

City of Garland, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2008



Prepared by
Department of Finance and the Accounting Office

On the Cover

Left - Downtown Garland's Central Library has added a new lighted outdoor seating area on the southeast corner of the library. Other renovations to the library are scheduled to begin in late 2009.

Top Center - The Landmark Museum is housed in the vintage 1901 Santa Fe Depot, owned and maintained by the City of Garland. The historical artifacts contained within the museum, representing the period from 1850 to the present, are owned and cared for by the Landmark Society.

Top Right - The Pace House, with a capacity of 100, is always in demand for weddings, receptions, birthday parties, anniversaries, family reunions, craft shows, seminars, and other special events. This charming Victorian home is located at 234 Museum Plaza in Garland's Heritage Park, adjacent to the Granville Arts Center. The Pace House, built in 1895 and moved to its present location in 1986, is a part of Garland's history and continues to create a story of romance and family togetherness.

Bottom Center - The Atrium at the Granville Arts Center is a 6,500 square foot ballroom which accommodates up to 500 people seated for dinner. The ballroom is encased in glass on two sides and opens onto a beautiful outdoor courtyard. The luxurious glass-lined lobby covers 3,100 square feet. The Atrium provides an elegant setting for banquets, receptions, weddings, exhibits, and conventions.

Bottom Right - One of the entry signs that welcome people to Garland, Texas.

CITY OF GARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2008

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, 2008**

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March 27, 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, 2008, 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 226,144 (as estimated by the City's Planning Department as of January 1, 2008) 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

During the 2008 fiscal year the U.S. economy has struggled under the cumulative impacts of an implosion in sub-prime mortgages, escalating home foreclosures, declining housing values, material disruptions in the financial markets, and significant price increases in oil, agricultural goods, and other commodities. While fairsing better than many cities, Garland has not been immune to changes in the economy. During the first half of the 2008 fiscal year, Garland experienced a decline of approximately 7.5% in the market value of its residential housing stock and a dramatic slowdown in the construction of new homes. Reduced construction activity negatively impacted revenues such as Building Permits and other fees related to construction activities.

Consumer spending on discretionary items also declined as households adjusted to significant increases in fuel and food costs. The growth in sales tax revenue Garland had been enjoying evaporated and tax receipts stagnated during the 2008 fiscal year. At the same time the City began to experience weakness in its primary revenue sources, fuel cost increased over 60% adding over two million dollars to operating costs Citywide.

To address the 2009 economic forecast concerns, the City eliminated 42 full-time positions and 1 part time position, implemented changes to employee retirement benefits, and reduced other operating cost where practical. The City of Garland continues to remain financially strong and stable through managing cost increases and providing an economic climate to encourage revenue growth.

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, 2007. 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, 2007

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 "M. L. R.", is written above the title.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Egan", is written above the title.

Executive Director

CITIZENS OF GARLAND

CITY COUNCIL

Internal Audit
Craig Hametner

City Secretary
Mary Kayser

City Attorney
Brad Neighbor

City Manager
William E. Dollar

Deputy City Manager
Martin E. Glenn

Public & Media Affairs

Emergency Management

Housing Agency

Organizational Development (OD)

Senior Management Team

GP&L
Ray Schwertner

Police
Mitch Bates

Budget
Bryan Bradford

Human Resources
Priscilla Wilson

Transportation
Robert Wunderlich

Planning
Neil Montgomery

Water
Jack May

Parks, Rec. & Cult. Arts
Jim Stone

Customer Service

Fire
Danny Grammer

Purchasing

Risk Management

Engineering

Building Inspection

Wastewater

Granville Arts Center

Health
Richard Briley

Finance
George Kauffman

Warehouse

Fleet Services

Street Services

Comm. & Neigh. Dev.

Facilities Mgmt.

Library

Code Compliance

Tax

Firewheel

Fair Housing

Stormwater

Housing Grants Admin.

Information Technology
David Turschmann

Community Relations

Health

Municipal Court

Summer Nutrition

MIS

Env. Waste Services
Lonnie Banks

Animal Services

SafeLight Garland

GIS/Software Development

EWS - Service Delivery

IT Communications

EWS - Disposal (Landfill)

GARLAND



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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

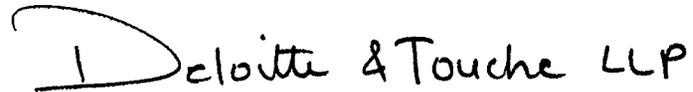
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Garland, Texas (the "City"), as of and for the year ended September 30, 2008, 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 an opinion 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 opinion.

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, 2008, 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.

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 Government 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 an opinion 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.

The image shows a handwritten signature in black ink. The signature reads "Deloitte & Touche LLP". The letter "D" is significantly larger and more stylized than the other letters, with a long horizontal stroke extending to the left. The rest of the text is written in a cursive, handwritten style.

March 27, 2009

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, 2008. 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 \$676,442,103.
- Net Assets for the governmental activities increased \$2,332,106 and the net assets for the business type activities increased \$7,724,462 for a total increase in the City's net assets of \$10,056,568. 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 \$56,250,806. Of the combined ending fund balances, \$17,050,423 is unreserved and \$231,850 is reserved in the General Fund, \$5,285,612 is reserved for debt service, \$5,166,823 is reserved and \$8,678,081 is unreserved in the Capital Projects Fund, and \$5,649,541 is unreserved and \$14,188,476 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 22-23 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. Information is 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 24-27 of this report.

Business type funds

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

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

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

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 35-69 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, 2008, 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 70-72 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 73-94 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 \$676,442,103 for the year ended September 30, 2008. The largest portion of the City's net assets (75 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 (16 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 (9 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

During the fiscal year the City implemented GASB 45 "*Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions*". GASB 45 requires that state and local governments establish standards for the measurement, recognition, and display of other post employment benefits (OPEB) expense/expenditures, related liabilities, and note disclosures in the financial statements. The implementation of this standard resulted in recording an additional OPEB expense and liability amounting to \$2,667,632 of which \$1,961,644 was incurred for governmental activities and \$705,988 was incurred for the business-type activities. It is important to note that the implementation of this accounting standard reduced total net assets and is a contributing factor to the deficit in unrestricted net assets reported for the governmental activities.

The City corrected the presentation of the amount invested in capital assets and reduced unrestricted net assets by \$9,642,138 for the current fiscal year for the governmental activities. The City has previously transferred bonds that were used to fund the construction of the golf course to the governmental activities and therefore these bonds are recorded in the governmental activities and the corresponding asset is recorded in the Golf enterprise fund. The effect of the outstanding bond debt issued on behalf of the Golf enterprise fund will decrease over time as the bond debt is paid.

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2008

Table 1
Schedule of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 140,702,944	\$ 138,613,693	\$ 324,029,581	\$ 320,252,329	\$ 464,732,525	\$ 458,866,022
Capital assets	412,237,596	395,607,496	619,937,042	563,013,112	1,032,174,638	958,620,608
Total assets	<u>552,940,540</u>	<u>534,221,189</u>	<u>943,966,623</u>	<u>883,265,441</u>	<u>1,496,907,163</u>	<u>1,417,486,630</u>
Long-term liabilities						
outstanding	330,925,314	270,748,533	387,679,465	351,010,736	718,604,779	621,759,269
Other liabilities	53,128,549	96,918,085	48,731,732	32,423,741	101,860,281	129,341,826
Total liabilities	<u>384,053,863</u>	<u>367,666,618</u>	<u>436,411,197</u>	<u>383,434,477</u>	<u>820,465,060</u>	<u>751,101,095</u>
Net assets:						
Invested in capital assets, net of related debt	152,134,216	146,152,849	355,663,983	357,951,642	507,798,199	504,104,491
Restricted for:						
Debt Service	5,285,612	3,643,875	-	-	5,285,612	3,643,875
Construction	16,000,679	9,594,447	-	-	16,000,679	9,594,447
Rate Mitigation	-	-	80,549,836	77,356,305	80,549,836	77,356,305
Housing Assistance	3,586,470	3,301,633	-	-	3,586,470	3,301,633
Unrestricted (Deficit)	<u>(8,120,300)</u>	<u>3,861,767</u>	<u>71,341,607</u>	<u>64,523,017</u>	<u>63,221,307</u>	<u>68,384,784</u>
Total net assets	<u>\$ 168,886,677</u>	<u>\$ 166,554,571</u>	<u>\$ 507,555,426</u>	<u>\$ 499,830,964</u>	<u>\$ 676,442,103</u>	<u>\$ 666,385,535</u>

City of Garland, Texas
Management's Discussion and Analysis (continued)
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The total net assets increased \$10,056,568 for the 2008 fiscal year. Governmental activities contributed 23.2% of this total and the business type activities contributed 76.8% of this total.

Table 2
Schedule of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 30,565,870	\$ 32,693,007	\$ 358,683,084	\$ 314,698,468	\$ 389,248,954	\$ 347,391,475
Operation grants and contributions	21,055,526	22,852,488	-	-	21,055,526	22,852,488
Capital grants and contributions	6,398,010	3,811,318	4,226,700	2,853,227	10,624,710	6,664,545
General Revenues:						
Property taxes	74,677,018	70,205,635	-	-	74,677,018	70,205,635
Sales taxes	23,694,596	23,278,730	-	-	23,694,596	23,278,730
Other taxes	9,145,254	8,781,489	-	-	9,145,254	8,781,489
Unrestricted interest earnings	3,486,049	5,061,009	7,794,879	13,001,111	11,280,928	18,062,120
Miscellaneous	46,672	850,982	3,235,856	4,594,955	3,282,528	5,445,937
Total Revenues	<u>169,068,995</u>	<u>167,534,658</u>	<u>373,940,519</u>	<u>335,147,761</u>	<u>543,009,514</u>	<u>502,682,419</u>
Expenses:						
General government	31,821,475	37,623,390	-	-	31,821,475	37,623,390
Public safety	85,948,538	82,379,317	-	-	85,948,538	82,379,317
Public works	41,491,649	39,645,423	-	-	41,491,649	39,645,423
Culture and recreation	19,925,775	19,159,881	-	-	19,925,775	19,159,881
Public health	3,346,806	3,085,931	-	-	3,346,806	3,085,931
Interest and fiscal charges	10,476,757	10,686,236	-	-	10,476,757	10,686,236
Electric	-	-	255,025,955	212,231,176	255,025,955	212,231,176
Water	-	-	29,979,447	28,221,876	29,979,447	28,221,876
Sewer	-	-	29,021,769	26,661,625	29,021,769	26,661,625
Golf	-	-	2,827,100	2,844,792	2,827,100	2,844,792
Heliport	-	-	27,335	28,007	27,335	28,007
Storm Water Management	-	-	3,192,094	3,227,420	3,192,094	3,227,420
Parks Performance	-	-	702,176	718,131	702,176	718,131
Sanitation	-	-	15,618,088	14,741,829	15,618,088	14,741,829
Total expenses	<u>193,011,000</u>	<u>192,580,178</u>	<u>336,393,964</u>	<u>288,674,856</u>	<u>529,404,964</u>	<u>481,255,034</u>
Increase in net assets before transfers and special items	(23,942,005)	(25,045,520)	37,546,555	46,472,905	13,604,550	21,427,385
Transfers	26,274,111	26,607,606	(26,274,111)	(26,607,606)	-	-
Special item-impairment of electric assets	-	-	(3,547,982)	-	(3,547,982)	-
Increase (decrease) in net assets	<u>2,332,106</u>	<u>1,562,086</u>	<u>7,724,462</u>	<u>19,865,299</u>	<u>10,056,568</u>	<u>21,427,385</u>
Net assets – beginning	166,554,571	164,992,485	499,830,964	479,965,665	666,385,535	644,958,150
Net assets – ending	<u>\$ 168,886,677</u>	<u>\$ 166,554,571</u>	<u>\$ 507,555,426</u>	<u>\$ 499,830,964</u>	<u>\$ 676,442,103</u>	<u>\$ 666,385,535</u>

Governmental activities

Governmental activities increased the City's net assets by \$2,332,106. This increase is discussed below.

Revenues by Source – Governmental Activities

Table 3
Revenues by Source

	2008		2007		Amount Of Change	Percentage Change
	Amount	Percentage	Amount	Percentage		
Charges for services	\$ 30,565,870	18.08%	\$ 32,693,007	19.51%	\$ (2,127,137)	-6.51%
Operating grants and contributions	21,055,526	12.45%	22,852,488	13.64%	(1,796,962)	-7.86%
Capital grants and contributions	6,398,010	3.78%	3,811,318	2.27%	2,586,692	67.87%
Property taxes	74,677,018	44.17%	70,205,635	41.91%	4,471,383	6.37%
Sales taxes	23,694,596	14.01%	23,278,730	13.89%	415,866	1.79%
Other taxes	9,145,254	5.41%	8,781,489	5.24%	363,765	4.14%
Unrestricted interest earnings	3,486,049	2.06%	5,061,009	3.02%	(1,574,960)	-31.12%
Miscellaneous	46,672	0.03%	850,982	0.51%	(804,310)	-94.52%
Total Revenues	\$ 169,068,995		\$ 167,534,658		\$ 1,534,337	

Charges for services decreased \$2,127,137 as a result of the following:

- Decreased tonnage dumped at the landfill resulted in General Fund revenues decreasing \$211,941.
- Licenses and permit revenue in the General Fund decreased \$424,571 as a result of the decrease in building activity.
- Impact fee revenue decreased \$486,996 as a result of the decrease in building activity.
- Ambulance revenue decreased \$1,163,148 due to bad debt write offs during the year.
- Mowing lien revenue increased \$157,490 due to increased mowing activity.

Operating grants and contributions decreased \$1,796,962 as a result of the following:

- Housing Assistance grant revenues decreased \$1,755,844. This decrease is the result of recognizing \$1,614,571 as revenue in the prior year that had previously been recorded as deferred revenue in fiscal years prior to 2007. This accounting change in fiscal year 2007 was made based on reporting requirements from the Department of Housing and Urban Development.
- Grant awards for the Northeast Texas Library System (NETLS) grant decreased \$516,987 from the prior fiscal year.
- Narcotic Seizure awards decreased \$97,708 from the prior fiscal year as a result of smaller awards being made in the court system.
- Grant revenue in the Neighborhood Services fund increased \$568,729 as a result of increased activities in the Fair Housing and the Home programs.

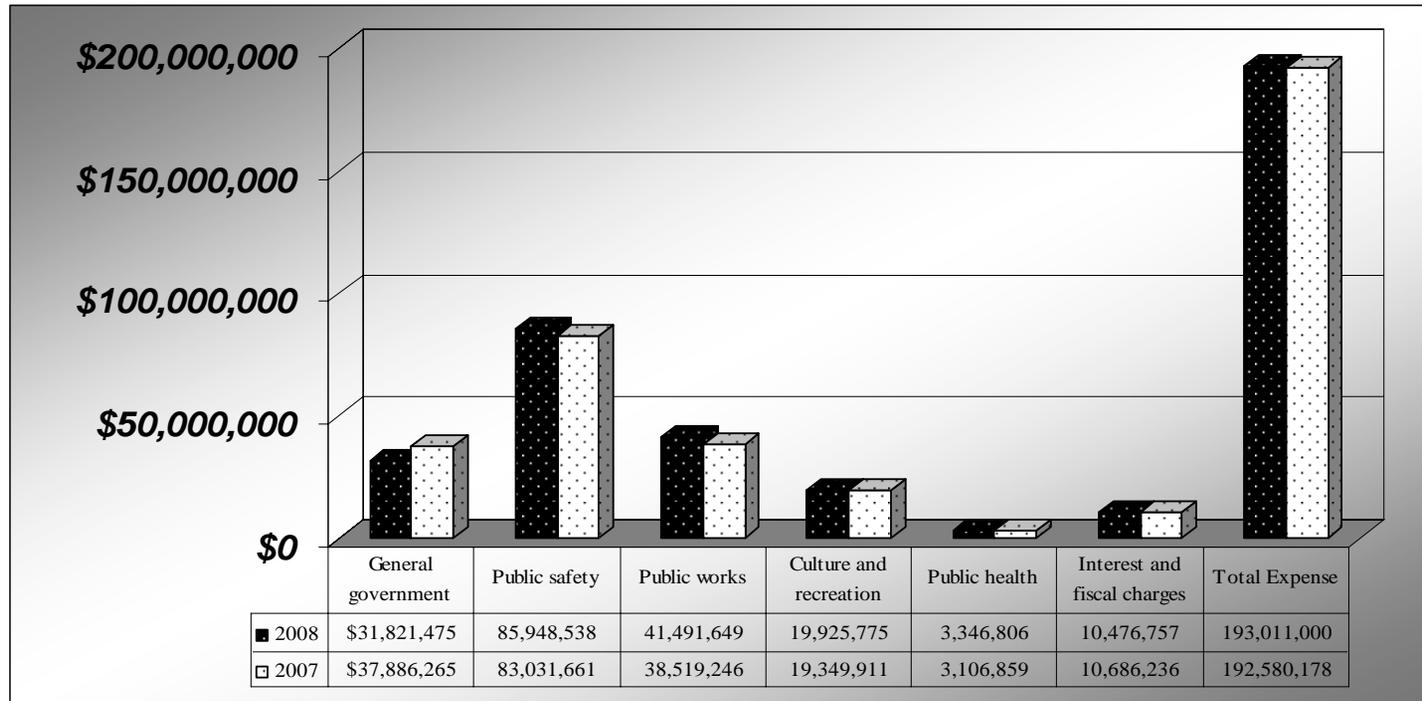
Capital grants and contributions increased \$2,586,692 as a result of an increase in contributions from developers for streets, alleys and drainage in new developments.

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

- Property taxes increased \$4,471,383 as a result of a 1 cent increase in the tax rate for debt service and a 4.47% growth in the City's tax base.
- Sales tax revenue increased \$415,866 and 1.79% from the prior year. This small increase reflects the current slow down in the economy.
- Interest earnings decreased as a result of lower yield earned on investments.

Expenses by Source – Governmental Activities

The following chart provides a summary of expenses by source for the governmental activities for the 2007 and 2008 fiscal years.



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

General government expenses decreased \$6,064,790 as a result of the following:

- Governmental capital projects expense decreased \$7,104,496, as a result of expenditures for the City's share of right of way cost to extend State Highway 190 from State Highway 78 to Interstate Highway 30 in the 2007 fiscal year.
- Governmental capital project expense decreased \$3,527,781 as a result of decreased economic development expenditures.
- A loss on the disposal of general government assets of \$2,527,668 is a result of the sale of land at a reduced price to support the City's economic development strategy.
- Special Revenue fund expenses increased \$1,935,429 in the CDBG, Housing Assistance, Neighborhood Services and Other Housing Assistance funds due to increased grant activities.
- The general government's portion of non-departmental expenses increased \$123,955.

Public safety expenses increased \$2,916,877 as a result of the following:

- General Fund public safety expenses increased \$3,191,828. Contributing factors of this increase were pay package increases for civil service personnel to keep their pay competitive. The remaining increases were to pay increases for non-civil service employees, increased operating cost including increased fuel cost.
- Depreciation expense increased \$374,732. The majority of this increase was the result of a new fire administration and training facility as well as two new fire stations.
- During the fiscal year the City implemented Governmental Accounting Standards Board Statement 45 to account for Post Employment Benefits Other Than Pensions. The implementation of this new accounting standard resulted in increasing public safety expense by \$1,028,728.
- Compensated absences (accrued vacation and sick leave) expense decreased \$667,789 as a result of retirement payouts and more vacation and sick leave hours used than accrued during the fiscal year.

Public works expenses increased \$2,972,403 as a result of the following:

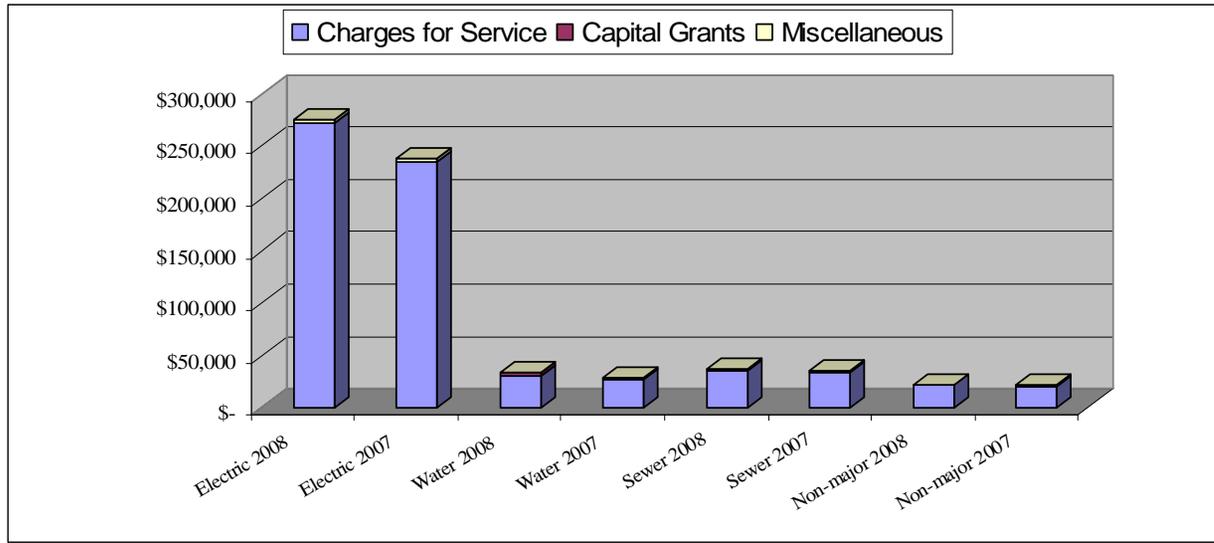
- Infrastructure repair expenses increased \$3,261,015 as the City continues to utilize tax note proceeds to maintain and repair the street and alley infrastructure.
- Depreciation expense increased \$120,284 as a result of new street and alley assets added during the fiscal year.
- Other contribution factors were long term debt expense and public works portion of internal service expense decreased \$180,139 and \$249,934 respectively.

Business-type Activities

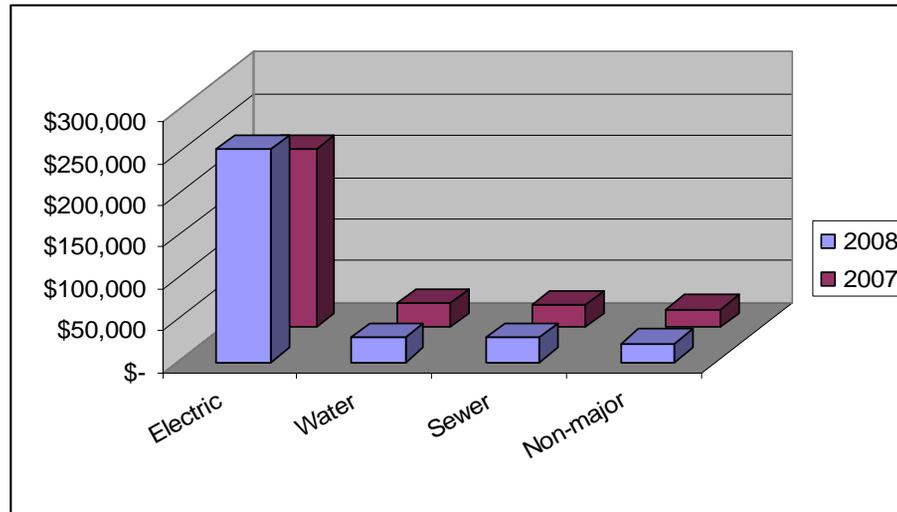
Business-type activities increased the City's net assets by \$7,724,462. Key elements of this change are as follows:

- The electric utility incurred a net loss of \$191,663. The net income for the electric utility decreased \$13,949,736 from the prior fiscal year as a result of the following.
 - Charges for services increased \$37 million. Of this increase \$33.9 million was related to wholesale energy sales and the balance related to increases in retail energy sales.
 - Fuel and energy purchase expense increased \$44.2 million as a result of higher natural gas prices than the prior fiscal year and additional fuel and energy needed for wholesale energy sales.
 - Demand charges increased 3 million as a result of increased fixed costs at Texas Municipal Power Agency (TMPA).
 - Insurance claims payable expense increased approximately \$300,000 as a result of implementing Governmental Accounting Standards Board Statement 45 (Post employment Benefits Other Than Pensions).
 - Other operating costs decreased approximately \$4.4 million as a result of the implementation of a new business strategy to purchase energy instead of generating energy for economic reasons.
 - Interest revenue decreased \$2.5 million as a result of lower yields on investments due to the down turn in the economy.
 - A special item to report the impairment of electric generation assets. The \$3,547,982 is comprised of a net write down of electric generation assets of \$8,646,482 less pollution credit sales proceeds of \$5,098,500. The electric generation assets were adjusted for impairment as defined in GASB 42 due to the implementation of the new business strategy. As a result of the reduction in electric generation the City was able to sell allocated pollution credits that were not needed.
- Net income for the water utility amounted to \$920,605. The net income for the water utility increased \$2,706,161 from the prior year as a result of the following.
 - Water consumption increased 11% from the prior fiscal year resulting in an increase of \$4,445,783 in charges for services.
 - Operating expenses increased \$1,787,439 as a result of increased salaries and wages, general and administrative and depreciation expense.
- The net income for the sewer utility amounted to \$5,023,403. The net income for the sewer utility decreased \$1,688,063 from the prior year as a result of the following.
 - An increase in operating income of \$594,307 was the result of increased charges for services due to a rate increase and increased consumption, and increased operating expenses.
 - Earnings on investments decreased \$2,120,561 as a result of lower investment balances and lower investment yields earned during the year.
- The combined net losses for non-major enterprise funds (golf, heliport, storm water, parks performance and sanitation) amounted to \$597,985. The City continues to monitor these funds and implement programs and strategies to improve their financial condition.
- The net income allocated to the business-type activities from the internal service funds amounted to \$2,570,102.

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



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



Capital Asset and Debt Administration

Capital Assets

At the end of the fiscal year 2008, the City had \$1,032,174,638 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. (See Table 4 below) This amount represents a net increase of \$73,554,030 or 7.67 percent over the prior fiscal year. Key elements of this change are as follows.

Table 4
Capital Assets at Year-end
(Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2006
Land	\$ 74,426,709	\$ 72,723,361	\$ 17,043,964	\$ 17,030,293	\$ 91,470,673	\$ 89,753,654
Construction in Progress	50,589,552	55,398,213	112,624,416	71,250,490	163,213,968	126,648,703
Building, Improvements, equipment and systems	287,221,335	267,485,922	490,268,662	474,732,329	777,489,997	742,218,251
Total capital assets	<u>\$ 412,237,596</u>	<u>\$ 395,607,496</u>	<u>\$ 619,937,042</u>	<u>\$ 563,013,112</u>	<u>\$ 1,032,174,638</u>	<u>\$ 958,620,608</u>

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

<u>Description</u>	<u>Amount</u>
Fire Department Administration and Training Facility	\$ 17,066
Centerville Electric Substation Upgrades	3,186
Water Main Replacement	2,553
Fire Station 10	2,259
Library Land Acquisition	2,212
Electric Underground Cable Replacement	1,970
Install Radio Read Water Meters	1,942
Fire Station 3 Construction	1,752
8 Refuse Trucks	1,622
Regional Communication Tower and Antenna	1,481
2 Fire Trucks	1,185

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Management's Discussion and Analysis (continued)
September 30, 2008

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>
Duck Creek Wastewater Treatment Interceptor Line	\$ 47,195	Hinton Landfill Expansion	\$ 2,197
Street Improvements - Naaman School from SH78 to Pleasant Valley	6,780	Street Improvements Fifth Street-Miller to Ave D	2,034
Fairdale Electric Substation Load Conversion	5,494	Utility Services Building	2,033
Radio System Replacement	4,035	Olinger Electric Substation Rebuild	1,813
Jupiter Electric Substation Upgrades	3,575	Electric Distribution Firewheel Town Center	1,741
Downtown Parking Garage	3,249	Street Improvements - Country Club-Walnut to Commerce	1,522
Wastewater Treatment Bio solids Expansion	2,631	Fleet-Street/Apron Replacement	1,390
Police Shooting Range	2,294	Petition Drainage	1,374

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

Debt

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

Table 5
Outstanding Debt, at Year-end

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2006
Long-Term:						
General obligation bonds	\$ 205,520,000	\$ 152,557,292	\$ 84,685,000	\$ 75,067,708	\$ 290,205,000	\$ 227,625,000
Certificates of obligation	80,360,204	76,814,236	22,789,796	38,550,764	103,150,000	115,365,000
Utility system revenue bonds	-	-	277,435,000	235,485,000	277,435,000	235,485,000
Total Long-Term	<u>285,880,204</u>	<u>229,371,528</u>	<u>384,909,796</u>	<u>349,103,472</u>	<u>670,790,000</u>	<u>578,475,000</u>
Short-Term:						
Commercial Paper	10,000,000	55,000,000	-	-	10,000,000	55,000,000
Tax Notes	3,185,000	4,240,000	-	-	3,185,000	4,240,000
Total Short-Term	<u>13,185,000</u>	<u>59,240,000</u>	<u>-</u>	<u>-</u>	<u>13,185,000</u>	<u>59,240,000</u>
Total outstanding debt	<u>\$ 299,065,204</u>	<u>\$ 288,611,528</u>	<u>\$ 384,909,796</u>	<u>\$ 349,103,472</u>	<u>\$ 683,975,000</u>	<u>\$ 637,715,000</u>

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

Table 6
Current fiscal year debt issues

Issue	Principal	Bond Ratings	
		Standard & Poor's	Fitch IBCA
Long-term			
General Obligation Refunding, Series 2008	\$ 43,025,000		
General Obligation Refunding, Series 2008A	57,760,000	AA+	AA+
Certificates of Obligation, Series 2008	15,965,000	AA+	AA+
Electric Utility System Revenue Bonds, Series 2008	10,115,000	AAA	AAA
Water & Sewer System Revenue Bonds, Series 2008	39,900,000	AAA	AAA
Short-term			
Commercial Paper	15,000,000	--	--
Tax Anticipation Note, Series 2008	3,185,000	--	--
Total debt financing	<u>\$ 184,950,000</u>		

Electric Utility System Revenue Bonds and the Water & Sewer System Revenue Bonds received an AAA rating since the payment of principal and interest on the bonds is insured.

The proceeds from the General Obligation Refunding, Series 2008 were used to advance refund certificates of obligation and general obligation bonds. As a result of the refunding, the City decreased its total debt service payments. The proceeds from the General Obligation Refunding, Series 2008A were used to refund a portion of the City's outstanding general obligation commercial paper notes.

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

- Constructing, renovating and improving a pedestrian corridor system serving the High Point development in downtown.
- Constructing, improving, and equipping a radio system for the fire and police departments.
- Acquiring, constructing, renovating, improving, and equipping existing municipal facilities.
- Relocating, constructing, improving and equipping the City's office of emergency management, information technology system, communications systems, and utility service building.
- Acquiring vehicles for the City's sanitation department.
- Professional services rendered in connection with the issuance of the Certificates.

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 \$15 million. In addition, the City issued another \$3.2 million in tax anticipation notes to fund various street improvements during the 2008 fiscal year.

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 \$56,250,806, an increase of \$41,287,104 from the prior year. The net change in fund balance for the Capital Projects Fund of \$40,023,619 is 97% of the combined increase from the prior year and is attributable to proceeds from the issuance of general obligation bonds and certificates of obligation bond debt.

The General Fund ended the fiscal year with a fund balance of \$17,282,273, which was a decrease of \$26,232 from the prior year. The original budget projected a decrease in fund balance of \$2,798,108 which was later revised to a decrease of \$4,298,584 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 \$2,714,302 and actual expenditures and transfers out were under the final budget amount by \$2,868,482. This favorable budget variance was a result of increased property tax revenues, franchise fees, 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 46 days of expenditures as calculated by the City's Budget Department.

The Debt Service Fund ended the fiscal year with a fund balance of \$5,285,612 due to a net increase in fund balance for the fiscal year of \$1,641,737. This increase in fund balance was the result of debt service revenues increasing \$2,555,087, debt service payments and fiscal and other expenses increasing \$2,017,957, and other financing sources and uses increasing \$670,868.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2008, the City Council amended the budget for the General Fund on several occasions. The amendments were made up of supplemental appropriations and re-estimated allocations. These supplemental appropriations and re-estimated allocations amounted to increasing appropriations by \$990,085. The increase in appropriations was for the annual roll over of open purchase orders and various grant awards. The re-estimate adjustments were used to reallocate funds appropriated to more accurately account for estimated revenues and payments to internal service funds.

Economic Factors and Next Year's Budgets and Rates

The City's unemployment rate at September 30, 2008, was 5.5%, the State of Texas unemployment rate was 5.1%, and the unemployment rate for Dallas County was 5.7%. The City's estimated population of 226,144 (as estimated at January 1, 2008, by the City's Planning department) remained virtually unchanged from the prior year.

The operating budget for the 2008 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:

- Maintain the current Operations and Maintenance Tax rate while absorbing the impact of the impact of the Homestead Exemption.
- Enhance the City's support of Garland neighborhoods.
- Enhance the City's efforts to facilitate quality development.
- Continue enhancement of the City's health and public safety services
- Provide resources necessary for the electric utility to operate efficiently.

The adopted 2008 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 cent was approved to fund debt service cost related to the 1997 and 2004 bond programs.
- To support Garland neighborhoods the following actions were taken.
 - Added a neighborhood planner.
 - Added a neighborhood police officer.
 - Retained code inspectors no longer required for the rental assistance program.
 - Increased promotional funds for the Neighborhood Vitality Program.
 - Increased neighborhood leadership training.
- To facilitate quality development city staff will prepare a Unified Development Code and a Downtown Development Plan.
- To enhance the City's health and public safety services the following actions were taken.
 - Add a Health Inspector.
 - Add operational expenses for the new Fire Administration and Training facility.
 - Replace fire support equipment.
 - Enhance police and fire incentive pay.
- Seven staff positions were added in the electric utility to maintain an efficient operation.

Highlights of the 2009 fiscal year budget are outlined below:

- To eliminate a \$5 million deficit projected for the General Fund without increasing the operations and maintenance property tax rate the following actions were taken.
 - Added revenue enhancements projected to total \$847,000
 - Eliminated positions, reduced overtime and changed the holiday pay policy to reduce projected labor cost totaling \$2,041,800.
 - Reduced support services expense amounting to \$698,300.
 - Cut various services and expenses amounting to \$1,127,800
 - The total reduction in expenditures will allow the fund balance to be reduced \$318,200 to maintain the City's goal of a 45 day fund balance.
- Implemented the following actions related to employee retirement benefits that will enable the retirement plan to be financially sustainable for the future.
 - Eliminated the annual cost of living adjustment.
 - Consider the development of a second-tier plan for future employees outside the current retirement plan and to help restore a portion of the cost of living adjust.
- Provided pay increase for employees to help offset rapidly rising living cost.
- Added three professional positions in the electric department.

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

City of Garland, Texas
Statement of Net Assets
September 30, 2008

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Cash and cash equivalents	\$ 46,220,217	\$ 17,094,556	\$ 63,314,773	\$ 810,802
Investments	66,905,593	27,445,721	94,351,314	-
Accounts Receivable, net of allowance for uncollectibles	12,178,272	47,044,243	59,222,515	61,521
Due from other governments	2,173,408	-	2,173,408	-
Internal Balances	(12,030,681)	12,030,681	-	-
Inventories	5,845,813	1,332,487	7,178,300	-
Prepaid and other items	913,704	-	913,704	-
Restricted Assets:				
Cash and cash equivalents	5,622,901	51,378,264	57,001,165	-
Investments	9,641,364	159,023,372	168,664,736	-
Accrued interest	63,210	1,272,528	1,335,738	-
Deferred bond issuance costs	3,169,143	7,407,729	10,576,872	-
Assets held for resale	-	-	-	463,456
Capital Assets (net of accumulated depreciation)				
Land	74,426,709	17,043,964	91,470,673	900,000
Construction in Progress	50,589,552	112,624,416	163,213,968	-
Buildings, Improvements, Equipment and System	287,221,335	490,268,662	777,489,997	-
Total assets	<u>552,940,540</u>	<u>943,966,623</u>	<u>1,496,907,163</u>	<u>2,235,779</u>
LIABILITIES				
Accounts payable and accrued liabilities	17,285,482	33,496,062	50,781,544	7,338
Escrow payable	365,571	-	365,571	-
Retainage payable	1,459,726	2,425,245	3,884,971	-
Accrued interest payable	2,564,851	2,330,477	4,895,328	-
Customer deposits	8,926,779	-	8,926,779	-
Tax Note Payable	3,185,000	-	3,185,000	-
Commercial Paper	10,000,000	-	10,000,000	-
Due to other governments	722,317	393,032	1,115,349	-
Unearned revenue	1,246,385	-	1,246,385	821,250
Unamortized bond premium, and defeased debt cost	7,372,438	10,086,916	17,459,354	-
Noncurrent Liabilities:				
Due within one year	34,219,135	20,406,491	54,625,626	-
Due in more than one year	296,706,179	367,272,974	663,979,153	-
Total liabilities	<u>384,053,863</u>	<u>436,411,197</u>	<u>820,465,060</u>	<u>828,588</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	152,134,216	355,663,983	507,798,199	78,750
Restricted for:				
Debt Service	5,285,612	-	5,285,612	-
Construction	16,000,679	-	16,000,679	-
Rate Mitigation	-	80,549,836	80,549,836	-
Housing	3,586,470	-	3,586,470	-
Unrestricted net assets (deficit)	<u>(8,120,300)</u>	<u>71,341,607</u>	<u>63,221,307</u>	<u>1,328,441</u>
Total net assets	<u>\$ 168,886,677</u>	<u>\$ 507,555,426</u>	<u>\$ 676,442,103</u>	<u>\$ 1,407,191</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, 2008**

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	\$ 31,821,475	\$ 6,687,922	\$ 18,156,026	\$ -	\$ (6,977,527)	\$ -	\$ (6,977,527)	\$ -
Public safety	85,948,538	9,335,039	1,767,821	-	(74,845,678)	-	(74,845,678)	-
Public works	41,491,649	12,565,983	-	6,398,010	(22,527,656)	-	(22,527,656)	-
Culture and recreation	19,925,775	1,655,630	992,474	-	(17,277,671)	-	(17,277,671)	-
Public health	3,346,806	321,296	139,205	-	(2,886,305)	-	(2,886,305)	-
Interest and fiscal charges	10,476,757	-	-	-	(10,476,757)	-	(10,476,757)	-
Total governmental activities	193,011,000	30,565,870	21,055,526	6,398,010	(134,991,594)	-	(134,991,594)	-
Business type activities:								
Electric	255,025,955	270,716,085	-	-	-	15,690,130	15,690,130	-
Water	29,979,447	30,974,200	-	2,809,253	-	3,804,006	3,804,006	-
Sewer	29,021,769	35,436,808	-	1,417,447	-	7,832,486	7,832,486	-
Golf	2,827,100	2,069,842	-	-	-	(757,258)	(757,258)	-
Heliport	27,335	6,299	-	-	-	(21,036)	(21,036)	-
Storm Water Management	3,192,094	3,160,313	-	-	-	(31,781)	(31,781)	-
Parks Performance	702,176	744,918	-	-	-	42,742	42,742	-
Sanitation	15,618,088	15,574,619	-	-	-	(43,469)	(43,469)	-
Total business-type activities	336,393,964	358,683,084	-	4,226,700	-	26,515,820	26,515,820	-
Total primary government	\$ 529,404,964	\$ 389,248,954	\$ 21,055,526	\$ 10,624,710	(134,991,594)	26,515,820	(108,475,774)	-
Component units								
Garland Housing Finance Corp.	\$ 132,457	\$ 232,890	\$ -	-	-	-	-	100,433
Garland Health Facilities Development Corp.	75,713	25,000	-	-	-	-	-	(50,713)
Garland Economic Develop. Authority	683	7,000	-	-	-	-	-	6,317
	\$ 208,853	\$ 264,890	\$ -	\$ -	-	-	-	-
General revenues:								
Sales taxes					23,694,596	-	23,694,596	-
Franchise fees					8,372,409	-	8,372,409	-
Property taxes					74,677,018	-	74,677,018	-
Hotel/Motel taxes					469,185	-	469,185	-
Mixed drink taxes					216,527	-	216,527	-
Bingo taxes					87,133	-	87,133	-
Unrestricted investment earnings					3,486,049	7,794,879	11,280,928	15,998
Miscellaneous					46,672	3,235,856	3,282,528	14,445
Special item-impairment of electric assets (note C)					-	(3,547,982)	(3,547,982)	-
Transfers					26,274,111	(26,274,111)	-	-
Total general revenues and transfers					137,323,700	(18,791,358)	118,532,342	30,443
Change in net assets					2,332,106	7,724,462	10,056,568	86,480
Net assets-beginning					166,554,571	499,830,964	666,385,535	1,320,711
Net assets-ending					\$ 168,886,677	\$ 507,555,426	\$ 676,442,103	\$ 1,407,191

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

**City of Garland, Texas
Governmental Funds
Balance Sheet
September 30, 2008**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,506,488	\$ 6,360,365	\$ 10,846,019	\$ 8,401,730	\$ 31,114,602
Investments	9,497,111	-	20,549,995	12,728,405	42,775,511
Receivables:					
Accounts, net	8,121,123	-	199,820	12,480	8,333,423
Taxes, net	657,905	506,705	-	-	1,164,610
Accrued interest	248,442	506	154,606	108,488	512,042
Assessments	-	-	-	26,401	26,401
Due from other funds	5,510,139	-	1,000,000	1,085,281	7,595,420
Due from other governments	101,291	-	-	2,072,117	2,173,408
Prepaid items	-	-	-	913,704	913,704
Total Assets	\$ 29,642,499	\$ 6,867,576	\$ 32,750,440	\$ 25,348,606	\$ 94,609,121
LIABILITIES					
Accounts payable and accrued liabilities	\$ 7,518,187	\$ -	\$ 2,646,945	\$ 1,870,502	\$ 12,035,634
Escrow payable	-	-	-	365,571	365,571
Due to other funds	258,671	1,153,511	1,538,267	2,305,611	5,256,060
Deferred revenues	4,582,994	428,453	124,905	404,858	5,541,210
Due to other governments	-	-	107,386	564,047	671,433
Retainage payable	374	-	1,303,033	-	1,303,407
Tax note payable	-	-	3,185,000	-	3,185,000
Commercial paper	-	-	10,000,000	-	10,000,000
Total Liabilities	12,360,226	1,581,964	18,905,536	5,510,589	38,358,315
FUND BALANCES					
Fund balances:					
Reserved for:					
Debt service	-	5,285,612	-	-	5,285,612
Construction	231,850	-	5,166,823	10,602,006	16,000,679
Housing	-	-	-	3,586,470	3,586,470
Unreserved, reported in					
General Fund	17,050,423	-	-	-	17,050,423
Capital Projects Fund	-	-	8,678,081	-	8,678,081
Special Revenue Funds	-	-	-	5,649,541	5,649,541
Total Fund Balances	17,282,273	5,285,612	13,844,904	19,838,017	56,250,806
Total Liabilities and Fund Balances	\$ 29,642,499	\$ 6,867,576	\$ 32,750,440	\$ 25,348,606	\$ 94,609,121

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, 2008**

Total fund balances - governmental funds	\$	56,250,806
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.		412,237,596
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.		4,294,825
Bond interest is not accrued at the fund level.		(2,380,527)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long term liabilities consist of:		
Bonds payable		(266,854,715)
Landfill closure costs		(9,066,127)
Compensated absences		(19,042,482)
Unamortized premium, loss on refunding, and bond issue costs		(4,338,143)
OPEB liability payable		(1,640,166)
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. The assets and liabilities of the internal service funds are included with governmental activities in the statement of net assets.		(574,390)
Total net assets - governmental activities	\$	<u>168,886,677</u>

City of Garland, Texas
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2008

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 65,876,995	\$ 32,655,213	\$ -	\$ 1,035,283	\$ 99,567,491
Franchise fees	8,372,409	-	-	-	8,372,409
Service charges	17,268,733	-	-	-	17,268,733
Licenses and permits	2,632,116	-	-	-	2,632,116
Earnings on investments	1,340,560	314,355	1,068,727	762,407	3,486,049
Intergovernmental	559,769	-	-	19,150,068	19,709,837
Intragovernmental	6,727,768	-	-	-	6,727,768
Fines and forfeits	5,195,729	-	-	-	5,195,729
Rents and concessions	1,062,009	-	-	4,923	1,066,932
Assessments	-	-	29,896	7,650	37,546
Impact Fees	-	-	-	728,946	728,946
Contributions	-	-	-	8,173	8,173
Program income	-	-	-	251,679	251,679
Awards	-	-	-	347,993	347,993
Miscellaneous and other	-	8,829	40,195	1,125,401	1,174,425
Total revenues	<u>109,036,088</u>	<u>32,978,397</u>	<u>1,138,818</u>	<u>23,422,523</u>	<u>166,575,826</u>
EXPENDITURES					
Current:					
General government	9,027,544	-	8,350	-	9,035,894
Public safety	75,115,520	-	-	-	75,115,520
Public works	9,659,895	-	-	-	9,659,895
Culture and recreation	13,209,936	-	-	-	13,209,936
Public health	2,965,945	-	-	-	2,965,945
Nondepartmental	17,075,180	-	-	-	17,075,180
Operations	-	-	-	29,652,263	29,652,263
Capital outlay	-	-	26,508,058	1,869,172	28,377,230
Debt service:					
Principal	-	15,317,098	-	-	15,317,098
Interest	-	11,353,053	-	-	11,353,053
Issue Costs on issuance of debt	-	163,964	556,825	-	720,789
Other and fiscal expenditures	-	162,728	-	-	162,728
Total expenditures	<u>127,054,020</u>	<u>26,996,843</u>	<u>27,073,233</u>	<u>31,521,435</u>	<u>212,645,531</u>
Excess (deficiency) of revenues over (under) expenditures	(18,017,932)	5,981,554	(25,934,415)	(8,098,912)	(46,069,705)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	557,048	-	1,647,544	-	2,204,592
Transfers in	24,275,179	361,839	6,727,040	9,206,892	40,570,950
Transfers out	(6,840,527)	(4,240,000)	(5,008,375)	(1,460,000)	(17,548,902)
Issuance of debt	-	-	59,830,000	-	59,830,000
Premium on issuance of debt	-	-	2,761,825	-	2,761,825
Issuance of refunding bonds	-	26,940,000	-	-	26,940,000
Payment to refunded bonds escrow agent	-	(27,401,656)	-	-	(27,401,656)
Total other financing sources (uses)	<u>17,991,700</u>	<u>(4,339,817)</u>	<u>65,958,034</u>	<u>7,746,892</u>	<u>87,356,809</u>
Net change in fund balance	(26,232)	1,641,737	40,023,619	(352,020)	41,287,104
Fund balances - beginning	17,308,505	3,643,875	(26,178,715)	20,190,037	14,963,702
Fund balances - ending	<u>\$ 17,282,273</u>	<u>\$ 5,285,612</u>	<u>\$ 13,844,904</u>	<u>\$ 19,838,017</u>	<u>\$ 56,250,806</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, 2008**

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

Net change in fund balances - total governmental funds	\$ 41,287,104
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.	4,082,573
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,992,307)
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.	(47,147,114)
OPEB liability is accrued in the government wide financial statements but not at the fund level.	(1,640,166)
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.	(430,395)
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>8,172,411</u>
Net change in net assets-total governmental activities	<u><u>\$ 2,332,106</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, 2008

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 13,266,091	\$ 839,262	\$ 2,524,013	\$ 465,190	\$ 17,094,556	\$ 15,105,615
Investments	20,883,520	1,437,849	4,327,224	797,128	27,445,721	24,130,082
Receivable, net of allowance	36,828,891	3,784,845	4,069,193	2,173,726	46,856,655	1,915,074
Accrued interest	140,443	9,466	31,964	5,715	187,588	226,722
Due from other funds	175,000	100,000	-	287,007	562,007	359,431
Inventories	1,332,487	-	-	-	1,332,487	5,845,813
Total unrestricted current assets	<u>72,626,432</u>	<u>6,171,422</u>	<u>10,952,394</u>	<u>3,728,766</u>	<u>93,479,014</u>	<u>47,582,737</u>
<i>Restricted assets</i>						
Rate mitigation:						
Cash and cash equivalents	3,302,245	-	-	-	3,302,245	-
Investments	76,589,350	-	-	-	76,589,350	-
Accrued interest	658,241	-	-	-	658,241	-
Total rate mitigation	<u>80,549,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,549,836</u>	<u>-</u>
Construction funds:						
Cash and cash equivalents	18,399,301	11,820,794	17,368,070	487,854	48,076,019	5,622,901
Investments	31,548,545	20,268,641	29,780,333	836,503	82,434,022	9,641,364
Accrued interest	251,253	147,214	209,852	5,968	614,287	63,210
Total construction funds	<u>50,199,099</u>	<u>32,236,649</u>	<u>47,358,255</u>	<u>1,330,325</u>	<u>131,124,328</u>	<u>15,327,475</u>
Total current assets	<u>203,375,367</u>	<u>38,408,071</u>	<u>58,310,649</u>	<u>5,059,091</u>	<u>305,153,178</u>	<u>62,910,212</u>
Noncurrent Assets:						
Capital Assets:						
Land	2,752,869	1,474,754	1,629,797	11,186,544	17,043,964	-
Buildings, improvements, equipment and systems	337,971,759	172,798,476	319,973,197	26,029,378	856,772,810	62,546,931
Construction in progress	45,464,466	8,889,465	57,970,123	300,362	112,624,416	15,556,345
Less accumulated depreciation	<u>(143,170,130)</u>	<u>(71,284,764)</u>	<u>(140,587,817)</u>	<u>(11,461,437)</u>	<u>(366,504,148)</u>	<u>(43,770,479)</u>
Net capital assets	243,018,964	111,877,931	238,985,300	26,054,847	619,937,042	34,332,797
Unamortized bond discount and issue cost	3,550,179	1,288,838	2,384,503	184,209	7,407,729	468,726
Advance to other funds	<u>5,239,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,239,807</u>	<u>-</u>
Total noncurrent assets	<u>251,808,950</u>	<u>113,166,769</u>	<u>241,369,803</u>	<u>26,239,056</u>	<u>632,584,578</u>	<u>34,801,523</u>
Total Assets	<u>\$ 455,184,317</u>	<u>\$ 151,574,840</u>	<u>\$ 299,680,452</u>	<u>\$ 31,298,147</u>	<u>\$ 937,737,756</u>	<u>\$ 97,711,735</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, 2008**

	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	\$ 26,332,663	\$ 906,824	\$ 440,468	\$ 432,948	\$ 28,112,903	\$ 4,112,612
Due to other funds	37,007	-	-	1,961,732	1,998,739	1,262,059
Insurance claims payable	322,738	76,902	127,330	179,018	705,988	6,848,663
Accrued interest payable:						
General obligation bonds	395,373	84,112	190,797	1,544	671,826	7,632
Certificates of obligation	62,137	11,519	41,694	27,787	143,137	176,692
Customer deposits	-	-	-	-	-	8,926,779
General obligation bonds	1,055,000	440,000	800,000	105,000	2,400,000	40,000
Certificates of obligation	2,544,338	269,880	1,069,639	985,000	4,868,857	1,603,149
Compensated absences	970,081	163,576	286,316	301,673	1,721,646	614,982
Total payable from current assets	<u>31,719,337</u>	<u>1,952,813</u>	<u>2,956,244</u>	<u>3,994,702</u>	<u>40,623,096</u>	<u>23,592,568</u>
<i>Payable from restricted assets</i>						
Accounts payable	3,287,520	1,002,950	1,091,452	1,237	5,383,159	1,137,236
Retainage payable	167,693	86,515	2,171,037	-	2,425,245	156,319
Due to other governments	321,878	29,721	6,626	34,807	393,032	50,884
Accrued interest payable-revenue bonds	461,493	409,265	644,756	-	1,515,514	-
Revenue bonds payable	3,930,000	2,146,513	4,633,487	-	10,710,000	-
Total payable from restricted assets	<u>8,168,584</u>	<u>3,674,964</u>	<u>8,547,358</u>	<u>36,044</u>	<u>20,426,950</u>	<u>1,344,439</u>
Total current liabilities	39,887,921	5,627,777	11,503,602	4,030,746	61,050,046	24,937,007
Long-term Liabilities:						
Advances from other funds	-	-	-	61,409	61,409	5,178,398
Revenue bonds payable	95,950,000	57,506,206	113,268,794	-	266,725,000	-
Certificates of obligation	7,330,837	1,619,083	5,721,019	3,250,000	17,920,939	16,377,338
General obligation bonds	50,820,000	8,585,000	22,880,000	-	82,285,000	1,005,000
Unamortized bond premium, and defeased debt cost	4,596,906	2,010,612	3,266,641	212,757	10,086,916	333,878
Insurance claims payable	-	-	-	-	-	7,697,088
Compensated absences	223,452	45,394	5,354	67,835	342,035	135,604
Total other liabilities	<u>158,921,195</u>	<u>69,766,295</u>	<u>145,141,808</u>	<u>3,592,001</u>	<u>377,421,299</u>	<u>30,727,306</u>
Total Liabilities	<u>198,809,116</u>	<u>75,394,072</u>	<u>156,645,410</u>	<u>7,622,747</u>	<u>438,471,345</u>	<u>55,664,313</u>
NET ASSETS						
Invested in capital assets, net of related debt	127,085,948	71,736,659	133,825,989	22,872,794	355,521,390	29,476,078
Restricted for:						
Rate Mitigation	80,549,836	-	-	-	80,549,836	-
Unrestricted	48,739,417	4,444,109	9,209,053	802,606	63,195,185	12,571,344
Total net assets	<u>\$ 256,375,201</u>	<u>\$ 76,180,768</u>	<u>\$ 143,035,042</u>	<u>\$ 23,675,400</u>	499,266,411	<u>\$ 42,047,422</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>8,289,015</u>	
Net assets of business type activities					<u>\$ 507,555,426</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, 2008

	Business-type Activities				Governmental Activities	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:						
Charges for services	\$ 270,716,085	\$ 30,974,200	\$ 35,436,808	\$ 21,555,991	\$ 358,683,084	\$ 44,377,177
Insurance premiums	-	-	-	-	-	22,073,113
Other	3,530,374	163,654	640,434	105,187	4,439,649	3,583,072
Total Operating Revenues	274,246,459	31,137,854	36,077,242	21,661,178	363,122,733	70,033,362
OPERATING EXPENSES:						
Salaries and benefits	21,301,035	3,495,679	5,916,884	8,229,343	38,942,941	15,253,283
Demand charges	61,646,639	-	-	-	61,646,639	-
Fuel purchases	129,633,717	-	-	-	129,633,717	-
Water purchases	-	14,334,278	-	-	14,334,278	-
Landfill fees	-	-	-	3,596,774	3,596,774	-
Maintenance, repairs, and supplies	12,229,236	3,529,500	6,847,187	6,641,432	29,247,355	15,357,759
Insurance and other expenses	2,287,139	223,471	373,949	404,321	3,288,880	-
General and administrative	13,332,717	3,223,384	3,625,490	1,664,551	21,846,142	5,955,224
Capitalized general and administrative	(1,764,483)	(410,221)	(798,389)	-	(2,973,093)	-
Premiums	-	-	-	-	-	8,628,284
Claims	-	-	-	-	-	12,532,206
Insurance claims payable	322,738	76,902	127,330	179,018	705,988	605,768
Administrative Services	-	-	-	-	-	576,893
Depreciation	12,234,543	3,947,648	8,953,886	1,659,757	26,795,834	5,006,964
Total Operating Expenses	251,223,281	28,420,641	25,046,337	22,375,196	327,065,455	63,916,381
Total Operating Income (Loss)	\$ 23,023,178	\$ 2,717,213	\$ 11,030,905	\$ (714,018)	\$ 36,057,278	\$ 6,116,981

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, 2008

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
NONOPERATING REVENUES (EXPENSES)						
Gain (loss) on disposal of capital assets	\$ (1,245,663)	\$ (2,046)	\$ -	\$ 43,907	\$ (1,203,802)	\$ 245,017
Earnings from investments:						
Current operations	4,441,560	107,045	286,564	44,395	4,879,564	1,280,614
Construction fund	1,055,760	557,628	1,253,419	48,508	2,915,315	260,166
Total earnings on investments	<u>5,497,320</u>	<u>664,673</u>	<u>1,539,983</u>	<u>92,903</u>	<u>7,794,879</u>	<u>1,540,780</u>
Interest expense:						
Revenue bonds	(4,250,335)	(2,083,267)	(4,311,607)	-	(10,645,209)	-
Certificates of obligation	(723,260)	(120,528)	(393,402)	(157,712)	(1,394,902)	(412,327)
General obligation bonds	(2,277,195)	(367,573)	(1,031,127)	(1,544)	(3,677,439)	-
Advance from other funds	-	-	-	(3,454)	(3,454)	-
Less capitalized interest	1,498,464	783,756	1,540,182	-	3,822,402	-
Total interest expense	<u>(5,752,326)</u>	<u>(1,787,612)</u>	<u>(4,195,954)</u>	<u>(162,710)</u>	<u>(11,898,602)</u>	<u>(412,327)</u>
Income (loss) before transfers, contributions, and special item	<u>21,522,509</u>	<u>1,592,228</u>	<u>8,374,934</u>	<u>(739,918)</u>	<u>30,749,753</u>	<u>7,490,451</u>
TRANSFERS						
Transfers in	-	-	-	261,917	261,917	4,938,855
Transfers out	(18,166,190)	(3,480,876)	(4,768,978)	(119,984)	(26,536,028)	(1,686,792)
Net transfers	<u>(18,166,190)</u>	<u>(3,480,876)</u>	<u>(4,768,978)</u>	<u>141,933</u>	<u>(26,274,111)</u>	<u>3,252,063</u>
Capital contributions	-	2,809,253	1,417,447	-	4,226,700	-
Special item-impairment of electric assets (note C)	(3,547,982)	-	-	-	(3,547,982)	-
NET INCOME (LOSS)	<u>(191,663)</u>	<u>920,605</u>	<u>5,023,403</u>	<u>(597,985)</u>	<u>5,154,360</u>	<u>10,742,514</u>
Net assets, beginning of year	256,566,864	75,260,163	138,011,639	24,273,385	494,112,051	31,304,908
Net assets, end of year	<u>\$ 256,375,201</u>	<u>\$ 76,180,768</u>	<u>\$ 143,035,042</u>	<u>\$ 23,675,400</u>	<u>499,266,411</u>	<u>\$ 42,047,422</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

2,570,102

Change in net assets of business-type activities

\$ 7,724,462

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, 2008**

	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	\$ 266,779,962	\$ 30,756,788	\$ 35,022,464	\$ 21,456,570	\$ 354,015,784	\$ 65,353,533
Cash received for customer deposit	-	-	-	-	-	429,166
Cash paid to suppliers	(200,539,490)	(20,657,227)	(10,040,395)	(12,290,043)	(243,527,155)	(42,244,275)
Cash paid to employees for services	(21,048,681)	(3,471,042)	(5,904,393)	(8,226,042)	(38,650,158)	(15,226,907)
Other operating revenues	3,530,375	163,654	640,434	105,187	4,439,650	3,583,072
Net cash provided by operations	<u>48,722,166</u>	<u>6,792,173</u>	<u>19,718,110</u>	<u>1,045,672</u>	<u>76,278,121</u>	<u>11,894,589</u>
Cash flows from noncapital financing activities:						
Due to other funds increases (decreases)	17,403	(69,602)	(10,986)	(33,310)	(96,495)	(5,345,133)
Due from other funds (increases)	185,885	-	34,831	(276,956)	(56,240)	203,272
Advance to other funds decrease	15,898	-	-	-	15,898	-
Due to other governments increases	-	-	-	34,807	34,807	50,884
Transfers in	-	-	-	261,917	261,917	4,938,855
Transfers out	(18,166,190)	(3,480,876)	(4,768,978)	(119,984)	(26,536,028)	(1,686,792)
Net cash provided by (used for) noncapital financing activities	<u>(17,947,004)</u>	<u>(3,550,478)</u>	<u>(4,745,133)</u>	<u>(133,526)</u>	<u>(26,376,141)</u>	<u>(1,838,914)</u>
Cash flows from capital and related financing activities:						
Proceeds from sales of:						
Certificates of obligation	-	-	-	855,000	855,000	13,040,000
Revenue bonds	10,115,000	17,690,000	22,210,000	-	50,015,000	-
General obligation bonds	7,305,000	3,390,000	5,110,000	105,000	15,910,000	175,000
Premium on issuance of debt	36,256	650,285	807,610	1,678	1,495,829	22,933
Acquisition and construction of capital assets	(24,534,886)	(12,302,735)	(49,634,825)	(2,306,753)	(88,779,199)	(16,712,794)
Principal paid on:						
Revenue bonds	(3,015,000)	(1,214,249)	(3,835,751)	-	(8,065,000)	-
Certificates of obligation	(3,351,230)	(411,056)	(1,473,999)	(851,762)	(6,088,047)	(867,346)
General obligation bonds	(2,358)	(365,897)	(434,259)	-	(802,514)	-
Advance from other funds	-	-	-	(10,649)	(10,649)	(5,249)
Payment to escrow agent	(7,433,371)	(3,458,953)	(5,195,227)	(105,000)	(16,192,551)	(175,604)
Interest paid on:						
Revenue bonds	(3,795,952)	(1,692,243)	(3,110,592)	-	(8,598,787)	-
Certificates of obligation	(602,795)	(93,228)	(307,696)	(218,997)	(1,222,716)	(124,235)
General obligation bonds	(1,833,374)	(223,879)	(736,546)	-	(2,793,799)	(40,475)
Advances from other funds	-	-	-	(3,454)	(3,454)	-
Bond issue expense	(401,350)	(369,524)	(457,631)	(16,678)	(1,245,183)	(228,147)
Contributions	-	2,809,253	1,417,447	-	4,226,700	-
Proceeds from sales of assets	-	-	-	43,907	43,907	245,103
Net cash provided by (used for) capital and related financing activities	<u>(27,514,060)</u>	<u>4,407,774</u>	<u>(35,641,469)</u>	<u>(2,507,708)</u>	<u>(61,255,463)</u>	<u>(4,670,814)</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, 2008**

	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	(156,448,412)	(27,149,682)	(47,926,933)	(1,890,702)	(233,415,729)	(40,698,360)
Proceeds from sale and maturities of investment securities	150,379,018	21,680,330	32,865,192	2,797,639	207,722,179	35,385,659
Interest received on investments	5,780,038	650,359	1,464,193	103,479	7,998,069	1,488,689
Net cash provided by (used for) investing activities	<u>(289,356)</u>	<u>(4,818,993)</u>	<u>(13,597,548)</u>	<u>1,010,416</u>	<u>(17,695,481)</u>	<u>(3,824,012)</u>
Net increase (decrease) in cash and cash equivalents	2,971,746	2,830,476	(34,266,040)	(585,146)	(29,048,964)	1,560,849
Cash and cash equivalents at beginning of the year	31,995,891	9,829,580	54,158,123	1,538,190	97,521,784	19,167,667
Cash and cash equivalents at end of the year	<u>\$ 34,967,637</u>	<u>\$ 12,660,056</u>	<u>\$ 19,892,083</u>	<u>\$ 953,044</u>	<u>\$ 68,472,820</u>	<u>\$ 20,728,516</u>
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities						
Operating income (loss)	\$ 23,023,178	\$ 2,717,213	\$ 11,030,905	\$ (714,018)	\$ 36,057,278	\$ 6,116,981
Adjustments:						
Depreciation expense	12,234,543	3,947,647	8,953,886	1,659,757	26,795,833	5,006,964
Change in allowance for uncollectible accounts	(151,771)	22,778	12,480	-	(116,513)	-
Change in assets and liabilities						
(increase) decrease in accounts receivable	(3,784,352)	(240,190)	(426,824)	(99,421)	(4,550,787)	(1,096,756)
(increase) decrease in inventory	472,432	-	-	-	472,432	(115,748)
increase (decrease) in accounts payable	16,489,408	243,186	7,842	17,035	16,757,471	921,838
increase (decrease) in compensated absences	115,990	24,637	12,491	3,301	156,419	26,376
increase in customer deposits	-	-	-	-	-	429,166
increase (decrease) in insurance claims payable	322,738	76,902	127,330	179,018	705,988	605,768
Total adjustments	<u>25,698,988</u>	<u>4,074,960</u>	<u>8,687,205</u>	<u>1,759,690</u>	<u>40,220,843</u>	<u>5,777,608</u>
Net cash provided by operating activities	<u>\$ 48,722,166</u>	<u>\$ 6,792,173</u>	<u>\$ 19,718,110</u>	<u>\$ 1,045,672</u>	<u>\$ 76,278,121</u>	<u>\$ 11,894,589</u>
Noncash investing, capital and financing activities:						
Contributions from developers	-	2,809,253	1,417,447	-	4,226,700	-
Capitalized general & administrative expense	1,764,483	410,221	798,389	-	2,973,093	-
Capitalized Revenue Bond Interest	1,498,464	783,756	1,540,182	-	3,822,402	-
Insurance claims payable - increase (decrease)	322,738	76,902	127,330	179,018	705,988	605,768
Impairment of capital assets	3,547,982	-	-	-	3,547,982	-

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

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City of Garland, Texas
Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Discretely Presented Component Units

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

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

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 and proprietary funds. 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 funds. 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 type 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.

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

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

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 principal operating revenues of 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.

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 four years.

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

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

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

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 an operational 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 15-50 years. In the case of contributed assets, the City values these capital assets at the estimated fair value of the item at the date of its contribution.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capital value of the assets constructed. The total interest cost incurred by the City during the current year was \$27,486,384. Of this amount, \$3,822,402 was included as part of the cost of capital assets under construction in connection with electric, water, and sewer construction projects.

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

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 - 50

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, governmental, 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.

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 and proprietary funds report reservations of fund balances 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, 2008:

The GASB issued Statement No. 45, “*Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions*” (“GASB 45”), which was effective for the City in the fiscal year ended September 30, 2008. GASB 45 require that state and local governments establish standards for the measurement, recognition, and display of other post employment benefits expense/expenditures, related liabilities, and note disclosures in the financial statements. The implementation of this standard resulted in recording an OPEB liability of \$2,667,632 and required disclosures are included in the financial statements, notes to the financial statements, and required supplementary information section, see note G – other postemployment benefits.

The GASB has also issued Statement No. 47, “*Accounting for Termination Benefits*” (“GASB 47”). This is effective for the City in two parts: (1) for those benefits that relate to other post-employment benefits, the City is to implement at the same time as GASB 45, and (2) for other termination benefits, the effective date was in fiscal year 2006 for the City. This statement defines the accounting for voluntary and involuntary termination benefits (i.e. early retirement incentives). For voluntary termination benefits, an accrual of these costs is warranted when the termination terms have been accepted by the employee and the costs can be estimated. For involuntary termination occurrences, the liability should be recorded when the termination costs, such as severance, can be estimated and a plan for involuntary termination has been approved by the City. The plan for involuntary termination should include the number and classes of employees affected, employee location, date of proposed termination, and types of benefits that are expected to be paid to terminated employees. The adoption of the other termination benefits in part 2 had no impact on the financial statements.

The GASB has also issued Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*” (“GASB 48”), which will be effective in fiscal year 2008. This statement establishes standards for reporting transactions occurring when receivables are pledged. This statement also includes a provision related to revenues pledged for the repayment revenue bond debt. The implementation of this standard resulted in providing additional note disclosure regarding future Electric, Water and Sewer revenues pledged to repay Utility Revenue Bonds (see note E on page 59).

The GASB has also issued Statement No. 50, “*Pension Disclosures*” (“GASB 50”), which will be effective in fiscal year 2008. This statement amends statements 25 and 27 and identifies the information required for disclosure in the financial statements for defined benefit pension plans and sole and agent employers. The implementation of this standard has been completed and required disclosures are included in the financial statements and notes to the financial statements, see note F – retirement plans.

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

The GASB has also issued Statement No. 49, “*Accounting and Financial Reporting for Pollution Remediation Obligations*” (“GASB 49”), which will be effective in fiscal year 2009. 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. 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. 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.

The GASB has also issued Statement No. 52, “*Land and Other Real Estate Held as Investments by Endowments*” (“GASB 52”), which will be effective in fiscal year 2009. 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. The adoption of this statement is not expected to have an impact on the accompanying financial statements.

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 for financial statements for periods beginning after June 15, 2010.

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 \$266,854,715 difference are as follows:

General Obligation bonds	\$204,475,000
Certificates of Obligation – General Government portion	<u>62,379,715</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at net assets – governmental activities	<u>\$266,854,715</u>

The portion of Certificates of Obligation amounting to \$17,980,487 and a portion of General Obligation amounting to \$1,045,000 was issued for Internal Service fund projects. This total is included in the reconciliation total of \$574,390 for internal service funds net asset adjustment.

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

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the 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, 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 the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$47,147,114 difference are as follows:

Debt issued or incurred:	
Issuance of certificates of obligation - Governmental Funds	\$ 2,070,000
Issuance of general obligation bonds	84,700,000
Net premium and issue costs on issuance of CO bonds	(35,000)
Net premium and issue costs on issuance of GO bonds	2,076,036
Principal repayments:	
General obligation debt	(8,492,485)
Certificates of obligation	(6,824,612)
Refunded debt of certificates of obligation bonds	(3,735,700)
Refunded debt of general obligation bonds	(23,665,956)
Amortization of bond issue costs	(340,966)
Change in landfill closure liability	592,169
Change in compensated absences liability	803,628
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>	\$ (47,147,114)

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 \$4,082,573 difference are as follows:

Capital outlays	\$ 28,377,230
Developers contributions	6,369,058
General Fund expense outlays	697,401
Depreciation expense	(26,688,697)
CIP expense outlays	(3,363)
Loss on disposals of assets	<u>(4,669,056)</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>\$ 4,082,573</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.

B. Excess of expenditures over appropriations

Expenditures in the Infrastructure Repair and the Narcotic Seizure funds exceeded budget by \$272,804 as a result of completing more street and alley projects than anticipated.

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

C. Deficit fund equity

The CDBG Fund deficit of \$28,755 will be eliminated through reimbursements for projects in the next fiscal year.

The Self-Insurance Fund deficit of \$2,593,148 decreased by \$926,601 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 \$4,246,180 is the result of an accrual of claims incurred but not reported of \$4,691,025. 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 \$6,908 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, 2008, 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	\$ 91,015,629	\$ 12,645,375	\$ 78,370,254
Federal National Mortgage Association	56,500,285	5,026,562	51,473,723
Federal Home Loan Mortgage Corp	67,920,373	-	67,920,373
Federal Farm Credit Bank	39,145,315	3,016,875	36,128,440
Financing Corporation Discount Notes	5,934,448	5,934,448	-
Investment Pools – Texpool & Texpool Prime	99,358,491	99,358,491	-
Investment Pools – Logic	16,869,067	16,869,067	-
Money Market Fund	705,618	705,618	-
Commercial Paper	5,000,000	5,000,000	-
Investment allowance	(2,500,000)	(2,500,000)	-
Total fair value deposits	<u>\$ 379,949,226</u>	<u>\$ 146,056,436</u>	<u>\$ 233,892,790</u>

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 includes federal agency discount-amortizing notes, federal agency coupon securities, managed pool accounts, and commercial paper discount-amortizing.

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

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, 2008, 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 LOGIC was rated AAAM by Standard & Poor's.

The City participates in three Local Government Investment Pools: Texpool, Texpool Prime, 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 Logic, an advisory board consisting of participants or their designees, maintains oversight responsibility for Logic. JP Morgan Chase and First Southwest Asset Management Inc. manage the daily operations of the pool under a contract with the advisory board.

The City invests in Texpool, Texpool Prime, and Logic to meet its daily liquidity needs. Texpool, Texpool Prime, 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, 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, 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, 2008, Texpool, Texpool Prime, and Logic had a weighted average maturity of 45 days, 34 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, 2008, the carrying amount of the City's deposits was \$3,382,762 and the bank balance was \$5,276,218. On September 30, 2008, the City's bank balance was fully collateralized. Bank balances for two of the City's component units (Garland Health Facilities Development Corporation and Garland Economic Development Authority) were fully collateralized. Bank balances for Garland Housing Finance Corporation were unsecured and uncollateralized for deposits in excess of \$100,000 which was covered by federal depository insurance.

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, 2008, the City's investments in U. S. agencies are categorized as insured or registered, or securities held by the City or its agent in the City's name.

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

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	\$ 248,442	\$ 506	\$ 154,606	\$ 140,443	\$ 9,466	\$ 31,964	\$ 340,924	\$ 926,351
Taxes	1,286,659	990,959	-	-	-	-	-	2,277,618
Utility Accounts	12,101	-	-	26,409,192	3,809,973	3,312,406	3,453,103	36,996,775
Mowing Liens	1,028,503	-	-	-	-	-	-	1,028,503
EMS Accounts	1,864,807	-	-	-	-	-	-	1,864,807
Franchise Fee	1,692,983	-	-	-	-	-	-	1,692,983
Sales Tax	3,725,684	-	-	-	-	-	-	3,725,684
Wholesale & Other Accts	1,360,168	-	199,820	11,872,476	183,249	965,942	1,175,120	15,756,775
Assessments	-	-	-	-	-	-	26,401	26,401
Gross Receivables	11,219,347	991,465	354,426	38,422,111	4,002,688	4,310,312	4,995,548	64,295,897
Less: allowance for uncollectibles	(2,191,877)	(484,254)	-	(1,452,777)	(208,377)	(209,155)	(526,942)	(5,073,382)
Net total receivables	\$ 9,027,470	\$ 507,211	\$ 354,426	\$ 36,969,334	\$ 3,794,311	\$ 4,101,157	\$ 4,468,606	\$ 59,222,515

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)	\$ 556,302	\$ -
Delinquent property taxes receivable (debt service fund)	428,453	-
Sales tax, mowing liens, EMS, & other receivables (general fund)	3,310,070	-
Parks service charges for future events	-	123,938
Faulkner receivable	-	592,684
Grant draw downs prior to meeting all eligibility requirements	-	365,506
Special assessments prior to meeting all eligibility requirements	-	164,257
	<u>\$ 4,294,825</u>	<u>\$ 1,246,385</u>

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

C. Capital Assets

Capital asset activity for the year ended September 30, 2008, was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 72,723,360	\$ 5,686,188	\$ (3,982,839)	\$ 74,426,709
Construction in progress	55,398,213	27,391,022	(32,199,683)	50,589,552
Total capital assets, not being depreciated	<u>128,121,573</u>	<u>33,077,210</u>	<u>(36,182,522)</u>	<u>125,016,261</u>
Capital assets, being depreciated:				
Buildings	84,866,707	14,591,547	-	99,458,254
Improvements other than buildings	363,824,746	11,570,582	-	375,395,328
Machinery and equipment	77,895,624	8,400,669	(3,102,108)	83,194,185
Internal service buildings, improvements, and equipment	63,676,797	17,655,765	(3,229,286)	78,103,276
Total capital assets being depreciated	<u>590,263,874</u>	<u>52,218,563</u>	<u>(6,331,394)</u>	<u>636,151,043</u>
Less accumulated depreciation for:				
Buildings	(24,632,760)	(2,327,711)	-	(26,960,471)
Improvements other than buildings	(206,210,455)	(17,333,477)	-	(223,543,932)
Machinery, furniture, and equipment	(50,043,204)	(7,027,509)	2,415,887	(54,654,826)
Internal service buildings, improvements, and equipment	(41,891,532)	(5,006,964)	3,128,017	(43,770,479)
Total accumulated depreciation	<u>(322,777,951)</u>	<u>(31,695,661)</u>	<u>5,543,904</u>	<u>(348,929,708)</u>
Total capital assets, being depreciated, net	<u>267,485,923</u>	<u>20,522,902</u>	<u>(787,490)</u>	<u>287,221,335</u>
Governmental activities capital assets, net	<u>\$ 395,607,496</u>	<u>\$ 53,600,112</u>	<u>\$ (36,970,012)</u>	<u>\$ 412,237,596</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 17,030,293	\$ 13,671	\$ -	\$ 17,043,964
Construction in progress	71,250,490	105,990,394	(64,616,468)	112,624,416
Total capital assets, not being depreciated	88,280,783	106,004,065	(64,616,468)	129,668,380
Capital assets, being depreciated:				
Utility buildings, improvements, and equipment	837,176,245	52,227,153	(32,630,588)	856,772,810
Total capital assets being depreciated	837,176,245	52,227,153	(32,630,588)	856,772,810
Less accumulated depreciation for:				
Utility buildings, improvements, and equipment	(362,443,916)	(26,795,834)	22,735,602	(366,504,148)
Total accumulated depreciation	(362,443,916)	(26,795,834)	22,735,602	(366,504,148)
Total capital assets, being depreciated, net	474,732,329	25,431,319	(9,894,986)	490,268,662
Business-type activities capital assets, net	\$ 563,013,112	\$ 131,435,384	\$ (74,511,454)	\$ 619,937,042

During the year, the City implemented a new business strategy that resulted in a change in the use of an electric generation plant. This electric generation plant was changed from functioning as a primary source of electricity generation to functioning as a secondary or backup source of electricity generation. As a result of the change in use of the electric generation plant, net asset impairment loss of \$8,646,482 was calculated using a service unit approach as defined in GASB 42. The asset impairment write-down of \$28,202,289 is part of the \$32,630,588 decrease in Utility buildings, improvements and equipment reported above. In addition, the related accumulated depreciation adjustment related to the asset impairment of \$19,555,807 is part of \$22,735,547 decrease in accumulated depreciation for Utility buildings, improvements, and equipment reported above.

As a result of changing the use of the electric generation plant the City sold unneeded federal electric generation pollution credits for \$4,916,500. The sale of the pollution credits were recorded as a special items along with the net asset impairment loss resulting in a net special item of \$3,547,982.

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

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

Governmental activities:	
General government	\$ 1,018,144
Public safety	3,757,376
Public works	18,730,902
Culture and recreation	3,129,082
Public health	53,193
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	5,006,964
Total depreciation expense – governmental activities	\$ 31,695,661
Business-type activities:	
Electric	\$ 12,234,543
Water	3,947,648
Sewer	8,953,886
Other non-major business-type activities	1,659,757
Total depreciation expense – business-type activities	\$ 26,795,834

During the current fiscal year, as a result of the change in the business strategy in the use of electric utility assets, asset lives for various Electric System assets were changed to more accurately reflect the actual asset life. The prospective change in asset life resulted in an increase in depreciation expense during fiscal year 2008 of \$333,996.

Construction commitments

The City has active construction projects as of September 30, 2008. At year-end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Electric system	\$ 2,123,485	\$ 588,628
Water system	8,068,946	648,200
Sewer system	77,889,922	1,347,174
Streets and Drainage	10,370,464	749,403
Buildings	14,142,601	2,036,113
Total	\$ 112,595,418	\$ 5,369,518

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

During the fiscal year, 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 contributed \$3,787,942 during the year, leaving a remaining commitment of \$4,336,463.

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2008, is as follows:

Interfund Payable	Interfund Receivable								Total
	General	Capital Projects	Electric	Water	Internal Service	Non-Major Governmental	Non-Major Business-type		
General	\$ 8,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,000	\$ -	\$ 258,671
Debt Service	68,230	-	175,000	100,000	-	1,085,281	-	-	1,153,511
Capital Project	903,836	-	-	-	359,431	-	-	-	1,538,267
Electric	-	-	-	-	-	-	37,007	-	37,007
Non-major Business Type	1,961,732	-	-	-	-	-	-	-	1,961,732
Non-major Governmental	2,305,611	-	-	-	-	-	-	-	2,305,611
Internal Service	262,059	1,000,000	-	-	-	-	-	-	1,262,059
	<u>\$ 5,510,139</u>	<u>\$ 1,000,000</u>	<u>\$ 175,000</u>	<u>\$ 100,000</u>	<u>\$ 359,431</u>	<u>\$ 1,085,281</u>	<u>\$ 287,007</u>	<u>\$ -</u>	<u>\$ 8,516,858</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, 2008, is as follows:

Advance Payable	Advance Receivable	
	Electric	Total
Internal Service	\$ 5,178,398	\$ 5,178,398
Non-major Business-type fund	61,409	61,409
	<u>\$ 5,239,807</u>	<u>\$ 5,239,807</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.

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

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

Transfers From:	Transfers To:						Total Transfers
	General fund	Capital Projects Fund	Debt Service Fund	Non-major Governmental Funds	Non-major Business Type Funds	Internal Service Fund	
General	\$ -	\$ 1,287,040	\$ -	\$ 5,007,882	\$ 250,000	\$ 295,605	\$ 6,840,527
Debt Service Fund	-	4,240,000	-	-	-	-	4,240,000
Capital Project Fund	-	-	-	2,900,000	-	2,108,375	5,008,375
Non-major governmental	-	200,000	-	-	-	1,260,000	1,460,000
Electric	17,336,731	-	229,459	-	-	600,000	18,166,190
Water	2,787,244	-	44,127	649,505	-	-	3,480,876
Sewer	4,084,172	-	35,301	649,505	-	-	4,768,978
Non-major Business-type	67,032	-	52,952	-	-	-	119,984
Internal Service	-	1,000,000	-	-	11,917	674,875	1,686,792
	<u>\$ 24,275,179</u>	<u>\$ 6,727,040</u>	<u>\$ 361,839</u>	<u>\$ 9,206,892</u>	<u>\$ 261,917</u>	<u>\$ 4,938,855</u>	<u>\$ 45,771,722</u>

During the year, funds were transferred from the debt service fund to the capital projects fund for the payment of the tax note. Capital Project fund transfers out of \$2,900,000 and \$2,108,375 were to transfer tax notes proceeds to the Infrastructure Repair fund for street and alley projects and, to transfer prior year certificate of obligation bond proceeds to the Customer Service fund for the construction of a new Customer Service administration and collection facility.

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, 2008, is as follows:

	Beginning Balance	Increased	Retired	Ending Balance	Due within one year
<u>Governmental activities:</u>					
General obligation bonds	\$ 152,557,292	\$ 84,875,000	\$ (31,912,292)	\$ 205,520,000	\$ 10,870,000
Certificates of obligation	76,814,236	15,110,000	(11,564,032)	80,360,204	7,411,143
Landfill post closure cost	8,473,958	834,806	(242,637)	9,066,127	-
Compensated absences	18,963,064	2,442,000	(1,611,998)	19,793,066	7,449,163
Insurance claims payable	13,939,983	3,670,345	(3,386,055)	14,224,273	6,527,185
OPEB claims payable	-	1,961,644	-	1,961,644	1,961,644
Governmental activity					
Long-term debt	\$ 270,748,533	\$ 108,893,795	\$ (48,717,014)	\$ 330,925,314	\$ 34,219,135
<u>Business-type activities:</u>					
Utility System revenue bonds	\$ 235,485,000	\$ 50,015,000	\$ (8,065,000)	\$ 277,435,000	\$ 10,710,000
General obligation bonds	75,067,709	15,910,000	(6,292,709)	84,685,000	2,400,000
Certificates of obligation	38,550,763	855,000	(16,615,967)	22,789,796	4,868,857
Compensated absences	1,907,263	461,917	(305,499)	2,063,681	1,721,646
OPEB claims payable	-	705,988	-	705,988	705,988
Business-type activity					
Long-term debt	\$ 351,010,735	\$ 67,947,905	\$ (31,279,175)	\$ 387,679,465	\$ 20,406,491

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 \$750,586 of compensated absences and \$321,478 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 \$15,110,000 from the sale of certificates of obligation and \$84,875,000 of general obligations for governmental activities are reported as follows:

<u>Fund</u>	<u>Certificate of obligation</u>	<u>General obligation bond</u>	<u>Total Bonded Debt</u>
Capital Project Fund – other financing sources	\$ 2,070,000	\$ 57,760,000	\$ 59,830,000
Internal Service Fund – proceeds from sale of debt	13,040,000	175,000	13,215,000
Debt Service Fund – refunding bonds	-	26,940,000	26,940,000
Total	\$ 15,110,000	\$ 84,875,000	\$ 99,985,000

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

A summary of short-term debt transactions for the year ended September 30, 2008, is as follows:

	Balance at October 1, 2007	Increased	Retired	Balance at September 30, 2008
<u>Governmental activities:</u>				
Tax Notes	\$ 4,240,000	\$ 3,185,000	\$ (4,240,000)	\$ 3,185,000
Commercial Paper	<u>55,000,000</u>	<u>15,000,000</u>	<u>(60,000,000)</u>	<u>10,000,000</u>
Governmental activity				
Short-term debt	\$ <u>59,240,000</u>	\$ <u>18,185,000</u>	\$ <u>(64,240,000)</u>	\$ <u>13,185,000</u>

Long-term debt at September 30, 2008, includes the following individual issues (not including the unamortized discount, premium, issue, and refunding costs of \$6,882,483):

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
General obligation bonds:						
1997 Various purpose	5.125 – 7.125	5/07/1997	2/15/2017	\$ 6,375,000	\$ 6,375,000	\$ -
1998 Various purpose	4.50 – 5.00	3/15/1998	2/15/2019	48,890,000	48,890,000	-
1999 Various purpose	4.05 – 5.30	3/30/1999	2/15/2019	18,375,000	18,375,000	-
1999A Refunding	4.05 – 5.30	2/22/1999	2/15/2016	13,335,000	13,335,000	-
2000 Various purpose	5.50 – 6.50	2/22/2000	2/15/2020	10,820,000	9,835,000	985,000
2001 Various purpose	4.25 – 5.00	4/01/2001	2/15/2021	14,315,000	9,240,000	5,075,000
2002 Refunding	3.75 – 4.50	5/21/2002	2/15/2010	8,050,000	5,690,000	2,360,000
2005A Refunding	3.5 – 5.25	4/19/2005	2/15/2020	70,615,000	1,950,000	68,665,000
2005B Refunding	3.00 – 5.25	4/19/2005	2/15/2022	23,675,000	2,430,000	21,245,000
2007A Refunding	4.00 – 5.00	2/15/2007	2/15/2025	67,385,000	40,000	67,345,000
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	-	43,025,000
2008A Refunding	4.00 – 5.00	6/15/2008	2/15/2025	57,760,000	-	57,760,000
				<u>\$ 406,365,000</u>	<u>\$ 116,160,000</u>	<u>\$ 290,205,000</u>

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

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
Certificates of Obligation:						
1997 Various purpose	5.00 – 5.00	3/15/1997	2/15/2017	\$ 11,930,000	\$ 11,930,000	\$ -
1997B Golf course	5.50 – 5.50	8/15/1997	8/15/2027	600,000	-	600,000
1998 Various purpose	4.50 – 5.50	2/15/1998	2/15/2018	25,295,000	25,295,000	-
1999 Various purpose	3.15 – 5.15	2/22/1999	2/15/2019	20,780,000	20,780,000	-
2000 Various purpose	5.00 – 5.75	2/22/2000	2/15/2020	63,950,000	58,135,000	5,815,000
2001 Various purpose	4.25 – 5.25	4/01/2001	2/15/2021	45,320,000	29,990,000	15,330,000
2002 Various purpose	3.75 – 5.25	5/21/2002	2/15/2022	25,350,000	18,385,000	6,965,000
2003 Various purpose	3.00 – 4.75	4/15/2003	2/15/2023	18,685,000	5,820,000	12,865,000
2004 Various purpose	2.00 – 5.00	4/15/2004	2/15/2024	17,045,000	5,495,000	11,550,000
2005 Various purpose	3.00 – 5.25	4/19/2005	2/15/2025	20,275,000	11,055,000	9,220,000
2006 Various purpose	3.75 – 4.375	3/15/2006	2/15/2026	10,275,000	2,210,000	8,065,000
2007 Various purpose	4.00 – 5.625	5/15/2007	2/15/2022	16,975,000	200,000	16,775,000
2008 Various purpose	.3.00 – 4.75	6/15/2008	2/15/2028	15,965,000	-	15,965,000
				<u>\$ 292,445,000</u>	<u>\$ 189,295,000</u>	<u>\$ 103,150,000</u>
Utility System revenue bonds:						
2003 Electric Utility	3.00 – 5.00	8/01/2003	3/01/2023	\$ 13,810,000	\$ 1,900,000	\$ 11,910,000
2003 Water & Sewer	2.00 – 5.00	8/01/2003	3/01/2023	13,680,000	2,400,000	11,280,000
2004 Electric Utility	2.00 – 5.00	4/15/2004	3/01/2024	19,060,000	2,875,000	16,185,000
2004 Water & Sewer	2.00 – 6.00	4/15/2004	3/01/2024	33,540,000	4,550,000	28,990,000
2004 Water & Sewer	2.00 – 5.00	5/25/2004	3/01/2024	38,485,000	3,395,000	35,090,000
2005 Electric Utility	2.75 – 5.25	4/19/2005	3/01/2025	18,935,000	2,025,000	16,910,000
2005 Water & Sewer	2.75 – 5.25	4/19/2005	3/01/2025	20,545,000	2,365,000	18,180,000
2006 Electric Utility	3.50 – 5.00	3/15/2006	3/01/2026	25,045,000	1,145,000	23,900,000
2006 Water & Sewer	4.00 – 4.50	3/15/2006	3/01/2026	16,180,000	895,000	15,285,000
2007 Electric Utility	4.00 – 5.625	5/15/2007	3/01/2027	21,050,000	190,000	20,860,000
2007 Water & Sewer	4.00 – 5.625	5/15/2007	3/01/2027	29,070,000	240,000	28,830,000
2008 Electric Utility	3.25 – 4.75	6/15/2008	3/01/2028	10,115,000	-	10,115,000
2008 Water & Sewer	3.00 – 5.00	6/15/2008	3/01/2028	39,900,000	-	39,900,000
				<u>\$ 299,415,000</u>	<u>\$ 21,980,000</u>	<u>\$ 277,435,000</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 \$1,465,297 as of September 30, 2008. 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, 2008, 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, 2008, the Bank of America would pay the City \$1,465,297 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, 2008, amounted to \$128,440 for Certificates of Obligation, \$218,916 for Electric Revenue Bonds and \$81,047 for Water & Sewer Revenue Bonds.

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

Short-term debt at September 30, 2008, includes the following individual issues:

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Tax anticipation notes:						
2007 Tax anticipation	4.05 – 5.50	9/27/2007	9/30/2008	\$ 4,240,000	\$ 4,240,000	\$ -
2008 Tax anticipation	3.10	9/23/2008	9/30/2009	3,185,000	-	3,185,000
				<u>\$ 7,425,000</u>	<u>\$ 4,240,000</u>	<u>\$ 3,185,000</u>
Commercial Paper						
2007 Commercial Paper Issue	3.75 – 3.75	6/14/2007	7/22/2008	\$ 5,000,000	\$ 5,000,000	\$ -
2007 Commercial Paper Issue	3.74 – 3.74	7/10/2007	7/22/2008	1,500,000	1,500,000	-
2007 Commercial Paper Issue	3.74 – 3.74	7/10/2007	7/22/2008	15,500,000	15,500,000	-
2007 Commercial Paper Issue	3.70 – 3.70	8/06/2007	7/22/2008	28,000,000	28,000,000	-
2007 Commercial Paper Issue	3.70 – 3.70	8/06/2007	7/22/2008	5,000,000	5,000,000	-
2008 Commercial Paper Issue	1.65 – 1.65	5/20/2008	7/22/2008	5,000,000	5,000,000	-
2008 Commercial Paper Issue	1.66 – 1.66	7/22/2008	1/08/2009	10,000,000	-	10,000,000
				<u>\$ 70,000,000</u>	<u>\$ 60,000,000</u>	<u>\$ 10,000,000</u>

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, 2008, including interest payments of \$282,790,107 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	
2009	\$ 10,870,000	10,052,127	7,411,143	3,529,957	3,185,000	100,655	10,000,000	77,113	
2010	11,450,000	8,855,920	7,562,494	3,100,036	-	-	-	-	
2011	11,120,000	8,396,974	6,823,972	2,783,966	-	-	-	-	
2012	12,760,000	7,896,627	6,019,129	2,500,423	-	-	-	-	
2013	13,365,000	7,296,902	6,269,297	2,229,435	-	-	-	-	
2014-2018	70,035,000	32,842,030	22,654,169	7,564,769	-	-	-	-	
2019-2023	56,720,000	16,840,249	14,510,000	3,772,999	-	-	-	-	
2024-2028	19,200,000	1,876,406	9,110,000	969,875	-	-	-	-	
Total \$	205,520,000	94,057,235	80,360,204	26,451,460	3,185,000	100,655	10,000,000	77,113	

Business-type Activities							
Years Ending September 30,	Revenue	Revenue Interest	General Obligation	GO Interest	Certificates of Obligation	CO Interest	
2009	\$ 10,710,000	12,929,169	2,400,000	4,163,128	4,868,857	994,296	
2010	11,640,000	11,999,859	2,500,000	3,913,369	5,032,506	751,464	
2011	12,050,000	11,505,193	5,255,000	3,755,300	3,001,028	557,876	
2012	12,565,000	10,976,356	5,690,000	3,527,642	2,660,871	419,885	
2013	13,110,000	10,421,617	5,935,000	3,256,516	2,790,703	287,951	
2014-2018	73,880,000	42,622,878	42,995,000	10,838,098	4,420,831	206,415	
2019-2023	92,365,000	23,316,150	19,910,000	1,314,824	-	3,495	
2024-2028	51,115,000	4,340,170	-	-	15,000	1,993	
Total	\$ 277,435,000	128,111,392	84,685,000	30,768,877	22,789,796	3,223,375	

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

At September 30, 2008, the City has authorized but not issued general obligation bonds in the amount of \$180,134,506 as follows:

	Balance at Oct. 1, 2007	General Obligation Bonds Issued	GO Commercial Paper Issued	Balance at Sept. 30, 2008
Streets Improvements	\$ 148,807,287	37,045,000	6,215,000	105,547,287
Park Improvements	27,694,000	2,240,000	310,000	25,144,000
Drainage Improvements	30,836,026	3,460,000	2,335,000	25,041,026
Municipal Facilities	11,544,000	-	-	11,544,000
Library Improvements	9,973,813	3,930,000	240,000	5,803,813
Public Safety	17,859,380	13,325,000	900,000	3,634,380
Economic Development	3,420,000	-	-	3,420,000
	<u>\$ 250,134,506</u>	<u>60,000,000</u>	<u>10,000,000</u>	<u>180,134,506</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 \$99,880,000 in outstanding Electric Utility Revenue Bonds and \$177,555,000 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 2028. Principal paid and interest insured for the current year were as follows:

<u>Utility Revenue Bonds</u>	<u>Principal</u>	<u>Interest</u>
Electric	\$ 3,015,000	\$ 4,250,335
Water & Sewer	5,050,000	6,394,874

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 2008	\$ 15,965,000	4.351%
General Obligation Refunding, Series 2008	43,025,000	3.423%
General Obligation Refunding, Series 2008a	57,760,000	4.536%
Electric Utility System Revenue Bonds, Series 2008	10,115,000	4.501%
Water & Sewer System Revenue Bonds, Series 2008	39,900,000	4.635%
Tax Anticipation Note, Series 2008	3,185,000	3.100%
Commercial Paper	15,000,000	1.65 – 1.66%

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

On April 22, 2008, the City issued \$43,025,000 in General Obligation Refunding Bonds to advance refund \$43,310,000 of outstanding certificates of obligation and general obligation bonds. An amount of \$43,769,811 was placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next seventeen years by \$1,740,698 and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$1,724,272. The refunding resulted in a book loss (difference between amount placed in escrow and carrying amount of debt refunded) of \$459,811.

On July 21, 2008, the City issued \$57,760,000 in General Obligation Refunding Bonds to payoff \$60,000,000 of commercial paper debt.

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, 2008, \$50,950,000 of General Obligation Bonds and \$76,484,632 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), one of 827 administered by 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 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.

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

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 currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. The projected unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City makes contributions monthly. 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.

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 2008 was \$144,322,073, and the City's contributions were based on a payroll of \$117,788,849. Both the City and the covered employees made the required contributions, amounting to \$18,408,169 for the City and \$8,245,218 (7 %) for the employees.

A summary of City and employee contributions for the fiscal year ending September 30, 2008, 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 2007	\$ 27,413,036	10.21%	\$ 2,798,871	5.02%	\$ 1,376,134	0.26%	\$ 71,274	15.49%	\$ 4,246,279
Months in calendar year 2008	90,375,813	10.29%	9,299,671	5.12%	4,627,242	0.26%	234,977	15.67%	14,161,890
Total Fiscal Year	<u>\$117,788,849</u>		<u>\$ 12,098,542</u>		<u>\$ 6,003,376</u>		<u>\$ 306,251</u>		<u>\$ 18,408,169</u>
Employee Contribution:									
Months in calendar year 2007	\$ 27,413,036	7.00%	\$ 1,918,912	-	-	-	-	7.00%	\$ 1,918,912
Months in calendar year 2008	90,375,813	7.00%	6,326,306	-	-	-	-	7.00%	6,326,306
Total Fiscal Year	<u>\$ 117,788,849</u>		<u>\$ 8,245,218</u>		<u>-</u>		<u>-</u>		<u>\$ 8,245,218</u>
Total City and Employee Contributions			<u><u>\$20,343,760</u></u>		<u><u>\$ 6,003,376</u></u>		<u><u>\$ 306,251</u></u>		<u><u>\$ 26,653,387</u></u>

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

Three Year Trend Information

Fiscal <u>Year</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2006	\$16,443,452	100%	--
2007	\$17,696,672	100%	--
2008	\$18,408,169	100%	--

Actuarial Assumptions

	Actuarial valuation as of 12/31/2007	Effective 1/1/2008
Actuarial Cost Method	- Unit Credit	Projected Unit Credit
Amortization Method	- Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	- 25 Years – Open Period	30 Years - Closed Period
Asset Valuation Method	- Amortized Cost (to accurately reflect the requirements of GASB stmt., No. 25, paragraphs 36e and 138)	Amortized Cost (to accurately reflect the requirements of GASB stmt., No. 25, paragraphs 36e and 138)
Investment Rate of Return	- 7%	7%
Projected Salary Increases	- None	Varies by age and service
Includes Inflation At	- 3.5%	3.0%
Cost-of-living Adjustments	- None	None

Schedule of Funding Information

	Under Old Assumptions 12/31/2007	Under New Assumptions 12/31/2007
Actuarial valuation date	12/31/2007	12/31/2007
Actuarial value of assets	\$339,856,766	\$339,856,766
Actuarial accrued liability (AAL)	\$464,908,575	\$541,298,967
Unfunded actuarial accrued liability (UAAL)	\$125,051,809	\$201,442,201
Funded ratio	73.1%	62.8%
Annual covered payroll (actuarial)	\$114,140,292	\$114,140,292
UAAL as % of covered payroll	109.6%	176.5%

See required supplemental information for schedule of funding programs.

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:

Annual Required Contribution	\$ 6,175,488
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost	6,175,488
Employer Contributions with interest	(3,507,856)
Increase (Decrease) in Net OPEB Obligation	2,667,632
Net OPEB Obligation beginning of year	-
Net OPEB Obligation end of year	\$ 2,667,632

In addition to the employer contribution, the retirees paid \$1,758,428 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
9/30/2006	N/A	N/A	N/A	N/A
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

Funding Status and Funding Progress: As of October 1, 2007, the actuarial accrued liability for benefits was \$79,187,130, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$114,140,292 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 69.4%.

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Actuarial Methods and Assumptions: Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare costs trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after 10 years. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at September 30, 2008, was 30 years.

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: At December 31, 2007, there were 714 participating entities offering supplemental death to retirees. The City's contributions to SDBF for the years ended September 30, 2007, 2006, and 2005 were \$295,770, \$268,458, and \$258,692 respectively.

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 \$5,859,109 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 worker's 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, 2008 was estimated at \$3,922,541.

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, 2008 a short-term liability of \$3,171,809 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.

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

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 2007 and 2008 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 – 2007	\$ 6,695,547	\$ 2,999,920	\$ -	\$ 2,999,920	\$ 6,695,547	\$ -
Self Insurance – 2008	6,695,547	2,957,069	(318,979)	2,957,069	6,376,568	2,454,027
Long-Term Disability – 2007	4,187,446	449,083	-	449,083	4,187,446	-
Long-Term Disability – 2008	4,187,446	480,235	503,579	480,235	4,691,025	916,478
Group Health – 2007	2,536,291	12,227,961	520,699	12,227,961	3,056,990	-
Group Health – 2008	3,056,990	9,094,900	114,819	9,094,900	3,171,809	-

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 entered into identical Power Sales Contracts with TMPA. Under the Power Sales Contracts each member city is required to purchase all future power and energy requirements in excess of the amounts generated by their systems from TMPA at rates set to cover TMPA’s operating cost and retirement of debt. In the event that revenues are insufficient to cover all costs to retire the outstanding debt, each of the member cities has guaranteed a portion of the unpaid debt based on a percentage, which is determined by each member cities’ annual net energy load. The City of Garland does not own an equity interest in TMPA.

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

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

Total debt of TMPA at September 30, 2008, amounted to \$1,111,245,000 of which \$148,440,000 represented the current portion. TMPA's Revenue Bonds are payable from and secured by an irrevocable first lien on the TMPA's net revenues and certain other special funds created in the TMPA's Bond Resolution.

TMPA
 Outstanding Debt Amounts
 September 30, 2008
 (reported in thousands)

	Long-Term	Current	Total
Revenue Bonds	\$ 470,580	123,988	594,568
Zero Coupon Interest Payable	284,156	24,452	308,608
Tax Exempt Commercial Paper	205,000	-	205,000
Taxable Commercial Paper	3,069	-	3,069
	\$ 962,805	148,440	1,111,245

Financial statements for TMPA are available from TMPA 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 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 the plans, 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, 2008, is as follows:

Series	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Corporation	Total
1984	\$ -	\$ -	\$ 7,000,000	\$ 7,000,000
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
	<u>\$ 29,220,355</u>	<u>\$ 25,019,000</u>	<u>\$ 7,000,000</u>	<u>\$ 61,239,355</u>

L. Landfill Closure and Postclosure Care Cost

As of September 30, 2008, the total estimated landfill closure/postclosure cost for the City's Castle Drive landfill, Hinton landfill, and transfer station is \$8,748,363, \$29,249,659, and \$28,766 respectively. The \$9,066,127 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, 13.15% use of the Hinton landfill, 100% of the closure cost for the transfer station, less post closure expenditures to date of \$3,558,473. The City will recognize the remaining estimated closure and postclosure care costs of \$25,402,188 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 42.41 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 \$3,558,473 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.

GHFC participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, GHFC's compliance with applicable grant or contract requirements will be established at some future date. The amount, if any, of revenues which may be disallowed by the granting agencies cannot be determined at this time, and accordingly, no accrual has been made for them, as management believes this to be immaterial. Additionally, in the event that federal revenues are reduced, the impact on GHFC cannot be determined.

The City executed a confirmation effective April 15, 2008, 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. Under mutual consent, on February 12, 2009, the City executed a Settlement Agreement to terminate the Confirmation. As part of the Settlement Agreement, the City agreed to pay the counterparty a negotiated settlement amount based on the fair market value of the unexpired term of the Confirmation.

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.

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 \$821,250 and rent revenue of \$22,500 on their financial statements. The remaining deferred revenue will be amortized over the next 36.5 years as rent revenue.

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

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.

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, 2008

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 65,235,130	\$ 64,749,663	\$ 65,876,995	\$ 1,127,332
Franchise fees	7,857,418	7,636,716	8,372,409	735,693
Service charges	15,916,527	17,204,311	17,268,733	64,422
Licenses and permits	2,843,849	2,605,100	2,632,116	27,016
Earnings on investments	1,725,000	1,425,000	1,340,560	(84,440)
Intergovernmental	419,527	465,528	559,769	94,241
Intragovernmental	6,726,468	6,715,333	6,727,768	12,435
Fines and forfeits	5,532,623	5,040,816	5,195,729	154,913
Rents and concessions	936,994	991,007	1,062,009	71,002
Total revenues	<u>107,193,536</u>	<u>106,833,474</u>	<u>109,036,088</u>	<u>2,202,614</u>
Expenditures:				
Current:				
General government	9,310,050	9,369,536	9,027,544	341,992
Public safety	73,986,545	75,850,129	75,115,520	734,609
Public works	9,604,446	10,377,577	9,659,895	717,682
Culture and recreation	13,496,274	13,916,576	13,209,936	706,640
Public health	2,907,459	2,978,995	2,965,945	13,050
Nondepartmental	18,972,427	16,774,473	17,075,180	(300,707)
Total expenditures	<u>128,277,201</u>	<u>129,267,286</u>	<u>127,054,020</u>	<u>2,213,266</u>
Excess of revenues over expenditures	<u>(21,083,665)</u>	<u>(22,433,812)</u>	<u>(18,017,932)</u>	<u>4,415,880</u>
Other financing sources (uses):				
Sale of capital assets	-	-	557,048	557,048
Transfer in	24,470,868	24,320,539	24,275,179	(45,360)
Transfers out	<u>(6,185,311)</u>	<u>(6,185,311)</u>	<u>(6,840,527)</u>	<u>(655,216)</u>
Total other financing sources (uses)	<u>18,285,557</u>	<u>18,135,228</u>	<u>17,991,700</u>	<u>(143,528)</u>
Net Change in fund balances	(2,798,108)	(4,298,584)	(26,232)	4,272,352
Fund balance, beginning of year	17,308,505	17,308,505	17,308,505	-
Fund balance, end of year	<u>\$ 14,510,397</u>	<u>\$ 13,009,921</u>	<u>\$ 17,282,273</u>	<u>\$ 4,272,352</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
12/31/2005	\$ 311,474,351	\$ 415,172,643	75.00%	\$ 103,698,292	\$ 101,175,792	102.50%
12/31/2006	324,018,467	437,356,769	74.09%	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%

Schedule of other postemployment benefits (OPEB)
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
10/1/2007	\$ -	\$ 79,187,130	0.00%	\$ 79,187,130	\$ 114,140,292	69.4%

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

City of Garland, Texas
Notes to Required Supplementary Information

I. Budgets and Budgetary Accounting

Annual appropriations for the General Fund is 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 \$2,213,266.

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, 2008

	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	\$ -	\$ 1,057,747	\$ 119,140	\$ 291,634	\$ 3,367,856	\$ 631,606	\$ 771,896	\$ 500	\$ 60,461	\$ 518,578	\$ 646,488	\$ 23,564	\$ 786,001	\$ 126,259	\$ 8,401,730
Investments	-	1,813,676	202,741	500,053	5,774,728	1,082,475	1,323,539	-	22,860	889,186	481,676	40,404	380,575	216,492	12,728,405
Receivables:															
Accrued interest	11	14,558	1,724	3,761	44,672	20,257	10,567	-	117	6,986	3,935	318	-	1,582	108,488
Assessments	-	-	-	-	-	26,401	-	-	-	-	-	-	-	-	26,401
Other	-	-	-	-	-	12,480	-	-	-	-	-	-	-	-	12,480
Due from other governments	433,543	-	880,927	-	-	-	-	432,257	325,390	-	-	-	-	-	2,072,117
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	1,085,281	1,085,281
Prepaid items	-	913,704	-	-	-	-	-	-	-	-	-	-	-	-	913,704
Total Assets	\$ 433,554	\$ 3,799,685	\$ 1,204,532	\$ 795,448	\$ 9,187,256	\$ 1,773,219	\$ 2,106,002	\$ 432,757	\$ 408,828	\$ 1,414,750	\$ 1,132,099	\$ 64,286	\$ 1,166,576	\$ 1,429,614	\$ 25,348,606
LIABILITIES															
Current liabilities:															
Accounts payable and accrued liabilities	\$ 162,147	\$ 213,215	\$ 286,349	\$ 439	\$ -	\$ 822,987	\$ 58,194	\$ 51,663	\$ 2,746	\$ -	\$ 269,272	\$ -	\$ 3,490	\$ -	\$ 1,870,502
Due to other funds	300,162	-	383,073	-	-	-	-	380,697	-	-	-	-	-	1,241,679	2,306,611
Escrow payable	-	-	-	-	-	-	-	-	-	-	365,571	-	-	-	365,571
Deferred revenues	-	-	-	-	-	39,352	-	-	365,506	-	-	-	-	-	404,858
Due to other governments	-	-	-	-	-	-	-	-	-	-	-	-	564,047	-	564,047
Total Liabilities	462,309	213,215	669,422	439	-	862,339	58,194	432,360	368,252	-	634,843	-	567,537	1,241,679	5,510,589
FUND BALANCES															
Reserved for:															
Construction	-	-	-	-	9,187,256	-	-	-	-	1,414,750	-	-	-	-	10,602,006
Housing	-	3,586,470	-	-	-	-	-	-	-	-	-	-	-	-	3,586,470
Unreserved	(28,755)	-	535,110	795,009	-	910,880	2,047,808	397	40,576	-	497,256	64,286	599,039	187,935	5,649,541
Total fund balances	(28,755)	3,586,470	535,110	795,009	9,187,256	910,880	2,047,808	397	40,576	1,414,750	497,256	64,286	599,039	187,935	19,838,017
Total Liabilities and Fund Balances	\$ 433,554	\$ 3,799,685	\$ 1,204,532	\$ 795,448	\$ 9,187,256	\$ 1,773,219	\$ 2,106,002	\$ 432,757	\$ 408,828	\$ 1,414,750	\$ 1,132,099	\$ 64,286	\$ 1,166,576	\$ 1,429,614	\$ 25,348,606

City of Garland, Texas
 Nonmajor Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended September 30, 2008

	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	\$ -	\$ -	\$ -	\$ 469,185	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 566,098	\$ 1,035,283
Rent	-	-	-	-	-	-	-	-	-	-	-	-	4,923	-	4,923
Earnings on investments	241	93,688	12,940	16,451	263,450	226,736	73,364	-	3,696	43,825	26,924	1,989	(4,280)	3,383	762,407
Intergovernmental	2,224,749	11,832,685	2,516,302	-	-	-	-	877,432	1,084,536	-	-	-	614,364	-	19,150,068
Assessments	-	-	-	-	-	7,650	-	-	-	-	-	-	-	-	7,650
Impact Fees	-	-	-	-	728,946	-	-	-	-	-	-	-	-	-	728,946
Contributions	8,111	-	-	-	-	-	-	-	-	-	-	62	-	-	8,173
Program income	85,575	-	166,104	-	-	-	-	-	-	-	-	-	-	-	251,679
Awards	-	-	-	-	-	-	-	-	-	-	347,993	-	-	-	347,993
Miscellaneous and other	-	967,925	499	-	-	75,305	-	48,750	29,708	-	3,214	-	-	-	1,125,401
Total Revenues	2,318,676	12,894,298	2,695,845	485,636	992,396	309,691	73,364	926,182	1,117,940	43,825	378,131	2,051	615,007	569,481	23,422,523
EXPENDITURES															
Current:															
Operations	1,420,060	12,609,461	2,805,943	131,876	-	10,459,524	277,688	921,516	478,743	28,662	441,554	1,174	74,712	1,350	29,652,263
Capital outlay	882,964	-	-	-	-	178,512	-	-	628,381	-	179,315	-	-	-	1,869,172
Total Expenditures	2,303,024	12,609,461	2,805,943	131,876	-	10,638,036	277,688	921,516	1,107,124	28,662	620,869	1,174	74,712	1,350	31,521,435
Excess (deficiency) of revenues over (under) expenditures	15,652	284,837	(110,098)	353,760	992,396	(10,328,345)	(204,324)	4,666	10,816	15,163	(242,738)	877	540,295	568,131	(8,098,912)
OTHER FINANCING SOURCES (USES)															
Transfers in	-	-	-	-	-	9,206,892	-	-	-	-	-	-	-	-	9,206,892
Transfers out	-	-	-	-	-	-	(200,000)	-	-	-	-	-	(1,260,000)	-	(1,460,000)
Total other financing sources (uses)	-	-	-	-	-	9,206,892	(200,000)	-	-	-	-	-	(1,260,000)	-	7,746,892
Net change in fund balances	15,652	284,837	(110,098)	353,760	992,396	(1,121,453)	(404,324)	4,666	10,816	15,163	(242,738)	877	(719,705)	568,131	(352,020)
Fund balances - beginning	(44,407)	3,301,633	645,208	441,249	8,194,860	2,032,333	2,452,132	(4,269)	29,760	1,399,587	739,994	63,409	1,318,744	(380,196)	20,190,037
Fund balances - ending	\$ (28,755)	\$ 3,586,470	\$ 535,110	\$ 795,009	\$ 9,187,256	\$ 910,880	\$ 2,047,808	\$ 397	\$ 40,576	\$ 1,414,750	\$ 497,256	\$ 64,286	\$ 599,039	\$ 187,935	\$ 19,838,017

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, 2008

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
Revenues:				
General property taxes	\$ 32,306,326	\$ 32,129,239	\$ 32,655,213	\$ 525,974
Earnings on investments	400,000	300,000	314,355	14,355
Miscellaneous and other	299,579	299,579	8,829	(290,750)
Total Revenues	<u>33,005,905</u>	<u>32,728,818</u>	<u>32,978,397</u>	<u>249,579</u>
Expenditures:				
Principal retirement	15,317,100	15,317,100	15,317,098	2
Interest	13,771,038	13,773,332	11,353,053	2,420,279
Issue costs on issuance of debt	-	-	163,964	(163,964)
Fiscal charges and other	146,905	146,905	162,728	(15,823)
Total Expenditures	<u>29,235,043</u>	<u>29,237,337</u>	<u>26,996,843</u>	<u>2,240,494</u>
Excess of revenues over expenditures	<u>3,770,862</u>	<u>3,491,481</u>	<u>5,981,554</u>	<u>2,490,073</u>
Other financing sources:				
Proceeds of general obligation refunding bonds	-	-	26,940,000	26,940,000
Payment to general obligation refunded bond escrow agent	-	-	(27,401,656)	(27,401,656)
Transfers in	361,839	361,839	361,839	-
Transfers out	<u>(4,200,000)</u>	<u>(4,200,000)</u>	<u>(4,240,000)</u>	<u>40,000</u>
Total other financing sources	<u>(3,838,161)</u>	<u>(3,838,161)</u>	<u>(4,339,817)</u>	<u>(421,656)</u>
Net change in fund balances	(67,299)	(346,680)	1,641,737	2,068,417
Fund balance, beginning of year	<u>3,643,875</u>	<u>3,643,875</u>	<u>3,643,875</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,576,576</u>	<u>\$ 3,297,195</u>	<u>\$ 5,285,612</u>	<u>\$ 2,068,417</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, 2008

	Hotel/Motel Tax				Infrastructure Repair				Narcotic Seizure			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:												
Occupancy taxes	\$ 445,826	\$ 473,558	\$ 469,185	\$ (4,373)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	16,451	16,451	180,000	238,000	226,736	(11,264)	-	-	26,924	26,924
Assessments	-	-	-	-	6,000	2,500	7,650	5,150	-	-	-	-
Special event income	9,050	10,000	-	(10,000)	-	-	-	-	-	-	-	-
Miscellaneous and other	-	-	-	-	12,000	-	75,305	75,305	-	-	351,207	351,207
Total revenues	<u>454,876</u>	<u>483,558</u>	<u>485,636</u>	<u>2,078</u>	<u>198,000</u>	<u>240,500</u>	<u>309,691</u>	<u>69,191</u>	<u>-</u>	<u>-</u>	<u>378,131</u>	<u>378,131</u>
Expenditures:												
Current:												
Operations	326,837	326,837	131,876	194,961	9,878,133	10,365,232	10,459,524	(94,292)	516,446	648,415	441,554	206,861
Capital	-	-	-	-	-	-	178,512	(178,512)	-	-	179,315	(179,315)
Total expenditures	<u>326,837</u>	<u>326,837</u>	<u>131,876</u>	<u>194,961</u>	<u>9,878,133</u>	<u>10,365,232</u>	<u>10,638,036</u>	<u>(272,804)</u>	<u>516,446</u>	<u>648,415</u>	<u>620,869</u>	<u>27,546</u>
Excess (deficiency) of revenues over expenditures	<u>128,039</u>	<u>156,721</u>	<u>353,760</u>	<u>197,039</u>	<u>(9,680,133)</u>	<u>(10,124,732)</u>	<u>(10,328,345)</u>	<u>(203,613)</u>	<u>(516,446)</u>	<u>(648,415)</u>	<u>(242,738)</u>	<u>405,677</u>
Other financing sources:												
Transfers in	-	-	-	-	9,206,892	9,206,892	9,206,892	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,206,892</u>	<u>9,206,892</u>	<u>9,206,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	128,039	156,721	353,760	197,039	(473,241)	(917,840)	(1,121,453)	(203,613)	(516,446)	(648,415)	(242,738)	405,677
Fund balances (deficit), beginning of year	441,249	441,249	441,249	-	2,032,333	2,032,333	2,032,333	-	739,994	739,994	739,994	-
Fund balances (deficit), end of year	<u>\$ 569,288</u>	<u>\$ 597,970</u>	<u>\$ 795,009</u>	<u>\$ 197,039</u>	<u>\$ 1,559,092</u>	<u>\$ 1,114,493</u>	<u>\$ 910,880</u>	<u>\$ (203,613)</u>	<u>\$ 223,548</u>	<u>\$ 91,579</u>	<u>\$ 497,256</u>	<u>\$ 405,677</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, 2008**

	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	\$ -	\$ 57,795	\$ 195,662	\$ 58,052	\$ 153,681	\$ 465,190
Investments	-	99,099	335,494	99,539	262,996	797,128
Receivable, net of allowance	158,251	-	290,252	-	1,725,223	2,173,726
Accrued interest	-	773	2,641	802	1,499	5,715
Due from other funds	287,007	-	-	-	-	287,007
<i>Restricted assets</i>						
Construction funds:						
Cash and cash equivalents	52,441	-	-	-	435,413	487,854
Investments	89,918	-	-	-	746,585	836,503
Accrued interest	770	-	-	-	5,198	5,968
Total current assets	588,387	157,667	824,049	158,393	3,330,595	5,059,091
Capital Assets						
Land	9,111,400	1,776,208	-	-	298,936	11,186,544
System	13,034,451	719,149	3,395,007	202,025	8,678,746	26,029,378
Construction in progress	268,613	-	-	-	31,749	300,362
Less accumulated depreciation	(4,645,756)	(555,589)	(1,996,447)	(134,719)	(4,128,926)	(11,461,437)
Net capital assets	17,768,708	1,939,768	1,398,560	67,306	4,880,505	26,054,847
Unamortized bond discount and issue cost	-	-	-	-	184,209	184,209
Total noncurrent assets	17,768,708	1,939,768	1,398,560	67,306	5,064,714	26,239,056
Total assets	\$ 18,357,095	\$ 2,097,435	\$ 2,222,609	\$ 225,699	\$ 8,395,309	\$ 31,298,147

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Assets
September 30, 2008

	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	\$ 14,234	\$ -	\$ 153,217	\$ 38,108	\$ 227,389	\$ 432,948
Insurance claims payable	36,560	-	31,517	-	110,941	179,018
Accrued general obligation interest	-	-	-	-	1,544	1,544
Accrued certificates of obligation interest	-	-	-	-	27,787	27,787
General obligation bonds	-	-	-	-	105,000	105,000
Certificates of obligation	-	-	-	-	985,000	985,000
Due to other funds	1,961,732	-	-	-	-	1,961,732
Compensated absences	49,483	-	66,519	-	185,671	301,673
<i>Total payable from current assets</i>	<u>2,062,009</u>	<u>-</u>	<u>251,253</u>	<u>38,108</u>	<u>1,643,332</u>	<u>3,994,702</u>
<i>Payable from restricted assets:</i>						
Accounts payable	536	-	-	-	701	1,237
Due to other governments	3,015	-	-	-	31,792	34,807
<i>Total payable from restricted assets</i>	<u>3,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,493</u>	<u>36,044</u>
Total current liabilities	<u>2,065,560</u>	<u>-</u>	<u>251,253</u>	<u>38,108</u>	<u>1,675,825</u>	<u>4,030,746</u>
Long-term Liabilities						
Advance from other funds	61,409	-	-	-	-	61,409
Certificates of obligation	-	-	-	-	3,250,000	3,250,000
Compensated absences	51,307	-	2,231	1,944	12,353	67,835
Unamortized bond premium, and defeased bond cost	-	-	-	-	212,757	212,757
Total long-term liabilities	<u>112,716</u>	<u>-</u>	<u>2,231</u>	<u>1,944</u>	<u>3,475,110</u>	<u>3,592,001</u>
Total Liabilities	<u>2,178,276</u>	<u>-</u>	<u>253,484</u>	<u>40,052</u>	<u>5,150,935</u>	<u>7,622,747</u>
NET ASSETS						
Invested in capital assets, net of related debt	17,768,708	1,939,768	1,398,560	67,306	1,698,452	22,872,794
Unrestricted (deficit)	(1,589,889)	157,667	570,565	118,341	1,545,922	802,606
Total net assets	<u>\$ 16,178,819</u>	<u>\$ 2,097,435</u>	<u>\$ 1,969,125</u>	<u>\$ 185,647</u>	<u>\$ 3,244,374</u>	<u>\$ 23,675,400</u>

City of Garland
Nonmajor Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2008

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
OPERATING REVENUES						
Charges for services	\$ 2,069,842	\$ 6,299	\$ 3,160,313	\$ 744,918	\$ 15,574,619	\$ 21,555,991
Other	3,260	-	7,924	35,075	58,928	105,187
Total Operating Revenues	<u>2,073,102</u>	<u>6,299</u>	<u>3,168,237</u>	<u>779,993</u>	<u>15,633,547</u>	<u>21,661,178</u>
OPERATING EXPENSES						
Salaries and benefits	1,660,249	-	1,656,786	96,844	4,815,464	8,229,343
Landfill fees	-	-	-	-	3,596,774	3,596,774
Maintenance, repairs, and supplies	590,638	-	1,039,174	581,157	4,430,463	6,641,432
Insurance and other expenses	-	-	-	-	404,321	404,321
General and administrative	4,694	-	254,163	11,501	1,394,193	1,664,551
Insurance claims payable	36,560	-	31,517	-	110,941	179,018
Depreciation	553,134	27,544	234,881	18,053	826,145	1,659,757
Total Operating Expenses	<u>2,845,275</u>	<u>27,544</u>	<u>3,216,521</u>	<u>707,555</u>	<u>15,578,301</u>	<u>22,375,196</u>
Total Operating Income (Loss)	<u>(772,173)</u>	<u>(21,245)</u>	<u>(48,284)</u>	<u>72,438</u>	<u>55,246</u>	<u>(714,018)</u>
NONOPERATING REVENUES (EXPENSES)						
Gain on sale of capital assets	-	-	39,491	-	4,416	43,907
Earnings from investments:						
Current operations	-	4,660	14,341	4,265	21,129	44,395
Construction fund	6,748	-	-	-	41,760	48,508
Total earnings on investments	<u>6,748</u>	<u>4,660</u>	<u>14,341</u>	<u>4,265</u>	<u>62,889</u>	<u>92,903</u>

City of Garland
Nonmajor Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2008

	<u>Business-Type Activities - Enterprise Funds</u>					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
Interest expense:						
Certificates of obligation	-	-	-	-	(157,712)	(157,712)
General obligation bonds	-	-	-	-	(1,544)	(1,544)
Advance from other funds	(3,454)	-	-	-	-	(3,454)
	<u>(3,454)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(159,256)</u>	<u>(162,710)</u>
Total interest expense						
	(3,454)	-	-	-	(159,256)	(162,710)
Income (loss) before transfers	<u>(768,879)</u>	<u>(16,585)</u>	<u>5,548</u>	<u>76,703</u>	<u>(36,705)</u>	<u>(739,918)</u>
TRANSFERS						
Transfers in	250,000	-	11,917	-	-	261,917
Transfers out	-	-	(8,825)	(37,000)	(74,159)	(119,984)
	<u>250,000</u>	<u>-</u>	<u>3,092</u>	<u>(37,000)</u>	<u>(74,159)</u>	<u>141,933</u>
Total transfers						
	250,000	-	3,092	(37,000)	(74,159)	141,933
NET INCOME (LOSS)	<u>(518,879)</u>	<u>(16,585)</u>	<u>8,640</u>	<u>39,703</u>	<u>(110,864)</u>	<u>(597,985)</u>
Net assets, beginning of year	16,697,698	2,114,020	1,960,485	145,944	3,355,238	24,273,385
Net assets, end of year	<u>\$ 16,178,819</u>	<u>\$ 2,097,435</u>	<u>\$ 1,969,125</u>	<u>\$ 185,647</u>	<u>\$ 3,244,374</u>	<u>\$ 23,675,400</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2008

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Cash flows from operating activities:						
Cash received from customers	\$ 2,095,695	\$ 6,299	\$ 3,171,733	\$ 744,918	\$ 15,437,925	\$ 21,456,570
Cash payments for goods and services	(647,857)	-	(1,233,174)	(566,407)	(9,842,605)	(12,290,043)
Cash payments to employees for services	(1,670,142)	-	(1,650,407)	(96,609)	(4,808,884)	(8,226,042)
Other operating revenues	3,260	-	7,924	35,075	58,928	105,187
Net cash provided (used for) by operating activities	<u>(219,044)</u>	<u>6,299</u>	<u>296,076</u>	<u>116,977</u>	<u>845,364</u>	<u>1,045,672</u>
Cash flows from non-capital financing activities:						
Due to other governments	3,015	-	-	-	31,792	34,807
Due from other funds - (increase) decreases	(287,007)	-	10,051	-	-	(276,956)
Due to other funds	270,154	-	(9,246)	-	(294,218)	(33,310)
Transfers in	250,000	-	11,917	-	-	261,917
Transfers out	-	-	(8,825)	(37,000)	(74,159)	(119,984)
Net cash provided by (used for) non-capital financing activities	<u>236,162</u>	<u>-</u>	<u>3,897</u>	<u>(37,000)</u>	<u>(336,585)</u>	<u>(133,526)</u>
Cash flows from capital and related financing activities:						
Certificate of obligation issues	-	-	-	-	855,000	855,000
Premium on issuance of debt	-	-	-	-	1,678	1,678
General obligation issues	-	-	-	-	105,000	105,000
Bond issue expense	-	-	-	-	(16,678)	(16,678)
Acquisition of capital assets	(79,860)	-	(164,242)	-	(2,062,651)	(2,306,753)
Principal paid on certificates of obligation	-	-	-	-	(851,762)	(851,762)
Decrease in advance from other funds	(10,649)	-	-	-	-	(10,649)
Payment to escrow agent	-	-	-	-	(105,000)	(105,000)
Interest paid on certificates of obligation	-	-	-	-	(218,997)	(218,997)
Interest paid on advances from other funds	(3,454)	-	-	-	-	(3,454)
Proceeds from sale of fixed assets	-	-	39,491	-	4,416	43,907
Net cash used for capital and related financing activities	<u>(93,963)</u>	<u>-</u>	<u>(124,751)</u>	<u>-</u>	<u>(2,288,994)</u>	<u>(2,507,708)</u>
Cash flows from investing activities:						
Purchase of investment securities	(98,300)	(108,457)	(435,136)	(146,397)	(1,102,412)	(1,890,702)
Proceeds from the sale and maturity of investment securities	140,490	100,263	312,941	92,899	2,151,046	2,797,639
Interest received on investments	7,127	4,663	13,518	3,702	74,469	103,479
Net cash provided by (used for) investing activities	<u>49,317</u>	<u>(3,531)</u>	<u>(108,677)</u>	<u>(49,796)</u>	<u>1,123,103</u>	<u>1,010,416</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2008

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Net decrease in cash and cash equivalents	(27,528)	2,768	66,545	30,181	(657,112)	(585,146)
Cash and cash equivalents at beginning of year	79,969	55,027	129,117	27,871	1,246,206	1,538,190
Cash and cash equivalents at end of year	<u>\$ 52,441</u>	<u>\$ 57,795</u>	<u>\$ 195,662</u>	<u>\$ 58,052</u>	<u>\$ 589,094</u>	<u>\$ 953,044</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (772,173)	\$ (21,245)	\$ (48,284)	\$ 72,438	\$ 55,246	\$ (714,018)
Adjustments:						
Depreciation	553,134	27,544	234,881	18,053	826,145	1,659,757
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	25,853	-	11,420	-	(136,694)	(99,421)
Increase (decrease) in accounts payable	(52,525)	-	60,163	26,251	(16,854)	17,035
Increase (decrease) in compensated absences	(9,893)	-	6,379	235	6,580	3,301
Increase (decrease) in insurance claims payable	36,560	-	31,517	-	110,941	179,018
Total adjustments	<u>553,129</u>	<u>27,544</u>	<u>344,360</u>	<u>44,539</u>	<u>790,118</u>	<u>1,759,690</u>
Net cash provided by (used for) operating activities	<u>\$ (219,044)</u>	<u>\$ 6,299</u>	<u>\$ 296,076</u>	<u>\$ 116,977</u>	<u>\$ 845,364</u>	<u>\$ 1,045,672</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, 2008

	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
ASSETS										
Current assets:										
<i>Unrestricted</i>										
Cash and cash equivalents	\$ 1,991,730	\$ 1,566,763	\$ 163,054	\$ 200	\$ 3,086,896	\$ 3,971,927	\$ 431,749	\$ -	\$ 3,893,296	\$ 15,105,615
Investments	3,415,138	2,686,466	279,583	-	5,292,977	6,810,504	740,303	-	4,905,111	24,130,082
Accrued interest	27,050	19,637	2,208	-	42,987	91,353	5,991	26	37,470	226,722
Other Receivables	-	1,000,000	-	-	-	4,389	-	-	910,685	1,915,074
Due from other funds	-	-	-	283,577	-	71,275	-	-	4,579	359,431
Inventories	-	-	-	217,894	-	-	-	5,627,919	-	5,845,813
<i>Restricted assets</i>										
<i>Construction funds:</i>										
Cash and cash equivalents	-	-	-	132,564	-	1,748,269	-	1,982	3,740,086	5,622,901
Investments	-	-	-	227,303	-	2,997,687	-	3,399	6,412,975	9,641,364
Accrued interest	-	-	-	1,785	-	22,067	-	27	39,331	63,210
Total construction funds	-	-	-	361,652	-	4,768,023	-	5,408	10,192,392	15,327,475
Total current assets	5,433,918	5,272,866	444,845	863,323	8,422,860	15,717,471	1,178,043	5,633,353	19,943,533	62,910,212
Capital assets										
System	21,834	24,844	-	2,174,033	26,318,274	32,385,383	308,956	493,392	820,215	62,546,931
Construction in progress	-	-	-	129,634	-	10,132,755	-	-	5,293,956	15,556,345
Less accumulated depreciation	(9,552)	(24,844)	-	(1,332,572)	(19,170,108)	(21,934,585)	(300,893)	(412,982)	(584,943)	(43,770,479)
Net capital assets	12,282	-	-	971,095	7,148,166	20,583,553	8,063	80,410	5,529,228	34,332,797
Unamortized bond discount and issue cost	-	-	-	65,033	-	313,613	-	(20)	90,100	468,726
Total noncurrent assets	12,282	-	-	1,036,128	7,148,166	20,897,166	8,063	80,390	5,619,328	34,801,523
Total assets	5,446,200	5,272,866	444,845	1,899,451	15,571,026	36,614,637	1,186,106	5,713,743	25,562,861	97,711,735
LIABILITIES										
Current Liabilities:										
<i>Payable from current assets</i>										
Accounts payable and accrued liabilities	464,812	447,178	-	723,617	222,385	934,861	376,456	445,918	497,385	4,112,612
Accrued interest payable:										
General obligation bonds	-	-	-	1,983	-	453	-	188	5,008	7,632
Certificates of obligation	-	-	-	2,526	-	122,921	-	156	51,089	176,692
Customer deposits	-	-	-	-	-	-	-	-	8,926,779	8,926,779
Due to other funds	-	1,000,000	-	262,059	-	-	-	-	-	1,262,059
Compensated absences	8,217	21,866	-	83,888	-	193,992	96,486	26,724	183,809	614,982
Insurance claims payable	3,171,809	2,454,027	916,478	46,646	-	81,945	45,385	13,868	118,505	6,848,663
General obligation bonds	-	-	-	15,000	-	15,000	-	-	10,000	40,000
Certificates of obligation	-	-	-	15,000	-	1,380,000	-	3,149	205,000	1,603,149
Total payable from current assets	3,644,838	3,923,071	916,478	1,150,719	222,385	2,729,172	518,327	490,003	9,997,575	23,592,568
<i>Payable from restricted assets</i>										
Accounts payable	-	-	-	-	-	1,077,441	-	-	59,795	1,137,236
Retainage payable	-	-	-	-	-	156,319	-	-	-	156,319
Due to other governments	-	-	-	2,683	-	35,941	-	-	12,260	50,884
Total payable from restricted assets	-	-	-	2,683	-	1,269,701	-	-	72,055	1,344,439
Total Current Liabilities	3,644,838	3,923,071	916,478	1,153,402	222,385	3,998,873	518,327	490,003	10,069,630	24,937,007
Long-term Liabilities:										
Advances from other funds	-	-	-	-	-	-	-	5,178,398	-	5,178,398
Certificates of obligation	-	-	-	390,000	-	11,185,000	-	22,338	4,780,000	16,377,338
General obligation bonds	-	-	-	140,000	-	40,000	-	30,000	795,000	1,005,000
Unamortized bond premium, and defeased bond cost	-	-	-	87,095	-	206,535	-	(88)	40,336	333,878
Compensated absences	8,080	20,402	-	8,569	-	87,278	11,275	-	-	135,604
Insurance claims payable	-	3,922,541	3,774,547	-	-	-	-	-	-	7,697,088
Total Long-term Liabilities	8,080	3,942,943	3,774,547	625,664	-	11,518,813	11,275	5,230,648	5,615,336	30,727,306
Total Liabilities	3,652,918	7,866,014	4,691,025	1,779,066	222,385	15,517,686	529,602	5,720,651	15,684,966	55,664,313
NET ASSETS										
Invested in capital assets, net of related debt	12,282	-	-	750,685	7,148,166	11,604,894	8,063	30,399	9,921,589	29,476,078
Unrestricted	1,781,000	(2,593,148)	(4,246,180)	(630,300)	8,200,475	9,492,057	648,441	(37,307)	(43,694)	12,571,344
Total net assets	\$ 1,793,282	\$ (2,593,148)	\$ (4,246,180)	\$ 120,385	\$ 15,348,641	\$ 21,096,951	\$ 656,504	\$ (6,908)	\$ 9,877,895	\$ 42,047,422

City of Garland, Texas
Internal Service Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2008

	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	\$ -	\$ -	\$ -	\$ 7,678,830	\$ 3,123,060	\$ 16,689,908	\$ 6,044,305	\$ 939,596	\$ 9,901,478	\$ 44,377,177
Premiums	15,760,705	5,859,109	453,299	-	-	-	-	-	-	22,073,113
Other	1,767,531	1,347,358	-	11,700	-	298,347	-	3,753	154,383	3,583,072
Total Operating Revenues	17,528,236	7,206,467	453,299	7,690,530	3,123,060	16,988,255	6,044,305	943,349	10,055,861	70,033,362
OPERATING EXPENSES:										
Salaries and benefits	335,062	660,254	-	1,910,529	-	5,046,751	1,689,396	603,191	5,008,100	15,253,283
Maintenance, repairs, and supplies	149,705	91,281	-	4,626,518	49,845	4,701,325	3,833,448	168,259	1,737,378	15,357,759
Premiums	7,016,925	1,611,359	-	-	-	-	-	-	-	8,628,284
Claims	9,094,900	2,957,069	480,237	-	-	-	-	-	-	12,532,206
Insurance claims payable - increase (decrease)	114,819	(318,979)	503,579	46,646	-	81,945	45,385	13,868	118,505	605,768
Administrative services	505,793	71,100	-	-	-	-	-	-	-	576,893
General and administrative	115,592	209,099	-	545,300	-	1,285,239	366,406	294,163	3,139,425	5,955,224
Depreciation	2,729	204	-	84,069	2,771,922	2,086,457	6,637	8,247	46,699	5,006,964
Total Operating Expenses	17,335,525	5,281,387	983,816	7,213,062	2,821,767	13,201,717	5,941,272	1,087,728	10,050,107	63,916,381
Total Operating Income (Loss)	192,711	1,925,080	(530,517)	477,468	301,293	3,786,538	103,033	(144,379)	5,754	6,116,981
NONOPERATING REVENUES (EXPENSES):										
Earnings from investments:										
Current operations	169,801	68,466	14,020	(258)	253,473	562,861	34,795	5,446	172,010	1,280,614
Construction fund	-	-	-	11,250	-	29,481	-	168	219,267	260,166
Interest expense	-	-	-	(22,168)	-	(242,469)	-	(2,809)	(144,881)	(412,327)
Gain (loss) on sale of capital assets	-	(362)	-	-	245,465	-	(86)	-	-	245,017
Total nonoperating revenues (expenses)	169,801	68,104	14,020	(11,176)	498,938	349,873	34,709	2,805	246,396	1,373,470
Income (loss) before transfers	362,512	1,993,184	(516,497)	466,292	800,231	4,136,411	137,742	(141,574)	252,150	7,490,451
TRANSFERS										
Transfers in	-	-	-	385,819	334,661	250,000	-	-	3,968,375	4,938,855
Transfers out	-	(1,066,583)	-	-	(585,819)	-	-	(34,390)	-	(1,686,792)
Net transfers	-	(1,066,583)	-	385,819	(251,158)	250,000	-	(34,390)	3,968,375	3,252,063
NET INCOME (LOSS)	362,512	926,601	(516,497)	852,111	549,073	4,386,411	137,742	(175,964)	4,220,525	10,742,514
Net assets, beginning of year	1,430,770	(3,519,749)	(3,729,683)	(731,726)	14,799,568	16,710,540	518,762	169,056	5,657,370	31,304,908
Net assets, end of year	\$ 1,793,282	\$ (2,593,148)	\$ (4,246,180)	\$ 120,385	\$ 15,348,641	\$ 21,096,951	\$ 656,504	\$ (6,908)	\$ 9,877,895	\$ 42,047,422

GARLAND

City of Garland, Texas
Internal Service Funds
Statement of Cash Flows
For the Year Ended September 30, 2008

	Group Health	Self Insurance	LTD Insurance	Print Shop	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
Cash flows from operating activities:											
Cash received from customers	\$ 15,760,705	\$ 4,859,109	\$ 453,299	\$ -	\$ 7,678,830	\$ 3,123,059	\$ 16,685,519	\$ 6,057,922	\$ 939,596	\$ 9,795,494	\$ 65,353,533
Cash received for customer deposits	-	-	-	-	-	-	-	-	-	429,166	429,166
Cash payments for goods and services	(17,021,059)	(4,712,207)	(480,237)	-	(5,167,395)	(49,845)	(5,498,876)	(3,975,794)	(327,850)	(5,011,012)	(42,244,275)
Cash payments to employees for services	(335,009)	(656,603)	-	-	(1,896,534)	-	(5,021,381)	(1,684,016)	(600,686)	(5,032,678)	(15,226,907)
Other operating revenues	1,767,531	1,347,358	-	-	11,700	-	298,347	-	3,753	154,383	3,583,072
Net cash provided (used) by operating activities	172,168	837,657	(26,938)	-	626,601	3,073,214	6,463,609	398,112	14,813	335,353	11,894,589
Cash flows from non-capital financing activities:											
Due to other government - (decrease)	-	-	-	-	2,683	-	35,941	-	-	12,260	50,884
Due from other funds - (increase)	-	30	-	-	165,816	-	21	-	37,405	-	203,272
Due to other funds - increase (decrease)	-	1,000,000	-	(37,291)	(1,098,555)	-	(5,196,040)	(2,584)	(68)	(10,595)	(5,345,133)
Advances from other funds - increase	-	-	-	-	-	-	-	-	(5,249)	-	(5,249)
Transfers in	-	-	-	-	385,819	334,661	250,000	-	-	3,968,375	4,938,855
Transfers out	-	(1,066,583)	-	-	-	(585,819)	-	-	(34,390)	-	(1,686,792)
Net cash provided by (used for) non-capital financing activities	-	(66,553)	-	(37,291)	(544,237)	(251,158)	(4,910,078)	(2,584)	(2,302)	3,970,040	(1,844,163)
Cash flows from capital and financing activities:											
Certificate of obligation issues	-	-	-	-	-	-	9,495,000	-	-	3,545,000	13,040,000
General obligation issues	-	-	-	-	120,000	-	15,000	-	-	40,000	175,000
Acquisition of capital assets	-	1,191	-	-	(20,122)	(2,324,956)	(9,251,505)	-	(12,153)	(5,105,249)	(16,712,794)
Principal paid on certificates of obligation	-	-	-	-	(29,332)	-	(730,000)	-	(3,014)	(105,000)	(867,346)
Interest paid on certificates of obligation	-	-	-	-	(30,340)	-	(24,985)	-	(1,319)	(67,591)	(124,235)
Interest paid on general obligations	-	-	-	-	(1,750)	-	(1,863)	-	(1,500)	(35,362)	(40,475)
Premium on issuance of debt	-	-	-	-	-	-	16,780	-	-	6,153	22,933
Bond issue expense	-	-	-	-	(214)	-	(166,780)	-	-	(61,153)	(228,147)
Payment to escrow agent	-	-	-	-	(120,604)	-	(15,000)	-	-	(40,000)	(175,604)
Proceeds from sale of assets	-	(362)	-	-	-	245,465	-	-	-	-	245,103
Net cash provided by (used for) financing activities	-	829	-	-	(82,362)	(2,079,491)	(663,353)	-	(17,986)	(1,823,202)	(4,665,565)
Cash flows from investing activities:											
Purchase of investment securities	(3,737,625)	(3,064,296)	(305,928)	-	(248,750)	(5,793,433)	(13,514,465)	(967,468)	(3,720)	(13,062,675)	(40,698,360)
Proceeds from the sale and maturity of investment securities	3,479,679	2,504,632	309,950	23,113	238,723	5,102,754	12,480,157	690,559	3,622	10,552,470	35,385,659
Interest received on investments	166,355	67,070	14,295	197	11,065	249,085	553,204	32,620	5,589	389,209	1,488,689
Net cash provided by (used for) investing activities	(91,591)	(492,594)	18,317	23,310	1,038	(441,594)	(481,104)	(244,289)	5,491	(2,120,996)	(3,824,012)
Net increase (decrease) in cash and cash equivalents	80,577	279,339	(8,621)	(13,981)	1,040	300,972	409,073	151,239	16	361,195	1,560,849
Cash and cash equivalents at beginning of year	1,911,153	1,287,424	171,675	13,981	131,724	2,785,924	5,311,123	280,508	1,967	7,272,188	19,167,667
Cash and cash equivalents at end of year	\$ 1,991,730	\$ 1,566,763	\$ 163,054	\$ -	\$ 132,764	\$ 3,086,896	\$ 5,720,196	\$ 431,747	\$ 1,983	\$ 7,633,383	\$ 20,728,516
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:											
Operating income (loss)	\$ 192,711	\$ 1,925,081	\$ (530,517)	\$ -	\$ 477,468	\$ 301,292	\$ 3,786,538	\$ 103,033	\$ (144,379)	\$ 5,754	\$ 6,116,981
Adjustments:											
Depreciation	2,729	204	-	-	84,069	2,771,922	2,086,457	6,637	8,247	46,699	5,006,964
Change in assets and liabilities:											
Increase (decrease) in inventory	-	-	-	-	(25,682)	-	-	-	(90,066)	-	(115,748)
Decrease (increase) in accounts receivable	-	(1,000,000)	-	-	-	-	(4,389)	13,617	-	(105,984)	(1,096,756)
Increase (decrease) in accounts payable	(138,144)	227,700	-	-	30,105	-	487,688	224,060	224,638	(134,209)	921,838
Increase in customer deposits	-	-	-	-	-	-	-	-	-	429,166	429,166
Increase (decrease) in compensated absences	53	3,651	-	-	13,995	-	25,370	5,380	2,505	(24,578)	26,376
Increase in insurance claims payable	114,819	(318,979)	503,579	-	46,646	-	81,945	45,385	13,868	118,505	605,768
Total adjustments	(20,543)	(1,087,424)	503,579	-	149,133	2,771,922	2,677,071	295,079	159,192	329,599	5,777,608
Net cash provided by (used for) operating activities	\$ 172,168	\$ 837,657	\$ (26,938)	\$ -	\$ 626,601	\$ 3,073,214	\$ 6,463,609	\$ 398,112	\$ 14,813	\$ 335,353	\$ 11,894,589
Non-cash investing:											
Insurance claims payable - increase (decrease)	114,819	(318,979)	503,579	-	46,646	-	81,945	45,385	13,868	118,505	605,768

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, 2008

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 305,326	\$ 378,635	\$ 126,841	\$ 810,802
Accounts receivable, net of allowance for uncollectibles	10,023	25,000	7,000	42,023
Accrued interest receivable	-	79	-	79
Loans Receivable	19,419	-	-	19,419
Asset held for sale	463,456	-	-	463,456
Noncurrent assets:				
Land	900,000	-	-	900,000
Total assets	<u>1,698,224</u>	<u>403,714</u>	<u>133,841</u>	<u>2,235,779</u>
LIABILITIES				
Current liabilities:				
Accounts payable	7,338	-	-	7,338
Noncurrent liabilities:				
Deferred Revenue	821,250	-	-	821,250
Total liabilities	<u>828,588</u>	<u>-</u>	<u>-</u>	<u>828,588</u>
NET ASSETS				
Invested in capital assets, net of related debt	78,750	-	-	78,750
Unrestricted	790,886	403,714	133,841	1,328,441
Total net assets	<u>\$ 869,636</u>	<u>\$ 403,714</u>	<u>\$ 133,841</u>	<u>\$ 1,407,191</u>

Component Units
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2008

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
PROGRAM REVENUES				
Charges for services	\$ 210,390	\$ 25,000	\$ 7,000	\$ 242,390
Operating grants and contributions	22,500	-	-	22,500
Miscellaneous income	645	-	-	645
Total operating revenues	<u>233,535</u>	<u>25,000</u>	<u>7,000</u>	<u>265,535</u>
EXPENSES				
Operations	<u>132,457</u>	<u>75,713</u>	<u>683</u>	<u>208,853</u>
Total operating expenses	<u>132,457</u>	<u>75,713</u>	<u>683</u>	<u>208,853</u>
Operating income	<u>101,078</u>	<u>(50,713)</u>	<u>6,317</u>	<u>56,682</u>
General revenues:				
Unrestricted investment earnings	6,407	9,591	-	15,998
Transfer between affiliates	13,800	-	-	13,800
Total net non-operating income	<u>20,207</u>	<u>9,591</u>	<u>-</u>	<u>29,798</u>
Change in net assets	121,285	(41,122)	6,317	86,480
Net assets, beginning of year	748,351	444,836	127,524	1,320,711
Net assets, end of year	<u>\$ 869,636</u>	<u>\$ 403,714</u>	<u>\$ 133,841</u>	<u>\$ 1,407,191</u>

Component Units
Combining Statement of Cash Flows
For the Year Ended September 30, 2008

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
Cash flows from operating activities:				
Cash received from customers	\$ 211,035	\$ 25,000	\$ 14,000	\$ 250,035
Cash paid for salaries and related activities	(47,605)	-	(8,442)	(56,047)
Cash paid to suppliers for goods and services	(41,528)	(108,472)	-	(150,000)
Cash paid for home owner assistance	(31,000)	-	-	(31,000)
Net cash provided (used) by operating activities	<u>90,902</u>	<u>(83,472)</u>	<u>5,558</u>	<u>12,988</u>
Cash flows from noncapital financing activities:				
Cash received from loans receivable	581	-	-	581
Cash received from affiliate	13,800	-	-	13,800
Cash paid on assets held for sale	(110,896)	-	-	(110,896)
Net cash used for noncapital financing activities	<u>(96,515)</u>	<u>-</u>	<u>-</u>	<u>(96,515)</u>
Cash flows from investing activities:				
Earnings on investments	6,524	9,615	-	16,139
Net cash provided by investing activities	<u>6,524</u>	<u>9,615</u>	<u>-</u>	<u>16,139</u>
Net increase (decrease) in cash and cash equivalents	911	(73,857)	5,558	(67,388)
Cash and cash equivalents at beginning of year	304,415	452,492	121,283	878,190
Cash and cash equivalents at end of year	<u>\$ 305,326</u>	<u>\$ 378,635</u>	<u>\$ 126,841</u>	<u>\$ 810,802</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 101,078	\$ (50,713)	\$ 6,317	\$ 56,682
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	9,060	-	7,000	16,060
Increase in uncollectable loans receivable	(21,583)	-	-	(21,583)
Increase (decrease) in accounts payable and accrued liabilities	2,347	(32,759)	(7,759)	(38,171)
Total adjustments	<u>(10,176)</u>	<u>(32,759)</u>	<u>(759)</u>	<u>(43,694)</u>
Net cash provided (used) by operating activities	<u>\$ 90,902</u>	<u>\$ (83,472)</u>	<u>\$ 5,558</u>	<u>\$ 12,988</u>

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

<u>Contents</u>	<u>Page</u>
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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.	109
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.	114
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.	116

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 Seven Fiscal Years
(accrual basis of accounting)
(unaudited)

Table 1

	Fiscal Year						
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</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
Restricted	4,547,009	9,915,653	1,921,608	9,332,603	11,148,268	16,539,955	24,872,761
Unrestricted	33,142,813	3,773,762	3,439,609	(5,114,118)	3,205,798	3,861,767	(8,120,300)
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>
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
Restricted	69,072,047	69,675,800	70,686,549	72,202,545	73,218,539	77,356,305	80,549,836
Unrestricted	128,126,679	48,296,779	38,559,211	35,223,599	85,484,980	64,523,017	71,341,607
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>
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
Restricted	73,619,056	79,591,453	72,608,157	81,535,148	84,366,807	93,896,260	105,422,597
Unrestricted	161,269,492	52,070,541	41,998,820	30,109,481	88,690,778	68,384,784	63,221,307
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>

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 Seven 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>
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
Public safety	60,351,565	62,999,309	69,028,367	71,669,173	80,537,648	82,379,317	85,948,538
Public works	32,738,057	30,529,070	32,081,450	33,252,736	35,936,678	39,645,423	41,491,649
Culture and recreation	18,079,673	17,091,792	18,117,717	18,188,655	19,160,660	19,159,881	19,925,775
Public health	2,463,345	2,525,006	2,795,918	2,581,301	2,771,112	3,085,931	3,346,806
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
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>
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
Water	21,687,201	23,212,750	25,800,512	25,806,273	25,540,630	28,221,876	29,979,447
Sewer	20,249,731	21,483,043	22,865,652	22,685,980	24,768,707	26,661,625	29,021,769
Golf	3,102,011	3,548,906	3,607,795	2,796,283	2,953,267	2,844,792	2,827,100
Heliport	40,068	30,526	34,457	28,576	76,842	28,007	27,335
Storm water management	2,872,805	3,022,324	2,953,322	2,961,292	3,535,492	3,227,420	3,192,094
Parks performance	584,615	614,297	721,368	749,667	773,516	718,131	702,176
Sanitation	12,607,400	12,717,666	13,565,161	13,301,942	13,399,591	14,741,829	15,618,088
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>
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>
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
Public safety	8,778,000	9,076,549	8,579,287	10,202,599	10,803,372	10,568,258	9,335,039
Public works	11,843,394	10,129,500	10,571,408	11,200,394	12,990,004	13,651,673	12,565,983
Culture and recreation	2,114,703	1,503,405	1,622,913	1,745,890	1,615,310	1,530,098	1,655,630
Public health	170,077	191,342	189,935	179,789	177,835	331,128	321,296
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
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
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>
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
Water	20,472,979	24,366,846	22,966,885	28,235,537	35,641,398	26,528,327	30,974,200
Sewer	22,401,028	22,638,954	24,328,999	26,719,862	34,668,202	33,628,914	35,436,808
Golf	2,086,288	2,221,772	2,193,048	2,133,498	2,224,318	2,070,839	2,069,842
Heliport	5,499	6,500	6,000	6,000	5,556	6,098	6,299
Storm water management	3,027,510	3,068,703	3,105,222	3,088,386	3,140,224	3,116,627	3,160,313
Parks performance	569,396	594,613	778,364	838,064	745,186	666,131	744,918
Sanitation	12,002,268	12,943,652	13,229,144	13,159,315	13,331,142	15,054,605	15,574,619
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
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>
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>

City of Garland
Changes in Net Assets
Last Seven 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>
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)
Business-type activities	7,386,381	(5,978,458)	(10,389,456)	9,741,260	70,858,944	28,876,839	26,515,820
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>
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
Sales taxes	18,248,669	18,181,431	18,454,380	19,368,101	22,517,489	23,278,730	23,694,596
Franchise taxes	7,876,575	7,781,687	7,146,208	7,268,396	7,883,149	8,028,128	8,372,409
Hotel/motel taxes	458,478	408,539	415,767	417,034	464,905	488,123	469,185
Mixed drink taxes	110,445	109,474	110,443	121,644	135,586	167,372	216,527
Bingo taxes	72,911	81,597	89,543	88,918	101,189	97,866	87,133
Unrestricted investment earnings	5,742,752	2,676,584	1,677,257	1,875,018	3,883,272	5,061,009	3,486,049
Miscellaneous	96,678	114,718	208,727	700,956	140,242	850,982	46,672
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
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>
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
Miscellaneous	1,060,891	3,933,343	4,630,530	2,719,099	3,595,093	4,594,955	3,235,856
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)
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>
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>
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
Business-type activities	638,603	(14,246,365)	(10,888,717)	(2,690,658)	60,017,972	19,865,299	7,724,462
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>

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Hotel/Motel Tax</u>	<u>Mixed Drink Tax</u>	<u>Bingo Tax</u>	<u>Total</u>
1999	\$ 44,244,627	\$ 16,787,163	\$ 6,150,311	\$ 510,721	\$ 86,482	\$ 66,836	\$ 67,846,140
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

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

Table 4

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,850
Unreserved	14,154,239	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
Total general fund	<u>\$ 14,154,239</u>	<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>
All other government funds										
Reserved	\$ 50,423,046	\$ 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
Unreserved, reported in:										
Special revenue funds	3,583,636	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
Capital project funds	-	-	-	-	-	-	-	-	(26,178,715)	5,649,541
Total all other governmental funds	<u>\$ 54,006,682</u>	<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>

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 61,695,829	\$ 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
Franchise fees	6,150,311	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
Service charges	11,961,917	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
Licenses and permits	1,603,990	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
Investment earnings	4,222,342	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
Intergovernmental	10,272,965	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
Intragovernmental	17,190,353	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
Fines and forfeits	3,765,551	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
Rents and concessions	500,003	544,290	626,360	533,773	582,969	1,634,362	770,684	946,539	959,214	1,066,932
Assessments	58,343	49,962	51,879	134,341	104,538	122,600	56,039	43,908	54,207	37,546
Impact fees	380,000	-	14,981	1,946,127	878,040	589,283	558,677	1,043,145	1,215,941	728,946
Contributions	1,902	1,832,135	1,275,822	2,321,702	2,205,047	194,029	582,969	1,789,346	378,732	8,173
Program income	481,154	222,549	355,456	855,348	422,702	232,812	531,270	580,242	197,794	251,679
Special event income	634,099	956,352	695,189	927,277	399,826	488,207	434,879	-	1,623	-
Miscellaneous	1,525,369	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
Awards	214,706	150,295	123,901	116,161	347,055	197,821	93,334	498,287	445,701	347,993
Total Revenues	120,658,834	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
Expenditures										
General government	6,779,219	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
Public safety	46,142,166	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
Public works	5,756,813	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
Culture and recreation	9,264,169	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
Public health	1,898,471	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
Nondepartmental	9,594,409	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
Operations	17,338,134	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
Capital Outlay	14,812,714	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
Debt service										
Principal	11,434,315	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
Interest	6,877,532	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
Issue costs on issuance of debt	-	-	-	243,458	-	-	-	-	133,969	720,789
Tri City Academy	75,129	74,077	74,175	74,061	73,957	74,091	12,721	-	-	-
Other charges	398,681	445,512	335,859	343,646	454,223	515,609	519,353	146,905	120,590	162,728
Total expenditures	130,371,752	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
Excess of revenues over (under) expenditures	(9,712,918)	(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)
Other financing sources (uses)										
Sale of capital assets	-	-	-	-	-	-	-	-	417,045	2,204,592
Transfers in	7,209,053	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
Transfers out	(7,917,726)	(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)
Issuance of debt	23,560,000	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
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)	22,851,327	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
Change in fund balance	13,138,409	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
Cumulative effect of change in accounting principle	-	-	-	-	5,498,067	-	-	-	-	-
Special item-apartment complex sale	-	-	-	-	-	4,099,431	-	-	-	-
Net change in fund balances	\$ 13,138,409	\$ 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
Debt service as a percentage of noncapital expenditures	15.85%	16.09%	15.76%	15.85%	14.99%	11.93%	13.33%	15.44%	14.54%	14.47%

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
1999	\$ 5,108,587,795	\$ 1,944,027,680	\$ 596,768,140	\$ 686,600,368	\$ 6,962,783,247	0.6336
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

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
1999	0.3790	0.2546	0.6336	1.5445	0.19720	0.1799	0.0500	1.46050	1.6257	1.5800
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

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>2008</u>			<u>1999</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%	28,112,030	8	0.40%
Plastipak Packaging	65,169,734	3	0.60%	-	-	-
Valspar/Engineered Polymer	59,742,723	4	0.55%	44,583,640	6	0.64%
Kraft Foods, Inc	55,316,531	5	0.51%	59,040,050	4	0.85%
Verizon	52,925,200	6	0.49%	-	-	-
Sears, Roebuck and Co.	51,830,097	7	0.48%	78,038,730	2	1.12%
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	-	-	-	93,494,190	1	1.34%
Eckerd Drugs, Inc.	-	-	-	72,555,620	3	1.04%
E-Systems	-	-	-	50,271,380	5	0.72%
Fleming Foods of Texas	-	-	-	43,711,360	7	0.63%
Mead Corporation	-	-	-	27,428,580	9	0.39%
Ingersoll Rand	-	-	-	27,257,480	10	0.39%
	<u>\$ 626,895,675</u>		<u>5.76%</u>	<u>\$ 524,493,060</u>		<u>7.53%</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
1999	\$ 44,116,195	\$ 43,678,152	99.01%	\$ 410,677	\$ 44,088,829	99.94%
2000	45,857,853	45,422,322	99.05%	413,616	45,835,938	99.95%
2001	50,228,511	49,773,440	99.09%	431,032	50,204,472	99.95%
2002	55,160,051	54,785,537	99.32%	342,532	55,128,069	99.94%
2003	58,730,715	57,863,914	98.52%	810,514	58,674,428	99.90%
2004	59,188,532	58,234,780	98.39%	895,089	59,129,868	99.90%
2005	61,180,242	60,323,475	98.60%	706,479	61,029,954	99.75%
2006	65,446,028	64,291,109	98.24%	928,528	65,219,638	99.65%
2007	69,481,794	68,346,908	98.37%	742,725	69,089,633	99.44%
2008	74,759,668	73,764,627	98.67%	-	73,764,627	98.67%

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

City of Garland
Ratios of Outstanding Debt by Year
Last Seven 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

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 114 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**
1999	\$ 141,831,563	\$ 2,787,011	\$ 139,044,552	2.00%	682
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

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 105 for property value data.

** Population data can be found in the Schedule of Demographic and Economic Statistics on page 114.

City of Garland
Estimated Direct and Overlapping Governmental Activities Debt
As of September 30, 2008
(unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Garland Independent School District	\$ 393,695,741	73.04%	\$ 287,555,369
Collin County	152,660,000	0.04%	61,064
Collin County Community College District	52,745,000	0.04%	21,098
Dallas County	186,401,552	6.27%	11,687,377
Dallas County Community College District	86,570,000	6.27%	5,427,939
Dallas Independent School District	1,422,770,000	0.20%	2,845,540
Richardson Independent School District	404,319,988	3.47%	14,029,904
Rockwall	20,060,000	0.01%	2,006
Mesquite Independent School District	284,322,628	1.88%	5,345,265
Subtotal, overlapping debt			326,975,563
City direct debt			<u>289,065,204</u>
Total estimated direct and overlapping debt			<u>\$ 616,040,767</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, 2008
(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 FY07 is \$.6886 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	
1999	\$ 164,345,704	\$ 140,117,135	\$ 24,228,569	\$ 1,970,294	\$ 352,998	10.43	\$ 41,602,583	\$ 27,518,854	\$ 14,083,729	\$ 5,584,706	\$ 1,481,749	1.99
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	8,455,000	3,859,710	2.20

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
1999	203,883	4,077,660	20,000	33.0	12.9	49,154	2.7%
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%

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>2008</u>			<u>1999</u>		
	<u>Employee</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employee</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Raytheon E-Systems	2,000	1	1.95%	2,500	1	2.68%
Sears Industrial Park	1,300	2	1.27%	1,985	2	2.13%
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%	-	-	-
US Food Service	490	8	0.48%	-	-	-
Northrup Grumman	450	9	0.44%	-	-	-
Interceramic	400	10	0.39%	645	5	-
Baylor Medical Center	-	-	-	1,174	3	1.26%
Software Spectrum	-	-	-	1,125	4	1.21%
Walmart Super Centers	-	-	-	618	6	0.66%
Litton Electric Optical	-	-	-	550	7	0.59%
Risistol Hats	-	-	-	517	8	0.55%
Karlee, Inc	-	-	-	466	9	0.50%
Garland Community Hospital	-	-	-	465	10	0.50%
	<u>7,740</u>		<u>7.54%</u>	<u>10,045</u>		<u>10.08%</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>1999</u>	<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>
General Government	275	286	293	294	301	307	292	291	290	297
Police										
Sworn (civil service)	280	280	290	290	301	314	314	326	327	328
Non-Sworn (non-civil service)	122	131	133	133	133	133	133	133	138	135
Fire										
Sworn (civil service)	226	230	230	230	238	246	246	254	255	255
Non-Sworn (non-civil service)	9	9	10	10	11	11	9	9	7	7
Culture and Recreation	145	158	168	167	168	168	162	162	162	162
Internal Services	218	228	236	244	247	252	246	197	201	255
Electric	183	194	200	204	228	237	236	236	247	256
Water	51	53	53	54	54	54	54	54	57	61
Sewer	106	103	103	103	103	102	102	102	102	101
Solid Waste	75	75	79	89	89	89	88	88	88	88
Stormwater Management	22	23	23	25	25	25	25	25	25	25
Golf	30	36	36	36	36	36	36	36	36	29
Special Revenue	127	128	129	129	127	128	117	162	169	117
Total FTE Employees	1,869	1,934	1,983	2,008	2,061	2,102	2,060	2,075	2,104	2,116

Source: City of Garland Budget Office

City of Garland
Operating Indicators by Function
Last Seven 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>
Police							
Physical arrests	12,719	14,737	15,418	15,933	16,166	15,440	14,019
Citations issued	64,143	65,525	50,482	59,461	61,143	60,226	60,298
Fire							
Number of calls answered	18,933	18,413	18,082	19,442	20,024	19,085	20,464
Business Inspections	5,196	6,343	7,489	6,774	7,785	7,964	5,354
Highways and streets							
Street resurfacing (miles)	31	21	18	26	20	14	19
Service maintenance requests	1,560	1,509	1,717	1,923	1,396	1,607	1,538
Parks and recreation							
Performing arts center admissions	101,040	125,700	161,681	170,939	152,508	180,000	170,000
Community center admissions	773,719	708,165	773,498	820,497	856,663	820,000	813,000
Library							
Volumes in collection	446,775	496,804	506,522	521,952	491,220	460,774	433,938
Total volumes borrowed	1,179,398	1,179,398	1,208,774	1,190,882	1,178,165	1,383,490	1,438,442
Electric							
Number of accounts	66,456	67,175	67,968	67,761	68,048	68,671	67,899
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
Water							
New connections	726	711	505	223	337	467	519
Water main breaks	228	236	213	401	507	398	247
Average daily consumption (thousands of gallons)	28,599	30,951	30,042	29,966	33,882	25,792	28,537
Wastewater							
Average daily sewage treatment (millions of gallons)	37	36	38	33	31	36	34

Sources: Various City departments

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

Sources: Various City departments

**Texas Municipal Power Agency
Condensed Financial Information
As of September 30, 2007
(reported in thousands)**

Description	Amount in (000's)
Total assets	\$ <u>1,198,095</u>
Total liabilities	1,162,286
Total net assets	<u>35,809</u>
Total liabilities and net assets	\$ <u>1,198,095</u>
Total operating revenues	\$ 261,222
Total operating expenses	<u>124,964</u>
Income from operations	136,258
Total other income(expenses)	6,440
Total interest charges	(71,215)
Deferred cost	(34,196)
Refunds to member Cities	<u>(38,908)</u>
Change in net assets	(1,621)
Net assets - beginning balance	<u>37,430</u>
Net assets - ending balance	\$ <u>35,809</u>

Source: TMPA Comprehensive Annual Financial Report

GARLAND