 30, 2009, Texpool, Texpool Prime, Texstar, and Logic had a weighted average maturity of 45 days, 34 days, 46 days, and 31 days respectively. This weighted average maturity calculation uses the SEC Rule 2(a)-7 definition for stated maturity for any floating rate instrument held in the portfolio to determine the weighted average maturity for the pool. The City considers the holdings in these funds to have a weighted average maturity of one day, due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City follows the State regulations for collateralization of custodial credit risk. As of September 30, 2009, the carrying amount of the City's deposits was \$1,930,763 and the bank balance was \$2,483,645. On September 30, 2009, the City's bank balance was fully collateralized. Bank balances for the City's component units (Garland Housing Finance Corporation, Garland Health Facilities Development Corporation and Garland Economic Development Authority) were fully collateralized.

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

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, 2009, 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.

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	\$ 62,323	\$ 506	\$ 40,424	\$ 91,400	\$ 713	\$ 23,376	\$ 108,131	\$ 326,873
Taxes	1,390,587	1,110,325	-	-	-	-	-	2,500,912
Utility Accounts	10,731	-	-	23,307,782	3,929,576	3,232,728	3,388,783	33,869,600
Mowing Liens	1,144,871	-	-	-	-	-	-	1,144,871
EMS Accounts	3,667,379	-	-	-	-	-	-	3,667,379
Franchise Fee	1,569,211	-	-	-	-	-	-	1,569,211
Sales Tax	3,293,440	-	-	-	-	-	-	3,293,440
Wholesale & Other Accts	2,124,932	-	-	6,750,795	899,503	1,143,757	217,094	11,136,081
Assessments	-	-	-	-	-	-	21,307	21,307
Gross Receivables	13,263,474	1,110,831	40,424	30,149,977	4,829,792	4,399,861	3,735,315	57,529,674
Less: allowance for uncollectibles	(4,483,570)	(561,174)	-	(1,367,624)	(220,118)	(217,505)	(462,061)	(7,312,502)
Net total receivables	\$ 8,779,904	\$ 549,657	\$ 40,424	\$ 28,782,353	\$ 4,609,674	\$ 4,182,356	\$ 3,273,254	\$ 50,217,622

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

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

	Unavailable	Unearned
Delinquent property taxes receivable (general fund)	\$ 587,477	\$ -
Delinquent property taxes receivable (debt service fund)	469,076	-
Sales tax, mowing liens, EMS, & other receivables (general fund)	2,744,387	-
Parks service charges for future events	-	57,205
Faulkner receivable	-	562,777
Grant draw downs prior to meeting all eligibility requirements	-	362,993
Special assessments prior to meeting all eligibility requirements	-	1,017,630
	\$ 3,800,940	\$ 2,000,605

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

C. Capital Assets

Capital asset activity for the year ended September 30, 2009, was as follows:

Primary government

	Balance at Oct. 1, 2008	Increases	Decreases	Balance at Sept. 30, 2009
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 74,426,709	\$ 3,313,896	\$ -	\$ 77,740,605
Construction in progress	50,589,552	16,185,809	(29,778,543)	36,996,818
Internal service construction in progress	15,556,345	16,690,755	(857,906)	31,389,194
Total capital assets, not being depreciated	<u>140,572,606</u>	<u>36,190,460</u>	<u>(30,636,449)</u>	<u>146,126,617</u>
Capital assets, being depreciated:				
Buildings	99,458,254	2,294,191	(1,713,978)	100,038,467
Improvements other than buildings	375,395,328	20,231,132	(1,673,089)	393,953,371
Machinery and equipment	83,194,185	4,683,275	(2,031,935)	85,845,525
Internal service buildings, improvements, and equipment	62,546,929	4,482,127	(3,449,884)	63,579,172
Total capital assets being depreciated	<u>620,594,696</u>	<u>31,690,725</u>	<u>(8,868,886)</u>	<u>643,416,535</u>
Less accumulated depreciation for:				
Buildings	(26,960,471)	(2,524,539)	592,099	(28,892,911)
Improvements other than buildings	(223,543,932)	(17,368,969)	1,673,089	(239,239,812)
Machinery, furniture, and equipment	(54,654,826)	(6,951,278)	1,524,213	(60,081,891)
Internal service buildings, improvements, and equipment	(43,770,477)	(5,140,278)	3,390,065	(45,520,690)
Total accumulated depreciation	<u>(348,929,706)</u>	<u>(31,985,064)</u>	<u>7,179,466</u>	<u>(373,735,304)</u>
Total capital assets, being depreciated, net	<u>271,664,990</u>	<u>(294,339)</u>	<u>(1,689,420)</u>	<u>269,681,231</u>
Governmental activities capital assets, net	<u>\$ 412,237,596</u>	<u>\$ 35,896,121</u>	<u>\$ (32,325,869)</u>	<u>\$415,807,848</u>

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

	Balance at Oct. 1, 2008	Increases	Decreases	Balance at Sept. 30, 2009
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 17,043,964	\$ 907,673	\$ -	\$ 17,951,637
Construction in progress	112,624,416	68,850,513	(109,796,766)	71,678,163
Total capital assets, not being depreciated	129,668,380	69,758,186	(109,796,766)	89,629,800
Capital assets, being depreciated:				
Utility buildings, improvements, and equipment	856,772,810	110,647,791	(20,522,648)	946,897,953
Total capital assets being depreciated	856,772,810	110,647,791	(20,522,648)	946,897,953
Less accumulated depreciation for:				
Utility buildings, improvements, and equipment	(366,504,148)	(27,504,224)	15,797,077	(378,211,295)
Total accumulated depreciation	(366,504,148)	(27,504,224)	15,797,077	(378,211,295)
Total capital assets, being depreciated, net	490,268,662	83,143,567	(4,725,571)	568,686,658
Business-type activities capital assets, net	\$ 619,937,042	\$152,901,753	\$(114,522,337)	\$ 658,316,458

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

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

Governmental activities:	
General government	\$ 972,603
Public safety	4,296,318
Public works	18,517,757
Culture and recreation	3,003,412
Public health	54,696
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	5,140,278
Total depreciation expense – governmental activities	\$ 31,985,064
Business-type activities:	
Electric	\$ 11,372,987
Water	4,397,668
Sewer	9,874,145
Other non-major business-type activities	1,859,424
Total depreciation expense – business-type activities	\$ 27,504,224

Construction commitments

The City has active construction projects as of September 30, 2009. At year-end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Water System	\$ 13,600,422	\$ 683,517
Sewer System	47,508,166	997,159
Information Systems	3,821,601	157,946
Landfill	467,003	212,402
Streets and Drainage	5,320,852	252,182
Buildings	6,546,280	1,635,216
Total	\$ 77,264,324	\$ 3,938,422

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

During fiscal year 2008, the City entered into a contract with Trammell Crow Company/High Street Residential (developer) to construct a mixed use project on land owned by the City located at the northwest corner of Fifth Street and State Street. This project will include apartment units, office space, flex retail, and a parking garage. The apartment units, office space, and flex retail will be built, owned, and operated by the developer. The City is committed to pay approximately \$8,124,405 to the developer to build the parking garage which will be owned and operated by the City. The City has contributed \$7,311,965, leaving a remaining commitment of \$812,440.

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2009, is as follows:

Interfund Payable	General	Non-Major Business-type	Total
General	\$ 68,480	\$ -	\$ 68,480
Debt Service	552,622	-	552,622
Capital Project	288,233	-	288,233
Non-Major Business-type	1,575,128	3,836	1,578,964
Non-Major Governmental	1,167,212	-	1,167,212
	<u>\$ 3,651,675</u>	<u>\$ 3,836</u>	<u>\$ 3,655,511</u>

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, 2009, is as follows:

Advance Payable	Advance Receivable	
	Electric	Total
Internal Service	\$ 5,021,227	\$ 5,021,227
Non-Major Business-type	50,250	50,250
	<u>\$ 5,071,477</u>	<u>\$ 5,071,477</u>

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

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

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

Transfers From:

	General Fund	Capital Projects Fund	Debt Service Fund	Non-major Governmental Funds	Non-major Business- Type Funds	Internal Service Fund	Total Transfers
General Fund	\$ -	\$ 1,302,682	\$ 29,315	\$ 5,258,008	\$ 250,000	\$ 750	\$ 6,840,755
Debt Service Fund	-	3,185,000	-	-	-	763,925	3,948,925
Capital Project Fund	-	116,401	-	3,400,000	-	808,378	4,324,779
Non-major governmental	-	-	268,645	94,027	-	6,201	368,873
Electric	18,168,450	-	229,186	-	-	-	18,397,636
Water	2,947,646	-	44,074	672,238	-	-	3,663,958
Sewer	4,232,908	-	35,259	672,238	-	-	4,940,405
Non-major Business-type	61,561	-	52,889	-	-	-	114,450
Internal Service	-	5,116	-	47,647	-	15,495	68,258
	<u>\$ 25,410,565</u>	<u>\$ 4,609,199</u>	<u>\$ 659,368</u>	<u>\$ 10,144,158</u>	<u>\$ 250,000</u>	<u>\$ 1,594,749</u>	<u>\$ 42,668,039</u>

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

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

E. Long-term liabilities

A summary of long-term liabilities, including current portion, for the year ended September 30, 2009, is as follows:

	Balance at Oct. 1, 2008	Increased	Retired	Balance at Sept. 30, 2009	Due within one year
<u>Governmental activities:</u>					
General obligation bonds	\$ 205,520,000	\$ -	\$ (10,870,000)	\$ 194,650,000	\$ 11,450,000
Certificates of obligation	80,360,204	22,985,000	(7,411,141)	95,934,063	8,182,494
Tax Note	0	360,000	0	360,000	360,000
Landfill post closure cost	9,066,127	657,759	(1,931,421)	7,792,465	-
Compensated absences	19,793,066	2,291,721	(1,699,166)	20,385,621	7,432,909
Insurance claims payable	14,224,273	20,528,824	(20,938,884)	13,814,213	7,570,584
OPEB claims payable	1,961,644	5,540,053	(3,989,937)	3,511,760	-
Governmental activity					
Long-term debt	\$ 330,925,314	\$ 52,363,357	\$ (46,840,549)	\$ 336,448,122	\$ 34,995,987
<u>Business-type activities:</u>					
Utility System revenue bonds	\$ 277,435,000	\$ 29,850,000	\$ (10,710,000)	\$ 296,575,000	\$ 13,080,000
General obligation bonds	84,685,000	-	(2,400,000)	82,285,000	2,500,000
Certificates of obligation	22,789,796	-	(4,868,859)	17,920,937	5,032,506
Compensated absences	2,063,681	518,127	(322,953)	2,258,855	1,921,024
OPEB claims payable	705,988	566,094	-	1,272,082	-
Business-type activity					
Long-term debt	\$ 387,679,465	\$ 30,934,221	\$ (18,301,812)	\$ 400,311,874	\$ 22,533,530

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 \$806,447 of compensated absences and \$578,979 of OPEB claims payable from the internal service funds are included in the governmental activities compensated absences and OPEB claims payable. Also, for the governmental activities, compensated absences and OPEB Claims Payable are generally liquidated by the general fund.

The proceeds of \$22,985,000 from the sale of certificates of obligation for governmental activities are reported as an increase to long term liabilities in the Internal Services Fund. The proceeds from the sale of tax notes for governmental activities are reported as issuance of debt to other governmental funds.

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

A summary of short-term debt transactions for the year ended September 30, 2009, is as follows:

	Balance at October 1, 2008	Increased	Retired	Balance at September 30, 2009
<u>Governmental activities:</u>				
Tax Notes	\$ 3,185,000	\$ 5,810,000	\$ (3,185,000)	\$ 5,810,000
Commercial Paper	<u>10,000,000</u>	<u>25,000,000</u>	<u>(10,000,000)</u>	<u>25,000,000</u>
Governmental activities short-term debt	<u>\$ 13,185,000</u>	<u>\$ 30,810,000</u>	<u>\$ (13,185,000)</u>	<u>\$ 30,810,000</u>

Long-term debt at September 30, 2009, includes the following individual issues (not including the unamortized discount, premium, issue, and refunding costs of \$6,645,022):

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
General obligation bonds:						
2000 Various purpose	5.50 – 6.50	2/22/2000	2/15/2020	\$ 10,820,000	\$ 10,315,000	\$ 505,000
2001 Various purpose	4.25 – 5.00	4/01/2001	2/15/2021	14,315,000	9,870,000	4,445,000
2002 Refunding	3.75 – 4.50	5/21/2002	2/15/2010	8,050,000	6,845,000	1,205,000
2005A Refunding	3.5 – 5.25	4/19/2005	2/15/2020	70,615,000	2,745,000	67,870,000
2005B Refunding	3.00 – 5.25	4/19/2005	2/15/2022	23,675,000	3,495,000	20,180,000
2007A Refunding	4.00 – 5.00	2/15/2007	2/15/2025	67,385,000	80,000	67,305,000
2007B Refunding	Variable	2/20/2007	2/15/2025	23,745,000	-	23,745,000
2008 Refunding	3.35	4/22/2008	2/15/2019	43,025,000	7,790,000	35,235,000
2008A Refunding	4.00 – 5.00	6/15/2008	2/15/2025	57,760,000	1,315,000	56,445,000
				<u>\$ 319,390,000</u>	<u>\$ 42,455,000</u>	<u>\$ 276,935,000</u>

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
Tax Note:						
2009 Various purpose	3.00	5/15/2009	8/15/2010	\$ 360,000	\$ 0	\$ 360,000

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

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
Certificates of Obligation:						
1997B Golf course	5.50 – 5.50	8/15/1997	8/15/2027	\$ 600,000	\$ -	\$ 600,000
2000 Various purpose	5.00 – 5.75	2/22/2000	2/15/2020	63,950,000	60,965,000	2,985,000
2001 Various purpose	4.25 – 5.25	4/01/2001	2/15/2021	45,320,000	32,235,000	13,085,000
2002 Various purpose	3.75 – 5.25	5/21/2002	2/15/2022	25,350,000	19,420,000	5,930,000
2003 Various purpose	3.00 – 4.75	4/15/2003	2/15/2023	18,685,000	6,685,000	12,000,000
2004 Various purpose	2.00 – 5.00	4/15/2004	2/15/2024	17,045,000	6,945,000	10,100,000
2005 Various purpose	3.00 – 5.25	4/19/2005	2/15/2025	20,275,000	12,125,000	8,150,000
2006 Various purpose	3.75 – 4.375	3/15/2006	2/15/2026	10,275,000	3,465,000	6,810,000
2007 Various purpose	4.00 – 5.625	5/15/2007	2/15/2022	16,975,000	745,000	16,230,000
2008 Various purpose	.3.00 – 4.75	6/15/2008	2/15/2028	15,965,000	985,000	14,980,000
2009 Various purpose	.3.00 – 5.25	5/15/2009	2/15/2029	22,985,000	-	22,985,000
				<u>\$ 257,425,000</u>	<u>\$ 143,570,000</u>	<u>\$ 113,855,000</u>
Utility System revenue bonds:						
2003 Electric Utility	3.00 – 5.00	8/01/2003	3/01/2023	\$ 13,810,000	\$ 2,480,000	\$ 11,330,000
2003 Water & Sewer	2.00 – 5.00	8/01/2003	3/01/2023	13,680,000	2,940,000	10,740,000
2004 Electric Utility	2.00 – 5.00	4/15/2004	3/01/2024	19,060,000	3,610,000	15,450,000
2004 Water & Sewer	2.00 – 6.00	4/15/2004	3/01/2024	33,540,000	5,755,000	27,785,000
2004 Water & Sewer	2.00 – 5.00	5/25/2004	3/01/2024	38,485,000	5,135,000	33,350,000
2005 Electric Utility	2.75 – 5.25	4/19/2005	3/01/2025	18,935,000	2,745,000	16,190,000
2005 Water & Sewer	2.75 – 5.25	4/19/2005	3/01/2025	20,545,000	3,200,000	17,345,000
2006 Electric Utility	3.50 – 5.00	3/15/2006	3/01/2026	25,045,000	2,030,000	23,015,000
2006 Water & Sewer	4.00 – 4.50	3/15/2006	3/01/2026	16,180,000	1,535,000	14,645,000
2007 Electric Utility	4.00 – 5.625	5/15/2007	3/01/2027	21,050,000	865,000	20,185,000
2007 Water & Sewer	4.00 – 5.625	5/15/2007	3/01/2027	29,070,000	1,165,000	27,905,000
2008 Electric Utility	3.25 – 4.75	6/15/2008	3/01/2028	10,115,000	335,000	9,780,000
2008 Water & Sewer	3.00 – 5.00	6/15/2008	3/01/2028	39,900,000	895,000	39,005,000
2009 Electric Utility	3.25 – 5.25	5/15/2009	3/01/2029	11,760,000	-	11,760,000
2009 Water & Sewer	2.00 – 4.75	5/15/2009	3/01/2029	18,090,000	-	18,090,000
				<u>\$ 329,265,000</u>	<u>\$ 32,690,000</u>	<u>\$ 296,575,000</u>

The variable rate General Obligation Bonds, Series 2007B, are subject to an Interest rate cap. 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.

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

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

The fair value of the Cap, if it were to be terminated, had a positive fair market value of \$894,897 as of September 30, 2009. Caps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market value was calculated using information obtained from generally recognized sources with respect to quotations, reporting of specific transactions and market conditions and based on accepted industry standards and methodologies.

As of September 30, 2009, the City was exposed to credit risk by the amount of the Fair Value of the Cap. Since the inception of the Cap agreement, the counter party has maintained their ratings of Aa1, AA and AA by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.

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

As of September 30, 2009, the Bank of America would pay the City \$894,897 if the City elected to terminate the agreement.

Arbitrage provisions of the Tax Reform Act require the City to rebate excess arbitrage earnings from bond proceeds to the Internal Revenue Service. Accrued rebate liabilities for the fiscal year ended September 30, 2009, amounted to \$111,062 for Certificates of Obligation, \$200,799 for Electric Revenue Bonds and \$54,581 for Water & Sewer Revenue Bonds and have been included as due to other governments.

Short-term debt at September 30, 2009, includes the following individual issues:

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Tax anticipation notes:						
2008 Tax anticipation	3.10	9/23/2008	9/30/2009	\$ 3,185,000	\$ 3,185,000	\$ -
2009 Tax anticipation	1.35	9/29/2009	9/30/2010	5,810,000	-	5,810,000
				<u>\$ 8,995,000</u>	<u>\$ 3,185,000</u>	<u>\$ 5,810,000</u>
Commercial Paper						
2008 Commercial Paper Issue	1.66 – 1.66	6/14/2007	7/22/2008	\$ 10,000,000	\$ 10,000,000	\$ -
2009 Commercial Paper Issue	0.35 – 0.35	9/03/2009	11/02/2009	20,000,000	-	20,000,000
2009 Commercial Paper Issue	0.40 – 0.40	9/29/2009	11/02/2009	5,000,000	-	5,000,000
				<u>\$ 35,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 25,000,000</u>

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

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

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

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

The annual requirements to amortize outstanding debt and advances from other funds as of September 30, 2009, including interest payments of \$276,471,651 are summarized in the table below. Due to the nature of the obligation for compensated absences, annual requirements to amortize such obligations are not determinable, and have not been included in the following summary:

Governmental Activities									
Years Ending September 30,	General Obligation	GO Interest	Certificates Of Obligation	CO Interest	Tax Note	Tax note Interest	Commercial Paper	CP Interest	
2010	\$ 11,450,000	8,855,920	8,182,494	4,319,322	6,170,000	78,653	25,000,000	13,370	
2011	11,120,000	8,396,974	7,718,972	3,731,090	-	-	-	-	
2012	12,760,000	7,896,627	6,939,129	3,420,323	-	-	-	-	
2013	13,365,000	7,296,902	7,219,298	3,121,284	-	-	-	-	
2014	13,120,000	6,675,470	7,174,490	2,811,749	-	-	-	-	
2015-2019	71,755,000	31,110,265	24,134,680	10,415,917	-	-	-	-	
2020-2024	49,850,000	13,247,871	19,985,000	5,763,079	-	-	-	-	
2025-2029	11,230,000	525,078	14,580,000	1,566,913	-	-	-	-	
Total \$	194,650,000	84,005,107	95,934,063	35,149,677	6,170,000	78,653	25,000,000	13,370	

Business-type Activities							
Years Ending September 30,	Revenue	Revenue Interest	General Obligation	GO Interest	Certificates of Obligation	CO Interest	
2010	\$ 13,080,000	13,582,159	2,500,000	3,913,369	5,032,506	751,466	
2011	13,925,000	12,655,937	5,255,000	3,755,300	3,001,028	557,877	
2012	14,515,000	12,052,700	5,690,000	3,527,642	2,660,871	419,885	
2013	15,145,000	11,418,248	5,935,000	3,256,516	2,790,702	287,952	
2014	15,695,000	10,745,730	6,270,000	2,975,069	2,565,510	157,237	
2015-2019	82,790,000	43,036,471	45,130,000	8,659,015	1,855,320	49,877	
2020-2024	100,940,000	21,527,544	11,505,000	518,838	-	3,494	
2025-2029	40,485,000	3,371,225	-	-	15,000	1,293	
Total	\$ 296,575,000	128,390,014	82,285,000	26,605,749	17,920,937	2,229,081	

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

At September 30, 2009, the City has authorized but not issued general obligation bonds in the amount of \$165,134,506 as follows:

	Balance at Oct.1, 2008	General Obligation Bonds Issued	GO Commercial Paper Issued	Balance at Sept.30, 2009
Streets Improvements	\$ 111,762,287	-	13,232,781	98,529,506
Park Improvements	25,454,000	-	1,279,000	24,175,000
Drainage Improvements	27,376,026	-	6,951,026	20,425,000
Municipal Facilities	11,544,000	-	394,000	11,150,000
Library Improvements	6,043,813	-	1,713,813	4,330,000
Public Safety	4,534,380	-	1,429,380	3,105,000
Economic Development	3,420,000	-	-	3,420,000
	<u>\$ 190,134,506</u>	<u>-</u>	<u>25,000,000</u>	<u>165,134,506</u>

The City intends to retire all general long-term debt, plus interest, from ad valorem taxes and other current revenues. Revenue Bonds, applicable Certificates of Obligation and applicable General Obligation Bonds are reflected in the appropriate Proprietary Fund operation. Current requirements for principal and interest expenses are accounted for in the appropriate Proprietary Fund operation.

The City has pledged future Electric, Water and Sewer utility revenues, net of specified operating expenses, to repay \$154,749,971 in outstanding Electric Utility Revenue Bonds and \$270,215,043 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 2029. Principal paid and interest incurred for the current year were as follows:

<u>Utility Revenue Bonds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Pledged Revenue</u>
Electric	\$ 3,930,000	\$ 4,641,131	\$ 8,571,131	\$ 66,869,817
Water & Sewer	6,780,000	8,288,039	15,068,039	29,990,335

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:

<u>Issue</u>	<u>Principal</u>	<u>Net Interest Cost</u>
Certificates of Obligation, Series 2009	\$ 22,985,000	4.604%
Tax Anticipation Note, Series 2009	360,000	3.000%
Electric Utility System Revenue Bonds, Series 2009	11,760,000	4.819%
Water & Sewer System Revenue Bonds, Series 2009	18,090,000	4.169%
Tax Anticipation Note, Series 2009A	5,810,000	1.350%
Commercial Paper	25,000,000	.351 – .406%

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

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, 2009, \$41,930,000 of General Obligation Bonds and \$51,160,000 of Certificates of Obligation, all of which are considered defeased, are still outstanding.

F. Retirement Plans

Plan Description

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

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

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

Contributions

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

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

In December 2007, the TMRS Board of Trustees met and adopted actuarial changes that include a change from the unit credit actuarial cost method to the projected unit credit actuarial cost method for all TMRS city plans as well as a closed amortization period of 30 years. The effect of these changes resulted in an increase in city contribution rates for most Texas cities. Cities will have the option to increase their contributions over an eight year phase-in period. These changes are intended to help the TMRS system remain well-funded, to preserve member's benefits, and to give cities a more complete picture of the cost of benefits currently adopted. The City's required contribution rate for FY09 was increased from 15.67% in calendar 2008 to 16.54% in 2009. Management believes that while these increases will present additional challenges to the City, changes can be made during the budgeting process to mitigate any adverse financial impact to the City.

The City's total payroll in fiscal year 2009 was \$149,072,583, and the City's contributions were based on a payroll of \$120,813,299. Both the City and the covered employees made the required contributions, amounting to \$19,740,792 for the City and \$8,456,931 (7 %) for the employees.

A summary of City and employee contributions for the fiscal year ending September 30, 2009, follows:

	Gross Earnings	Normal		Unfunded Actuarial Liability		Death and Disability Benefit		Total Rate	Total Contribution
		Rate	Contribution	Rate	Contribution	Rate	Contribution		
City Contribution:									
Months in calendar year 2008	\$ 27,784,750	10.29%	\$ 2,859,051	5.12%	\$ 1,422,579	0.26%	\$ 72,240	15.67%	\$ 4,353,870
Months in calendar year 2009	93,028,549	10.94%	10,177,323	5.38%	5,004,936	0.22%	204,663	16.54%	15,386,922
Total Fiscal Year	<u>\$120,813,299</u>		<u>\$ 13,036,374</u>		<u>\$ 6,427,515</u>		<u>\$ 276,903</u>		<u>\$ 19,740,792</u>
Employee Contribution:									
Months in calendar year 2008	\$ 27,784,750	7.00%	\$ 1,944,933	-	-	-	-	7.00%	\$ 1,944,933
Months in calendar year 2009	93,028,549	7.00%	6,511,998	-	-	-	-	7.00%	6,511,998
Total Fiscal Year	<u>\$ 120,813,299</u>		<u>\$ 8,456,931</u>		<u>-</u>		<u>-</u>		<u>\$ 8,456,931</u>
Total City and Employee Contributions			<u><u>\$21,493,305</u></u>		<u><u>\$ 6,427,515</u></u>		<u><u>\$ 276,903</u></u>		<u><u>\$ 28,197,723</u></u>

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

Three Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$17,696,672	100%	--
2008	\$18,408,169	100%	--
2009	\$19,740,792	100%	--

Actuarial Assumptions

Actuarial Valuation Date	12/31/2008
Actuarial Cost Method	- Projected Unit Credit
Amortization Method	- Level Percent of Payroll
Remaining Amortization Period	- 29 Years - Closed Period
Asset Valuation Method	- Amortized Cost (to accurately reflect the requirements of GASB stmt., No. 25, paragraphs 36e and 138)
Investment Rate of Return	- 7.5%
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	12/31/2008
Actuarial value of assets	\$347,564,834
Actuarial accrued liability (AAL)	\$456,083,557
Unfunded actuarial accrued liability (UAAL)	\$108,518,723
Funded ratio	76.2%
Annual covered payroll (actuarial)	\$119,081,305
UAAL as % of covered payroll	91.1%

See required supplemental information for schedule of funding progress.

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

G. Other postemployment benefits

Annual OPEB Cost and Net OPEB Obligation

The City'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:

	2008	2009
Annual Required Contribution	\$ 6,175,488	\$ 6,420,936
Interest on Net OPEB Obligation	-	106,705
Adjustment to Annual Required Contribution	-	(92,478)
Annual OPEB Cost	6,175,488	6,435,163
Employer contribution to trust fund	-	(250,000)
Employer Contributions with interest	(3,507,856)	(4,068,953)
Increase in Net OPEB Obligation	2,667,632	2,116,210
Net OPEB Obligation beginning of year	-	2,667,632
Net OPEB Obligation end of year	\$ 2,667,632	\$ 4,783,842

In addition to the employer contribution, the retirees paid \$1,809,596 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
9/30/2007	N/A	N/A	N/A	N/A
9/30/2008	\$ 6,175,488	\$ 3,507,856	56.8%	\$ 2,667,632
9/30/2009	\$ 6,420,936	\$ 4,318,951	67.3%	\$ 4,783,842

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

Actuarial Assumptions

Actuarial Valuation Date		10/01/2007
Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	28 Years - Closed Period
Investment Rate of Return	-	4.0%
Projected Salary Increases	-	Varies by age and service
Includes Healthcare cost trend at	-	9.5%
Cost-of-living Adjustments	-	None

Schedule of Funding Information

Actuarial valuation date	10/01/2007
Actuarial value of assets	\$0
Actuarial accrued liability (AAL)	\$83,522,196
Unfunded actuarial accrued liability (UAAL)	\$83,522,196
Funded ratio	0%
Annual covered payroll (actuarial)	\$119,081,305
UAAL as % of covered payroll	79.3%

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 SDFB 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, 2009, 2008, and 2007 were \$276,903, \$306,251, and \$295,770 respectively.

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

H. Self Insurance

Self-insurance for general and auto liability exposure is maintained in the Self-Insurance Fund in the Internal Service Funds. Self-insurance for workers' compensation is also maintained in the Self-Insurance Fund. A private insurance company administers workers' compensation claims and losses for the City. Self-insurance premiums of \$5,032,731 were collected from insured funds. Claims settlement and loss expenses are accrued in the Self-Insurance Fund for the estimated settlement value of claims reported and incurred but not reported arising from incidents during the period. A liability, insurance claims payable, has been established. The reported liability includes actuarially determined present value projected losses for general, auto, and workers' compensation exposure. In determining projected losses, coverages with material incurred losses were compared to expected industry loss levels for prior periods. Based on this comparison, an experience modifier was selected and applied to current indicated industry premiums per exposure unit to obtain expected losses as of September 30, 2008, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in December 2008 long-term claims payable as of September 30, 2009 was estimated at \$4,486,321.

Long-Term Disability claims are paid from the LTD Insurance Fund, which is funded with City and employee contributions. A private company administers the long-term disability claims and losses for the City. Based on a current independent actuarial analysis, an actuarially determined liability of \$3,774,547 has been established for projected future long-term disability claims.

Group medical benefits are paid from the Group Health Fund, which has an annually negotiated stop loss provision. Revenues are recognized from payroll deductions for employee dependent coverage and from City contributions for employee coverage. At September 30, 2009 a short-term liability of \$4,210,165 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 2008 and 2009 are:

Internal Service Fund	Beginning of Fiscal Year Liability	Current Year Claims	Changes in Estimates	Claim Payments	Balance at Fiscal Year – End	Current Portion
Self Insurance – 2008	\$ 6,695,547	\$ 2,957,069	\$ (329,065)	\$ 2,957,069	\$ 6,366,482	\$ 2,424,027
Self Insurance – 2009	6,366,482	1,722,129	(653,459)	1,722,129	5,713,023	2,443,941
Long-Term Disability – 2008	4,187,446	480,235	503,579	480,235	4,691,025	916,478
Long-Term Disability – 2009	4,691,025	376,094	(800,000)	376,094	3,891,025	916,478
Group Health – 2008	3,056,990	9,094,900	109,776	9,094,900	3,166,766	3,171,809
Group Health – 2009	3,166,766	16,840,661	1,043,399	16,840,661	4,210,165	4,210,165

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

I. Texas Municipal Power Agency

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

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

Total debt of TMPA at September 30, 2009, amounted to \$1,089,458,000 of which \$114,470,000 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 City does not guarantee any portion of the total debt of TMPA.

TMPA
 Outstanding Debt Amounts
 September 30, 2009
 (reported in thousands)

	<u>Long-Term</u>	<u>Current</u>	<u>Total</u>
Revenue Bonds	\$ 461,098	89,481	550,579
Zero Coupon Interest Payable	290,638	24,989	315,627
Tax Exempt Commercial Paper	217,200	-	217,200
Taxable Commercial Paper	6,052	-	6,052
	<u>\$ 974,988</u>	<u>114,470</u>	<u>1,089,458</u>

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

J. Deferred Compensation Plan

The City offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all permanent City employees, permits them to defer until future years up to \$15,500 annually which is the IRS limit. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

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

K. Conduit Debt Information

Each of the discrete component units was created to issue revenue bonds to provide financial assistance to qualified homeowners and businesses. Even though the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit bonds by component unit at September 30, 2009, is as follows:

Series	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Total
1997	\$ 941,946	\$ -	\$ 941,946
1998	3,979,722	-	3,979,722
2000	6,000,000	-	6,000,000
2002	-	25,019,000	25,019,000
2003	5,468,898	-	5,468,898
2005	12,829,789	-	12,829,789
	\$ 29,220,355	\$ 25,019,000	\$ 54,239,355

L. Landfill Closure and Postclosure Care Cost

As of September 30, 2009, the total estimated landfill closure/postclosure cost for the City’s Castle Drive landfill, Hinton landfill, and transfer station is \$8,862,023, \$29,629,675, and \$29,140 respectively. The \$7,792,465 reported as landfill closure and postclosure care liability represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the Castle landfill, 14.82% use of the Hinton landfill, 100% of the closure cost for the transfer station, less post closure expenditures to date of \$5,489,895. The City will recognize the remaining estimated closure and postclosure care costs of \$25,238,478 as the percentage of capacity depletion increases. These amounts are based on an engineering study performed in 1996 and updated in 2006, 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 51.12 years.

Since the City’s Landfill operation is a general government function, a special revenue fund was established to account for actual landfill closure and postclosure care funding sources and expenditures as they are incurred. Expenditures to date of \$5,489,895 were paid for landfill closure projects. Based on the City’s current landfill closure financial strategy, \$2.4 million in Certificates of Obligation will be issued to finance the one time closure cost and the on-going post closure care will be paid from operating funds.

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

M. 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 \$564,047, earned interest in the amount of \$4,609 and ended the fiscal year with a balance of \$568,656. There were no withdraws from this account during the fiscal year. The fiscal year end balance of the HAPP account is reported on page 74 of this report as restricted cash and cash equivalents and due to other governments in Non-major Governmental Funds Balance Sheet for the Other Housing Assistance Governmental Fund.

During the 2002 Fiscal year Garland Housing Finance Corporation (GHFC) obtained permission from the Department of Housing and Urban Development to place \$240,000 from the Villages of Eastgate residual account with a Trustee to provide down payment assistance for individuals that qualified for first time homebuyers through a GHFC Single Family Mortgage Revenue Bond Program. At the end of the fiscal year the Trustee held \$125,338 of the original \$240,000. The \$125,338 is in a trust fund of GHFC and is therefore not reflected in the financial statements of the City as a whole, or in the GHFC information in these financial statements.

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

N. GHFC Primrose at Crist Project

On January 17, 2005, GHFC entered into an agreement, to create a partnership to construct and operate a 204-unit rental residential development for seniors to be known as Primrose at Crist located in the City. The original partnership of TX Crist Housing LLP consisted of TX Crist GP LLC, Wachovia Affordable Housing Community Development Corporation a Limited Investment Partner, and TX Crist Development, SLP, L.L.C a Class B Limited Partner. On April 20, 2008 the original partnership agreement was amended to replace TX Crist Development with CAH-IDA Crist Housing as the Class B Limited Partner.

GHFC owns 100% of TX Crist GP LLC, and appoints the president and treasurer (officers) of this limited liability corporation. GHFC issued Conduit Debt amounting to \$13,800,000 of variable rate multifamily housing revenue bonds (Primrose at Crist Apartments Project) for the benefit of TX Crist Housing LLP (the bond borrower). GHFC will receive an annual issuer fee of 0.01% of the outstanding variable rate multifamily housing revenue bonds that were issued by the bond borrower.

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

On the closing date of the GHFC Variable Rate Multifamily Housing Revenue, the land for the project was purchased and titled to GHFC. The land and future improvement have been mortgaged to secure repayment to the lender of the GHFC Multifamily notes. In addition, the land was leased over the next 40 years for \$900,000. At September 30, 2008, GHFC reported this land lease transaction as Land \$900,000, deferred revenue of \$798,750 and rent revenue of \$22,500 on their financial statements. The remaining deferred revenue will be amortized over the next 35.5 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 \$265,714 of the \$500,000. After the developers' fee is paid TX Crist GP LLC shall be entitled to receive from net operating cash flow after a \$10,000 asset management fee is paid, any tax credit shortfalls are paid, any operating deficit loans are paid, and any subordinated property management fees are paid, a cumulative fee equal to 2% of gross collected rent. The officers of TX Crist GP LLC will issue annual dividends to GHFC based on the net revenues and expenses of the limited liability corporation. In addition, TX Crist GP LLC owns 0.01% of TX Crist Housing LLP. This equity ownership amounts to less than \$10,000 and is not material to the financial operation of GHFC.

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

The financial statements for TX Crist GP LLC are blended with the GHFC financial statements as a component unit since GHFC exercises significant financial control over TX Crist GP LLC. The financial statements for TX Crist Housing LLP are included with neither TX Crist GP LLC nor GHFC financial statements because neither entity exercises control over TX Crist Housing LLP.

O. Subsequent Events

On December 16, 2009, the City signed a global compromise settlement agreement regarding certain litigation, administrative proceedings, and other disputes among and between the TMPA Member Cities, and the Texas Municipal Power Agency (TMPA). This settlement agreement requires each Member City to individually facilitate proportionate financing for the TMPA Scrubber Project and Refundable Generation Related Debt as defined in the global compromise settlement agreement. The City of Garland intends to issue Combination Tax and Electric Utility System Revenue Refunding Bonds, Series 2010, in the amount of \$139,550,000 to meet this requirement. The debt issuance constitutes a general obligation refunding of a portion of Garland's contractual obligations payable to the Texas Municipal Power Agency, and the payment of the costs associated with the issuance of the Bonds.

City of Garland, Texas
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 65,234,854	\$ 64,589,749	\$ 65,588,323	\$ 998,574
Franchise fees	7,630,195	8,029,251	7,935,599	(93,652)
Service charges	17,695,249	17,421,101	17,537,722	116,621
Licenses and permits	2,731,888	2,525,999	2,566,182	40,183
Earnings on investments	1,125,000	625,000	660,299	35,299
Intergovernmental	473,924	532,637	512,162	(20,475)
Intragovernmental	7,323,720	7,326,720	7,324,102	(2,618)
Fines and forfeits	5,555,775	5,889,966	6,064,644	174,678
Rents and concessions	1,083,894	1,088,552	1,088,743	191
Total revenues	<u>108,854,499</u>	<u>108,028,975</u>	<u>109,277,776</u>	<u>1,248,801</u>
Expenditures:				
Current:				
General government	9,407,987	9,692,858	10,033,725	(340,867)
Public safety	75,004,679	75,692,221	75,268,367	423,854
Public works	9,446,951	9,339,931	8,931,181	408,750
Culture and recreation	13,038,784	13,064,632	12,550,200	514,432
Public health	2,966,168	2,941,139	2,893,506	47,633
Nondepartmental	18,621,512	16,799,307	16,941,189	(141,882)
Total expenditures	<u>128,486,081</u>	<u>127,530,088</u>	<u>126,618,168</u>	<u>911,920</u>
Excess of revenues over expenditures	<u>(19,631,582)</u>	<u>(19,501,113)</u>	<u>(17,340,392)</u>	<u>2,160,721</u>
Other financing sources (uses):				
Sale of capital assets	-	-	363,244	363,244
Transfer in	25,453,173	25,509,848	25,410,565	(99,283)
Transfers out	(6,371,798)	(6,696,648)	(6,840,755)	(144,107)
Total other financing sources (uses)	<u>19,081,375</u>	<u>18,813,200</u>	<u>18,933,054</u>	<u>119,854</u>
Net Change in fund balances	(550,207)	(687,913)	1,592,662	2,280,575
Fund balance, beginning of year	17,282,273	17,282,273	17,282,273	-
Fund balance, end of year	<u>\$ 16,732,066</u>	<u>\$ 16,594,360</u>	<u>\$ 18,874,935</u>	<u>\$ 2,280,575</u>

See notes to required supplementary information.

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

Schedule of pension trust - TMRS funding progress and contributions
Last three fiscal years (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2006	\$ 324,018,467	\$ 437,356,769	74.10%	\$ 113,338,302	\$ 108,456,120	104.50%
12/31/2007 (1)	339,856,766	541,298,967	62.80%	201,442,201	114,140,292	176.50%
12/31/2008	347,564,834	456,083,557	76.20%	108,518,723	119,081,305	91.10%

Schedule of other postemployment benefits (OPEB)
Last three fiscal years (2) (Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
10/01/2007	\$ -	\$ 79,187,130	0.00%	\$ 79,187,130	\$ 114,140,292	69.4%
10/01/2008	-	83,522,196	0.00%	83,522,196	119,081,305	70.1%

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

(2) Implementation occurred in fiscal year 2008.

City of Garland, Texas
Notes to Required Supplementary Information

I. Budgets and Budgetary Accounting

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

II. Excess Expenditures over appropriations

Total expenditures for the General Fund were less than the budgeted amount by \$911,920.

GARLAND

City of Garland, Texas Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

Library Contributions Fund – This fund is used to account for revenues donated to the library system for the purchase of books and equipment as designated by the donor.

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

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

City of Garland, Texas
 Nonmajor Governmental Funds
 Balance Sheet
 September 30, 2009

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Infrastructure Repair	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Library Contributions	Other Housing Assistance	TIF's	Total Other Governmental Funds
Assets															
Cash and cash equivalents	\$ -	\$ 1,628,197	\$ 270,822	\$ 913,187	\$ 7,577,614	\$ 1,272,383	\$ 333,237	\$ 500	\$ 61,661	\$ 1,149,363	\$ 732,653	\$ 52,383	\$ 484,182	\$ 474,438	\$ 14,950,620
Investments	-	418,503	68,033	227,609	1,911,045	322,369	98,749	-	314	290,048	99,079	13,217	122,268	117,656	3,688,890
Receivables:															
Accrued interest	4	4,089	567	1,921	16,472	4,436	1,470	-	5	2,495	913	114	-	1,451	33,937
Assessments	-	-	-	-	-	21,307	-	-	-	-	-	-	-	-	21,307
Other	-	-	-	-	-	15,382	-	-	-	-	-	-	-	-	15,382
Due from other governments	409,980	-	410,257	-	-	-	-	358,260	629,382	-	-	-	-	-	1,807,879
Prepaid items	-	958,813	-	-	-	-	-	-	-	-	-	-	-	-	958,813
Total Current Assets	409,984	3,009,602	749,679	1,142,717	9,505,131	1,635,877	433,456	358,760	691,362	1,441,906	832,645	65,714	606,450	593,545	21,476,828
Restricted assets:															
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	568,656	-	568,656
Total Restricted Assets	-	-	-	-	-	-	-	-	-	-	-	-	568,656	-	568,656
Total Assets	\$ 409,984	\$ 3,009,602	\$ 749,679	\$ 1,142,717	\$ 9,505,131	\$ 1,635,877	\$ 433,456	\$ 358,760	\$ 691,362	\$ 1,441,906	\$ 832,645	\$ 65,714	\$ 1,175,106	\$ 593,545	\$ 22,045,484
LIABILITIES															
Current liabilities:															
Accounts payable and accrued liabilities	\$ 102,760	\$ 195,322	\$ 139,489	\$ 65	\$ -	\$ 822,441	\$ 50,067	\$ 84,580	\$ 2,987	\$ -	\$ 58,022	\$ -	\$ 3,490	\$ -	\$ 1,459,223
Retainage Payable	-	-	-	-	-	-	35,758	-	-	-	-	-	-	-	35,758
Due to other funds	336,490	-	264,104	-	-	11,018	-	288,681	266,919	-	-	-	-	-	1,167,212
Escrow payable	-	-	-	-	-	-	-	-	-	-	350,159	-	-	-	350,159
Deferred revenues	-	-	15,569	-	1	34,258	-	-	362,993	-	-	-	-	-	412,821
Due to other governments	-	-	-	-	-	-	-	-	-	-	-	-	568,656	-	568,656
Total Liabilities	439,250	195,322	419,162	65	1	867,717	85,825	373,261	632,899	-	408,181	-	572,146	-	3,993,829
FUND BALANCES															
Reserved for:															
Construction	-	-	-	-	9,505,130	-	-	-	-	1,441,906	-	-	-	-	10,947,036
Housing	-	1,855,467	-	-	-	-	-	-	-	-	-	-	568,656	-	2,424,123
Prepays	-	958,813	-	-	-	-	-	-	-	-	-	-	-	-	958,813
Unreserved	(29,266)	-	330,517	1,142,852	-	768,160	347,631	(14,501)	58,463	-	424,464	65,714	34,304	593,545	3,721,683
Total fund balances	(29,266)	2,814,280	330,517	1,142,852	9,505,130	768,160	347,631	(14,501)	58,463	1,441,906	424,464	65,714	602,960	593,545	18,051,655
Total Liabilities and Fund Balances	\$ 409,984	\$ 3,009,602	\$ 749,679	\$ 1,142,717	\$ 9,505,131	\$ 1,635,877	\$ 433,456	\$ 358,760	\$ 691,362	\$ 1,441,906	\$ 832,645	\$ 65,714	\$ 1,175,106	\$ 593,545	\$ 22,045,484

City of Garland, Texas
 Nonmajor Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended September 30, 2009

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Infrastructure Repair	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Library Contributions	Other Housing Assistance	TIF's	Total Other Governmental Funds
REVENUES															
Taxes	\$ -	\$ -	\$ -	\$ 483,639	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 664,914	\$ 1,148,553
Rent	-	-	-	-	-	-	-	-	-	-	-	-	1,155	-	1,155
Earnings on investments	109	51,669	6,197	18,289	177,596	71,532	31,244	-	1,070	27,157	10,015	1,237	1,160	9,341	406,616
Intergovernmental	2,671,118	10,522,725	906,199	-	-	-	-	668,754	658,898	-	-	-	-	-	15,427,694
Assessments	-	-	-	-	-	6,150	-	-	-	-	-	-	-	-	6,150
Impact Fees	-	-	-	-	140,278	-	-	-	-	-	-	-	-	-	140,278
Contributions	-	-	-	-	-	-	-	-	-	-	-	6	-	-	6
Program income	44,654	-	91,041	-	-	-	-	-	-	-	-	-	-	-	135,695
Awards	-	-	-	-	-	-	-	-	-	-	374,145	-	-	-	374,145
Miscellaneous and other	-	987,710	700	-	-	51,649	-	68,629	49,923	-	2,184	-	1,606	-	1,162,401
Total Revenues	2,715,881	11,562,104	1,004,137	501,928	317,874	129,331	31,244	737,383	709,891	27,157	386,344	1,243	3,921	674,255	18,802,693
EXPENDITURES															
Current:															
Operations	1,556,643	12,381,941	1,283,581	154,285	-	9,970,673	1,931,421	752,281	536,254	-	358,907	(185)	-	-	28,925,801
Capital outlay	1,159,749	-	-	-	-	229,012	-	-	249,776	-	-	-	-	-	1,638,537
Total Expenditures	2,716,392	12,381,941	1,283,581	154,285	-	10,199,685	1,931,421	752,281	786,030	-	358,907	(185)	-	-	30,564,338
Excess (deficiency) of revenues over (under) expenditures	(511)	(819,837)	(279,444)	347,643	317,874	(10,070,354)	(1,900,177)	(14,898)	(76,139)	27,157	27,437	1,428	3,921	674,255	(11,761,645)
OTHER FINANCING SOURCES (USES)															
Transfers in	-	47,647	74,850	-	-	9,927,634	-	-	94,027	-	-	-	-	-	10,144,158
Transfers out	-	-	-	-	-	-	-	-	-	-	(100,228)	-	-	(268,645)	(368,873)
Proceeds of debt	-	-	-	-	-	-	200,000	-	-	-	-	-	-	-	200,000
Total other financing sources (uses)	-	47,647	74,850	-	-	9,927,634	200,000	-	94,027	-	(100,228)	-	-	(268,645)	9,975,285
Net change in fund balances	(511)	(772,190)	(204,594)	347,643	317,874	(142,720)	(1,700,177)	(14,898)	17,888	27,157	(72,791)	1,428	3,921	405,610	(1,786,360)
Fund balances - beginning	(28,755)	3,586,470	535,111	795,009	9,187,256	910,880	2,047,808	397	40,575	1,414,749	497,255	64,286	599,039	187,935	19,838,015
Fund balances - ending	\$ (29,266)	\$ 2,814,280	\$ 330,517	\$ 1,142,652	\$ 9,505,130	\$ 768,160	\$ 347,631	\$ (14,501)	\$ 58,463	\$ 1,441,906	\$ 424,464	\$ 65,714	\$ 602,960	\$ 593,545	\$ 18,051,655

City of Garland, Texas
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
Revenues:				
General property taxes	\$ 33,980,510	\$ 34,057,412	\$ 33,883,557	\$ (173,855)
Earnings on investments	325,000	95,000	101,307	6,307
Miscellaneous and other	-	-	40,715	40,715
Total Revenues	<u>34,305,510</u>	<u>34,152,412</u>	<u>34,025,579</u>	<u>(126,833)</u>
Expenditures:				
Principal retirement	18,052,994	17,042,994	16,637,994	405,000
Interest	13,675,090	13,430,574	12,767,629	662,945
Fiscal charges and other	146,905	146,905	475,849	(328,944)
Total Expenditures	<u>31,874,989</u>	<u>30,620,473</u>	<u>29,881,472</u>	<u>739,001</u>
Excess of revenues over expenditures	<u>2,430,521</u>	<u>3,531,939</u>	<u>4,144,107</u>	<u>612,168</u>
Other financing sources:				
Transfers in	754,479	754,479	659,368	95,111
Transfers out	<u>(3,185,000)</u>	<u>(3,948,925)</u>	<u>(3,948,925)</u>	<u>-</u>
Total other financing sources	<u>(2,430,521)</u>	<u>(3,194,446)</u>	<u>(3,289,557)</u>	<u>95,111</u>
Net change in fund balances	-	337,493	854,550	707,279
Fund balance, beginning of year	<u>5,285,612</u>	<u>5,285,612</u>	<u>5,285,612</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,285,612</u>	<u>\$ 5,623,105</u>	<u>\$ 6,140,162</u>	<u>\$ 707,279</u>

City of Garland, Texas
Hotel/Motel, Infrastructure Repair, and Narcotic Seizure Funds
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2009

	<u>Hotel/Motel Tax</u>				<u>Infrastructure Repair</u>				<u>Narcotic Seizure</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:												
Occupancy taxes	\$ 473,558	\$ 446,900	\$ 483,639	\$ 36,739	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	18,289	18,289	145,000	80,000	71,532	(8,468)	-	12,951	10,015	(2,936)
Assessments	-	-	-	-	8,000	4,500	6,150	1,650	-	-	-	-
Special event income	15,000	15,000	-	(15,000)	-	-	-	-	-	-	-	-
Miscellaneous and other	-	-	-	-	30,000	59,918	51,649	(8,269)	-	109,949	376,329	266,380
Total revenues	<u>488,558</u>	<u>461,900</u>	<u>501,928</u>	<u>40,028</u>	<u>183,000</u>	<u>144,418</u>	<u>129,331</u>	<u>(15,087)</u>	<u>-</u>	<u>122,900</u>	<u>386,344</u>	<u>263,444</u>
Expenditures:												
Current:												
Operations	338,098	338,098	154,285	183,813	11,063,410	10,756,725	9,970,673	786,052	384,558	412,685	358,907	53,778
Capital	-	-	-	-	225,000	239,990	229,012	10,978	6,201	6,201	-	6,201
Total expenditures	<u>338,098</u>	<u>338,098</u>	<u>154,285</u>	<u>183,813</u>	<u>11,288,410</u>	<u>10,996,715</u>	<u>10,199,685</u>	<u>797,030</u>	<u>390,759</u>	<u>418,886</u>	<u>358,907</u>	<u>59,979</u>
Excess (deficiency) of revenues over expenditures	<u>150,460</u>	<u>123,802</u>	<u>347,643</u>	<u>223,841</u>	<u>(11,105,410)</u>	<u>(10,852,297)</u>	<u>(10,070,354)</u>	<u>781,943</u>	<u>(390,759)</u>	<u>(295,986)</u>	<u>27,437</u>	<u>323,423</u>
Other financing sources:												
Transfers in	-	-	-	-	9,927,633	9,927,633	9,927,634	(1)	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	(100,228)	(100,228)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,927,633</u>	<u>9,927,633</u>	<u>9,927,634</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(100,228)</u>	<u>(100,228)</u>
Net change in fund balances	150,460	123,802	347,643	223,841	(1,177,777)	(924,664)	(142,720)	781,942	(390,759)	(295,986)	(72,791)	223,195
Fund balances (deficit), beginning of year	795,009	795,009	795,009	-	910,880	910,880	910,880	-	497,255	497,255	497,255	-
Fund balances (deficit), end of year	<u>\$ 945,469</u>	<u>\$ 918,811</u>	<u>\$ 1,142,652</u>	<u>\$ 223,841</u>	<u>\$ (266,897)</u>	<u>\$ (13,784)</u>	<u>\$ 768,160</u>	<u>\$ 781,942</u>	<u>\$ 106,496</u>	<u>\$ 201,269</u>	<u>\$ 424,464</u>	<u>\$ 223,195</u>

GARLAND

City of Garland, Texas Nonmajor Enterprise Funds

Nonmajor Enterprise Funds

The Nonmajor Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City is that costs of providing goods and services to the general public on a continuing basis will be financed or recovered through user charges.

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

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

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

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

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

**City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Assets
September 30, 2009**

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
ASSETS						
Current assets						
<i>Unrestricted</i>						
Cash and cash equivalents	\$ -	\$ 133,327	\$ 446,981	\$ 205,398	\$ 1,045,873	\$ 1,831,579
Investments	-	33,590	112,656	51,017	256,349	453,612
Receivable, net of allowance	170,862	-	272,248	-	1,553,541	1,996,651
Accrued interest	-	289	972	421	2,540	4,222
Due from other funds	3,836	-	-	-	-	3,836
<i>Restricted assets</i>						
Construction funds:						
Cash and cash equivalents	100,303	-	-	-	246,014	346,317
Investments	25,481	-	-	-	69,732	95,213
Accrued interest	217	-	-	-	691	908
Total current assets	300,699	167,206	832,857	256,836	3,174,740	4,732,338
Capital Assets						
Land	9,111,400	1,776,208	-	-	298,936	11,186,544
System	13,109,580	719,149	3,037,589	202,025	9,408,699	26,477,042
Construction in progress	196,411	-	-	-	22,206	218,617
Less accumulated depreciation	(5,205,509)	(583,134)	(1,740,305)	(160,774)	(5,000,269)	(12,689,991)
Net capital assets	17,211,882	1,912,223	1,297,284	41,251	4,729,572	25,192,212
Unamortized bond discount and issue cost	-	-	-	-	123,255	123,255
Total noncurrent assets	17,211,882	1,912,223	1,297,284	41,251	4,852,827	25,315,467
Total assets	\$ 17,512,581	\$ 2,079,429	\$ 2,130,141	\$ 298,087	\$ 8,027,567	\$ 30,047,805

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Assets
September 30, 2009

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
LIABILITIES						
Current Liabilities						
<i>Payable from current assets</i>						
Accounts payable and accrued liabilities	\$ 87,438	\$ -	\$ 85,223	\$ 27,376	\$ 290,783	\$ 490,820
Accrued certificates of obligation interest	-	-	-	-	17,690	17,690
Certificates of obligation	-	-	-	-	950,000	950,000
Due to other funds	1,578,964	-	-	-	-	1,578,964
Compensated absences	61,240	-	70,818	-	201,071	333,129
<i>Total payable from current assets</i>	<u>1,727,642</u>	<u>-</u>	<u>156,041</u>	<u>27,376</u>	<u>1,459,544</u>	<u>3,370,603</u>
<i>Payable from restricted assets:</i>						
Due to other governments	2,699	-	-	-	21,513	24,212
<i>Total payable from restricted assets</i>	<u>2,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,513</u>	<u>24,212</u>
Total current liabilities	<u>1,730,341</u>	<u>-</u>	<u>156,041</u>	<u>27,376</u>	<u>1,481,057</u>	<u>3,394,815</u>
Long-term Liabilities						
Advance from other funds	50,250	-	-	-	-	50,250
Certificates of obligation	-	-	-	-	2,300,000	2,300,000
Insurance claims payable	65,171	-	57,063	-	200,862	323,096
Compensated absences	40,096	-	-	-	-	40,096
Unamortized bond premium, and defeased bond cost	-	-	-	-	144,578	144,578
Total long-term liabilities	<u>155,517</u>	<u>-</u>	<u>57,063</u>	<u>-</u>	<u>2,645,440</u>	<u>2,858,020</u>
Total Liabilities	<u>1,885,858</u>	<u>-</u>	<u>213,104</u>	<u>27,376</u>	<u>4,126,497</u>	<u>6,252,835</u>
NET ASSETS						
Invested in capital assets, net of related debt	17,337,883	1,912,223	1,297,284	41,251	1,774,686	22,363,327
Unrestricted (deficit)	(1,711,160)	167,206	619,753	229,460	2,126,384	1,431,643
Total net assets	<u>\$ 15,626,723</u>	<u>\$ 2,079,429</u>	<u>\$ 1,917,037</u>	<u>\$ 270,711</u>	<u>\$ 3,901,070</u>	<u>\$ 23,794,970</u>

City of Garland
Nonmajor Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2009

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
OPERATING REVENUES						
Charges for services	\$ 1,996,599	\$ 6,451	\$ 3,137,707	\$ 831,481	\$ 16,191,391	\$ 22,163,629
Other	6,795	-	3,581	100,462	65,543	176,381
Total Operating Revenues	<u>2,003,394</u>	<u>6,451</u>	<u>3,141,288</u>	<u>931,943</u>	<u>16,256,934</u>	<u>22,340,010</u>
OPERATING EXPENSES						
Salaries and benefits	1,682,939	-	1,764,413	121,467	4,973,470	8,542,289
Landfill fees	-	-	-	-	3,792,158	3,792,158
Maintenance, repairs, and supplies	497,762	-	830,550	658,129	3,679,959	5,666,400
Insurance and other expenses	31,823	-	67,786	-	368,155	467,764
General and administrative	4,167	-	273,369	15,019	1,515,060	1,807,615
Insurance claims payable	28,611	-	25,546	-	89,921	144,078
Depreciation	559,753	27,545	221,662	26,055	1,024,409	1,859,424
Total Operating Expenses	<u>2,805,055</u>	<u>27,545</u>	<u>3,183,326</u>	<u>820,670</u>	<u>15,443,132</u>	<u>22,279,728</u>
Total Operating Income (Loss)	<u>(801,661)</u>	<u>(21,094)</u>	<u>(42,038)</u>	<u>111,273</u>	<u>813,802</u>	<u>60,282</u>
NONOPERATING REVENUES (EXPENSES)						
Gain (loss) on sale of capital assets	-	-	(11,708)	-	34,433	22,725
Earnings from investments:						
Current operations	-	3,088	10,473	3,791	22,064	39,416
Construction fund	2,509	-	-	-	13,656	16,165
Total earnings on investments	<u>2,509</u>	<u>3,088</u>	<u>10,473</u>	<u>3,791</u>	<u>35,720</u>	<u>55,581</u>

City of Garland
Nonmajor Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2009

	<u>Business-Type Activities - Enterprise Funds</u>					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
Interest expense:						
Certificates of obligation	-	-	-	-	(150,305)	(150,305)
General obligation bonds	-	-	-	-	(1,319)	(1,319)
Advance from other funds	(2,944)	-	-	-	-	(2,944)
Total interest expense	(2,944)	-	-	-	(151,624)	(154,568)
Income (loss) before transfers	<u>(802,096)</u>	<u>(18,006)</u>	<u>(43,273)</u>	<u>115,064</u>	<u>732,331</u>	<u>(15,980)</u>
TRANSFERS						
Transfers in	250,000	-	-	-	-	250,000
Transfers out	-	-	(8,815)	(30,000)	(75,635)	(114,450)
Total transfers	<u>250,000</u>	<u>-</u>	<u>(8,815)</u>	<u>(30,000)</u>	<u>(75,635)</u>	<u>135,550</u>
NET INCOME (LOSS)	<u>(552,096)</u>	<u>(18,006)</u>	<u>(52,088)</u>	<u>85,064</u>	<u>656,696</u>	<u>119,570</u>
Net assets, beginning of year	16,178,819	2,097,435	1,969,125	185,647	3,244,374	23,675,400
Net assets, end of year	<u>\$ 15,626,723</u>	<u>\$ 2,079,429</u>	<u>\$ 1,917,037</u>	<u>\$ 270,711</u>	<u>\$ 3,901,070</u>	<u>\$ 23,794,970</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2009

	<u>Golf</u>	<u>Heliport</u>	<u>Storm Water Management</u>	<u>Parks Performance</u>	<u>Sanitation</u>	<u>Total Other Enterprise Funds</u>
Cash flows from operating activities:						
Cash received from customers	\$ 1,983,988	\$ 6,451	\$ 3,155,711	\$ 831,481	\$ 16,363,073	\$ 22,340,704
Cash payments for goods and services	(460,548)	-	(1,239,699)	(683,880)	(9,291,938)	(11,676,065)
Cash payments to employees for services	(1,682,393)	-	(1,762,345)	(123,411)	(4,970,423)	(8,538,572)
Other operating revenues	6,795	-	3,581	100,462	65,543	176,381
Net cash provided (used for) by operating activities	<u>(152,158)</u>	<u>6,451</u>	<u>157,248</u>	<u>124,652</u>	<u>2,166,255</u>	<u>2,302,448</u>
Cash flows from non-capital financing activities:						
Due from other funds - (increase) decreases	283,171	-	-	-	-	283,171
Due to other funds	(382,768)	-	-	-	-	(382,768)
Transfers in	250,000	-	-	-	-	250,000
Transfers out	-	-	(8,815)	(30,000)	(75,635)	(114,450)
Net cash provided by (used for) non-capital financing activities	<u>150,403</u>	<u>-</u>	<u>(8,815)</u>	<u>(30,000)</u>	<u>(75,635)</u>	<u>35,953</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(3,778)	-	(134,022)	-	(884,456)	(1,022,256)
Principal paid on certificates of obligation	-	-	-	-	(985,000)	(985,000)
Principal paid on general obligation bonds	-	-	-	-	(105,000)	(105,000)
Decrease in advance from other funds	(11,159)	-	-	-	-	(11,159)
Interest paid on certificates of obligation	-	-	-	-	(167,627)	(167,627)
Interest paid on general obligation bonds	-	-	-	-	(2,863)	(2,863)
Interest paid on advances from other funds	(2,944)	-	-	-	-	(2,944)
Proceeds from sale of fixed assets	-	-	1,928	-	34,433	36,361
Net cash used for capital and related financing activities	<u>(17,881)</u>	<u>-</u>	<u>(132,094)</u>	<u>-</u>	<u>(2,110,513)</u>	<u>(2,260,488)</u>
Cash flows from investing activities:						
Purchase of investment securities	(24,397)	(37,388)	(122,120)	(109,994)	(859,588)	(1,153,487)
Proceeds from the sale and maturity of investment securities	88,833	102,896	344,958	158,516	1,543,088	2,238,291
Interest received on investments	3,062	3,573	12,142	4,172	39,186	62,135
Net cash provided by investing activities	<u>67,498</u>	<u>69,081</u>	<u>234,980</u>	<u>52,694</u>	<u>722,686</u>	<u>1,146,939</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2009

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Net increase in cash and cash equivalents	47,862	75,532	251,319	147,346	702,793	1,224,852
Cash and cash equivalents at beginning of year	52,441	57,795	195,662	58,052	589,094	953,044
Cash and cash equivalents at end of year	<u>\$ 100,303</u>	<u>\$ 133,327</u>	<u>\$ 446,981</u>	<u>\$ 205,398</u>	<u>\$ 1,291,887</u>	<u>\$ 2,177,896</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (801,661)	\$ (21,094)	\$ (42,038)	\$ 111,273	\$ 813,802	\$ 60,282
Adjustments:						
Depreciation	559,753	27,545	221,662	26,055	1,024,409	1,859,424
Provision for uncollectible accounts	-	-	(1,829)	-	(36,938)	(38,767)
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	(12,611)	-	19,833	-	208,620	215,842
Increase (decrease) in accounts payable	73,204	-	(67,994)	(10,732)	63,394	57,872
Increase (decrease) in compensated absences	546	-	2,068	(1,944)	3,047	3,717
Increase in insurance claims payable	28,611	-	25,546	-	89,921	144,078
Total adjustments	<u>649,503</u>	<u>27,545</u>	<u>199,286</u>	<u>13,379</u>	<u>1,352,453</u>	<u>2,242,166</u>
Net cash provided by (used for) operating activities	<u>\$ (152,158)</u>	<u>\$ 6,451</u>	<u>\$ 157,248</u>	<u>\$ 124,652</u>	<u>\$ 2,166,255</u>	<u>\$ 2,302,448</u>

GARLAND

City of Garland, Texas Internal Service Funds

Internal Service Funds

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

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

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

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

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

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

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

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

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

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

City of Garland, Texas
Internal Service Funds
Statement of Net Assets
September 30, 2009

	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
ASSETS										
Current assets:										
<i>Unrestricted</i>										
Cash and cash equivalents	\$ 3,479,932	\$ 3,359,627	\$ 437,227	\$ 139,743	\$ 6,561,158	\$ 8,626,366	\$ 890,416	\$ -	\$ 8,617,365	\$ 32,101,834
Investments	888,120	849,020	109,529	33,729	1,658,726	2,178,790	222,991	-	1,927,080	7,867,985
Accrued interest	8,076	6,274	915	126	14,204	23,252	1,931	251	14,943	69,972
Other Receivables	-	-	-	-	-	16,368	-	-	1,115,415	1,131,783
Inventories	-	-	-	225,509	-	-	-	5,394,142	-	5,619,651
<i>Restricted assets</i>										
<i>Construction funds:</i>										
Cash and cash equivalents	-	-	-	312,428	-	3,151,843	-	4,393	16,319,939	19,788,603
Investments	-	-	-	78,645	-	803,074	-	1,109	4,032,988	4,915,816
Accrued interest	-	-	-	632	-	5,476	-	10	33,287	39,405
Total construction funds	-	-	-	391,705	-	3,960,393	-	5,512	20,386,214	24,743,824
Total current assets	4,376,128	4,214,921	547,671	790,812	8,234,088	14,805,169	1,105,338	5,399,905	32,061,017	71,535,049
Capital assets										
System	21,834	24,844	-	2,330,703	26,531,968	33,376,694	295,347	493,392	504,390	63,579,172
Construction in progress	-	-	-	-	-	10,984,609	-	-	20,404,585	31,389,194
Less accumulated depreciation	(12,282)	(24,844)	-	(1,423,135)	(18,889,454)	(24,140,429)	(290,685)	(422,386)	(317,479)	(45,520,690)
Net capital assets	9,552	-	-	907,568	7,642,514	20,220,878	4,662	71,006	20,591,496	49,447,676
Unamortized bond discount and issue cost	-	-	-	56,237	-	270,255	-	(18)	374,317	700,791
Total noncurrent assets	9,552	-	-	963,805	7,642,514	20,491,133	4,662	70,988	20,965,813	50,148,467
Total assets	4,385,680	4,214,921	547,671	1,754,617	15,876,602	35,296,302	1,110,000	5,470,893	53,026,830	121,683,516
LIABILITIES										
Current Liabilities:										
<i>Payable from current assets</i>										
Accounts payable and accrued liabilities	384,203	148,902	-	819,934	92,793	877,558	225,418	369,686	619,604	3,538,098
Accrued interest payable:										
General obligation bonds	-	-	-	658	-	233	-	188	4,546	5,625
Certificates of obligation	-	-	-	2,446	-	62,411	-	139	387,755	452,751
Customer deposits	-	-	-	-	-	-	-	-	10,215,197	10,215,197
Retainage payable	-	-	-	-	-	-	38,462	-	-	38,462
Compensated absences	11,352	35,880	-	78,315	-	230,965	109,435	30,637	203,193	699,777
Insurance claims payable	4,210,165	2,443,941	916,478	-	-	-	-	-	-	7,570,584
General obligation bonds	-	-	-	20,000	-	-	-	-	-	30,000
Certificates of obligation	-	-	-	15,000	-	1,460,000	-	3,307	765,000	2,243,307
Total payable from current assets	4,605,720	2,628,723	916,478	936,353	92,793	2,631,167	373,315	403,957	12,205,295	24,793,801
<i>Payable from restricted assets</i>										
Accounts payable	-	-	-	-	-	9,214	-	-	1,819,078	1,828,292
Retainage payable	-	-	-	-	-	11,540	-	-	430,605	442,145
Due to other governments	-	-	-	1,244	-	29,565	-	-	10,973	41,782
Total payable from restricted assets	-	-	-	1,244	-	50,319	-	-	2,260,656	2,312,219
Total Current Liabilities	4,605,720	2,628,723	916,478	937,597	92,793	2,681,486	373,315	403,957	14,465,951	27,106,020
Long-term Liabilities:										
Advances from other funds	-	-	-	-	-	-	-	5,021,227	-	5,021,227
Certificates of obligation	-	-	-	375,000	-	10,305,000	-	19,031	26,420,001	37,119,032
General obligation bonds	-	-	-	120,000	-	40,000	-	30,000	785,000	975,000
Unamortized bond premium, and defeased bond cost	-	-	-	75,478	-	184,398	-	(79)	853,938	1,113,735
Compensated absences	256	4,488	-	-	-	101,132	794	-	-	106,670
Insurance claims payable	9,130	3,269,082	2,974,547	-	-	-	-	-	-	6,243,629
OPEB payable	9,386	17,239	-	83,432	-	148,364	77,062	25,108	210,644	578,979
Total Long-term Liabilities	9,386	3,290,809	2,974,547	653,910	-	10,778,894	77,856	5,095,287	28,277,583	51,158,272
Total Liabilities	4,615,106	5,919,532	3,891,025	1,591,507	92,793	13,460,380	451,171	5,499,244	42,743,534	78,264,292
NET ASSETS										
Invested in capital assets, net of related debt	9,552	-	-	692,551	7,642,514	12,141,554	4,662	24,259	9,883,115	30,398,207
Unrestricted	(238,978)	(1,704,611)	(3,343,354)	(529,441)	8,141,295	9,694,368	654,167	(52,610)	400,181	13,021,017
Total net assets	\$ (229,426)	\$ (1,704,611)	\$ (3,343,354)	\$ 163,110	\$ 15,783,809	\$ 21,835,922	\$ 658,829	\$ (28,351)	\$ 10,283,296	\$ 43,419,224

City of Garland, Texas
Internal Service Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2009

	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
OPERATING REVENUES:										
Charges for services	\$ -	\$ -	\$ -	\$ 7,804,288	\$ 3,077,430	\$ 13,132,640	\$ 6,164,776	\$ 1,136,361	\$ 9,885,021	\$ 41,200,516
Premiums	21,515,240	5,032,731	469,381	-	-	-	-	-	-	27,017,352
Other	1,976,511	28,348	-	-	-	31,189	1,010	20,367	229,128	2,286,553
Total Operating Revenues	23,491,751	5,061,079	469,381	7,804,288	3,077,430	13,163,829	6,165,786	1,156,728	10,114,149	70,504,421
OPERATING EXPENSES:										
Salaries and benefits	357,272	664,158	-	2,091,688	-	5,609,572	1,649,693	637,644	5,394,106	16,404,133
Maintenance, repairs, and supplies	189,623	540,269	-	4,931,381	14,676	4,809,319	4,121,407	114,735	1,711,344	16,432,754
Premiums	5,845,269	1,636,229	-	-	-	-	-	-	-	7,481,498
Claims	16,840,661	1,722,129	376,094	-	-	-	-	-	-	18,938,884
Insurance claims payable - increase (decrease)	1,047,487	(646,306)	(800,000)	36,786	-	66,419	31,677	11,240	100,139	(152,558)
Administrative services	1,017,137	144,439	-	-	-	-	-	-	-	1,161,576
General and administrative	317,451	156,466	-	614,616	92,000	1,162,374	378,952	403,197	2,213,407	5,338,463
Depreciation	2,729	-	-	97,371	2,812,089	2,168,902	4,232	9,404	45,551	5,140,278
Total Operating Expenses	25,617,629	4,217,384	(423,906)	7,771,842	2,918,765	13,816,586	6,185,961	1,176,220	9,464,547	70,745,028
Total Operating Income (Loss)	(2,125,878)	843,695	893,287	32,446	158,665	(652,757)	(20,175)	(19,492)	649,602	(240,607)
NONOPERATING REVENUES (EXPENSES):										
Earnings from investments:										
Current operations	103,170	60,337	9,539	3,269	164,783	264,235	21,669	624	203,069	830,695
Construction fund	-	-	-	6,192	-	54,490	-	94	140,361	201,137
Contributions	-	-	-	-	-	-	831	-	2	833
Interest expense:										
Certificates of obligation	-	-	-	(16,980)	-	(481,006)	-	(1,162)	(560,160)	(1,059,308)
General Obligation bonds	-	-	-	(5,464)	-	(2,748)	-	(1,507)	(49,660)	(59,379)
Gain (loss) on sale of capital assets	-	-	-	-	136,921	12,833	-	-	22,188	171,942
Total nonoperating revenues (expenses)	103,170	60,337	9,539	(12,983)	301,704	(152,196)	22,500	(1,951)	(244,200)	85,920
Income (loss) before transfers	(2,022,708)	904,032	902,826	19,463	460,369	(804,953)	2,325	(21,443)	405,402	(154,687)
TRANSFERS										
Transfers in	-	-	-	28,378	22,446	1,543,924	-	-	-	1,594,748
Transfers out	-	(15,495)	-	(5,116)	(47,647)	-	-	-	-	(68,258)
Net transfers	-	(15,495)	-	23,262	(25,201)	1,543,924	-	-	-	1,526,490
NET INCOME (LOSS)	(2,022,708)	888,537	902,826	42,725	435,168	738,971	2,325	(21,443)	405,402	1,371,803
Net assets, beginning of year	1,793,282	(2,593,148)	(4,246,180)	120,385	15,348,641	21,096,951	656,504	(6,908)	9,877,894	42,047,421
Net assets, end of year	\$ (229,426)	\$ (1,704,611)	\$ (3,343,354)	\$ 163,110	\$ 15,783,809	\$ 21,835,922	\$ 658,829	\$ (28,351)	\$ 10,283,296	\$ 43,419,224

GARLAND

City of Garland, Texas
Internal Service Funds
Statement of Cash Flows
For the Year Ended September 30, 2009

	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
Cash flows from operating activities										
Cash received from customers	\$ 21,515,240	\$ 6,032,731	\$ 469,381	\$ 7,804,288	\$ 3,077,430	\$ 13,120,661	\$ 6,164,776	\$ 1,136,361	\$ 9,680,291	\$ 69,001,159
Cash received for customer deposits	-	-	-	-	-	-	-	-	1,288,418	1,288,418
Cash payments for goods and services	(24,290,750)	(4,497,808)	(376,094)	(5,457,295)	(236,268)	(6,028,996)	(4,651,397)	(360,387)	(3,802,532)	(49,701,527)
Cash payments to employees for services	(361,961)	(666,058)	-	(2,105,830)	-	(5,558,745)	(1,647,225)	(633,731)	(5,374,722)	(16,348,272)
Other operating revenues	1,976,511	28,348	-	-	-	31,189	1,010	20,367	229,128	2,286,553
Net cash provided (used) by operating activities:	<u>(1,160,960)</u>	<u>897,213</u>	<u>93,287</u>	<u>241,163</u>	<u>2,841,162</u>	<u>1,564,109</u>	<u>(132,836)</u>	<u>162,610</u>	<u>2,020,583</u>	<u>6,526,331</u>
Cash flows from non-capital financing activities										
Retainage - increase	-	-	-	-	-	-	38,462	-	-	38,462
Due from other funds - decrease	-	-	-	283,577	-	71,275	-	-	4,579	359,431
Due to other funds - (decrease)	-	(1,000,000)	-	(262,059)	-	-	-	-	-	(1,262,059)
Transfers in	-	-	-	28,378	22,446	1,543,924	-	-	-	1,594,748
Transfers out	-	(15,495)	-	(5,116)	(47,647)	-	-	-	-	(68,258)
Net cash provided by (used for) non-capital financing activities:	<u>-</u>	<u>(1,015,495)</u>	<u>-</u>	<u>44,780</u>	<u>(25,201)</u>	<u>1,615,199</u>	<u>38,462</u>	<u>-</u>	<u>4,579</u>	<u>662,324</u>
Cash flows from capital and financing activities										
Certificate of obligation issues	-	-	-	-	-	580,000	-	-	22,405,000	22,985,000
Acquisition of capital assets	-	-	-	(35,283)	(3,326,506)	(3,025,612)	-	-	(12,922,027)	(19,309,428)
Principal paid on certificates of obligation	-	-	-	(15,000)	-	(1,380,000)	-	(3,149)	(205,000)	(1,603,149)
Principal paid on general obligation bonds	-	-	-	(15,000)	-	(15,000)	-	-	(10,000)	(40,000)
Decrease in advance from other funds	-	-	-	-	-	-	-	(157,171)	-	(157,171)
Interest paid on certificates of obligation	-	-	-	(19,888)	-	(530,992)	-	(1,179)	(222,278)	(774,337)
Interest paid on general obligations	-	-	-	(6,782)	-	(2,271)	-	(1,500)	(46,954)	(57,507)
Premium on issuance of debt	-	-	-	-	-	18,526	-	-	818,707	837,233
Bond issue expense	-	-	-	-	-	(8,526)	-	-	(293,707)	(302,233)
Proceeds from sale of assets	-	-	-	-	156,990	12,835	-	-	25,000	194,825
Net cash provided by (used for) financing activities:	<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,953)</u>	<u>(3,169,516)</u>	<u>(4,351,040)</u>	<u>-</u>	<u>(162,999)</u>	<u>9,548,741</u>	<u>1,773,233</u>
Cash flows from investing activities										
Purchase of investment securities	(846,098)	(817,453)	(167,376)	(233,880)	(1,596,393)	(3,448,683)	(214,184)	(1,101)	(13,174,325)	(20,499,493)
Proceeds from the sale and maturity of investment securities	3,373,116	2,654,899	337,430	348,809	5,230,644	10,275,011	731,496	3,391	18,532,343	41,487,139
Interest received on investments	122,144	73,700	10,832	10,488	193,566	403,417	25,729	510	372,001	1,212,387
Net cash provided by investing activities:	<u>2,649,162</u>	<u>1,911,146</u>	<u>180,886</u>	<u>125,417</u>	<u>3,827,817</u>	<u>7,229,745</u>	<u>543,041</u>	<u>2,800</u>	<u>5,730,019</u>	<u>22,200,033</u>
Net increase in cash and cash equivalent:	1,488,202	1,792,864	274,173	319,407	3,474,262	6,058,013	448,667	2,411	17,303,922	31,161,921
Cash and cash equivalents at beginning of year	1,991,730	1,566,763	163,054	132,764	3,086,896	5,720,196	431,749	1,982	7,633,382	20,728,516
Cash and cash equivalents at end of year	<u>\$ 3,479,932</u>	<u>\$ 3,359,627</u>	<u>\$ 437,227</u>	<u>\$ 452,171</u>	<u>\$ 6,561,158</u>	<u>\$ 11,778,209</u>	<u>\$ 880,416</u>	<u>\$ 4,393</u>	<u>\$ 24,937,304</u>	<u>\$ 51,890,437</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities										
Operating income (loss)	\$ (2,125,878)	\$ 843,695	\$ 893,287	\$ 32,446	\$ 158,665	\$ (652,757)	\$ (20,175)	\$ (19,492)	\$ 649,602	\$ (240,607)
Adjustments:										
Depreciation	2,729	-	-	97,371	2,812,089	2,168,902	4,232	9,404	45,551	5,140,278
Provision for uncollectible accounts	-	-	-	-	-	-	-	-	(35,595)	(35,595)
Change in assets and liabilities:										
Increase (decrease) in inventory	-	-	-	(7,615)	-	-	-	233,777	-	226,162
Decrease (increase) in accounts receivable	-	1,000,000	-	-	-	(11,979)	-	-	(169,135)	818,886
Increase (decrease) in accounts payable	(80,609)	(298,276)	-	96,317	(129,592)	(57,303)	(151,038)	(76,232)	122,219	(574,514)
Increase in customer deposits	-	-	-	-	-	-	-	-	1,288,418	1,288,418
Increase (decrease) in compensated absences	(4,689)	(1,900)	-	(14,142)	-	50,827	2,468	3,913	19,384	55,861
Increase in OPEB payable	4,087	7,153	-	36,786	-	66,419	31,677	11,240	100,139	257,501
Increase (decrease) in insurance claims payable	1,043,400	(653,459)	(800,000)	-	-	-	-	-	-	(410,059)
Total adjustments	964,918	53,518	(800,000)	208,717	2,682,497	2,216,866	(112,661)	182,102	1,370,981	6,766,938
Net cash provided by (used for) operating activities:	<u>\$ (1,160,960)</u>	<u>\$ 897,213</u>	<u>\$ 93,287</u>	<u>\$ 241,163</u>	<u>\$ 2,841,162</u>	<u>\$ 1,564,109</u>	<u>\$ (132,836)</u>	<u>\$ 162,610</u>	<u>\$ 2,020,583</u>	<u>\$ 6,526,331</u>
Non-cash investing:										
Insurance claims payable - increase	1,043,400	(653,459)	(800,000)	-	-	-	-	-	-	(410,059)
OPEB payable - increase	4,087	7,153	-	36,786	-	66,419	31,677	11,240	100,139	257,501
Non-cash transactions:										
Transfer in	-	-	-	28,378	22,446	1,543,924	-	-	-	1,594,748

GARLAND

City of Garland, Texas
Discretely Presented Component Units

Component Units

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

Garland Housing Finance Corporation (GHFC) – This component unit was organized to finance the cost of residential ownership and development that will provide decent, safe, and sanitary housing for residents of the City at affordable prices.

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

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

Component Units
Combining Statement of Net Assets
September 30, 2009

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 125,046	\$ 378,194	\$ 126,158	\$ 629,398
Restricted cash and cash equivalents	-	-	-	-
Accounts receivable, net of allowance for uncollectibles	-	25,000	-	25,000
Accrued interest receivable	-	33	-	33
Loans Receivable	18,522	-	-	18,522
Asset held for sale	546,855	-	-	546,855
Noncurrent assets:				
Land	900,000	-	-	900,000
Total assets	<u>1,590,423</u>	<u>403,227</u>	<u>126,158</u>	<u>2,119,808</u>
LIABILITIES				
Current liabilities:				
Accounts payable	-	6,599	-	6,599
Due to other governments	-	-	-	-
Noncurrent liabilities:				
Deferred Revenue	798,750	-	-	798,750
Total liabilities	<u>798,750</u>	<u>6,599</u>	<u>-</u>	<u>805,349</u>
NET ASSETS				
Invested in capital assets, net of related debt	101,250	-	-	101,250
Unrestricted	690,423	396,628	126,158	1,213,209
Total net assets	<u>\$ 791,673</u>	<u>\$ 396,628</u>	<u>\$ 126,158</u>	<u>\$ 1,314,459</u>

Component Units
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2009

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
PROGRAM REVENUES				
Charges for services	\$ 24,575	\$ 25,000	\$ -	\$ 49,575
Operating grants and contributions	22,500	-	-	22,500
Miscellaneous income	17,651	-	-	17,651
Total operating revenues	<u>64,726</u>	<u>25,000</u>	<u>-</u>	<u>89,726</u>
EXPENSES				
Operations	<u>121,444</u>	<u>36,686</u>	<u>7,683</u>	<u>165,813</u>
Total operating expenses	<u>121,444</u>	<u>36,686</u>	<u>7,683</u>	<u>165,813</u>
Operating income (loss)	<u>(56,718)</u>	<u>(11,686)</u>	<u>(7,683)</u>	<u>(76,087)</u>
General revenues:				
Unrestricted investment earnings	7,035	4,600	-	11,635
Loss on sale of property	<u>(28,280)</u>	<u>-</u>	<u>-</u>	<u>(28,280)</u>
Total net non-operating income	<u>(21,245)</u>	<u>4,600</u>	<u>-</u>	<u>(16,645)</u>
Change in net assets	<u>(77,963)</u>	<u>(7,086)</u>	<u>(7,683)</u>	<u>(92,732)</u>
Net assets, beginning of year	869,636	403,714	133,841	1,407,191
Net assets, end of year	<u>\$ 791,673</u>	<u>\$ 396,628</u>	<u>\$ 126,158</u>	<u>\$ 1,314,459</u>

Component Units
Combining Statement of Cash Flows
For the Year Ended September 30, 2009

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
Cash flows from operating activities:				
Cash received from customers	\$ 42,226	\$ 25,000	\$ -	\$ 67,226
Cash paid for salaries and related activities	(70,643)	-	-	(70,643)
Cash paid to suppliers for goods and services	(48,116)	(683)	(683)	(49,482)
Cash paid for home owner assistance	-	-	-	-
Net cash provided (used) by operating activities	(76,533)	24,317	(683)	(52,899)
Cash flows from noncapital financing activities:				
Cash received from loans receivable	897	-	-	897
Cash received from affiliate	-	-	-	-
Proceeds from sale of land held for sale	106,697	-	-	106,697
Contributions	-	(29,404)	-	(29,404)
Cash paid to affiliate	-	-	-	-
Cash paid on assets held for sale	(218,376)	-	-	(218,376)
Net cash used for noncapital financing activities	(110,782)	(29,404)	-	(140,186)
Cash flows from investing activities:				
Earnings on investments	7,035	4,646	-	11,681
Net cash provided by investing activities	7,035	4,646	-	11,681
Net increase (decrease) in cash and cash equivalents	(180,280)	(441)	(683)	(181,404)
Cash and cash equivalents at beginning of year	305,326	378,635	126,841	810,802
Cash and cash equivalents at end of year	\$ 125,046	\$ 378,194	\$ 126,158	\$ 629,398
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (56,718)	\$ 24,317	\$ (7,683)	\$ (40,084)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Land lease rental	(22,500)	-	-	(22,500)
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	10,023	-	7,000	17,023
Increase in uncollectable loans receivable	-	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	(7,338)	-	-	(7,338)
Total adjustments	(19,815)	-	7,000	(12,815)
Net cash provided (used) by operating activities	\$ (76,533)	\$ 24,317	\$ (683)	\$ (52,899)

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	105
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	111
Debt Capacity These schedules contain information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	115
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	120
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	122

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

GARLAND

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

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

The City of Garland implemented Statement 34 in FY2002 and a full ten-year trend is not yet available.

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

Table 2

	Fiscal Year							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses								
Governmental activities:								
General government	\$ 24,202,192	\$ 25,448,260	\$ 35,270,124	\$ 32,392,426	\$ 30,790,105	\$ 37,623,390	\$ 31,821,475	\$ 31,153,948
Public safety	60,351,565	62,999,309	69,028,367	71,669,173	80,537,648	82,379,317	85,948,538	88,837,476
Public works	32,738,057	30,529,070	32,081,450	33,252,736	35,936,678	39,645,423	41,491,649	40,530,087
Culture and recreation	18,079,673	17,091,792	18,117,717	18,188,655	19,160,660	19,159,881	19,925,775	19,849,963
Public health	2,463,345	2,525,006	2,795,918	2,581,301	2,771,112	3,085,931	3,346,806	3,455,498
Interest and fiscal charges	8,571,287	8,117,822	8,342,311	9,222,475	10,348,493	10,686,236	10,476,757	12,888,091
Tri-City Academy	74,061	73,957	74,091	12,721	-	-	-	-
Total governmental activities expenses	<u>146,480,180</u>	<u>146,785,216</u>	<u>165,709,978</u>	<u>167,319,487</u>	<u>179,544,696</u>	<u>192,580,178</u>	<u>193,011,000</u>	<u>196,715,063</u>
Business-type activities:								
Electric	163,654,263	190,479,543	209,650,788	222,883,550	222,703,702	212,231,176	255,025,955	183,527,066
Water	21,687,201	23,212,750	25,800,512	25,806,273	25,540,630	28,221,876	29,979,447	33,000,743
Sewer	20,249,731	21,483,043	22,865,652	22,685,980	24,768,707	26,661,625	29,021,769	30,838,009
Golf	3,102,011	3,548,906	3,607,795	2,796,283	2,953,267	2,844,792	2,827,100	2,801,539
Heliport	40,068	30,526	34,457	28,576	76,842	28,007	27,335	27,482
Storm water management	2,872,805	3,022,324	2,953,322	2,961,292	3,535,492	3,227,420	3,192,094	3,176,002
Parks performance	584,615	614,297	721,368	749,667	773,516	718,131	702,176	818,781
Sanitation	12,607,400	12,717,666	13,565,161	13,301,942	13,399,591	14,741,829	15,618,088	15,558,875
Total business-type activities expenses	<u>224,798,094</u>	<u>255,109,055</u>	<u>279,199,055</u>	<u>291,213,563</u>	<u>293,751,747</u>	<u>288,674,856</u>	<u>336,393,964</u>	<u>269,748,497</u>
Total primary government expenses	<u>\$ 371,278,274</u>	<u>\$ 401,894,271</u>	<u>\$ 444,909,033</u>	<u>\$ 458,533,050</u>	<u>\$ 473,296,443</u>	<u>\$ 481,255,034</u>	<u>\$ 529,404,964</u>	<u>\$ 466,463,560</u>
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 7,397,381	\$ 5,812,636	\$ 7,318,626	\$ 6,676,910	\$ 6,858,486	\$ 6,611,850	\$ 6,687,922	\$ 6,010,639
Public safety	8,778,000	9,076,549	8,579,287	10,202,599	10,803,372	10,568,258	9,335,039	12,015,983
Public works	11,843,394	10,129,500	10,571,408	11,200,394	12,990,004	13,651,673	12,565,983	13,317,251
Culture and recreation	2,114,703	1,503,405	1,622,913	1,745,890	1,615,310	1,530,098	1,655,630	1,871,402
Public health	170,077	191,342	189,935	179,789	177,835	331,128	321,296	314,819
Operating grants and contributions	16,191,085	18,385,284	18,516,283	19,713,353	21,863,489	22,852,488	21,055,526	17,351,640
Capital grants and contributions	7,153,603	5,236,706	5,686,588	3,556,983	8,445,411	3,811,318	6,398,010	2,082,015
Total governmental activities program revenues	<u>53,648,243</u>	<u>50,335,422</u>	<u>52,485,040</u>	<u>53,275,918</u>	<u>62,753,907</u>	<u>59,356,813</u>	<u>58,019,406</u>	<u>52,963,749</u>
Business-type activities:								
Charges for services:								
Electric	168,564,076	180,508,844	199,926,505	224,884,115	271,751,654	233,626,927	270,716,085	229,710,285
Water	20,472,979	24,366,846	22,966,885	28,235,537	35,641,398	26,528,327	30,974,200	34,236,560
Sewer	22,401,028	22,638,954	24,328,999	26,719,862	34,668,202	33,628,914	35,436,808	38,396,280
Golf	2,086,288	2,221,772	2,193,048	2,133,498	2,224,318	2,070,839	2,069,842	1,996,599
Heliport	5,499	6,500	6,000	6,000	5,556	6,098	6,299	6,451
Storm water management	3,027,510	3,068,703	3,105,222	3,088,386	3,140,224	3,116,627	3,160,313	3,137,707
Parks performance	569,396	594,613	778,364	838,064	745,186	666,131	744,918	831,481
Sanitation	12,002,268	12,943,652	13,229,144	13,159,315	13,331,142	15,054,605	15,574,619	16,191,391
Capital grants and contributions	3,055,431	2,780,713	2,275,432	1,890,046	3,103,011	2,853,227	4,226,700	3,679,673
Total business-type activities program revenues	<u>232,184,475</u>	<u>249,130,597</u>	<u>268,809,599</u>	<u>300,954,823</u>	<u>364,610,691</u>	<u>317,551,695</u>	<u>362,909,784</u>	<u>328,186,427</u>
Total primary government program revenues	<u>\$ 285,832,718</u>	<u>\$ 299,466,019</u>	<u>\$ 321,294,639</u>	<u>\$ 354,230,741</u>	<u>\$ 427,364,598</u>	<u>\$ 376,908,508</u>	<u>\$ 420,929,190</u>	<u>\$ 381,150,176</u>

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

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

The City of Garland implemented Statement 34 in FY2002 and a full ten-year trend is not yet available.

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

Table 3

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Hotel/Motel Tax	Mixed Drink Tax	Bingo Tax	Total
2000	\$ 46,233,392	\$ 18,263,423	\$ 648,115	\$ 477,944	\$ 101,691	\$ 69,994	\$ 65,794,559
2001	50,130,626	18,273,744	7,671,616	480,836	104,578	78,090	76,739,490
2002	56,369,413	18,248,669	7,876,575	458,478	110,445	72,911	83,136,491
2003	59,697,133	18,181,431	7,781,687	408,539	109,474	81,597	86,259,861
2004	59,700,363	18,454,380	7,146,208	415,767	110,443	89,543	85,916,704
2005	61,816,669	19,368,101	7,268,396	417,034	121,644	88,918	89,080,762
2006	66,825,355	22,517,489	7,883,149	464,905	135,586	101,189	97,927,673
2007	70,205,635	23,278,730	8,028,128	488,123	167,372	97,866	102,265,854
2008	74,677,018	23,694,596	8,598,552	469,185	216,527	87,133	107,743,011
2009	77,869,371	22,041,066	7,935,599	483,639	233,290	105,488	108,668,453

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

Table 4

	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,850	\$ 394,642
Unreserved	14,831,853	13,583,072	13,122,317	13,779,636	11,030,482	13,190,208	20,888,141	17,308,504	17,050,423	18,480,293
Total general fund	<u>\$ 14,831,853</u>	<u>\$ 13,583,072</u>	<u>\$ 13,122,317</u>	<u>\$ 13,779,636</u>	<u>\$ 11,030,482</u>	<u>\$ 13,190,208</u>	<u>\$ 20,888,141</u>	<u>\$ 17,308,504</u>	<u>\$ 17,282,273</u>	<u>\$ 18,874,935</u>
All other government funds										
Reserved	\$ 51,993,971	\$ 57,724,530	\$ 44,081,650	\$ 32,623,209	\$ 1,921,608	\$ 40,581,722	\$ 1,068,786	\$ 16,539,955	\$ 24,640,911	\$ 20,470,134
Unreserved, reported in:										
Special revenue funds	5,311,657	6,456,162	5,121,834	4,968,076	13,545,029	5,753,428	4,596,233	7,293,957	8,678,081	3,721,683
Capital project funds	-	-	-	-	-	-	-	(26,178,715)	5,649,541	1,727,367
Total all other governmental funds	<u>\$ 57,305,628</u>	<u>\$ 64,180,692</u>	<u>\$ 49,203,484</u>	<u>\$ 37,591,285</u>	<u>\$ 15,466,637</u>	<u>\$ 46,335,150</u>	<u>\$ 5,665,019</u>	<u>\$ (2,344,803)</u>	<u>\$ 38,968,533</u>	<u>\$ 25,919,184</u>

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

	2000	2001	2002	2003	Fiscal Year 2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$ 65,146,444	\$ 69,097,874	\$ 74,275,259	\$ 77,604,482	\$ 78,671,897	\$ 81,838,275	\$ 89,864,990	\$ 94,277,497	\$ 99,567,491	\$ 100,620,433
Franchise fees	6,248,115	7,671,616	7,876,575	7,781,687	7,146,208	7,268,396	7,883,149	8,028,128	8,372,409	7,935,599
Service charges	11,207,515	11,494,440	13,790,894	13,048,766	14,026,350	14,600,925	16,382,249	17,224,499	17,268,733	17,537,722
Licenses and permits	1,510,857	1,769,018	1,787,051	2,138,200	2,151,482	2,701,470	3,104,974	3,056,687	2,632,116	2,566,182
Investment earnings	6,126,853	8,820,760	4,745,090	2,035,328	1,343,658	1,875,021	3,883,271	5,061,009	3,486,049	1,739,575
Intergovernmental	11,616,479	12,715,988	14,787,976	17,115,642	16,797,896	17,835,272	19,092,728	20,938,438	19,709,837	16,786,683
Intragovernmental	19,174,705	20,012,800	5,618,359	5,835,277	6,065,514	5,790,632	5,803,231	6,068,356	6,727,768	7,324,102
Fines and forfeits	4,036,751	4,168,074	4,290,574	4,488,485	5,194,326	6,073,988	5,915,617	5,324,440	5,195,729	6,064,644
Rents and concessions	544,290	626,360	533,773	582,969	1,634,362	770,684	946,539	959,214	1,066,932	1,089,898
Assessments	49,962	51,879	134,341	104,538	122,600	56,039	43,908	54,207	37,546	32,609
Impact fees	-	14,981	1,946,127	878,040	589,283	558,677	1,043,145	1,215,941	728,946	140,278
Contributions	1,832,135	1,275,822	2,321,702	2,205,047	194,029	582,969	1,789,346	378,732	8,173	418,424
Program income	222,549	355,456	855,348	422,702	232,812	531,270	580,242	197,794	251,679	135,695
Special event income	956,352	695,189	927,277	399,826	488,207	434,879	-	79,439	1,623	-
Miscellaneous	1,412,698	1,451,016	1,828,377	1,568,925	2,448,424	2,314,668	2,727,545	1,737,656	1,174,425	1,998,868
Awards	150,295	123,901	116,161	347,055	197,821	93,334	498,287	445,701	347,993	374,145
Total Revenues	130,236,000	140,345,174	135,834,884	136,556,969	137,304,869	143,326,499	159,638,660	164,969,922	166,575,826	164,764,857
Expenditures										
General government	7,011,395	7,468,670	7,771,073	8,265,797	13,547,721	9,846,252	8,399,455	16,162,770	9,035,894	10,183,430
Public safety	48,246,794	50,676,933	52,504,755	56,389,366	59,878,602	62,364,342	67,979,184	71,923,692	75,115,520	75,268,367
Public works	5,848,079	6,131,095	6,584,672	6,912,917	7,306,230	7,080,641	8,087,824	9,765,312	9,659,895	8,931,181
Culture and recreation	9,619,379	10,332,719	10,644,306	11,084,087	11,306,781	11,072,061	11,487,982	12,401,080	13,209,936	12,550,200
Public health	2,076,463	2,088,095	2,061,934	2,201,729	2,429,705	2,136,542	2,275,483	2,721,376	2,965,945	2,893,506
Nondepartmental	10,741,459	11,396,820	12,959,772	11,702,099	13,949,955	12,826,489	14,498,714	16,258,263	17,075,180	16,941,189
Operations	21,924,791	27,233,002	26,875,871	22,841,120	26,923,692	26,842,657	26,199,922	25,113,864	29,652,263	28,925,801
Capital Outlay	19,672,810	33,474,956	37,694,712	46,481,607	41,594,043	43,223,875	55,132,525	31,349,700	28,377,230	16,664,598
Debt service										
Principal	11,983,282	11,869,987	14,606,500	13,350,239	10,622,833	12,018,720	12,973,186	14,015,396	15,317,098	16,637,994
Interest	8,333,063	9,782,351	8,004,673	7,798,522	7,795,875	8,385,551	12,418,459	12,282,296	11,353,053	12,767,629
Issue costs on issuance of debt	-	-	243,458	-	-	-	-	133,969	720,789	35,000
Tri City Academy	74,077	74,175	74,061	73,957	74,091	12,721	-	-	-	-
Other charges	445,512	335,859	343,646	454,223	515,609	519,353	146,905	120,590	162,728	475,849
Total expenditures	145,977,104	170,864,662	180,369,433	187,555,663	195,945,137	196,329,204	219,599,639	212,248,308	212,645,531	202,274,744
Excess of revenues over (under) expenditures	(15,741,104)	(30,519,488)	(44,534,549)	(50,998,694)	(58,640,268)	(53,002,705)	(59,960,979)	(47,278,386)	(46,069,705)	(37,509,887)
Other financing sources (uses)										
Sale of capital assets	-	-	-	-	-	-	-	417,045	2,204,592	363,244
Transfers in	10,785,378	22,997,020	29,280,489	29,407,407	31,726,983	28,899,080	32,423,803	38,353,344	40,925,950	40,823,290
Transfers out	(6,525,874)	(10,360,953)	(16,394,518)	(13,441,661)	(14,118,676)	(9,657,539)	(9,550,022)	(17,040,435)	(17,903,902)	(15,483,332)
Issuance of debt	15,649,936	23,678,068	21,792,772	18,580,000	12,058,728	65,895,000	4,115,000	13,825,000	59,830,000	350,000
Premium on issuance of debt	-	-	-	-	-	3,392,524	-	1,493,762	2,761,825	-
Refunding proceeds	-	-	-	-	-	28,305,000	-	39,200,000	26,940,000	-
Payment to bond refunding agent	-	-	(8,027,772)	-	-	(30,803,121)	-	(40,559,793)	(27,401,656)	-
Total other financing sources (uses)	19,909,440	36,314,135	26,650,971	34,545,746	29,667,035	86,030,944	26,988,781	35,688,923	87,356,809	26,053,202
Change in fund balance	4,168,336	5,794,647	(17,883,578)	(16,452,948)	(28,973,233)	33,028,239	(32,972,198)	(11,589,463)	41,287,104	(11,456,685)
Cummulative effect of change in accounting principle	-	-	-	5,498,067	-	-	-	-	-	-
Special item-apartment complex sale	-	-	-	-	4,099,431	-	-	-	-	-
Net change in fund balances	\$ 4,168,336	\$ 5,794,647	\$ (17,883,578)	\$ (10,954,881)	\$ (24,873,802)	\$ 33,028,239	\$ (32,972,198)	\$ (11,589,463)	\$ 41,287,104	\$ (11,456,685)
Debt service as a percentage of noncapital expenditures	16.09%	15.76%	15.85%	14.99%	11.93%	13.33%	15.44%	14.54%	14.47%	15.84%

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

Table 6

Fiscal Year Ended September 30,	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2000	\$ 5,430,448,647	\$ 2,121,247,230	\$ 626,101,620	\$ 704,223,019	\$ 7,473,574,478	0.6136
2001	5,855,804,270	2,237,297,210	656,341,750	821,963,564	7,927,479,666	0.6336
2002	5,768,607,851	3,155,723,180	578,069,500	898,430,636	8,603,969,895	0.6411
2003	6,426,672,230	3,263,895,460	656,509,700	1,168,754,111	9,178,323,279	0.6411
2004	6,795,954,000	3,295,142,390	624,699,750	1,483,946,215	9,231,849,925	0.6411
2005	7,077,522,770	3,326,226,180	568,356,980	1,429,095,701	9,543,010,229	0.6411
2006	7,229,465,100	3,500,737,880	664,641,720	1,578,751,415	9,816,093,285	0.6661
2007	8,397,628,690	3,017,766,630	838,155,930	1,836,648,950	10,416,902,300	0.6786
2008	8,523,853,140	3,517,203,860	775,413,890	1,933,972,589	10,882,498,301	0.6886
2009	8,663,790,930	3,721,257,230	864,829,660	2,128,083,759	11,121,794,061	0.6996

Source: City of Garland, Texas - Tax Office

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

Fiscal Year	City Direct Rates			Overlapping Rates*						
	General Fund	Debt Service Fund	Total Direct	Garland Independent School District	Dallas County	Dallas County Hospital District	Dallas County Community College District	Dallas Independent School District	Richardson Independent School District	Mesquite Independent School District
2000	0.3690	0.2446	0.6136	1.4784	0.19600	0.1960	0.0500	1.46050	1.6486	1.5800
2001	0.3740	0.2596	0.6336	1.4053	0.19600	0.2540	0.0500	1.54750	1.6683	1.5800
2002	0.3740	0.2671	0.6411	1.4717	0.19600	0.2540	0.0600	1.54750	1.7993	1.5800
2003	0.3740	0.2671	0.6411	1.4586	0.19600	0.2540	0.0600	1.58750	1.8081	1.6200
2004	0.3740	0.2671	0.6411	1.5585	0.20390	0.2540	0.0778	1.63950	1.8200	1.6700
2005	0.3740	0.2671	0.6411	1.6214	0.20390	0.2540	0.0803	1.66940	1.8200	1.7600
2006	0.3890	0.2771	0.6661	1.6701	0.21390	0.2540	0.0816	1.68840	1.8200	1.7624
2007	0.3890	0.2896	0.6786	1.6701	0.21390	0.2540	0.0816	1.68840	1.6301	1.6680
2008	0.3890	0.2996	0.6886	1.2533	0.22810	0.2540	0.0804	1.50260	1.3401	1.3767
2009	0.3890	0.3106	0.6996	1.2533	0.22810	0.2540	0.0894	1.18340	1.3401	1.4000

Source: City of Garland, Texas - Tax Office

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

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

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

Table 8

<u>Taxpayer</u>	<u>2009</u>			<u>2000</u>		
	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total City Taxable Assessed Value</u>
Simon Property Group	\$ 132,818,770	1	1.22%	\$ -	-	-
Wal-Mart/Sam's Club	90,857,510	2	0.83%	30,237,680	9	0.40%
Plastipak Packaging	65,169,734	3	0.60%	-	-	-
Valspar/Engineered Polymer	59,742,723	4	0.55%	51,625,100	4	0.69%
Kraft Foods, Inc	55,316,531	5	0.51%	45,194,120	5	0.60%
Verizon	52,925,200	6	0.49%	-	-	-
Sears, Roebuck and Co.	51,830,097	7	0.48%	96,080,230	1	1.29%
SST Truck Company LLC	42,535,560	8	0.39%	-	-	-
Longridge Residential	38,300,000	9	0.35%	-	-	-
Advenir @ Town Centre LLC	37,399,550	10	0.34%	-	-	-
General Telephone Company	-	-	-	76,483,300	2	1.02%
Eckerd Drugs, Inc.	-	-	-	75,532,220	3	1.01%
Raytheon/E-Systems	-	-	-	41,114,190	7	0.55%
Fleming Foods of Texas	-	-	-	44,508,670	6	0.60%
Home Depot	-	-	-	27,673,040	10	0.37%
Ingersoll Rand	-	-	-	32,247,300	8	0.43%
	<u>\$ 626,895,675</u>		<u>5.76%</u>	<u>\$ 520,695,850</u>		<u>6.97%</u>

Source: City of Garland, Texas - Tax Office

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

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collections within Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	\$ 45,857,853	\$ 45,422,322	99.05%	\$ 414,489	\$ 45,836,811	99.95%
2001	50,228,511	49,773,440	99.09%	432,152	50,205,592	99.95%
2002	55,160,051	54,785,537	99.32%	344,930	55,130,467	99.95%
2003	58,730,715	57,863,914	98.52%	814,203	58,678,116	99.91%
2004	59,188,532	58,234,780	98.39%	904,066	59,138,846	99.92%
2005	61,180,242	60,323,475	98.60%	793,267	61,116,742	99.90%
2006	65,446,028	64,291,109	98.24%	981,158	65,272,268	99.73%
2007	69,481,794	68,346,908	98.37%	880,050	69,226,958	99.63%
2008	74,759,668	73,764,627	98.67%	606,015	74,370,642	99.48%
2009	77,977,700	76,842,208	98.54%	-	76,842,208	98.54%

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

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

Table 10

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

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

See the Schedule of Demographic and Economic Statistics on page 120 for personal income and population data.

The City of Garland implemented Statement 34 in FY2002 and a full ten-year trend is not yet available.

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

Fiscal Year	General Obligation Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property*	Per Capita**
2000	\$ 145,744,029	\$ 1,205,296	\$ 144,538,733	1.93%	702
2001	157,552,111	299,996	157,252,115	1.98%	729
2002	163,250,145	4,547,009	158,703,136	1.84%	718
2003	170,640,147	712,233	169,927,914	1.85%	763
2004	184,743,535	1,314,659	183,428,876	1.99%	825
2005	238,609,860	2,745,794	235,864,066	2.47%	1,064
2006	235,166,327	3,210,136	231,956,191	2.36%	1,043
2007	233,611,527	3,643,875	229,967,652	2.21%	1,022
2008	289,065,204	5,285,612	283,779,592	2.61%	1,255
2009	296,114,063	6,140,162	289,973,901	2.61%	1,284

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

* See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 111 for property value data.

** Population data can be found in the Schedule of Demographic and Economic Statistics on page 120.

City of Garland
Estimated Direct and Overlapping Governmental Activities Debt
As of September 30, 2009
(unaudited)

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Garland Independent School District	\$ 379,478,834	72.10%	\$ 273,604,239
Collin County	383,805,000	0.03%	115,142
Collin County Community College District	48,345,000	0.03%	14,504
Dallas County	138,531,552	5.98%	8,284,187
Dallas County Community College District	417,385,000	5.98%	24,959,623
Dallas County Hospital District	705,000,000	5.98%	42,159,000
Dallas Independent School District	1,728,656,000	0.20%	3,457,312
Richardson Independent School District	394,849,987	3.35%	13,227,475
Mesquite Independent School District	439,061,579	1.74%	7,639,671
Subtotal, overlapping debt			373,461,152
City direct debt			<u>396,320,000</u>
Total estimated direct and overlapping debt			<u>\$ 769,781,152</u>

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

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

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

City of Garland
Legal Debt Margin Information
September 30, 2009
(unaudited)

Table 13

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

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

The City tax rate limitation is \$2.50 per \$100 assessed value. The tax rate for FY09 is \$.6996 per \$100.00 assessed value.

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

Table 14

Fiscal Year	Electric Revenue Bonds						Water & Sewer Revenue Bonds					
	Charges for Services	Less: Operating Expenses	Net Available Revenue	Average Annual Debt Service		Coverage	Charges for Services	Less: Operating Expenses	Net Available Revenue	Average Annual Debt Service		Coverage
		Principal		Interest	Principal			Interest				
2000	\$ 187,113,788	\$ 160,674,825	\$ 26,438,963	\$ 1,718,054	\$ 235,853	13.53	\$ 45,123,999	\$ 28,425,772	\$ 16,698,227	\$ 5,681,946	\$ 1,183,623	2.43
2001	195,658,099	181,759,174	13,898,925	1,560,735	129,388	8.22	44,084,434	31,277,034	12,807,400	5,733,265	846,968	1.95
2002	173,936,639	152,013,544	21,923,095	815,765	52,773	25.24	44,057,121	28,228,146	15,828,975	5,449,227	516,288	2.65
2003	186,618,401	176,481,523	10,136,878	436,726	10,206	22.68	47,210,067	30,787,260	16,422,807	7,453,274	249,099	2.13
2004	205,509,317	193,344,158	12,165,159	1,565,238	857,676	5.02	47,531,877	34,060,885	13,470,992	4,081,190	2,069,573	2.19
2005	228,947,259	207,006,704	21,940,555	2,465,952	1,343,233	5.76	55,278,540	34,521,360	20,757,180	5,039,524	2,587,796	2.72
2006	278,495,241	207,677,043	70,818,198	3,610,238	1,937,279	12.77	70,938,017	36,061,645	34,876,372	5,728,810	2,747,140	4.11
2007	244,179,434	195,648,649	48,530,785	4,523,333	2,411,386	7.00	61,219,697	38,218,281	23,001,416	7,003,095	3,362,221	2.22
2008	278,688,019	238,988,738	39,699,281	4,756,190	2,240,833	5.67	67,608,735	40,565,444	27,043,291	8,877,750	4,052,695	2.09
2009	234,046,619	167,009,741	67,036,878	5,385,500	2,351,999	8.66	73,238,821	43,211,675	30,027,146	9,443,250	4,067,502	2.22

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

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

Table 15

Fiscal Year	Population	Personal Income (amt expressed in thousands)	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
2000	205,869	\$ 4,117,380	\$ 20,000	33.0	12.9	50,250	2.6%
2001	215,768	4,315,360	20,000	31.7	12.9	51,884	4.7%
2002	220,946	4,418,920	20,000	31.7	12.9	53,612	5.9%
2003	222,651	4,453,020	20,000	31.7	12.9	54,868	5.3%
2004	222,350	4,447,000	20,000	31.7	12.9	56,568	5.0%
2005	221,588	5,280,220	23,829	32.0	12.9	57,265	5.4%
2006	222,432	5,300,332	23,829	32.0	12.9	56,593	4.7%
2007	224,988	5,361,239	23,829	32.7	12.9	56,579	4.2%
2008	226,144	5,388,785	23,829	32.7	12.9	56,579	5.8%
2009	225,865	6,497,458	28,767	32.7	12.9	56,579	8.3%

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

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

Table 16

<u>Employer</u>	<u>2009</u>			<u>2000</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Raytheon E-Systems	3,500	1	3.41%	3,300	1	3.54%
Sears Industrial Park	1,300	2	1.27%	1,155	2	1.24%
Atlas Copco	700	3	0.68%	-	-	-
International/SST Truck	700	3	0.68%	-	-	-
Kingsley Tools (Danaher)	650	5	0.63%	-	-	-
General Dynamics	550	6	0.54%	-	-	-
Kraft Foods	500	7	0.49%	473	9	0.51%
US Food Service	490	8	0.48%	-	-	-
Interceramic	474	9	0.46%	650	5	-
L-C Communications	450	10	0.44%	-	-	-
Baylor Medical Center	-	-	-	1,033	3	1.11%
Software Spectrum	-	-	-	868	4	0.93%
Dynamic Detail	-	-	-	620	6	0.66%
Hypermart/Walmart	-	-	-	618	7	0.66%
Risistol Hats	-	-	-	536	8	0.57%
Eckerd Drug Company	-	-	-	450	10	0.48%
	<u>9,314</u>		<u>9.08%</u>	<u>9,703</u>		<u>9.71%</u>

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

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

Table 17

Function	Full-time Equivalent Employees as of December 31									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government	286	293	294	301	307	292	291	290	297	284
Police										
Sworn (civil service)	280	290	290	301	314	314	326	327	328	324
Non-Sworn (non-civil service)	131	133	133	133	133	133	133	138	135	134
Fire										
Sworn (civil service)	230	230	230	238	246	246	254	255	255	251
Non-Sworn (non-civil service)	9	10	10	11	11	9	9	7	7	7
Culture and Recreation	158	168	167	168	168	162	162	162	162	152
Internal Services	228	236	244	247	252	246	197	201	255	252
Electric	194	200	204	228	237	236	236	247	256	252
Water	53	53	54	54	54	54	54	57	61	61
Sewer	103	103	103	103	102	102	102	102	101	100
Solid Waste	75	79	89	89	89	88	88	88	88	88
Stormwater Management	23	23	25	25	25	25	25	25	25	25
Golf	36	36	36	36	36	36	36	36	29	28
Special Revenue	128	129	129	127	128	117	162	169	117	113
Total FTE Employees	1,934	1,983	2,008	2,061	2,102	2,060	2,075	2,104	2,116	2,071

Source: City of Garland Budget Office

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

Table 18

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

Sources: Various City departments

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

Table 19

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

Sources: Various City departments

**Texas Municipal Power Agency
Condensed Financial Information
As of September 30, 2009
(reported in thousands)**

Description	Amount in (000's)
Total assets	\$ <u>1,183,993</u>
Total liabilities	1,143,666
Total net assets	<u>40,327</u>
Total liabilities and net assets	\$ <u>1,183,993</u>
Total operating revenues	\$ 224,364
Total operating expenses	<u>130,444</u>
Income from operations	93,920
Total other income(expenses)	3,938
Total interest charges	(62,998)
Deferred cost	(8,148)
Refunds to member Cities	<u>(22,194)</u>
Change in net assets	4,518
Net assets - beginning balance	<u>35,809</u>
Net assets - ending balance	\$ <u>40,327</u>

Source: TMPA Comprehensive Annual Financial Report

GARLAND