

CITY OF GARLAND, TEXAS COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013



CITY HALL



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CITY CENTER



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CITY OF GARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2013

CITY COUNCIL

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

CITY MANAGER

William E. Dollar

DIRECTOR OF FINANCIAL SERVICES

David Schuler

Prepared by

Department of Finance
Accounting Office

**CITY OF GARLAND, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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March 24, 2014

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, 2013 is hereby submitted. The report is published to provide detailed information concerning the financial condition of the City to our citizens and the financial community, as well as other interested parties. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

GENERAL INFORMATION – CITY OF GARLAND

The City of Garland is located in Dallas County, approximately 15 miles northeast of downtown Dallas. The City's population of 231,618 (as estimated by the City's Planning Department as of January 1, 2013) makes it the twelfth largest city in the state of Texas, and places it among the top 100 largest municipalities in the United States.

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

comprised of the Mayor and eight Council members. The City Manager is the chief administrative officer for the City.

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

Discretely presented component units are legally separate entities and not part of the primary government's operations. Accordingly, the Garland Housing Finance Corporation, the Garland Economic Development Authority, and the Garland Health Facilities Development Corporation are not included in the primary government. In accordance with GASB Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34", the City determined that the Garland Health Facilities Development Corporation and the Garland Economic Development Authority, which were discretely presented as component units in the City's financial statements in prior years, are no longer necessary to be reported within the City's financial statements and have been excluded from the City's FY2013 Comprehensive Annual Financial Report. The Garland Independent School District is excluded from this report because it is a separate governmental entity with a separately elected board of trustees.

The Garland Foundation for Development (GFFD) was organized to promote economic development and other activities within the Garland Community. The City Council serves as the board members for GFFD and the Assistant City Manager is the Executive Director. GFFD is reported as a blended component unit of the non-major enterprise golf fund and the capital project fund.

ECONOMIC CONDITIONS AND OUTLOOK

While still far from reaching pre-recession levels, overall economic conditions continued improving in 2013. This improvement is evident in the FY 2013-14 Adopted Budget which reflects an increase in the property tax base of 0.6% from last year's valuation. While only a modest improvement, it was the first time in four years the tax base did not decline. Other revenues such as sales tax, building permits, ambulance transport fees, along with many other City revenues showed strong improvement over the last twelve months. While revenues are improving, the City faces several challenges related to growing expenditures, particularly healthcare costs for employees and retirees. During the last year, the City's healthcare claims began to significantly rise. This increase in claims cost was compounded by implementation of the Affordable Care Act which places new fees on health plans and limits

out-of-pocket costs for employees. Resolving the issues related to healthcare cost became one of the main areas of focus.

To address the 2014 economic forecast, the City implemented the following goals for the 2013-14 adopted budget:

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

FINANCIAL INFORMATION

Accounting and Budgetary Controls

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

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

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

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

Changes to approved expenditures are incorporated into the current year budget throughout the year in the form of budget amendments approved by Council. These amendments, as well as updated revenues and other 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 Assistant City Manager and the City Manager. Monthly expenditure reports are distributed based on the automated accounting system that provide year-to-date expenditure totals for each line item compared to the amount expended at that point in time in the prior year.

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

Management of the City is responsible for establishing and maintaining an internal control system designed to ensure that the City's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and the evaluation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal and State financial awards, the City is 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.
- A multi-year debt service forecast is prepared to project the impact of future debt service payments on the tax rate.
- Rates, fees and charges for services are reviewed and adjusted as necessary to respond to changing financial circumstances.
- Insurance coverages are examined to ensure that policy limits are adequate and in compliance with revenue bond covenants.
- Debt is not used to fund current expenditures.
- Bonds are sold to finance long-term capital projects.
- Total tax-supported debt is maintained so as not to exceed five percent (5%) of the total assessed valuation of taxable property.
- An ending “fund balance” of 30 days of budget-based operating expenditures in the General Fund is maintained as a minimum.
- An ending “working capital balance” (current assets minus current liabilities) of 45 days is maintained in the Enterprise Fund as a minimum.
- Internal service funds are maintained to be fully self-supporting to the extent that any retained earnings deficit is recovered in the subsequent fiscal year through increased charges to benefiting departments.

OTHER INFORMATION

Independent Audit

According to Article IV, Section 7, of the City Charter, an annual audit to be performed by independent, certified public accountants, is required to be made of the financial records of the City. Deloitte & Touche LLP was selected in July 2009 by the City Council to perform the annual audits. In addition to meeting the requirements set forth in the Charter, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133. The independent auditors’ report on the basic financial 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, 2012. 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 thirty one 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

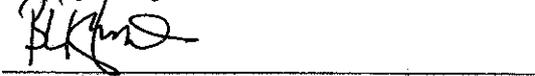
The preparation of this Comprehensive Annual Financial Report was accomplished with the professional and dedicated efforts of the staff of the Accounting Office. Appreciation is also extended to those individuals in other departments who contributed, directly or indirectly, to the development of this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



Bryan L. Bradford
Assistant City Manager



David A. Schuler
Director of Financial Services



Kathryn P. Ritchie
Accounting Administrator



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
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Reporting**

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**City of Garland
Texas**

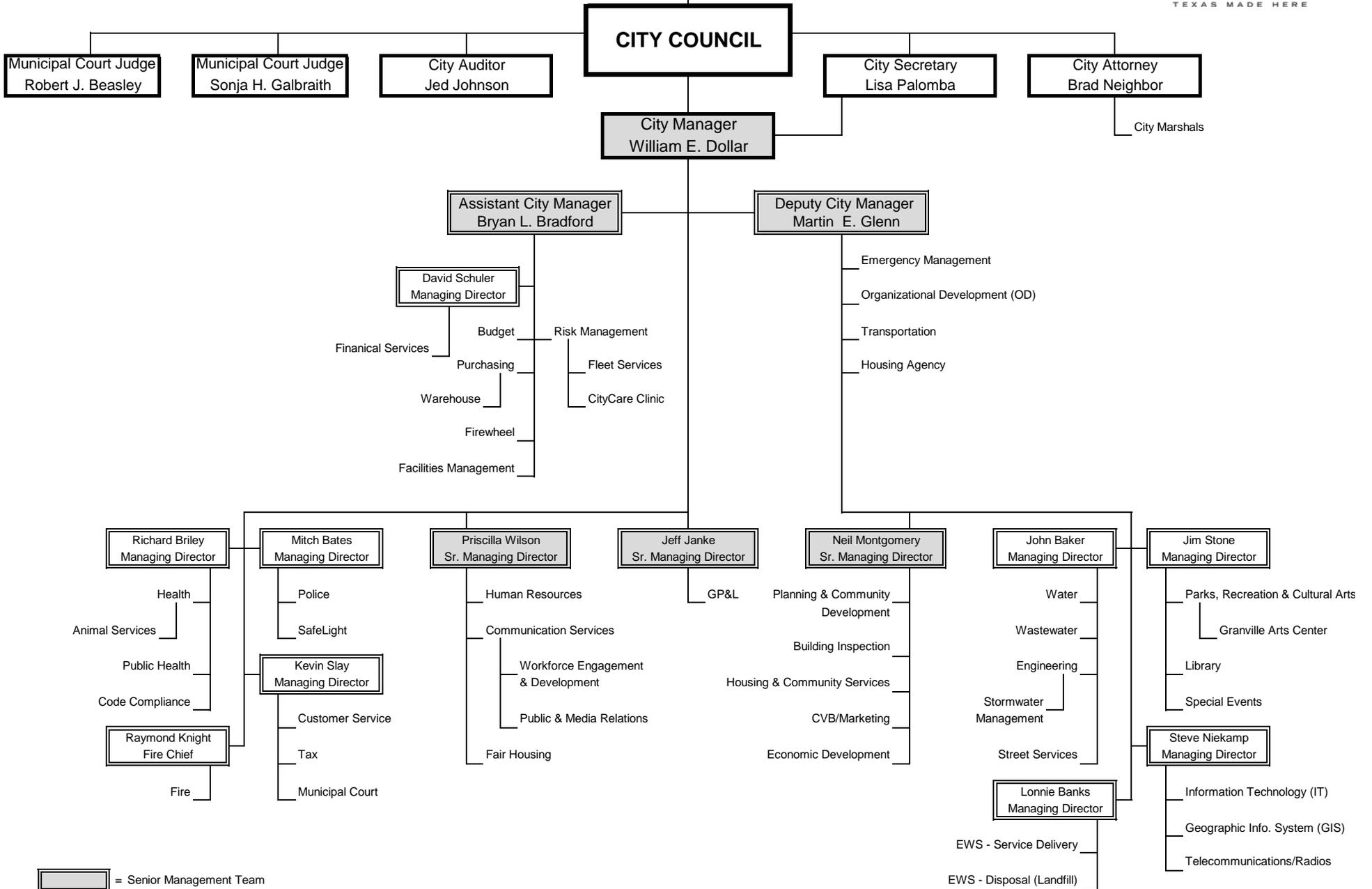
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO



CITIZENS OF GARLAND



= Senior Management Team



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www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit and remaining fund information of the City of Garland, Texas (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Garland Housing Finance Corporation ("GHFC"), the discretely presented component unit of the City of Garland as of and for the three month period ended December 31, 2012. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the GHFC is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit and remaining fund information of the City as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, and the Schedules of Funding Progress for the Texas Municipal Retirement System and for the Other Postemployment Benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

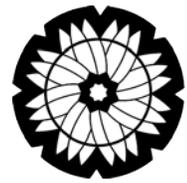
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the foregoing table of contents are presented for purposes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

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

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

Deloitte & Touche LLP

March 24, 2014



GARLAND
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City of Garland, Texas
Management's Discussion and Analysis
(Unaudited)

As management of the City of Garland, we offer readers of the City of Garland's financial statements this narrative overview and analysis of the financial activities of the City of Garland for the fiscal year ended September 30, 2013. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets and deferred outflows of the City of Garland (City) exceeded its liabilities at the close of the fiscal year by \$807,417,038. Ending net position for governmental activities amount to \$136,938,557 and the ending net position for the business type activities amount to \$670,478,481.
- Net position for the governmental activities decreased \$5,312,324 and the net position for the business type activities increased \$9,098,839 for a total increase in the City's net position of \$3,786,515. Contributing factors related to the decrease in governmental activities and the increase in business type activities are discussed in the governmental activities and business type activities sections of this overview and analysis.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$74,019,448. Of the combined ending fund balances, \$43,901,135 is restricted, \$7,385,448 is committed, \$4,480,000 is assigned, and \$18,252,865 is unassigned.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

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

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

Fund financial statements

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

Governmental funds

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

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

The City maintains sixteen individual governmental funds. The General Fund, the Debt Service Fund, and the Capital Projects Fund, are considered to be major funds. Major funds are presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided as required supplementary information for the General Fund to demonstrate compliance with this budget.

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

Proprietary funds

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

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

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

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 36-37 of this report.

Notes to the financial statements

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

Other information

Required supplementary information concerning the General Fund schedule of revenues, expenditures, and changes in fund balances – budget and actual for the year ended September, 30, 2013, and the City's progress in funding its obligation to provide Texas Municipal Retirement System pension benefits and Other Postemployment Benefits (OPEB) to its employees, are presented on pages 85-87 of this report.

Government-wide Financial Analysis

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

Total liabilities at the end of the fiscal year amount to \$1,028,199,380. Long-term liabilities comprise 91.27% and other liabilities comprise 8.73% of the total liabilities. Total liabilities increased \$66,216,934 during the fiscal year.

As mentioned earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities (net position) by \$807,417,038 for the fiscal year ended September 30, 2013. The largest portion of the City's net position (70.10%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and systems) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (23.10%) represents resources that are subject to external restrictions on how they may be used. These restrictions are detailed in revenue bond debt covenants, the City of Garland Charter, grant contracts, and state law. The remaining balance of unrestricted net assets (6.80%) may be used to meet the City's ongoing obligations to citizens and creditors.

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

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2013

Condensed Statement of Net Position

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

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2013

The total net position increased \$3,786,515 in the 2013 fiscal year. Business-type activities contributed \$9,098,839 to this increase while the governmental activities decreased this total by \$5,312,324. These increases and decreases are discussed in the governmental activities section and the business-type activities section of this overview and analysis.

Schedule of Changes in Net Position

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

Governmental activities

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

Revenues by Source – Governmental Activities

Revenues by Source

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

Key changes in revenue by source included the following:

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

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

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

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

Expenses by Source - Governmental Activities

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

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

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

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

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

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

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

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

Business-type Activities

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

- The electric utility generated net income of \$5,881,590. The net income for the electric utility decreased \$33,403,909 from the prior fiscal year as a result of the following:
 - Demand charges increased \$33,837,466 as a result of debt refunding by Texas Municipal Power Agency (TMPA) in 2010, which lowered debt service payments in fiscal years 2011 and 2012, and increased debt service payments in fiscal year 2013 associated with TMPA's 1993 refunding revenue series.
 - Fuel and energy purchases expense increased \$76,323,410 as a result of an increase in wholesale sales activity. It is also attributable to TMPA fuel expense due to the Gibbons Creek plant running more in fiscal year 2013 than in 2012.
 - Revenue from charges for services increased \$74,638,173 as a result of an increase in wholesale sales activity.
- The water utility incurred a net income of \$2,867,380. The net income for the water utility increased \$514,429 over the net income from the prior year. Key elements to this change are as follows:
 - Charges for services increased \$3,650,898 as a result of a rate increase of 9% that went into effect in October 2012.
 - Operating expenses increased \$3,551,918 as a result of increased expenses for water purchases due to rate increase, and maintenance, repairs, and supplies.
- The sewer utility incurred a net income of \$850,314. The net income for the sewer utility decreased \$35,010 from the prior fiscal year as a result of the following:
 - Charges for services decreased \$341,010 as a result of decreased consumption.
 - Operating expenses increased \$304,383 as a result of decreased capitalized general and administrative expenses.
- The combined net loss for non-major enterprise funds (golf, heliport, storm water management, parks performance, and sanitation) amounted to \$161,512. The City continues to monitor these funds and implement programs and strategies to improve their financial condition.

Revenues by Source – Business-type Activities

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

Expenses by Source – Business-type Activities

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

Fiduciary funds

In the 2009 fiscal year, the City established an Other Post Employment Benefit Trust Fund which allows the City to capture long-term returns to make progress towards reducing the unfunded liability of post-employment health care. A payment of \$100,000 contribution in excess of the pay-as-you-go costs was made to the trust fund during the 2013 fiscal year. The City will make future contributions to this trust fund as economic conditions permit.

Capital Asset and Debt Administration

Capital Assets

At the end of the 2013 fiscal year, the City had \$1,157,464,035 invested in a broad range of capital assets including police and fire equipment, buildings, park facilities, roads, bridges, an electric system, a water system, and a sewer system. This amount represents a net increase of \$76,489,572 or 7.08% increase from the prior fiscal year. Key elements of this change are as follows:

	Capital Assets at Fiscal Year-end (Net of Accumulated Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 82,577,005	\$ 80,495,198	\$ 20,095,639	\$ 20,082,357	\$ 102,672,644	\$ 100,577,555
Construction in Progress	18,948,112	17,705,232	116,490,541	42,353,304	135,438,653	60,058,536
Building, Improvements, equipment and systems	273,693,448	287,579,975	645,659,290	632,758,397	919,352,738	920,338,372
Total capital assets	<u>\$ 375,218,565</u>	<u>\$ 385,780,405</u>	<u>\$ 782,245,470</u>	<u>\$ 695,194,058</u>	<u>\$1,157,464,035</u>	<u>\$1,080,974,463</u>

City of Garland, Texas
 Management's Discussion and Analysis (continued)
 September 30, 2013

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

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

City of Garland, Texas
 Management's Discussion and Analysis (continued)
 September 30, 2013

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

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

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

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2013

Debt

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

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

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2013

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

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

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

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

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

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

The proceeds of the Water & Sewer System Revenue Refunding and Improvement Bonds, Series 2013 were used to advance refund Water and Sewer System Revenue Bonds, Series 2005 and 2006 at the call date and for system improvements. As a result of the refunding, the Water and Sewer funds decreased their total debt service payments.

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

In 2012, the City initiated a three year \$135 million tax-exempt commercial paper program for the Electric Fund. Proceeds from the sale of commercial paper notes will be used for improvements and extensions of the electric utility system. The Electric Fund had \$80,000,000 electric utility system commercial paper notes outstanding at fiscal year-end. Additional information related to the City's commercial paper programs can be found on page 66 of this report.

In fiscal year 2010, the City along with other TMPA member cities elected to issue bonds based on the percentage of their annual net energy load and placed the proceeds with TMPA. Since the proceeds from the issuance of this debt will benefit the City over future years the City has elected to record an other asset and a corresponding bonds payable liability, reoffering premium, interest and sinking fund deposit, underwriters discount and issuance cost to record this transaction. The other asset of \$138,252,850 is being amortized using a straight-line method over a period of 20 years based on the life of the economic benefit that the City is receiving from this transaction. During the current fiscal year, the City amortized \$6,912,643 of the asset resulting in a fiscal year-end balance in other assets of \$114,058,601. This other asset will be reviewed annually to determine if it has been impaired based on changes at TMPA and or changes in the electric industry.

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

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

The City's Funds

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

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

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

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2013, the City Council amended the budget for the General Fund on several occasions. The amendments were comprised of supplemental appropriations and adjusted budgets. Appropriations are adjusted annually for open purchase orders and various grant awards. Budgets are reviewed and adjusted during the fiscal year to address changing operational and/or economic situations. These amendments amounted to increased appropriations of \$669,275.

Economic Factors and Next Year's Budgets and Rates

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

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

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

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

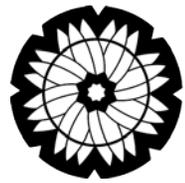
The primary focus of the FY 2013-14 Budget was to maintain the Ad Valorem Tax rate and City service at current levels while providing increases in compensation for City employees to the extent funding would allow. In addition, finding an affordable solution for employee and retiree healthcare costs was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

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

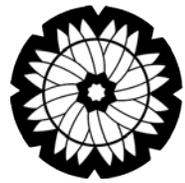
Fiscal year 2013-14 will be the second year that the Electric Utility will draw from the Rate Mitigation Fund in order to offset increasing debt service costs being passed on to member cities by the TMPA and higher energy costs. Additional draws are anticipated each year until 2018. No rate increases were included in the FY2013-14 Budget and TMPA fuel costs show a modest increase of \$2.4 million (9.4%), while TMPA demand costs are projected to decrease by \$5.7 million or 9.3%.

Contacting the City's Financial Management

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



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City of Garland, Texas
Statement of Net Position
September 30, 2013

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		As of December 31, 2012
ASSETS				
Cash and cash equivalents	\$ 46,119,503	\$ 26,397,456	\$ 72,516,959	\$ 585,314
Investments	78,405,151	49,343,067	127,748,218	-
Accounts Receivable, net of allowance for uncollectibles	14,969,591	74,450,685	89,420,276	51,043
Due from other governments	918,596	-	918,596	-
Internal Balances	(10,693,702)	10,693,702	-	-
Inventories	5,572,382	6,198,904	11,771,286	-
Prepaid and other items	-	2,300,760	2,300,760	-
Restricted Assets:				
Cash and cash equivalents	4,229,684	44,605,281	48,834,965	-
Investments	3,923,596	197,048,186	200,971,782	-
Accrued interest	3,833	269,998	273,831	-
Deferred bond issuance costs	2,338,466	5,870,223	8,208,689	-
Assets held for resale	73,060	-	73,060	494,307
Capital Assets:				
Land	82,577,005	20,095,639	102,672,644	1,140,710
Construction in Progress	18,948,112	116,490,541	135,438,653	-
Buildings, Improvements, Equipment and System (net of accumulated depreciation)	273,693,448	645,659,290	919,352,738	-
Other Assets	-	114,563,818	114,563,818	-
Total assets	<u>521,078,725</u>	<u>1,313,987,550</u>	<u>1,835,066,275</u>	<u>2,271,374</u>
Deferred Outflows				
Fair value of interest rate cap	537,499	-	537,499	-
Fair value of energy risk derivatives	-	12,644	12,644	-
Total deferred outflows	<u>537,499</u>	<u>12,644</u>	<u>550,143</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued liabilities	18,385,299	37,318,533	55,703,832	-
Escrow payable	239,195	-	239,195	-
Retainage payable	169,646	737,467	907,113	-
Accrued interest payable	1,622,474	2,441,005	4,063,479	-
Customer deposits	12,600,911	-	12,600,911	-
Commercial Paper	10,000,000	-	10,000,000	-
Interest rate cap	537,499	-	537,499	-
Derivative instrument-energy risk management	-	12,644	12,644	-
Due to other governments	571,687	-	571,687	-
Unearned revenue	5,107,421	-	5,107,421	1,206,625
Noncurrent Liabilities:				
Due within one year	36,946,213	30,097,740	67,043,953	-
Due in more than one year	298,497,322	572,914,324	871,411,646	-
Total liabilities	<u>384,677,667</u>	<u>643,521,713</u>	<u>1,028,199,380</u>	<u>1,206,625</u>
NET POSITION				
Net investment in capital assets	127,763,560	438,249,356	566,012,916	1,140,710
Restricted for:				
Debt Service	4,691,533	3,739,680	8,431,213	-
Construction	1,531,005	-	1,531,005	-
Rate Mitigation	-	174,951,776	174,951,776	-
Housing	1,636,505	-	1,636,505	-
Unrestricted net position	1,315,954	53,537,669	54,853,623	(75,961)
Total net position	<u>\$ 136,938,557</u>	<u>\$ 670,478,481</u>	<u>\$ 807,417,038</u>	<u>\$ 1,064,749</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, 2013

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

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

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

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

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

**City of Garland, Texas
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2013**

Total fund balances - governmental funds \$ 74,019,448

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 321,472,241

Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds. 4,180,530

Bond interest is not accrued at the fund level. (1,434,220)

Deferred bond issuance costs are not reported at the fund level. 1,938,773

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of:

Bonds payable	(242,669,352)
Landfill closure costs	(8,760,996)
Compensated absences	(18,788,447)
Unamortized premium, loss on refunding, and bond issue costs	(8,264,932)
Other Post Employment Benefits liability payable	(7,517,487)

Internal service funds net asset adjustment excluding assets and liabilities included in the adjustments listed above. Internal service funds are used by management to charge the costs of various services to individual funds. Certain assets and liabilities of the internal service funds are included with governmental activities in the statement of net position. 25,026,774

Total net position - governmental activities \$ 139,202,332

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

City of Garland, Texas
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2013

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 63,253,894	\$ 31,126,521	\$ -	\$ 1,413,579	\$ 95,793,994
Franchise fees	8,646,942	-	-	-	8,646,942
Service charges	20,239,605	-	-	-	20,239,605
Licenses and permits	3,393,137	-	-	-	3,393,137
Earnings on investments	213,732	18,066	4,831	6,459	243,088
Intergovernmental	1,190,211	-	-	14,889,614	16,079,825
Intragovernmental	7,973,376	-	-	-	7,973,376
Fines and forfeits	6,955,299	-	-	-	6,955,299
Rents and concessions	804,298	-	-	-	804,298
Assessments	-	-	61,779	-	61,779
Impact Fees	-	-	-	377,520	377,520
Program income	-	-	-	365,103	365,103
Special event income	-	-	-	216,026	216,026
Court awarded seizures	-	-	-	192,737	192,737
Miscellaneous and other	-	-	1,384,555	957,551	2,342,106
Total revenues	<u>112,670,494</u>	<u>31,144,587</u>	<u>1,451,165</u>	<u>18,418,589</u>	<u>163,684,835</u>
EXPENDITURES					
Current:					
General government	9,679,317	-	141,535	-	9,820,852
Public safety	78,338,393	-	-	-	78,338,393
Public works	17,391,246	-	-	-	17,391,246
Culture and recreation	13,218,113	-	-	-	13,218,113
Public health	3,579,737	-	-	-	3,579,737
Nondepartmental	21,243,401	-	-	-	21,243,401
Operations	-	-	-	15,974,313	15,974,313
Capital outlay	-	-	16,954,849	1,505,278	18,460,127
Debt service:					
Principal	-	17,370,398	-	-	17,370,398
Interest	-	11,900,025	-	-	11,900,025
Issue costs on issuance of debt	-	160,687	167,631	-	328,318
Other and fiscal expenditures	-	339,837	-	-	339,837
Total expenditures	<u>143,450,207</u>	<u>29,770,947</u>	<u>17,264,015</u>	<u>17,479,591</u>	<u>207,964,760</u>
Excess (deficiency) of revenues over (under) expenditures	(30,779,713)	1,373,640	(15,812,850)	938,998	(44,279,925)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	361,687	-	80,000	86,500	528,187
Transfers in	34,515,966	552,682	2,664,645	114,305	37,847,598
Transfers out	(1,897,591)	(86,444)	(4,805,000)	(420,818)	(7,209,853)
Issuance of debt	-	-	10,790,000	-	10,790,000
Premium on issuance of debt	-	543,096	687,631	-	1,230,727
Issuance of refunding bonds	-	6,650,000	-	-	6,650,000
Payment to refunded bonds escrow agent	-	(7,960,000)	-	-	(7,960,000)
Total other financing sources (uses)	<u>32,980,062</u>	<u>(300,666)</u>	<u>9,417,276</u>	<u>(220,013)</u>	<u>41,876,659</u>
Net change in fund balance	2,200,349	1,072,974	(6,395,574)	718,985	(2,403,266)
Fund balances - beginning	22,063,521	5,241,033	38,324,022	10,794,138	76,422,714
Fund balances - ending	<u>\$ 24,263,870</u>	<u>\$ 6,314,007</u>	<u>\$ 31,928,448</u>	<u>\$ 11,513,123</u>	<u>\$ 74,019,448</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, 2013**

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

Net change in fund balances - total governmental funds	\$ (2,403,266)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(8,142,489)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	144,524
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	7,385,714
Other Post Employment Benefits liability is accrued in the government wide financial statements but not at the fund level.	451,679
Interest is accrued in the government wide financial statements but not at the fund level. This represents the change in the accrual during the period.	1,413,665
Internal service funds are used by management to charge the costs of vehicle services, building services, printing services, and insurance services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(1,446,698)</u>
Net change in net position-total governmental activities	<u><u>\$ (2,596,871)</u></u>

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

City of Garland, Texas
Proprietary Funds
Statement of Net Position
September 30, 2013

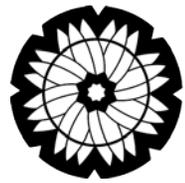
	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 16,786,643	\$ 3,110,197	\$ 5,867,068	\$ 633,548	\$ 26,397,456	\$ 13,305,139
Investments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

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

City of Garland, Texas
Proprietary Funds
Statement of Net Position
September 30, 2013

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

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



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

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

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

(338,933)

Change in net position of business-type activities

\$ 9,098,839

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

City of Garland, Texas
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2013

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

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

City of Garland, Texas
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2013

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

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

City of Garland, Texas
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2013

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

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

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

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

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



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City of Garland, Texas
Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Discretely Presented Component Unit

The Garland Housing Finance Corporation (GHFC) was organized to finance the cost of residential ownership and development that will provide decent, safe and sanitary housing for residents of the City at affordable prices. GHFC is governed by a board of directors that are appointed by and serve at the discretion of the City Council. GHFC is reported as a proprietary entity and maintains their accounts on an accrual basis of accounting. On October 1, 2012, GHFC hired an outside accounting firm to conduct their bookkeeping and accounting. The financial information for GHFC is included in the statements for the stub period of October 1, 2012 through December 31, 2012. Complete separate December 31, 2012 financial statements for GHFC may be obtained from the City.

Blended Component Unit

The Garland Foundation for Development (GFFD) was organized to promote economic development within the City of Garland. The City Council serves as the board members for GFFD and the Assistant City Manager is the Executive Director. GFFD is reported as a blended component unit of the non-major enterprise golf fund and the capital project fund.

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

The Electric Fund accounts for the resources and expenses associated with the administration, operation, maintenance, new construction, financing and related debt service to provide electric service for the residents of the City.

The Water Fund accounts for the resources and expenses associated with the administration, operation, maintenance, new construction, financing and related debt service to provide water service for the residents of the City.

The Sewer Fund accounts for the resources and expenses associated with the administration, operation, maintenance, new construction, financing and related debt service to provide wastewater treatment service for the residents of the City.

Additionally, the City reports the following fund categories:

Special revenue funds account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. These specific revenues sources are Community Development Block Grants, Housing Assistance Grants, Neighborhood Services Grants and Funding, Hotel/Motel Tax, Impact Fees, Landfill Closure Funding, Library Grants (NETLS), Police Training, Substandard Perimeter Road Funding, Narcotic Seizure Funding, Other Housing Assistance, Tax Increment funds, and ARRA Recovery Act grants.

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

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

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

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

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

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

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

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

D. Assets, liabilities, and net position or equity

1. *Deposits and investments*

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

State statutes and the City Council approved investment policy authorize the City to invest in obligations of the Agencies and Instrumentalities of the U.S. Treasury, commercial paper, FDIC insured Certificates of Deposit, repurchase agreements, reverse repurchase agreements, SEC registered no-load money market mutual funds, and investment pools.

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

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

2. *Receivables and payables*

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

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

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

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

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

3. *Inventories and prepaid items*

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

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

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

4. Restricted assets

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

5. Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capital value of the assets constructed. The total interest expense by the City during the current year was \$29,495,920. Of this amount, \$5,306,805 was included as part of the cost of capital assets under construction in connection with electric, water, and sewer construction projects.

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

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

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

6. *Compensated absences*

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

7. *Long-term obligations*

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

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

8. *Classifications of Fund balance*

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

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

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

Committed – The portion of fund balance that can only be used for specific purposes imposed by formal action of the City Council. Formal action by the City Council is required to remove the limitations on committed fund balances.

Assigned – The portion of the fund balance that is constrained by the City's intent for specific purposes, but are not restricted or committed. In fund balance policy, the Council delegates authority to the Director of Finance or the Director of Finance's designee to assign amounts for a specific purpose.

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

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

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

In order to remain financially strong and provide a framework for prudent financial management, the City maintains a minimum unassigned fund balance goal in the General fund of 30 days of budget-based operating expenditures.

Fund balances for governmental activities as of September 30, 2013 are:

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

9. Fund net position

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

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

10. New accounting principles

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

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

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

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

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

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

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

The GASB has issued Statement No. 65, *“Items Previously Reported as Assets and Liabilities”* (“GASB 65”), which will be effective in fiscal year 2014. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 66, *“Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62”* (“GASB 66”), which will be effective in fiscal year 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November, 1989 GASB and AICPA Pronouncements*. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 67, *“Financial Reporting for Pension Plans – an amendment to GASB Statement No. 25”* (“GASB 67”), which will be effective in fiscal year 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City has not yet evaluated the impact of the implementation of this standard.

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

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

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

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

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

II. Reconciliation of government-wide and fund financial statements

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$242,669,352 difference is as follows:

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

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

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between *net changes in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$7,385,714 difference are as follows:

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

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

Another element of that reconciliation states that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.” The details of this \$8,142,489 difference are as follows:

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

III. Stewardship, compliance, and accountability

Deficit fund equity

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

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

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

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

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

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

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

IV. Detailed notes on all funds

A. Deposits and investments

As of September 30, 2013, 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	\$ 85,100,808	\$ -	\$ 85,100,808
Federal National Mortgage Association	49,627,427	5,030,265	44,597,162
Federal Home Loan Mortgage Corp	55,804,911	-	55,804,911
Federal Farm Credit Bank	138,186,850	-	138,186,850
Certificates of Deposit	27,031,055	27,031,055	-
Investment Pools – Texpool	33,338,673	33,338,673	-
Investment Pools – Texstar	14,887,427	14,887,427	-
Money Market Fund	18,465,796	18,465,796	-
Total investment fair value	<u>\$ 422,442,947</u>	<u>\$ 98,753,216</u>	<u>\$ 323,689,731</u>

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

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

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

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2013, the City held no direct investments in commercial paper. The City's investments in U. S. agencies were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service as of September 30, 2013. Due to the economic collapse and credit crisis, it was announced in August 2008 that US Agency debt would be explicitly backed by the US Treasury. The City's investments in Texpool was rated AAAM by Standard & Poor's. The City's investments in Texstar was rated AAAM by Standard & Poor's.

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

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

The City invests in Texpool and Texstar to meet its daily liquidity needs. Texpool and Texstar are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texpool and Texstar are funds that allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. Texpool and Texstar are all rated AAAM and must maintain a dollar weighted average maturity not to exceed a 60 day limit. As of September 30, 2013, Texpool and Texstar had a weighted average maturity of 60 days and 51 days respectively. The City considers the holdings in these funds to have a weighted average maturity of one day, due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City follows the State regulations for collateralization of custodial credit risk. As of September 30, 2013, the carrying amount of the City's deposits was \$27,628,977 and the bank balance was \$28,156,141. On September 30, 2013, the City's bank balance was fully collateralized. Bank balances for the City's discretely presented component unit (Garland Housing Finance Corporation) were fully collateralized and the carrying value of the component unit's deposits was \$42,969.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2013, the City's investments in U. S. agencies are categorized as insured or registered, or securities held by the City or its agent in the City's name.

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

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

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

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

<u>Garland Housing Finance Corp</u>	<u>Fair Value</u>
Money Market Fund	\$542,345

B. Receivables

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

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

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

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

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

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

C. Capital Assets

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

Primary government

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

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

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

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

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	\$ 1,040,219
Public safety	3,883,636
Public works	20,097,014
Culture and recreation	3,531,843
Public health	142,378
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	7,084,128
Total depreciation expense – governmental activities	\$ 35,779,218
Business-type activities:	
Electric	\$ 12,018,431
Water	6,068,923
Sewer	12,237,872
Other non-major business-type activities	2,203,115
Total depreciation expense – business-type activities	\$ 32,528,341

The City has identified intangible assets related to right of way easements. These assets have been classified as non-depreciating assets and reported in the same method as land assets.

Construction commitments

The City has active construction projects as of September 30, 2013. At year-end the City's commitments with contractors are as follows:

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

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

D. Capital Lease

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

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

The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The leased equipment meets the City's capitalization threshold of \$5,000 and is included in the capital assets at September 30, 2013. The details of this lease are:

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

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

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

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

E. Interfund receivables, payables, and transfers

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

Interfund Payable	General	Capital Projects	Total
General Fund	\$ -	\$ 5,118	\$ 5,118
Capital Projects	160,820	-	160,820
Electric	-	1,000,000	1,000,000
Non-Major Business-type	1,156,210	-	1,156,210
Internal Service Funds	462,022	-	462,022
Non-Major Governmental	265,776	-	265,776
	<u>\$ 2,044,828</u>	<u>\$ 1,005,118</u>	<u>\$ 3,049,946</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, 2013, is as follows:

Advance Payable	Advance Receivable	
	Electric	Total
Internal Service	<u>\$ 3,896,269</u>	<u>\$ 3,896,269</u>
	<u>\$ 3,896,269</u>	<u>\$ 3,896,269</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:

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

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

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

F. Long-term liabilities

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

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

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities. At year-end \$910,000 of general obligation bond debt, \$30,925,000 of certificates of obligation, \$749,877 of compensated absences, and \$1,947,001 of OPEB liabilities from the internal service funds are included in the governmental activities general obligation bonds, certificates of obligation, compensated absences and OPEB liabilities. Also, for the governmental activities, compensated absences and OPEB Claims Payable are generally liquidated by the general fund.

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

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

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

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

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

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

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

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
General obligation bonds:						
2005A Refunding	3.5 – 5.25	4/19/2005	2/15/2020	\$ 70,615,000	\$ 19,985,000	\$ 50,630,000
2005B Refunding	3.00 – 5.25	4/19/2005	2/15/2022	23,675,000	8,340,000	15,335,000
2007A Refunding	4.00 – 5.00	2/15/2007	2/15/2025	67,385,000	7,700,000	59,685,000
2007B Refunding	Variable	2/20/2007	2/15/2025	23,745,000	935,648	22,809,352
2008 Refunding	3.35	4/22/2008	2/15/2019	43,025,000	43,025,000	-
2008A Refunding	4.00 – 5.00	6/15/2008	2/15/2025	57,760,000	10,970,000	46,790,000
2011 Refunding	2.00 -- 5.00	2/01/2011	2/15/2015	10,860,000	5,220,000	5,640,000
2011A Refunding	2.00 -- 4.00	11/01/2011	2/15/2024	17,995,000	3,360,000	14,635,000
2011B Refunding	2.00 -- 5.00	11/01/2011	2/15/2028	41,360,000	-	41,360,000
2013 Refunding	2.00 – 4.00	6/6/2013	2/15/2019	12,280,000	-	12,280,000
				<u>\$ 368,700,000</u>	<u>\$ 99,535,648</u>	<u>\$ 269,164,352</u>
Certificates of Obligation:						
1997B Golf course	5.50 – 5.50	8/15/1997	8/15/2027	\$ 600,000	\$ -	\$ 600,000
2005 Various purpose	3.00 – 5.25	4/19/2005	2/15/2025	20,275,000	16,320,000	3,955,000
2006 Various purpose	3.75 – 4.375	3/15/2006	2/15/2026	10,275,000	7,085,000	3,190,000
2007 Various purpose	4.00 – 5.625	5/15/2007	2/15/2022	16,975,000	3,240,000	13,735,000
2008 Various purpose	.3.00 – 4.75	6/15/2008	2/15/2028	15,965,000	5,705,000	10,260,000
2009 Various purpose	.3.00 – 5.25	5/15/2009	2/15/2029	22,985,000	3,385,000	19,600,000
2010 Electric utility	.2.00 – 5.00	3/01/2010	2/15/2030	126,885,000	45,000	126,840,000
2010 Various purpose	.2.00 – 4.50	4/15/2010	2/15/2030	3,205,000	790,000	2,415,000
2011 Various purpose	2.00 – 4.25	6/15/2011	2/15/2031	4,260,000	785,000	3,475,000
2012 Various purpose	2.00 – 3.375	6/01/2012	2/15/2032	6,755,000	725,000	6,030,000
2013 Various purpose	2.00 – 4.00	6/06/2013	2/15/2033	12,725,000	-	12,725,000
				<u>\$ 240,905,000</u>	<u>\$ 38,080,000</u>	<u>\$202,825,000</u>

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

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
Utility system revenue bonds:						
2004 Water & Sewer	2.00 – 5.00	5/25/2004	3/01/2024	\$ 38,485,000	\$ 12,510,000	\$ 25,975,000
2005 Electric Utility	2.75 – 5.25	4/19/2005	3/01/2025	18,935,000	17,150,000	1,785,000
2005 Water & Sewer	2.75 – 5.25	4/19/2005	3/01/2025	20,545,000	18,610,000	1,935,000
2006 Electric Utility	3.50 – 5.00	3/15/2006	3/01/2026	25,045,000	5,920,000	19,125,000
2006 Water & Sewer	4.00 – 4.50	3/15/2006	3/01/2026	16,180,000	14,585,000	1,595,000
2007 Electric Utility	4.00 – 5.625	5/15/2007	3/01/2027	21,050,000	3,935,000	17,115,000
2007 Water & Sewer	4.00 – 5.625	5/15/2007	3/01/2027	29,070,000	5,365,000	23,705,000
2008 Electric Utility	3.25 – 4.75	6/15/2008	3/01/2028	10,115,000	2,160,000	7,955,000
2008 Water & Sewer	3.00 – 5.00	6/15/2008	3/01/2028	39,900,000	6,730,000	33,170,000
2009 Electric Utility	3.25 – 5.25	5/15/2009	3/01/2029	11,760,000	4,665,000	7,095,000
2009 Water & Sewer	2.00 – 4.75	5/15/2009	3/01/2029	18,090,000	2,635,000	15,455,000
2010 Water & Sewer	2.00 – 4.75	4/15/2010	3/01/2030	21,270,000	1,970,000	19,300,000
2011 Electric Utility	2.00 – 5.00	6/15/2011	3/01/2031	7,185,000	65,000	7,120,000
2011 Water & Sewer	2.00 – 5.00	6/15/2011	3/01/2031	19,205,000	180,000	19,025,000
2011A Electric Utility	3.00 – 5.00	11/01/2011	3/01/2024	20,830,000	1,445,000	19,385,000
2011A Water & Sewer	3.00 – 5.00	11/01/2011	3/01/2024	30,150,000	2,090,000	28,060,000
2012 Water & Sewer	2.00 – 4.00	6/01/2012	3/01/2032	8,415,000	290,000	8,125,000
2013 Electric Utility	2.00 – 2.25	6/06/2013	3/01/2025	11,790,000	-	11,790,000
2013 Water & Sewer	3.00 – 3.375	6/06/2013	3/01/2033	29,925,000	-	29,925,000
				<u>\$ 397,945,000</u>	<u>\$ 100,305,000</u>	<u>\$ 297,640,000</u>

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

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

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

Terms of the Interest Rate Cap commenced on May 15, 2007, whereby the City is entitled to receive a payment from Bank of America on each February 15, May 15, August 15, and November 15. The amount of any such payment by Bank of America is based on: i) the amount that the LIBOR rate with a stated maturity of three months exceeds 3.80%; and ii) the currently outstanding notional balance of the Cap. The notional amount of the cap at September 30, 2013 was \$22,809,352. The Cap is scheduled to terminate on August 15, 2015.

The fair value of the Cap, if it were to be terminated, was a negative \$537,499 as of September 30, 2013. Caps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair value was determined based on the dollar offset of future cash flows.

As of September 30, 2013, the City was exposed to credit risk by the amount of the Fair Value of the Cap. The counter party ratings are A2, A, and A by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.

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

As of September 30, 2013, the City would pay Bank of America \$537,499 if the City elected to terminate the agreement.

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

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

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

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

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

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

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

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

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

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

General Obligation Refunding Bonds do not impact the authorized but not issued General Obligation bonds. The City intends to retire all general long-term debt, plus interest, from ad valorem taxes and other current revenues. Revenue Bonds, applicable Certificates of Obligation and applicable General Obligation Bonds are reflected in the appropriate Proprietary Fund operation. Current requirements for principal and interest expenses are accounted for in the appropriate Proprietary Fund operation.

The City has pledged future Electric, Water and Sewer utility revenues, net of specified operating expenses, to repay \$120,301,936 in outstanding Electric Utility Revenue Bonds and \$275,439,495 in outstanding Water & Sewer Utility Revenue Bonds. Proceeds from the revenue bonds provided financing for the acquisition and or construction of various Electric, Water and Sewer assets. The bonds are payable solely from Electric, Water and Sewer customer net revenues and are payable through 2033. Principal paid and interest incurred for the current year was as follows:

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

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

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

Debt issues for the year are as follows:

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

On May 7, 2013, the City issued \$12,280,000 in General Obligation Refunding Bonds to advance refund \$14,415,000 of outstanding General Obligation, series 2008 at the call date. An amount of \$14,569,261 was placed with an escrow agent to provide for debt service payments on the old bonds at the call date. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next six years by \$851,662 and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$760,416. The refunding resulted in a book loss (difference between amount placed in escrow and carrying amount of debt refunded) of \$206,464.

On May 7, 2013, the City issued \$11,790,000 in Electric Utility System Revenue Refunding Bond, Series 2011A, to advance refund \$11,240,000 of outstanding Electric Utility System Revenue bond, Series 2005 at the call date. An amount of \$11,801,285 was placed with an escrow agent to provide for debt service payments on the old bonds at the call date. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next twelve years by \$2,228,561 and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$2,018,317. The refunding resulted in a book loss (difference between amount placed in escrow and carrying amount of debt refunded) of \$479,240.

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

On May 7, 2013, the City issued \$29,925,000 in Revenue Refunding and Improvement Bonds. The issue included \$22,245,000 to advance refund \$22,125,000 of outstanding Water and Sewer System Revenue bonds, Series 2005 and 2006, and 7,680,000 for system improvements. An amount of \$23,154,163 was placed with an escrow agent to provide for debt service payments on the old bonds at the call date. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next thirteen years by \$3,838,439 and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$3,304,033. The refunding resulted in a book loss (difference between amount placed in escrow and carrying amount of debt refunded) of \$838,909.

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

G. Retirement Plans

Plan Description

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

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

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

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 portion of an active member's projected benefit allocated annually. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as updated service credits and annuity increases. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

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

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

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

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

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

Three Year Trend Information

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

Actuarial Assumptions

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

Schedule of Funding Information

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

See required supplemental information for schedule of funding progress.

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

H. Other postemployment benefits

Annual OPEB Cost and Net OPEB Obligation

The City provides other postemployment benefits (OPEB) through a single-employer plan and does not issue a publicly available financial report. Retirees are eligible to participate in the City's retiree benefits program if they are a retired employee of the City, had employee medical coverage in the City's group plans for at least five years prior to retirement, and meet the Texas Municipal Retirement System (TMRS) criteria listed on page 70. Dependents are eligible to participate in the City's retiree benefits program if they are enrolled at the time of retirement.

As of September 30, 2013, the City has 184 retirees and 112 retirees and family participating in the health plan out of 1,806 employees eligible to participate upon retirement.

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

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

In addition to the employer contribution, the retirees paid \$2,216,266 in the form of premiums which funded current medical claims.

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the prior three years (4% discount rate, and level percent of pay amortization)

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

Actuarial Assumptions

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

Schedule of Funding Information

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

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

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

Supplemental Death Benefits Plan (SDBF)

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

Funding Requirements: The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to SDBF for the years ended September 30, 2013, 2012, and 2011 were \$224,113, \$231,341, and \$273,359 respectively.

I. Self Insurance

Self-insurance for general and auto liability exposure and workers' compensation is maintained in the Self-Insurance Fund of the Internal Service Fund. A private insurance company administers workers' compensation claims and losses for the City. Self-insurance premiums of \$5,947,218 were collected from funds that participate in these. Claims settlement and loss expenses are accrued in the Self-Insurance Fund for the estimated settlement value of claims reported and incurred but not reported arising from incidents during the period. A liability, insurance claims payable, has been established. The reported liability includes actuarially determined present value projected losses for general, auto, and workers' compensation exposure. In determining projected losses, coverages with material incurred losses were compared to expected industry loss levels for prior periods. Based on this comparison, an experience modifier was selected and applied to current indicated industry premiums per exposure unit to obtain expected losses as of September 30, 2013, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in December 2012 claims payable as of September 30, 2013 was estimated at \$6,721,727.

Long-Term Disability (LTD) claims are paid from the LTD Insurance Fund, which is funded with City and employee contributions. A private company administers the long-term disability claims and losses for the City. Based on a current independent actuarial analysis, an actuarially determined liability of \$3,885,997 has been established for projected future claims.

Group medical benefits are paid from the Group Health Fund, which has an annually negotiated stop loss provision. Revenues are recognized from payroll deductions for employee dependent coverage and from City contributions for employee coverage. At September 30, 2013 a short-term liability of \$1,280,274 was recognized for open claims and claims incurred but not reported. The claims incurred but not reported are calculated based on a monthly average for claims paid during the current fiscal year.

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

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

Changes in the self-insurance, long-term disability and group health insurance claims payable in fiscal years 2012 and 2013 were:

Internal Service Fund	Beginning of Fiscal Year Liability	Current Year Claims	Changes in Estimates	Claim Payments	Balance at Fiscal Year – End	Current Portion
Self Insurance – 2012	\$ 6,198,614	\$ 2,253,280	\$ 523,113	\$ 2,253,280	\$ 6,721,727	\$ 2,954,491
Self Insurance – 2013	6,721,727	2,448,740	-	2,448,740	6,721,727	2,954,491
Long-Term Disability – 2012	3,891,025	414,216	(5,028)	414,216	3,885,997	507,112
Long-Term Disability – 2013	3,885,997	289,793	-	289,793	3,885,997	507,112
Group Health – 2012	3,276,573	12,478,702	(2,433,559)	12,478,702	843,014	843,014
Group Health – 2013	843,014	15,378,482	437,260	15,378,482	1,280,274	1,280,274

J. Texas Municipal Power Agency

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

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

The City pays TMPA a pro-rated monthly charge based on the City’s contractual portion of TMPA’s annual fixed operating costs and debt service payments which is currently 47%. During 2013, the City paid TMPA \$56,788,485 for these charges for the year. It is anticipated that the City will pay \$53,771,672 for these charges during FY2014.

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

Total debt of TMPA at September 30, 2013, amounted to \$804,343,000 of which \$108,566,000 represented the current portion. TMPA's Revenue Bonds are payable from and secured by an irrevocable first lien on the TMPA's net revenues and certain other special funds created in the TMPA's Bond Resolution. The Cities are obligated to guarantee the payment of TMPA's Prior Lien Bonds (the "Debt Service Guarantee").

TMPA
 Outstanding Debt Amounts
 September 30, 2013
 (reported in thousands)

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

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

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

K. Deferred Compensation Plan

The City offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all permanent City employees, permits participants to contribute annually the amount per IRS limitations on a tax-deferred basis to their 457 qualified accounts. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

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

L. Conduit Debt Information

The discrete component unit was created to issue revenue bonds to provide financial assistance to qualified homeowners. Even though the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit bonds at September 30, 2013, is as follows:

Series	Garland Housing Finance Corporation	Total
2000	\$ 6,000,000	\$ 6,000,000
2005	12,697,922	12,697,922
	<u>\$ 18,697,922</u>	<u>\$ 18,697,922</u>

M. Business-Type Blended Component Unit

The Garland Foundation for Development (GFFD) was organized to promote economic development within the City of Garland. GFFD is reported as a blended component unit of the non-major enterprise golf fund. A summary of the condensed combining information at September 30, 2013 is as follows:

Golf Fund Condensed
Statement of Net Position

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

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

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

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

Golf Fund Condensed Statement of Cash Flows

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

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

N. Landfill Closure and Postclosure Care Cost

As of September 30, 2013, the total estimated landfill closure/postclosure cost for the City's Castle Drive landfill, Hinton landfill, and transfer station is \$2,729,885, \$33,515,648 and \$30,927 respectively. The \$8,760,996 reported as landfill closure and postclosure care liability represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the Castle landfill, 18.34% use of the Hinton landfill, 100% of the closure cost for the transfer station, less post closure expenditures to date of \$145,796. The City will recognize the remaining estimated closure and postclosure care costs of \$27,369,668 as the percentage of capacity depletion increases. These amounts are based on an engineering study performed in 1996 and updated in 2011, which estimated cost to perform all closure and postclosure care. In addition, the closure and postclosure care cost were adjusted for inflation annually based on the most recent Implicit Price Deflator for Gross National Product published by the United States Department of Commerce. Actual cost may differ from the estimate due to inflation, changes in technology, or regulatory changes. The Hinton landfill has an estimated remaining useful life of 49 years.

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

O. Commitments and Contingent Liabilities

The City has been named as a defendant or co-defendant in a number of personal injury cases. While the outcome of these cases is not known at this time, the City attorney and City management are of the opinion that any awards to injured parties which must be paid in excess of amounts covered by insurance will not be material to the financial position of the City.

A number of other claims against the City, as well as certain other matters of litigation, are pending with respect to various matters arising in the normal course of the City's operations. The City attorney and City management are of the opinion that the settlement of these other claims and pending litigation will not have a material adverse impact on the City's financial position.

The City participates in a number of State and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

On July 9, 1996, the Department Housing and Urban Development (HUD) conveyed title of the Villages of Eastgate apartment complex to the City through a Special Warranty Deed. According to the Deed the City is required to setup and maintain an escrow account (HAPP account) for a period of 20 years from the date of the Deed to account for the sale proceeds of the apartment complex plus earned interest. The funds in the HAPP account are to be used by the City only in the event that HUD is not able to provide housing assistance in the form of Section 8 to the City for the 89 Walker Participants. The HAPP account began the fiscal year with a balance of \$571,145, earned interest in the amount of \$542, and ended the fiscal year with a balance of \$571,687. There were no withdraws from this account during the fiscal year. The fiscal year-end balance of the HAPP account is reported on page 90 of this report as restricted cash and cash equivalents and due to other governments in Nonmajor Governmental Funds Balance Sheet for the Other Housing Assistance Governmental Fund.

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

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

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

P. Derivative Instruments

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

At September 30, 2013, the City had a net fair market value of \$12,644 for fuel swaps that will be settled in subsequent months extending up to October 31, 2013.

At September 30, 2013, the City had seven outstanding contracts with wholesale customers to provide power supply and/or qualified scheduling entity services. The contract terms extend up to December 2018. For the power supply customers, the City charges an energy charge which is based on the quantity of power supplied multiplied by a fixed price, or multiplied by a fixed heat rate and a fuel index price. In order to hedge the City's risk, the City has entered into corresponding power supply agreements with counterparties to hedge against energy price or heat rate fluctuation in the market.

Congestion Revenue Rights

Pre-assigned Congestion Revenue Rights (PCRRs) and Congestion Revenue Rights (CRRs) function as financial hedges against the cost of resolving congestion in the Electric Reliability Council of Texas (ERCOT) market. These instruments allow the City to hedge expected future congestion that may arise during a certain period. CRRs are purchased at auction, annually and monthly at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at 10-20% of the cost of CRRs. At September 30, 2013, the City held CRRs with a cost and fair market value of \$2,300,760, that the City expects to use in normal operations, which is recorded as prepaid expense in the Electric fund.

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

Risks

Credit Risk. The City's over-the-counter agreements for natural gas and energy expose the City to credit risk. In the event of default, the City's operations will not be materially affected. However, the City does not expect the counterparties to fail to meet their obligations. The City maintains contracts with contractual provisions under the ISDA, EEI (Edison Electric Institute), and NAESB (North American Energy Standards Board) agreements. As of September 30, 2013, the City had outstanding forward purchase contracts extending through May 31, 2015 that are expected to be settled through physical delivery.

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

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

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

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

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

Q. GHFC Primrose at Crist Project

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

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

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

On the closing date of the GHFC Variable Rate Multifamily Housing Revenue Bonds, the land for the project was purchased and titled to GHFC. The land and future improvement have been mortgaged to secure repayment to the lender of the GHFC Multifamily notes. In addition, the land was leased over the next 40 years for \$900,000. The remaining unearned revenue as of December 31, 2012, related to this transaction of \$725,625 will be amortized over the next 32.5 years as rent revenue.

According to the Primrose at Crist Master Agreement TX Crist GP LLC will receive a developer fee that could amount to \$500,000. To date, GHFC has received \$332,409 of the \$500,000. After the developers' fee is paid, TX Crist GP LLC shall be entitled to receive from net operating cash flow after a \$10,000 asset management fee is paid, any tax credit shortfalls are paid, any operating deficit loans are paid, and any subordinated property management fees are paid, a cumulative fee equal to 2% of gross collected rent. The officers of TX Crist GP LLC are required to issue annual dividends to GHFC based on the net revenues and expenses of the limited liability corporation. In addition, TX Crist GP LLC owns 0.01% of TX Crist Housing LLP. This equity ownership amounts to less than \$10,000 and is not material to the financial operation of GHFC.

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

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

R. GHFC HomeTowne at Garland, LP project

In August 2010, GHFC Garland GP, LLC, a Texas limited liability company, of which GHFC is the sole member entered into a Limited Partnership agreement for the formation of HomeTowne at Garland, LP (the "Partnership"). In August 2011, the Limited Partnership agreement was amended and restated whereby the Partnership would be formed to develop, construct, own, maintain, and operate a 144-unit multifamily residential apartment complex intended for rental to Senior Citizens of low and moderate income, to be known as HomeTowne at Garland, and to be located in Garland, Texas under the terms of the agreement. Under the term of the agreement, the Partnership continues until December 31, 2099 unless the Partnership is sooner dissolved by law.

In August 2011, GHFC entered into an Amended and Restated Ground Lease with the Partnership whereby GHFC leased land to the Partnership for the construction and development of HomeTowne at Garland. GHFC continues to own the land and leases the land to the Partnership over a 75 year period terminating on August 31, 2086.

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

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

S. Beginning Net Position adjustment

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

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

	Governmental Activities	Internal Service Funds	Total Primary Government
Net Position, 9/30/12 as previously reported	\$ 144,064,130	\$ 37,579,297	\$ 805,443,772
Restatement adjustment	(1,813,249)	(1,813,249)	(1,813,249)
Net Position, 9/30/12 as restated	<u>\$ 142,250,881</u>	<u>\$ 35,766,048</u>	<u>\$ 803,630,523</u>

T. Subsequent Events

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

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, 2013
(unaudited)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 61,217,106	\$ 62,128,859	\$ 63,253,894	\$ 1,125,035
Franchise fees	7,288,310	8,373,475	8,646,942	273,467
Service charges	18,903,281	19,700,297	20,239,605	539,308
Licenses and permits	2,986,944	3,086,887	3,393,137	306,250
Earnings on investments	123,313	266,313	213,732	(52,581)
Intergovernmental	1,122,467	1,127,595	1,190,211	62,616
Intragovernmental	7,973,377	7,973,377	7,973,376	(1)
Fines and forfeits	5,857,544	6,364,543	6,955,299	590,756
Rents and concessions	759,524	779,852	804,298	24,446
Total revenues	<u>106,231,866</u>	<u>109,801,198</u>	<u>112,670,494</u>	<u>2,869,296</u>
Expenditures:				
Current:				
General government	8,905,921	10,061,948	9,679,317	382,631
Public safety	75,876,641	76,289,670	78,338,393	(2,048,723)
Public works	18,013,493	18,894,606	17,391,246	1,503,360
Culture and recreation	13,011,826	13,539,657	13,218,113	321,544
Public health	3,345,444	3,508,572	3,579,737	(71,165)
Nondepartmental	22,311,083	23,829,469	21,243,401	2,586,068
Total expenditures	<u>141,464,408</u>	<u>146,123,922</u>	<u>143,450,207</u>	<u>2,673,715</u>
Excess of revenues over expenditures	<u>(35,232,542)</u>	<u>(36,322,724)</u>	<u>(30,779,713)</u>	<u>5,543,011</u>
Other financing sources (uses):				
Sale of capital assets	78,725	169,474	361,687	192,213
Transfer in	38,794,459	38,862,444	34,515,966	(4,346,478)
Transfers out	(5,855,157)	(7,005,157)	(1,897,591)	5,107,566
Total other financing sources (uses)	<u>33,018,027</u>	<u>32,026,761</u>	<u>32,980,062</u>	<u>953,301</u>
Net Change in fund balances	(2,214,515)	(4,295,963)	2,200,349	6,496,312
Fund balance, beginning of year	<u>22,063,521</u>	<u>22,063,521</u>	<u>22,063,521</u>	-
Fund balance, end of year	<u>\$ 19,849,006</u>	<u>\$ 17,767,558</u>	<u>\$ 24,263,870</u>	<u>\$ 6,496,312</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 TMRS pension funding progress and contributions
Last three fiscal years

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
12/31/2010	* \$ 621,330,352	\$ 656,017,662	94.70%	\$ 34,687,310	\$ 120,647,657	28.80%
12/31/2011	661,956,058	684,678,761	96.70%	22,722,703	121,677,308	18.70%
12/31/2012	704,046,535	713,843,979	98.60%	9,797,444	124,371,393	7.90%

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

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
10/1/2009	\$ 525,963	\$ 72,834,378	0.72%	\$ 72,308,415	\$ 127,400,000	56.8%
10/1/2011	516,134	82,778,660	0.62%	82,262,526	125,400,000	65.6%
10/1/2011	(1) 845,836	86,815,833	0.97%	85,969,997	129,200,000	66.5%

* Based on the 12/31/10 restructuring

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

City of Garland, Texas
Notes to Required Supplementary Information

Budgets and Budgetary Accounting

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

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

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



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City of Garland, Texas Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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.

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.

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

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

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Other Housing Assistance	TIF's	ARRA Recovery Act	Total Other Governmental Funds
Assets														
Cash and cash equivalents	\$ 7,864	\$ 97,117	\$ 190,689	\$ 670,351	\$ 1,145,970	\$ 67,305	\$ -	\$ 85,464	\$ 498,921	\$ 453,467	\$ 18,112	\$ 497,507	\$ 10,500	\$ 3,743,267
Investments	15,100	185,995	365,247	1,287,884	2,202,405	129,332	-	164,185	958,692	586,522	34,843	955,843	-	6,886,048
Receivables:														
Accrued interest	6	209	366	1,610	2,609	103	-	288	1,190	683	-	1,327	-	8,391
Other	1,394,345	-	2,618,309	-	-	-	-	-	-	-	-	-	-	4,012,654
Due from other governments	291,669	-	257,440	-	-	-	-	66,673	-	-	-	-	-	615,782
Assets held for resale	73,060	-	-	-	-	-	-	-	-	-	-	-	-	73,060
Total Current Assets	1,782,044	283,321	3,432,051	1,959,845	3,350,984	196,740	-	316,610	1,458,803	1,040,672	52,955	1,454,677	10,500	15,339,202
Restricted assets:														
Cash and cash equivalents	-	1,525,291	-	-	-	-	-	-	-	91,087	571,687	-	-	2,188,065
Total Restricted Assets	-	1,525,291	-	-	-	-	-	-	-	91,087	571,687	-	-	2,188,065
Total Assets	\$ 1,782,044	\$ 1,808,612	\$ 3,432,051	\$ 1,959,845	\$ 3,350,984	\$ 196,740	\$ -	\$ 316,610	\$ 1,458,803	\$ 1,131,759	\$ 624,642	\$ 1,454,677	\$ 10,500	\$ 17,527,267
LIABILITIES														
Current liabilities:														
Accounts payable and accrued liabilities	\$ 62,896	\$ 172,107	\$ 264,345	\$ 25,782	\$ -	\$ -	\$ 246	\$ 19,714	\$ -	\$ 1,038	\$ -	\$ -	\$ -	\$ 546,128
Due to other funds	213,907	-	49,996	-	-	-	1,873	-	-	-	-	-	-	265,776
Escrow payable	-	-	-	-	-	-	-	-	-	239,195	-	-	-	239,195
Deferred revenues	1,467,405	-	2,670,733	-	-	-	-	253,220	-	-	-	-	-	4,391,358
Due to other governments	-	-	-	-	-	-	-	-	-	-	571,687	-	-	571,687
Total Liabilities	1,744,208	172,107	2,985,074	25,782	-	-	2,119	272,934	-	240,233	571,687	-	-	6,014,144
FUND BALANCES (DEFICITS)														
Fund balances:														
Restricted	37,836	1,636,505	-	-	-	-	-	43,676	-	891,526	52,955	1,454,677	10,500	4,127,675
Committed	-	-	446,977	1,934,063	3,350,984	196,740	(2,119)	-	1,458,803	-	-	-	-	7,385,448
Total fund balances (deficits)	37,836	1,636,505	446,977	1,934,063	3,350,984	196,740	(2,119)	43,676	1,458,803	891,526	52,955	1,454,677	10,500	11,513,123
Total Liabilities and Fund Balances	\$ 1,782,044	\$ 1,808,612	\$ 3,432,051	\$ 1,959,845	\$ 3,350,984	\$ 196,740	\$ -	\$ 316,610	\$ 1,458,803	\$ 1,131,759	\$ 624,642	\$ 1,454,677	\$ 10,500	\$ 17,527,267

City of Garland, Texas
 Nonmajor Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended September 30, 2013

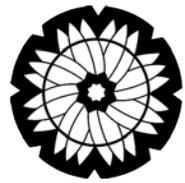
	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Other Housing Assistance	TIF's	ARRA Recovery Act	Total Other Governmental Funds
REVENUES														
Taxes	\$ -	\$ -	\$ -	\$ 825,003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 588,576	\$ -	\$ 1,413,579
Earnings on investments	(47)	1,362	(354)	635	1,799	297	-	581	889	509	(88)	668	208	6,459
Intergovernmental	1,528,499	10,527,038	1,636,092	-	-	-	76,237	1,079,732	-	-	-	-	42,016	14,889,614
Impact Fees	-	-	-	-	377,520	-	-	-	-	-	-	-	-	377,520
Program income	245,348	-	119,755	-	-	-	-	-	-	-	-	-	-	365,103
Special event income	-	-	-	216,026	-	-	-	-	-	-	-	-	-	216,026
Awards	-	-	-	-	-	-	-	-	-	192,737	-	-	-	192,737
Miscellaneous and other	-	906,612	3,187	-	-	-	-	20,964	-	26,788	-	-	-	957,551
Total Revenues	1,773,800	11,435,012	1,758,680	1,041,664	379,319	297	76,237	1,101,277	889	220,034	(88)	589,244	42,224	18,418,589
EXPENDITURES														
Current:														
Operations	1,144,209	11,510,262	1,753,736	723,373	-	-	-	430,229	-	206,672	-	174,109	31,723	15,974,313
Capital outlay	601,705	-	-	-	-	-	-	903,573	-	-	-	-	-	1,505,278
Total Expenditures	1,745,914	11,510,262	1,753,736	723,373	-	-	-	1,333,802	-	206,672	-	174,109	31,723	17,479,591
Excess (deficiency) of revenues over (under) expenditures	27,886	(75,250)	4,944	318,291	379,319	297	76,237	(232,525)	889	13,362	(88)	415,135	10,501	938,998
OTHER FINANCING SOURCES (USES)														
Sale of capital assets	-	-	-	-	-	-	-	86,500	-	-	-	-	-	86,500
Transfers in	-	-	20,000	-	-	-	11,007	83,298	-	-	-	-	-	114,305
Transfers out	-	-	-	-	-	-	-	-	-	-	-	(297,554)	(123,264)	(420,818)
Total other financing sources (uses)	-	-	20,000	-	-	-	11,007	169,798	-	-	-	(297,554)	(123,264)	(220,013)
Net change in fund balances (deficits)	27,886	(75,250)	24,944	318,291	379,319	297	87,244	(62,727)	889	13,362	(88)	117,581	(112,763)	718,985
Fund balances (deficits) - beginning	9,950	1,711,755	422,033	1,615,772	2,971,665	196,443	(89,363)	106,403	1,457,914	878,164	53,043	1,337,096	123,263	10,794,138
Fund balances (deficits) - ending	\$ 37,836	\$ 1,636,505	\$ 446,977	\$ 1,934,063	\$ 3,350,984	\$ 196,740	\$ (2,119)	\$ 43,676	\$ 1,458,803	\$ 891,526	\$ 52,955	\$ 1,454,677	\$ 10,500	\$ 11,513,123

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, 2013

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
Revenues:				
General property taxes	\$ 30,709,239	\$ 31,011,052	\$ 31,126,521	\$ 115,469
Earnings on investments	14,231	15,921	18,066	2,145
Miscellaneous and other	35,415	35,415	-	(35,415)
Total Revenues	<u>30,758,885</u>	<u>31,062,388</u>	<u>31,144,587</u>	<u>82,199</u>
Expenditures:				
Principal retirement	18,225,398	18,225,398	17,370,398	855,000
Interest	12,171,731	12,079,153	11,900,025	179,128
Issue costs on issuance of debt	-	-	160,687	(160,687)
Fiscal charges and other	525,000	525,000	339,837	185,163
Total Expenditures	<u>30,922,129</u>	<u>30,829,551</u>	<u>29,770,947</u>	<u>1,058,604</u>
Excess of revenues over expenditures	<u>(163,244)</u>	<u>232,837</u>	<u>1,373,640</u>	<u>1,140,803</u>
Other financing sources:				
Transfers in	505,044	510,789	552,682	41,893
Transfers out	(86,444)	(86,444)	(1,491,444)	(1,405,000)
Premium on issuance of debt	-	-	543,096	543,096
Issuance of refunding bonds	-	-	8,055,000	8,055,000
Payment to refunded bonds escrow agent	-	-	(7,960,000)	(7,960,000)
Total other financing sources	<u>418,600</u>	<u>424,345</u>	<u>(300,666)</u>	<u>(725,011)</u>
Net change in fund balances	255,356	657,182	1,072,974	415,792
Fund balance, beginning of year	<u>5,241,033</u>	<u>5,241,033</u>	<u>5,241,033</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,496,389</u>	<u>\$ 5,898,215</u>	<u>\$ 6,314,007</u>	<u>\$ 415,792</u>

City of Garland, Texas
Hotel/Motel and Narcotic Seizure Funds
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2013

	<u>Hotel/Motel Tax</u>				<u>Narcotic Seizure</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:								
Occupancy taxes	\$ 562,254	\$ 618,188	\$ 825,003	\$ 206,815	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	635	635	-	-	509	509
Awards	-	-	-	-	-	-	192,737	192,737
Special event income	5,000	110,500	216,026	105,526	-	-	-	-
Miscellaneous and other	-	-	-	-	-	-	26,788	26,788
Total revenues	<u>567,254</u>	<u>728,688</u>	<u>1,041,664</u>	<u>312,976</u>	<u>-</u>	<u>-</u>	<u>220,034</u>	<u>220,034</u>
Expenditures:								
Current:								
Operations	719,462	762,291	723,373	38,918	120,000	179,652	206,672	(27,020)
Capital	-	-	-	-	229,052	-	-	-
Total expenditures	<u>719,462</u>	<u>762,291</u>	<u>723,373</u>	<u>38,918</u>	<u>349,052</u>	<u>179,652</u>	<u>206,672</u>	<u>(27,020)</u>
Excess (deficiency) of revenues over expenditures	<u>(152,208)</u>	<u>(33,603)</u>	<u>318,291</u>	<u>351,894</u>	<u>(349,052)</u>	<u>(179,652)</u>	<u>13,362</u>	<u>193,014</u>
Net change in fund balances	(152,208)	(33,603)	318,291	351,894	(349,052)	(179,652)	13,362	193,014
Fund balances, beginning of year	<u>1,615,772</u>	<u>1,615,772</u>	<u>1,615,772</u>	<u>-</u>	<u>878,164</u>	<u>878,164</u>	<u>878,164</u>	<u>-</u>
Fund balances end of year	<u>\$ 1,463,564</u>	<u>\$ 1,582,169</u>	<u>\$ 1,934,063</u>	<u>\$ 351,894</u>	<u>\$ 529,112</u>	<u>\$ 698,512</u>	<u>\$ 891,526</u>	<u>\$ 193,014</u>



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City of Garland, Texas Nonmajor Enterprise Funds

Nonmajor Enterprise Funds

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

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

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

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

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

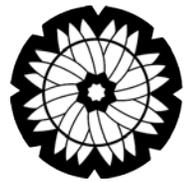
Sanitation Fund – This fund is used to account for the resources and expenses associated with the collection and recycling of residential and commercial waste.

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Position
September 30, 2013

	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	\$ 52,012	\$ 52,235	\$ 325,431	\$ 119,457	\$ 84,413	\$ 633,548
Investments	-	100,365	625,262	229,456	161,760	1,116,843
Receivable, net of allowance	-	-	371,880	336	1,933,865	2,306,081
Accrued interest	-	124	783	252	417	1,576
Inventories	48,818	-	-	-	-	48,818
Total current assets	100,830	152,724	1,323,356	349,501	2,180,455	4,106,866
Noncurrent assets						
<i>Restricted assets</i>						
Construction funds:						
Cash and cash equivalents	184,899	-	1,145	-	463,766	649,810
Investments	352,551	-	2,299	-	890,991	1,245,841
Accrued interest	1,112	-	-	-	1,126	2,238
Total construction funds	538,562	-	3,444	-	1,355,883	1,897,889
Capital Assets						
Land	9,111,400	1,776,208	-	-	298,936	11,186,544
System	15,514,354	746,069	3,235,528	315,659	13,037,827	32,849,437
Construction in progress	427,482	-	-	-	-	427,482
Less accumulated depreciation	(7,715,952)	(677,860)	(2,074,779)	(251,452)	(9,053,828)	(19,773,871)
Net capital assets	17,337,284	1,844,417	1,160,749	64,207	4,282,935	24,689,592
Unamortized bond discount and issue cost	-	-	2,204	-	51,623	53,827
Total noncurrent assets	17,875,846	1,844,417	1,166,397	64,207	5,690,441	26,641,308
Total assets	\$ 17,976,676	\$ 1,997,141	\$ 2,489,753	\$ 413,708	\$ 7,870,896	\$ 30,748,174

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Position
September 30, 2013

	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	\$ 163,098	\$ -	\$ 147,687	\$ 40,981	\$ 257,072	\$ 608,838
Accrued certificates of obligation interest	-	-	441	-	29,729	30,170
Certificates of obligation	-	-	15,000	-	1,055,000	1,070,000
Due to other funds	1,156,210	-	-	-	-	1,156,210
OPEB payable-current	50,187	-	43,017	-	155,937	249,141
Compensated absences	35,360	-	67,261	-	183,982	286,603
<i>Total current liabilities</i>	<u>1,404,855</u>	<u>-</u>	<u>273,406</u>	<u>40,981</u>	<u>1,681,720</u>	<u>3,400,962</u>
Long-term Liabilities						
<i>Payable from restricted assets:</i>						
Accounts payable	-	-	-	-	154,774	154,774
<i>Total payable from restricted assets</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,774</u>	<u>154,774</u>
Certificates of obligation (net of unamortized premium)	-	-	125,970	-	2,936,330	3,062,300
OPEB payable	166,890	-	146,462	-	521,183	834,535
Compensated absences	23,357	-	4,836	-	7,132	35,325
Total long-term liabilities	<u>190,247</u>	<u>-</u>	<u>277,268</u>	<u>-</u>	<u>3,464,645</u>	<u>3,932,160</u>
Total Liabilities	<u>1,595,102</u>	<u>-</u>	<u>550,674</u>	<u>40,981</u>	<u>5,301,139</u>	<u>7,487,896</u>
NET POSITION						
Net investment in capital assets	17,875,846	1,844,417	1,023,223	64,207	1,492,714	22,300,407
Unrestricted (deficit)	(1,494,272)	152,724	915,856	308,520	1,077,043	959,871
Total net position	<u>\$ 16,381,574</u>	<u>\$ 1,997,141</u>	<u>\$ 1,939,079</u>	<u>\$ 372,727</u>	<u>\$ 2,569,757</u>	<u>\$ 23,260,278</u>



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

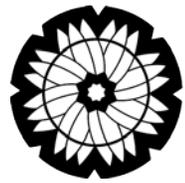
	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
OPERATING REVENUES						
Charges for services	\$ 3,677,689	\$ 6,865	\$ 3,824,990	\$ 1,124,046	\$ 17,469,768	\$ 26,103,358
Other	24,784	-	138	40,507	118,445	183,874
Total Operating Revenues	<u>3,702,473</u>	<u>6,865</u>	<u>3,825,128</u>	<u>1,164,553</u>	<u>17,588,213</u>	<u>26,287,232</u>
OPERATING EXPENSES						
Salaries and benefits	2,097,921	-	1,991,329	161,545	5,093,252	9,344,047
Landfill fees	-	-	-	-	3,856,038	3,856,038
Maintenance, repairs, and supplies	1,792,562	-	1,384,161	747,476	4,404,717	8,328,916
Insurance and other expenses	101,517	-	85,126	-	448,783	635,426
General and administrative	16,458	-	332,177	35,077	1,673,489	2,057,201
Claims	50,187	-	43,017	-	155,937	249,141
Depreciation	747,458	5,361	170,924	19,626	1,259,746	2,203,115
Total Operating Expenses	<u>4,806,103</u>	<u>5,361</u>	<u>4,006,734</u>	<u>963,724</u>	<u>16,891,962</u>	<u>26,673,884</u>
Total Operating Income (Loss)	<u>(1,103,630)</u>	<u>1,504</u>	<u>(181,606)</u>	<u>200,829</u>	<u>696,251</u>	<u>(386,652)</u>
NONOPERATING REVENUES (EXPENSES)						
Gain (loss) on sale of capital assets	(78,750)	-	86,181	-	19,604	27,035
Investment income	1,386	82	934	(193)	60	2,269
Interest expense	(645)	-	(2,657)	-	(78,340)	(81,642)
Income (loss) before transfers	<u>(1,181,639)</u>	<u>1,586</u>	<u>(97,148)</u>	<u>200,636</u>	<u>637,575</u>	<u>(438,990)</u>
TRANSFERS						
Transfers in	1,905,000	-	-	-	-	1,905,000
Transfers out	(596,000)	-	(158,290)	(100,000)	(773,232)	(1,627,522)
Total transfers	<u>1,309,000</u>	<u>-</u>	<u>(158,290)</u>	<u>(100,000)</u>	<u>(773,232)</u>	<u>277,478</u>
NET INCOME (LOSS)	<u>127,361</u>	<u>1,586</u>	<u>(255,438)</u>	<u>100,636</u>	<u>(135,657)</u>	<u>(161,512)</u>
Net position, beginning of year	16,254,213	1,995,555	2,194,517	272,091	2,705,414	23,421,790
Net position, end of year	<u>\$ 16,381,574</u>	<u>\$ 1,997,141</u>	<u>\$ 1,939,079</u>	<u>\$ 372,727</u>	<u>\$ 2,569,757</u>	<u>\$ 23,260,278</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2013

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Cash flows from operating activities:						
Cash received from customers	\$ 3,677,689	\$ 6,865	\$ 3,815,793	\$ 1,124,214	\$ 17,426,327	\$ 26,050,888
Cash payments for goods and services	(1,898,387)	-	(1,756,442)	(757,717)	(10,371,542)	(14,784,088)
Cash payments to employees for services	(2,108,416)	-	(1,986,135)	(161,545)	(5,093,186)	(9,349,282)
Other operating revenues	24,785	-	138	40,507	118,445	183,875
Net cash provided (used for) by operating activities	<u>(304,329)</u>	<u>6,865</u>	<u>73,354</u>	<u>245,459</u>	<u>2,080,044</u>	<u>2,101,393</u>
Cash flows from non-capital financing activities:						
Due to other governments	(227)	-	-	-	-	(227)
Due to other funds - (increase) decreases	(138,700)	-	4,773	-	(128,530)	(262,457)
Transfers in	1,905,000	-	-	-	-	1,905,000
Transfers out	(596,000)	-	(158,290)	(100,000)	(773,232)	(1,627,522)
Net cash provided by (used for) non-capital financing activities	<u>1,170,073</u>	<u>-</u>	<u>(153,517)</u>	<u>(100,000)</u>	<u>(901,762)</u>	<u>14,794</u>
Cash flows from capital and related financing activities:						
Certificate of obligation issues	-	-	-	-	1,395,000	1,395,000
Premium on issuance of debt	-	-	-	-	109,541	109,541
Bond issue expense	-	-	-	-	(19,541)	(19,541)
Acquisition of capital assets	(1,036,524)	-	(92,989)	(6,627)	(1,510,684)	(2,646,824)
Principal paid on certificates of obligation	-	-	(15,000)	-	(1,180,000)	(1,195,000)
Decrease in advance from other funds	(13,458)	-	-	-	-	(13,458)
Interest paid on certificates of obligation	-	-	(4,090)	-	(86,132)	(90,222)
Interest paid on advances from other funds	(645)	-	-	-	-	(645)
Proceeds from sale of fixed assets	120,000	-	86,181	-	19,604	225,785
Net cash used for capital and related financing activities	<u>(930,627)</u>	<u>-</u>	<u>(25,898)</u>	<u>(6,627)</u>	<u>(1,272,212)</u>	<u>(2,235,364)</u>
Cash flows from investing activities:						
Purchase of investment securities	(322,505)	(108,150)	(677,625)	(312,393)	(1,102,277)	(2,522,950)
Proceeds from the sale and maturity of investment securities	303,492	85,097	612,248	194,612	948,832	2,144,281
Interest (loss) received on investments	652	64	921	(340)	46	1,343
Net cash used for investing activities	<u>(18,361)</u>	<u>(22,989)</u>	<u>(64,456)</u>	<u>(118,121)</u>	<u>(153,399)</u>	<u>(377,326)</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2013

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Net increase (decrease) in cash and cash equivalents	(83,244)	(16,124)	(170,517)	20,711	(247,329)	(496,503)
Cash and cash equivalents at beginning of year	320,155	68,359	497,093	98,746	795,508	1,779,861
Cash and cash equivalents at end of year	<u>\$ 236,911</u>	<u>\$ 52,235</u>	<u>\$ 326,576</u>	<u>\$ 119,457</u>	<u>\$ 548,179</u>	<u>\$ 1,283,358</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (1,103,630)	\$ 1,504	\$ (181,606)	\$ 200,829	\$ 696,251	\$ (386,652)
Adjustments:						
Depreciation	747,458	5,361	170,924	19,626	1,259,746	2,203,115
Provision for uncollectible accounts	-	-	(2,083)	-	(3,435)	(5,518)
Change in assets and liabilities:						
Increase in inventory	(48,818)	-	-	-	-	(48,818)
(Increase) decrease in accounts receivable	-	-	(7,114)	168	(40,006)	(46,952)
Increase in accounts payable	36,020	-	45,022	24,836	11,485	117,363
Decrease in prepaid insurance	24,949	-	-	-	-	24,949
Increase (decrease) in compensated absences	(10,495)	-	5,194	-	66	(5,235)
Increase in OPEB payable	50,187	-	43,017	-	155,937	249,141
Total adjustments	<u>799,301</u>	<u>5,361</u>	<u>254,960</u>	<u>44,630</u>	<u>1,383,793</u>	<u>2,488,045</u>
Net cash provided by (used for) operating activities	<u>\$ (304,329)</u>	<u>\$ 6,865</u>	<u>\$ 73,354</u>	<u>\$ 245,459</u>	<u>\$ 2,080,044</u>	<u>\$ 2,101,393</u>



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City of Garland, Texas Internal Service Funds

Internal Service Funds

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

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

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

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

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

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

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

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

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

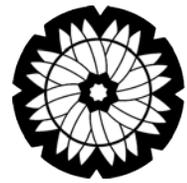
Customer Service Fund – This fund is used to account for activities related to establishing accounts, meter reading, billing and collection of revenue, and responding to customer inquiries from the day to day operations of City utilities.

City of Garland, Texas
Internal Service Funds
Statement of Net Position
September 30, 2013

	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	\$ 211,991	\$ 1,242,570	\$ 388,349	\$ 7,728	\$ 3,657,548	\$ 2,666,814	\$ 159,627	\$ -	\$ 4,970,512	\$ 13,305,139
Investments	408,213	2,387,843	746,093	15,165	7,027,530	5,124,715	306,742	-	8,138,514	24,154,815
Accrued interest	73	2,033	924	37	8,516	6,213	330	14	10,623	28,763
Other Receivables	-	18,231	-	-	-	5,172	-	-	807,254	830,657
Inventories	-	-	-	356,941	-	-	-	5,215,441	-	5,572,382
Total current assets	620,277	3,650,677	1,135,366	379,871	10,693,594	7,802,914	466,699	5,215,455	13,926,903	43,891,756
Noncurrent assets:										
<i>Restricted</i>										
Construction funds:										
Cash and cash equivalents	-	-	-	153,014	-	284,852	-	1,907	1,601,847	2,041,620
Investments	-	-	-	293,992	-	547,792	-	3,665	3,078,147	3,923,596
Accrued interest	-	-	-	367	-	719	-	5	2,742	3,833
Total construction funds	-	-	-	447,373	-	833,363	-	5,577	4,682,736	5,969,049
Capital assets										
Land	-	-	-	-	-	-	-	-	221,949	221,949
System	21,834	24,844	-	2,375,565	31,379,569	28,388,654	294,514	263,818	32,076,440	94,825,238
Construction in progress	-	-	-	55,541	-	3,034,893	-	-	-	3,090,434
Less accumulated depreciation	(21,834)	(24,844)	-	(1,684,743)	(22,648,276)	(14,575,459)	(283,892)	(133,743)	(5,018,506)	(44,391,297)
Net capital assets	-	-	-	746,363	8,731,293	16,848,088	10,622	130,075	27,279,883	53,746,324
Unamortized bond discount and issue cost	-	-	-	25,075	-	126,005	-	30	248,583	399,693
Total noncurrent assets	-	-	-	1,218,811	8,731,293	17,807,456	10,622	135,682	32,211,202	60,115,066
Total assets	620,277	3,650,677	1,135,366	1,598,682	19,424,887	25,610,370	477,321	5,351,137	46,138,105	104,006,822
LIABILITIES										
Current Liabilities:										
<i>Payable from current assets</i>										
Accounts payable and accrued liabilities	616,603	302,572	44,989	728,528	1,292,381	973,575	381,936	576,804	599,212	5,516,600
Accrued interest payable:										
General obligation bonds	-	-	-	390	-	334	-	243	4,438	5,405
Certificates of obligation	-	-	-	6,584	-	43,689	-	-	132,576	182,849
Customer deposits	-	-	-	-	-	-	-	-	12,600,911	12,600,911
Due to other funds	-	-	-	-	-	-	-	462,022	-	462,022
Compensated absences	15,054	25,471	-	89,019	-	204,223	91,039	15,653	193,111	633,570
Insurance claims payable	1,280,274	2,954,491	507,112	-	-	-	-	-	-	4,741,877
Capital lease	-	-	-	-	31,755	-	-	-	-	31,755
OPEB payable-current	14,339	14,339	-	62,733	-	111,127	59,148	19,716	170,276	451,678
General obligation bonds	-	-	-	10,000	-	25,000	-	5,000	10,000	50,000
Certificates of obligation	-	-	-	55,000	-	920,000	-	-	1,140,000	2,115,000
Total current liabilities	1,926,270	3,296,873	552,101	952,254	1,324,136	2,277,948	532,123	1,079,438	14,850,524	26,791,667
Long-term Liabilities:										
<i>Payable from restricted assets</i>										
Accounts payable	-	-	-	21,074	-	150,248	-	-	-	171,322
Retainage payable	-	-	-	-	-	12,482	-	-	-	12,482
Total payable from restricted assets	-	-	-	21,074	-	162,730	-	-	-	183,804
Advances from other funds	-	-	-	-	-	-	-	3,896,269	-	3,896,269
Certificates of obligation (net of amortized bond premium)	-	-	-	467,860	-	6,401,167	-	-	22,662,650	29,531,677
General obligation bonds (net of amortized bond premium and defeased debt cost)	-	-	-	46,089	-	35,288	-	35,136	715,381	831,894
Capital lease	-	-	-	-	33,343	-	-	-	-	33,343
Compensated absences	19,730	15,313	-	-	-	62,562	9,582	9,120	-	116,307
Insurance claims payable	-	3,767,236	3,378,885	-	-	-	-	-	-	7,146,121
OPEB payable	32,432	46,301	-	212,792	-	373,600	196,945	65,069	568,184	1,495,323
Total Long-term Liabilities	52,162	3,828,850	3,378,885	726,741	33,343	6,872,617	206,527	4,005,594	23,946,215	43,050,934
Total Liabilities	1,978,432	7,125,723	3,930,986	1,700,069	1,357,479	9,313,295	738,650	5,085,032	38,796,739	70,026,405
NET POSITION										
Net investment in capital assets	-	-	-	593,713	8,731,293	10,137,266	10,622	95,516	7,434,588	27,002,998
Unrestricted	(1,358,155)	(3,475,046)	(2,795,620)	(695,100)	9,336,115	6,159,809	(271,951)	170,589	(93,222)	6,977,419
Total net position	\$ (1,358,155)	\$ (3,475,046)	\$ (2,795,620)	\$ (101,387)	\$ 18,067,408	\$ 16,297,075	\$ (261,329)	\$ 266,105	\$ 7,341,366	\$ 33,980,417

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

	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	\$ -	\$ -	\$ -	\$ 7,495,007	\$ 3,048,615	\$ 16,806,794	\$ 6,860,859	\$ 888,940	\$ 11,178,440	\$ 46,278,655
Premiums	21,069,408	5,947,218	458,346	-	-	-	-	-	-	27,474,972
Other	867,708	49,529	-	426,721	-	96,408	-	17,406	184,592	1,642,364
Total Operating Revenues	21,937,116	5,996,747	458,346	7,921,728	3,048,615	16,903,202	6,860,859	906,346	11,363,032	75,395,991
OPERATING EXPENSES:										
Salaries and benefits	745,289	635,942	-	2,111,601	-	5,288,932	1,922,346	574,259	5,383,771	16,662,140
Maintenance, repairs, and other	308,830	560,517	-	5,186,329	-	5,754,719	4,610,732	42,292	1,475,596	17,939,015
Premiums	5,840,701	1,633,865	-	-	-	-	-	-	-	7,474,566
Claims	15,830,081	2,463,079	289,793	62,733	-	111,127	59,148	19,716	170,276	19,005,953
Administrative services	949,324	70,820	-	-	-	-	-	-	-	1,020,144
General and administrative	219,197	163,720	-	696,766	99,360	1,717,890	479,959	203,132	3,292,090	6,872,114
Depreciation	1,365	-	-	91,988	2,948,523	2,554,260	708	24,375	1,462,909	7,084,128
Total Operating Expenses	23,894,787	5,527,943	289,793	8,149,417	3,047,883	15,426,928	7,072,893	863,774	11,784,642	76,058,060
Total Operating Income (Loss)	(1,957,671)	468,804	168,553	(227,689)	732	1,476,274	(212,034)	42,572	(421,610)	(662,069)
NONOPERATING REVENUES (EXPENSES):										
Investment income	2,363	(1,164)	372	271	4,878	6,280	379	4	9,850	23,233
Interest expense	-	-	-	(22,921)	(4,768)	(310,224)	-	(1,766)	(1,050,974)	(1,390,653)
Gain (loss) on sale of capital assets	-	-	-	-	-	226,721	-	412	2,892	85,096
Total nonoperating revenues (expenses)	2,363	(1,164)	372	(22,650)	226,831	(448,873)	379	(1,350)	(1,038,232)	(1,282,324)
Income (loss) before transfers	(1,955,308)	467,640	168,925	(250,339)	227,563	1,027,401	(211,655)	41,222	(1,459,842)	(1,944,393)
TRANSFERS										
Transfers in	-	-	-	-	554,796	-	-	-	1,252,977	1,807,773
Transfers out	255,405	(386,399)	-	-	16,500	(1,534,517)	-	-	-	(1,649,011)
Net transfers	255,405	(386,399)	-	-	571,296	(1,534,517)	-	-	1,252,977	158,762
NET INCOME (LOSS)	(1,699,903)	81,241	168,925	(250,339)	798,859	(507,116)	(211,655)	41,222	(206,865)	(1,785,631)
Net position, beginning of year as restated, see Note S	341,748	(3,556,287)	(2,964,545)	148,952	17,268,549	16,804,191	(49,674)	224,883	7,548,231	35,766,048
Net position, end of year	\$ (1,358,155)	\$ (3,475,046)	\$ (2,795,620)	\$ (101,387)	\$ 18,067,408	\$ 16,297,075	\$ (261,329)	\$ 266,105	\$ 7,341,366	\$ 33,980,417



GARLAND
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**City of Garland, Texas
Internal Service Funds
Statement of Cash Flows
For the Year Ended September 30, 2013**

	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
Cash flows from operating activities:										
Cash received from customers	\$ 21,069,408	\$ 5,947,218	\$ 458,346	\$ 7,495,007	\$ 3,048,615	\$ 16,801,623	\$ 6,860,859	\$ 888,940	\$ 11,256,769	\$ 73,826,785
Cash received for customer deposits	-	-	-	-	-	-	-	-	591,776	591,776
Cash payments for goods and services	(22,503,001)	(5,009,566)	(295,731)	(6,284,171)	889,532	(7,411,339)	(4,942,115)	408,855	(4,847,658)	(49,995,194)
Cash payments to employees for services	(734,032)	(638,719)	-	(2,048,256)	-	(5,274,629)	(1,923,208)	(572,818)	(5,379,673)	(16,571,335)
Other operating revenues	867,708	49,529	-	426,721	-	96,408	-	17,406	184,592	1,642,364
Net cash provided by (used for) operating activities	(1,299,917)	348,462	162,615	(410,699)	3,938,147	4,212,063	(4,464)	742,383	1,805,806	9,494,396
Cash flows from non-capital financing activities:										
Due to other funds - (decrease)	-	-	-	-	-	-	-	(708,566)	(452,330)	(1,160,896)
Transfers in	-	-	-	-	554,796	-	-	-	1,252,977	1,807,773
Transfers out	255,405	(386,399)	-	-	16,500	(1,534,517)	-	-	-	(1,649,011)
Net cash provided by (used for) non-capital financing activities	255,405	(386,399)	-	-	571,296	(1,534,517)	-	(708,566)	800,647	(1,002,134)
Cash flows from capital and financing activities:										
Certificate of obligation issues	-	-	-	90,000	-	450,000	-	-	-	540,000
General obligation issues	-	-	-	20,000	-	-	-	-	-	20,000
Acquisition of capital assets	-	-	-	(101,631)	(4,120,808)	(2,167,851)	(11,330)	(32,329)	(96,593)	(6,530,542)
Principal paid on certificates of obligation	-	-	-	(15,000)	-	(1,045,000)	-	-	(1,110,000)	(2,170,000)
Principal paid on general obligation bonds	-	-	-	(15,000)	-	(25,000)	-	-	(5,000)	(45,000)
Decrease in capital lease	-	-	-	-	(30,243)	-	-	-	-	(30,243)
Interest paid on certificates of obligation	-	-	-	(19,633)	-	(304,134)	-	-	(1,014,475)	(1,338,242)
Interest paid on general obligations	-	-	-	(2,504)	-	(2,988)	-	(1,900)	(75,762)	(83,154)
Interest paid on capital lease	-	-	-	-	(4,768)	-	-	-	-	(4,768)
Premium on issuance of debt	-	-	-	3,088	-	32,588	-	-	-	35,676
Bond issue expense	-	-	-	(3,269)	-	(7,588)	-	-	-	(10,857)
Payment to escrow agent	-	-	-	(30,321)	-	-	-	-	-	(30,321)
Proceeds from sale of assets	-	-	-	-	247,228	-	-	412	2,892	250,532
Net cash used for financing activities	-	-	-	(74,270)	(3,908,591)	(3,069,973)	(11,330)	(33,817)	(2,298,938)	(9,396,919)
Cash flows from investing activities:										
Purchase of investment securities	(372,782)	(2,464,495)	(863,083)	(347,656)	(7,636,120)	(5,773,267)	(311,106)	(3,817)	(11,849,969)	(29,622,295)
Proceeds from the sale and maturity of investment securities	846,657	2,024,317	632,675	545,021	5,958,650	4,883,488	260,055	3,107	9,509,895	24,663,865
Interest received on investments	2,941	(1,234)	150	499	3,575	5,593	400	4	7,997	19,925
Net cash provided by (used for) investing activities	476,816	(441,412)	(230,258)	197,864	(1,673,895)	(884,186)	(50,651)	(706)	(2,332,077)	(4,938,505)
Net decrease in cash and cash equivalents	(567,696)	(479,349)	(67,643)	(287,105)	(1,073,043)	(1,276,613)	(66,445)	(706)	(2,024,562)	(5,843,162)
Cash and cash equivalents at beginning of year	779,687	1,721,919	455,992	447,847	4,730,591	4,228,279	226,072	2,613	8,596,921	21,189,921
Cash and cash equivalents at end of year	\$ 211,991	\$ 1,242,570	\$ 388,349	\$ 160,742	\$ 3,657,548	\$ 2,951,666	\$ 159,627	\$ 1,907	\$ 6,572,359	\$ 15,346,759
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:										
Operating income (loss)	\$ (1,957,671)	\$ 468,804	\$ 168,553	\$ (227,689)	\$ 732	\$ 1,476,274	\$ (212,034)	\$ 42,572	\$ (421,610)	\$ (662,069)
Adjustments:										
Depreciation	1,365	-	-	91,988	2,948,523	2,554,260	708	24,375	1,462,909	7,084,128
Change in assets and liabilities:										
Decrease in inventory	-	-	-	30,370	-	-	-	293,840	-	324,210
(Increase) decrease in accounts receivable	-	-	-	-	-	(5,172)	-	-	78,329	73,157
Increase (decrease) in accounts payable	193,533	(131,904)	(5,938)	(368,713)	988,892	61,270	148,576	360,439	(79,972)	1,166,183
Increase in customer deposits	-	-	-	-	-	-	-	-	591,776	591,776
Increase (decrease) in compensated absences	11,257	(2,777)	-	612	-	14,303	(862)	1,441	4,098	28,072
Increase in OPEB payable	14,339	14,339	-	62,733	-	111,128	59,148	19,716	170,276	451,679
Increase in insurance claims payable	437,260	-	-	-	-	-	-	-	-	437,260
Total adjustments	657,754	(120,342)	(5,938)	(183,010)	3,937,415	2,735,789	207,570	699,811	2,227,416	10,156,465
Net cash provided by (used for) operating activities	\$ (1,299,917)	\$ 348,462	\$ 162,615	\$ (410,699)	\$ 3,938,147	\$ 4,212,063	\$ (4,464)	\$ 742,383	\$ 1,805,806	\$ 9,494,396



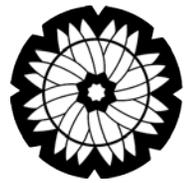
GARLAND

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

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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.	123
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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



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

Table 1

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities										
Net investment in capital assets	\$ 154,170,896	\$ 152,244,746	\$ 150,638,419	\$ 146,152,849	\$ 152,134,216	\$ 151,311,862	\$ 119,059,830	\$ 109,150,600	\$ 95,930,730	\$ 127,763,560
Restricted	1,921,608	9,332,603	11,148,268	16,539,955	24,872,761	18,134,847	13,646,512	12,875,368	9,106,322	7,859,043
Unrestricted	3,439,609	(5,114,118)	3,205,798	3,861,767	(8,120,300)	(6,063,639)	25,421,938	32,036,457	39,027,078	1,315,954
Total governmental activities net position	\$ 159,532,113	\$ 156,463,231	\$ 164,992,485	\$ 166,554,571	\$ 168,886,677	\$ 163,383,070	\$ 158,128,280	\$ 154,062,425	\$ 144,064,130	\$ 136,938,557
Business-type activities										
Net investment in capital assets	\$ 317,711,532	\$ 316,840,492	\$ 321,262,146	\$ 357,951,642	\$ 355,663,983	\$ 337,930,445	\$ 334,698,641	\$ 343,566,237	\$ 346,557,013	\$ 438,249,356
Restricted	70,686,549	72,202,545	73,218,539	77,356,305	80,549,836	82,525,231	116,110,801	157,524,421	196,275,271	178,691,456
Unrestricted	38,559,211	35,223,599	85,484,980	64,523,017	71,341,607	121,136,206	115,801,273	118,212,758	118,547,358	53,537,669
Total business-type activities net position	\$ 426,957,292	\$ 424,266,636	\$ 479,965,665	\$ 499,830,964	\$ 507,555,426	\$ 541,591,882	\$ 566,610,715	\$ 619,303,416	\$ 661,379,642	\$ 670,478,481
Primary government										
Net investment in capital assets	\$ 471,882,428	\$ 469,085,238	\$ 471,900,565	\$ 504,104,491	\$ 507,798,199	\$ 489,242,307	\$ 453,758,471	\$ 452,716,837	\$ 442,487,743	\$ 566,012,916
Restricted	72,608,157	81,535,148	84,366,807	93,896,260	105,422,597	100,660,078	129,757,313	170,399,789	205,381,593	186,550,499
Unrestricted	41,998,820	30,109,481	88,690,778	68,384,784	63,221,307	115,072,567	141,223,211	150,249,215	157,574,436	54,853,623
Total primary government activities net position	\$ 586,489,405	\$ 580,729,867	\$ 644,958,150	\$ 666,385,535	\$ 676,442,103	\$ 704,974,952	\$ 724,738,995	\$ 773,365,841	\$ 805,443,772	\$ 807,417,038

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

Table 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 35,270,124	\$ 32,392,426	\$ 30,790,105	\$ 37,623,390	\$ 31,821,475	\$ 31,153,948	\$ 32,846,193	\$ 29,640,148	\$ 29,569,285	\$ 29,243,108
Public safety	69,028,367	71,669,173	80,537,648	82,379,317	85,948,538	88,837,476	86,168,466	90,653,595	90,755,164	92,128,110
Public works	32,081,450	33,252,736	35,936,678	39,645,423	41,491,649	40,530,087	41,358,430	42,540,513	41,666,670	40,870,496
Culture and recreation	18,117,717	18,188,655	19,160,660	19,159,881	19,925,775	19,849,963	19,505,793	21,566,920	20,805,012	21,442,173
Public health	2,795,918	2,581,301	2,771,112	3,085,931	3,346,806	3,455,498	3,604,317	3,881,311	4,018,652	4,322,827
Interest and fiscal charges	8,342,311	9,222,475	10,348,493	10,686,236	10,476,757	12,888,091	12,713,773	11,968,097	12,038,048	11,094,537
Tri-City Academy	74,091	12,721	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>165,709,978</u>	<u>167,319,487</u>	<u>179,544,696</u>	<u>192,580,178</u>	<u>193,011,000</u>	<u>196,715,063</u>	<u>196,196,972</u>	<u>200,250,584</u>	<u>198,852,831</u>	<u>199,101,251</u>
Business-type activities:										
Electric	209,650,788	222,883,550	222,703,702	212,231,176	255,025,955	183,527,066	191,187,490	164,547,930	166,360,005	271,815,312
Water	25,800,512	25,806,273	25,540,630	28,221,876	29,979,447	33,000,743	34,274,026	38,602,207	40,702,500	43,758,542
Sewer	22,865,652	22,685,980	24,768,707	26,661,625	29,021,769	30,838,009	33,643,084	34,307,982	36,348,765	36,288,797
Golf	3,607,795	2,796,283	2,953,267	2,844,792	2,827,100	2,801,539	3,636,869	4,766,551	4,922,780	4,889,818
Heliport	34,457	28,576	76,842	28,007	27,335	27,482	39,590	30,292	85,480	5,365
Storm water management	2,953,322	2,961,292	3,535,492	3,227,420	3,192,094	3,176,002	3,598,351	3,669,785	3,519,113	3,926,594
Parks performance	721,368	749,667	773,516	718,131	702,176	818,781	778,409	965,305	1,022,947	964,590
Sanitation	13,565,161	13,301,942	13,399,591	14,741,829	15,618,088	15,558,875	15,943,590	16,045,778	16,972,881	16,965,951
Total business-type activities expenses	<u>279,199,055</u>	<u>291,213,563</u>	<u>293,751,747</u>	<u>288,674,856</u>	<u>336,393,964</u>	<u>269,748,497</u>	<u>283,101,409</u>	<u>262,935,830</u>	<u>269,934,471</u>	<u>378,615,189</u>
Total primary government expenses	<u>\$ 444,909,033</u>	<u>\$ 458,533,050</u>	<u>\$ 473,296,443</u>	<u>\$ 481,255,034</u>	<u>\$ 529,404,964</u>	<u>\$ 466,463,560</u>	<u>\$ 479,298,381</u>	<u>\$ 463,186,414</u>	<u>\$ 468,787,302</u>	<u>\$ 577,716,440</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 7,318,626	\$ 6,676,910	\$ 6,858,486	\$ 6,611,850	\$ 6,687,922	\$ 6,010,639	\$ 6,086,998	\$ 6,403,716	\$ 6,761,126	\$ 6,792,917
Public safety	8,579,287	10,202,599	10,803,372	10,568,258	9,335,039	12,015,983	11,904,259	12,685,675	14,130,333	15,467,011
Public works	10,571,408	11,200,394	12,990,004	13,651,673	12,565,983	13,317,251	12,326,162	18,311,836	14,710,176	14,626,584
Culture and recreation	1,622,913	1,745,890	1,615,310	1,530,098	1,655,630	1,871,402	1,701,121	1,673,984	1,523,989	1,726,202
Public health	189,935	179,789	177,835	331,128	321,296	314,819	501,507	283,433	409,920	534,179
Operating grants and contributions	18,516,283	19,713,353	21,863,489	22,852,488	21,055,526	17,351,640	21,420,963	21,723,466	16,885,088	17,203,324
Capital grants and contributions	5,686,588	3,556,983	8,445,411	3,811,318	6,398,010	2,082,015	974,984	649,244	815,387	1,785,232
Total governmental activities program revenues	<u>52,485,040</u>	<u>53,275,918</u>	<u>62,753,907</u>	<u>59,356,813</u>	<u>58,019,406</u>	<u>52,963,749</u>	<u>54,915,994</u>	<u>61,731,354</u>	<u>55,236,019</u>	<u>58,135,449</u>
Business-type activities:										
Charges for services:										
Electric	199,926,505	224,884,115	271,751,654	233,626,927	270,716,085	229,710,285	231,758,075	222,638,789	222,228,397	296,866,570
Water	22,966,885	28,235,537	35,641,398	26,528,327	30,974,200	34,236,560	40,688,647	50,472,770	46,525,981	50,176,879
Sewer	24,328,999	26,719,862	34,668,202	33,628,914	35,436,808	38,396,280	40,316,535	41,809,811	42,172,904	41,831,894
Golf	2,193,048	2,133,498	2,224,318	2,070,839	2,069,842	1,996,599	2,163,761	3,596,869	3,724,490	3,677,689
Heliport	6,000	6,000	5,556	6,098	6,299	6,451	6,528	6,523	6,713	6,865
Storm water management	3,105,222	3,088,386	3,140,224	3,116,627	3,160,313	3,137,707	3,455,484	3,775,995	3,840,350	3,824,990
Parks performance	778,364	838,064	745,186	666,131	744,918	831,481	694,108	1,004,106	1,052,256	1,124,046
Sanitation	13,229,144	13,159,315	13,331,142	15,054,605	15,574,619	16,191,391	15,750,835	16,406,642	16,898,137	17,469,768
Capital grants and contributions	2,275,432	1,890,046	3,103,011	2,853,227	4,226,700	3,679,673	878,483	3,213,159	1,249,457	1,787,937
Total business-type activities program revenues	<u>268,809,599</u>	<u>300,954,823</u>	<u>364,610,691</u>	<u>317,551,695</u>	<u>362,909,784</u>	<u>328,186,427</u>	<u>335,712,456</u>	<u>342,924,664</u>	<u>337,698,685</u>	<u>416,766,638</u>
Total primary government program revenues	<u>\$ 321,294,639</u>	<u>\$ 354,230,741</u>	<u>\$ 427,364,598</u>	<u>\$ 376,908,508</u>	<u>\$ 420,929,190</u>	<u>\$ 381,150,176</u>	<u>\$ 390,628,450</u>	<u>\$ 404,656,018</u>	<u>\$ 392,934,704</u>	<u>\$ 474,902,087</u>

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

Table 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense)/revenue										
Governmental activities	\$ (113,224,938)	\$ (114,043,569)	\$ (116,790,789)	\$ (133,223,365)	\$ (134,991,594)	\$ (143,751,314)	\$ (141,280,978)	\$ (138,519,230)	\$ (143,616,812)	\$ (140,965,802)
Business-type activities	(10,389,456)	9,741,260	70,858,944	28,876,839	26,515,820	58,437,930	52,611,047	79,988,834	67,764,214	38,151,449
Total primary government net expense	<u>\$ (123,614,394)</u>	<u>\$ (104,302,309)</u>	<u>\$ (45,931,845)</u>	<u>\$ (104,346,526)</u>	<u>\$ (108,475,774)</u>	<u>\$ (85,313,384)</u>	<u>\$ (88,669,931)</u>	<u>\$ (58,530,396)</u>	<u>\$ (75,852,598)</u>	<u>\$ (102,814,353)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 59,700,363	\$ 61,816,669	\$ 66,825,355	\$ 70,205,635	\$ 74,677,018	\$ 77,869,371	\$ 75,675,105	72,960,307	71,712,486	71,160,273
Sales taxes	18,454,380	19,368,101	22,517,489	23,278,730	23,694,596	22,041,066	21,648,693	21,609,756	22,684,164	23,537,389
Franchise taxes	7,146,208	7,268,396	7,883,149	8,028,128	8,372,409	7,935,599	8,352,056	8,255,818	7,887,388	8,646,942
Hotel/motel taxes	415,767	417,034	464,905	488,123	469,185	483,639	562,590	687,233	773,753	825,003
Mixed drink taxes	110,443	121,644	135,586	167,372	216,527	233,290	263,272	262,941	238,486	255,607
Bingo taxes	89,543	88,918	101,189	97,866	87,133	105,488	99,634	100,691	104,178	106,252
Unrestricted investment earnings	1,677,257	1,875,018	3,883,272	5,061,009	3,486,049	2,771,407	730,796	512,142	648,009	266,319
Miscellaneous	208,727	700,956	140,242	850,982	46,672	(58,601)	28,089	89,257	85,561	59,186
Special item-apartment complex transfer	4,250,070	-	-	-	-	-	-	-	-	-
Transfers	7,452,522	19,317,950	23,368,856	26,607,606	26,274,111	26,866,448	28,665,953	29,975,230	29,484,492	30,796,507
Total governmental activities	<u>99,505,280</u>	<u>110,974,686</u>	<u>125,320,043</u>	<u>134,785,451</u>	<u>137,323,700</u>	<u>138,247,707</u>	<u>136,026,188</u>	<u>134,453,375</u>	<u>133,618,517</u>	<u>135,653,478</u>
Business-type activities:										
Unrestricted investment earnings	2,322,731	4,166,933	8,932,791	13,001,111	7,794,879	5,031,184	1,426,960	1,045,332	1,703,509	42,619
Miscellaneous	4,630,530	2,719,099	3,595,093	4,594,955	3,235,856	(2,566,210)	1,176,711	1,633,765	2,092,995	1,701,278
Loss on sale of capital assets	-	-	-	-	-	-	(1,529,932)	-	-	-
Special item-impairment of electric assets	-	-	-	-	(3,547,982)	-	-	-	-	-
Transfers	(7,452,522)	(19,317,950)	(23,368,856)	(26,607,606)	(26,274,111)	(26,866,448)	(28,665,953)	(29,975,230)	(29,484,492)	(30,796,507)
Total business-type activities	<u>(499,261)</u>	<u>(12,431,918)</u>	<u>(10,840,972)</u>	<u>(9,011,540)</u>	<u>(18,791,358)</u>	<u>(24,401,474)</u>	<u>(27,592,214)</u>	<u>(27,296,133)</u>	<u>(25,687,988)</u>	<u>(29,052,610)</u>
Total primary government	<u>\$ 99,006,019</u>	<u>\$ 98,542,768</u>	<u>\$ 114,479,071</u>	<u>\$ 125,773,911</u>	<u>\$ 118,532,342</u>	<u>\$ 113,846,233</u>	<u>\$ 108,433,974</u>	<u>\$ 107,157,242</u>	<u>\$ 107,930,529</u>	<u>\$ 106,600,868</u>
Change in Net Position										
Governmental activities	\$ (13,719,658)	\$ (3,068,883)	\$ 8,529,254	\$ 1,562,086	\$ 2,332,106	\$ (5,503,607)	\$ (5,254,790)	(4,065,855)	(9,998,295)	(5,312,324)
Business-type activities	(10,888,717)	(2,690,658)	60,017,972	19,865,299	7,724,462	34,036,456	25,018,833	52,692,701	42,076,226	9,098,839
Cumulative effect of change in acctg principle	-	-	(4,318,943)	-	-	-	-	-	-	-
Total primary government	<u>\$ (24,608,375)</u>	<u>\$ (5,759,541)</u>	<u>\$ 64,228,283</u>	<u>\$ 21,427,385</u>	<u>\$ 10,056,568</u>	<u>\$ 28,532,849</u>	<u>\$ 19,764,043</u>	<u>\$ 48,626,846</u>	<u>\$ 32,077,931</u>	<u>\$ 3,786,515</u>

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>
2004	\$ 59,700,363	\$ 18,454,380	\$ 7,146,208	\$ 415,767	\$ 110,443	\$ 89,543	\$ 85,916,704
2005	61,816,669	19,368,101	7,268,396	417,034	121,644	88,918	89,080,762
2006	66,825,355	22,517,489	7,883,149	464,905	135,586	101,189	97,927,673
2007	70,205,635	23,278,730	8,028,128	488,123	167,372	97,866	102,265,854
2008	74,677,018	23,694,596	8,598,552	469,185	216,527	87,133	107,743,011
2009	77,869,371	22,041,066	7,935,599	483,639	233,290	105,488	108,668,453
2010	75,591,153	21,573,549	8,352,056	562,590	263,272	99,634	106,442,254
2011	72,960,307	21,609,756	8,255,818	687,233	262,941	100,691	103,876,746
2012	71,712,486	22,684,164	7,887,388	773,753	238,486	104,178	103,400,455
2013	71,160,273	23,537,389	8,646,942	825,003	255,607	106,252	104,531,466

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

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund										
Reserved for other	\$ -	\$ -	\$ -	\$ -	\$ 231,850	\$ 394,642	\$ 564,849	\$ -	\$ -	\$ -
Restricted for construction								762,541	758,444	1,531,005
Assigned								4,730,000	4,730,000	4,480,000
Unreserved	11,030,482	13,190,208	20,888,141	17,308,504	17,050,423	18,480,293	19,639,675	-	-	-
Unassigned								13,881,953	16,575,077	18,252,865
Total general fund	<u>\$ 11,030,482</u>	<u>\$ 13,190,208</u>	<u>\$ 20,888,141</u>	<u>\$ 17,308,504</u>	<u>\$ 17,282,273</u>	<u>\$ 18,874,935</u>	<u>\$ 20,204,524</u>	<u>\$ 19,374,494</u>	<u>\$ 22,063,521</u>	<u>\$ 24,263,870</u>
All other government funds										
Reserved for:										
Debt service	\$ 1,314,659	\$ 2,745,794	\$ 3,210,136	\$ 3,643,875	\$ 5,285,612	\$ 6,140,162	\$ 6,051,447	\$ -	\$ -	\$ -
Capital project funds	606,949	31,249,119	(10,079,482)	-	5,166,823	-	-	-	-	-
Special revenue funds	-	6,586,809	7,938,132	12,896,080	14,188,476	14,329,972	9,411,927	-	-	-
Unreserved, reported in:										
Special revenue funds	13,545,029	5,753,428	4,596,233	7,293,957	8,678,081	3,721,683	4,624,832	-	-	-
Capital project funds	-	-	-	(26,178,715)	5,649,541	1,727,367	(3,467,032)	-	-	-
Non spendable:										
Prepaid	-	-	-	-	-	-	-	902,142	-	-
Restricted for:										
General government	-	-	-	-	-	-	-	1,122,223	39,730,596	33,393,625
Debt service	-	-	-	-	-	-	-	6,265,763	5,241,033	6,314,007
Housing assistance	-	-	-	-	-	-	-	3,577,680	1,774,748	1,727,296
Public safety	-	-	-	-	-	-	-	1,305,371	984,567	935,202
Culture & recreation	-	-	-	-	-	-	-	-	53,785	-
Committed for:										
General government	-	-	-	-	-	-	-	303,531	332,670	444,858
Culture & recreation	-	-	-	-	-	-	-	1,429,229	1,615,772	1,934,063
Public works	-	-	-	-	-	-	-	4,240,615	4,626,022	5,006,527
Unassigned										
Capital project funds	-	-	-	-	-	-	-	(5,016,257)	-	-
Total all other governmental funds	<u>\$ 15,466,637</u>	<u>\$ 46,335,150</u>	<u>\$ 5,665,019</u>	<u>\$ (2,344,803)</u>	<u>\$ 38,968,533</u>	<u>\$ 25,919,184</u>	<u>\$ 16,621,174</u>	<u>\$ 14,130,297</u>	<u>\$ 54,359,193</u>	<u>\$ 49,755,578</u>

Note: The City implemented GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 78,671,897	\$ 81,838,275	\$ 89,864,990	\$ 94,277,497	\$ 99,567,491	\$ 100,620,433	\$ 98,370,888	\$ 95,523,675	\$ 95,535,319	\$ 95,793,994
Franchise fees	7,146,208	7,268,396	7,883,149	8,028,128	8,372,409	7,935,599	8,352,056	8,255,818	7,887,388	8,646,942
Service charges	14,026,350	14,600,925	16,382,249	17,224,499	17,268,733	17,537,722	16,929,426	18,102,510	20,411,968	20,239,605
Licenses and permits	2,151,482	2,701,470	3,104,974	3,056,687	2,632,116	2,566,182	3,085,185	2,893,000	3,751,589	3,393,137
Investment earnings	1,343,658	1,875,021	3,883,271	5,061,009	3,486,049	1,739,575	501,419	384,119	482,567	243,088
Intergovernmental	16,797,896	17,835,272	19,092,728	20,938,438	19,709,837	16,786,683	19,995,862	20,304,725	15,573,047	16,079,825
Intragovernmental	6,065,514	5,790,632	5,803,231	6,068,356	6,727,768	7,324,102	7,430,975	7,871,534	8,010,474	7,973,376
Fines and forfeits	5,194,326	6,073,988	5,915,617	5,324,440	5,195,729	6,064,644	5,627,058	5,097,867	6,110,138	6,955,299
Rents and concessions	1,634,362	770,684	946,539	959,214	1,066,932	1,089,898	947,961	762,914	788,504	804,298
Assessments	122,600	56,039	43,908	54,207	37,546	32,609	49,455	34,223	61,182	61,779
Impact fees	589,283	558,677	1,043,145	1,215,941	728,946	140,278	252,767	289,553	368,620	377,520
Contributions	194,029	582,969	1,789,346	378,732	8,173	418,424	619,197	5,219,595	31,881	-
Program income	232,812	531,270	580,242	197,794	251,679	135,695	163,681	193,209	376,059	365,103
Special event income	488,207	434,879	79,439	1,623	-	-	-	174,578	-	216,026
Miscellaneous	2,448,424	2,314,668	2,727,545	1,737,656	1,174,425	1,998,868	1,124,216	2,248,086	998,201	2,342,106
Awards	197,821	93,334	498,287	445,701	347,993	374,145	665,163	467,831	573,187	192,737
Total Revenues	137,304,869	143,326,499	159,638,660	164,969,922	166,575,826	164,764,857	164,115,309	167,823,237	160,960,124	163,684,835
Expenditures										
General government	13,547,721	9,846,252	8,399,455	16,162,770	9,035,894	10,183,430	9,817,583	9,415,810	9,339,438	9,820,852
Public safety	59,878,602	62,364,342	67,979,184	71,923,692	75,115,520	75,268,367	74,890,153	77,463,425	77,639,802	78,338,393
Public works	7,306,230	7,080,641	8,087,824	9,765,312	9,659,895	8,931,181	8,709,794	19,151,977	18,457,911	17,391,246
Culture and recreation	11,306,781	11,072,061	11,487,982	12,401,080	13,209,936	12,550,200	12,641,150	13,245,845	12,794,896	13,218,113
Public health	2,429,705	2,136,542	2,275,483	2,721,376	2,965,945	2,893,506	3,189,738	3,174,073	3,364,592	3,579,737
Nondepartmental	13,949,955	12,826,489	14,498,714	16,258,263	17,075,180	16,941,189	17,315,649	18,695,922	19,086,070	21,243,401
Operations	26,923,692	26,842,657	26,199,922	25,113,864	29,652,263	28,925,801	28,602,430	17,392,687	16,978,956	15,974,313
Capital Outlay	41,594,043	43,223,875	55,132,525	31,349,700	28,377,230	16,664,598	18,721,222	19,475,793	12,977,724	18,460,127
Debt service										
Principal	10,622,833	12,018,720	12,973,186	14,015,396	15,317,098	16,637,994	17,476,637	16,165,582	17,922,725	17,370,398
Interest	7,795,875	8,385,551	12,418,459	12,282,296	11,353,053	12,767,629	10,879,254	10,215,634	8,991,405	11,900,025
Issue costs on issuance of debt	-	-	-	133,969	720,789	35,000	70,000	107,306	1,038,554	307,935
Tri City Academy	74,091	12,721	-	-	-	-	-	-	-	-
Other charges	515,609	519,353	146,905	120,590	162,728	475,849	617,619	758,265	454,846	339,837
Total expenditures	195,945,137	196,329,204	219,599,639	212,248,308	212,645,531	202,274,744	202,931,229	205,262,319	199,046,919	207,944,377
Excess of revenues over (under) expenditures	(58,640,268)	(53,002,705)	(59,960,979)	(47,278,386)	(46,069,705)	(37,509,887)	(38,815,920)	(37,439,082)	(38,086,795)	(44,259,542)
Other financing sources (uses)										
Sale of capital assets	-	-	-	417,045	2,204,592	363,244	112,389	25,747	117,097	528,187
Transfers in	31,726,983	28,899,080	32,423,803	38,353,344	40,925,950	40,823,290	49,485,628	47,439,233	42,083,177	37,847,598
Transfers out	(14,118,676)	(9,657,539)	(9,550,022)	(17,040,435)	(17,903,902)	(15,483,332)	(20,970,518)	(16,395,360)	(12,675,653)	(7,209,853)
Issuance of debt	12,058,728	65,895,000	4,115,000	13,825,000	59,830,000	350,000	2,220,000	2,545,000	46,245,000	10,835,000
Premium on issuance of debt	-	3,392,524	-	1,493,762	2,761,825	-	-	280,745	4,905,097	1,165,344
Refunding proceeds	-	28,305,000	-	39,200,000	26,940,000	-	-	4,655,000	17,365,000	6,650,000
Payment to bond refunding agent	-	(30,803,121)	-	(40,559,793)	(27,401,656)	-	-	(4,432,030)	(17,035,000)	(7,960,000)
Total other financing sources (uses)	29,667,035	86,030,944	26,988,781	35,688,923	87,356,809	26,053,202	30,847,499	34,118,335	81,004,718	41,856,276
Change in fund balance	(28,973,233)	33,028,239	(32,972,198)	(11,589,463)	41,287,104	(11,456,685)	(7,968,421)	(3,320,747)	42,917,923	(2,403,266)
Special item-apartment complex sale	4,099,431	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (24,873,802)	\$ 33,028,239	\$ (32,972,198)	\$ (11,589,463)	\$ 41,287,104	\$ (11,456,685)	\$ (7,968,421)	\$ (3,320,747)	\$ 42,917,923	\$ (2,403,266)
Debt service as a percentage of noncapital expenditures	11.93%	13.33%	15.44%	14.54%	14.47%	15.84%	15.39%	14.20%	14.46%	15.45%

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
2004	\$ 6,795,954,000	\$ 3,295,142,390	\$ 624,699,750	\$ 1,483,946,215	\$ 9,231,849,925	0.6411
2005	7,077,522,770	3,326,226,180	568,356,980	1,429,095,701	9,543,010,229	0.6411
2006	7,229,465,100	3,500,737,880	664,641,720	1,578,751,415	9,816,093,285	0.6661
2007	8,397,628,690	3,017,766,630	838,155,930	1,836,648,950	10,416,902,300	0.6786
2008	8,523,853,140	3,517,203,860	775,413,890	1,933,972,589	10,882,498,301	0.6886
2009	8,663,790,930	3,721,257,230	864,829,660	2,128,083,759	11,121,794,061	0.6996
2010	8,409,174,740	3,617,980,940	889,829,860	2,198,702,169	10,718,283,371	0.7046
2011	8,182,727,940	3,466,044,330	865,690,790	2,162,392,225	10,352,070,835	0.7046
2012	8,131,575,400	3,427,051,790	854,385,970	2,292,980,261	10,120,032,899	0.7046
2013	7,926,183,720	3,467,149,980	923,512,680	2,347,404,371	9,969,442,009	0.7046

Source: City of Garland, Texas - Tax Office

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

Table 7

Fiscal Year	City Direct Rates			Overlapping Rates*										
	General Fund	Debt Service Fund	Total Direct	Garland Independent School District	Dallas County	Dallas County Hospital District	Dallas County Community College District	Dallas Independent School District	Richardson Independent School District	Mesquite Independent School District	Collin County	Collin County Community College District	Plano Independent School District	
2004	\$ 0.3740	\$ 0.2671	\$ 0.6411	\$ 1.5585	\$ 0.2039	\$ 0.2540	\$ 0.0778	\$ 1.6395	\$ 1.8200	\$ 1.6700	\$ -	\$ -	\$ -	
2005	0.3740	0.2671	0.6411	1.6214	0.2039	0.2540	0.0803	1.6694	1.8200	1.7600	-	-	-	
2006	0.3890	0.2771	0.6661	1.6701	0.2139	0.2540	0.0816	1.6884	1.8200	1.7624	-	-	-	
2007	0.3890	0.2896	0.6786	1.6701	0.2139	0.2540	0.0816	1.6884	1.6301	1.6680	-	-	-	
2008	0.3890	0.2996	0.6886	1.2533	0.2281	0.2540	0.0804	1.5026	1.3401	1.3767	-	-	-	
2009	0.3890	0.3106	0.6996	1.2533	0.2281	0.2540	0.0894	1.1834	1.3401	1.4000	-	-	-	
2010	0.3890	0.3156	0.7046	1.2533	0.2281	0.2740	0.0949	1.2713	1.3401	1.4200	0.2425	0.0863	1.3284	
2011	0.3940	0.3106	0.7046	1.2533	0.2431	0.2710	0.0992	1.2378	1.3401	1.4200	0.2400	0.0863	1.3534	
2012	0.3940	0.3106	0.7046	1.2533	0.2531	0.2710	0.0997	1.2903	1.3401	1.4200	0.2400	0.0863	1.3734	
2013	0.3940	0.3106	0.7046	1.2533	0.2431	0.2710	0.1194	1.2903	1.3401	1.4200	0.2400	0.0863	1.3734	

Source: City of Garland, Texas - Tax Office

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

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

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

Table 8

<u>Taxpayer</u>	<u>2013</u>			<u>2004</u>		
	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total City Taxable Assessed Value</u>
Walmart/Sam's Club	\$ 101,184,920	1	1.00%	\$ 91,274,800	1	0.99%
Simon Property Group	91,341,710	2	0.90%	-		-
Plastipak Packaging	70,419,400	3	0.70%	-		-
SST Truck Company LLC	53,064,990	4	0.52%	-		-
Verizon	48,829,930	5	0.48%	61,320,050	3	0.66%
Valspar Engineered Polymer	45,304,752	6	0.45%	32,365,288	8	0.35%
Sears Roebuck and Co.	43,850,858	7	0.43%	70,940,072	2	0.77%
BMEF Stoneleigh LP	41,900,000	8	0.41%			-
Kraft Foods, Inc	41,264,020	9	0.41%	45,771,609	5	0.50%
Daisy Brand Inc.	35,106,018	10	0.35%	-		-
Eckerd Drugs, Inc.	-		-	60,645,117	4	0.66%
Raytheon/E-Systems	-		-	38,077,570	6	0.41%
Fleming Foods of Texas	-		-	37,891,689	7	0.41%
Tom Thumb/Randalls Foods	-		-	26,797,150	9	0.29%
TXU/Enserch	-		-	26,406,100	10	0.29%
	<u>\$ 572,266,598</u>		<u>5.66%</u>	<u>\$ 491,489,445</u>		<u>5.32%</u>

Source: City of Garland, Texas - Tax Office

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

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collections within Fiscal Year of the Levy		Collections & Adjustments in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 59,188,532	\$ 58,234,780	98.39%	\$ 916,979	\$ 59,151,759	99.94%
2005	61,180,242	60,323,475	98.60%	817,960	61,141,435	99.94%
2006	65,446,028	64,291,109	98.24%	1,093,618	65,384,728	99.91%
2007	69,481,794	68,346,908	98.37%	1,060,422	69,407,330	99.89%
2008	74,759,668	73,764,627	98.67%	916,140	74,680,767	99.89%
2009	77,977,700	76,842,208	98.54%	1,038,854	77,881,062	99.88%
2010	75,678,090	74,800,032	98.84%	675,585	75,475,617	99.73%
2011	73,103,186	72,238,056	98.82%	636,952	72,875,008	99.69%
2012	71,301,935	70,589,967	99.00%	317,925	70,907,892	99.45%
2013	70,801,851	70,130,748	99.05%	-	70,130,748	99.05%

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

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

Table 10

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Tax Anticipation Note	Other Obligations	Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Other Obligations			
2004	\$ 98,738,384	\$ 82,005,151	\$ 4,000,000	\$ -	\$ 118,135,000	\$ 15,346,616	\$ 122,004,505	\$ -	\$ 440,229,656	10.80%	1,980
2005	148,032,971	86,936,889	3,640,000	-	154,895,000	55,582,029	72,188,318	-	521,275,207	12.66%	2,352
2006	140,958,212	88,835,115	5,373,000	-	191,935,000	53,411,788	67,864,920	-	548,378,035	12.71%	2,465
2007	152,557,291	76,814,236	4,240,000	-	235,485,000	75,067,709	38,550,764	-	582,715,000	10.87%	2,590
2008	205,520,000	80,360,204	3,185,000	-	277,435,000	84,685,000	22,789,796	-	673,975,000	12.51%	2,980
2009	194,650,000	95,934,063	5,530,000	-	296,575,000	82,285,000	17,920,937	-	692,895,000	10.66%	3,068
2010	183,442,550	89,971,568	5,050,000	-	304,765,000	79,785,000	140,758,432	-	803,772,550	12.31%	3,542
2011	173,692,475	83,830,000	5,440,000	124,145	316,815,000	81,170,000	131,930,000	-	793,001,620	12.11%	3,482
2012	226,568,739	66,999,488	-	95,342	316,972,656	76,992,004	141,434,684	179,335	829,242,248	16.54%	3,636
2013	209,337,945	74,124,910	-	65,098	307,357,705	68,356,211	140,813,081	-	800,054,950	15.73%	3,454

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 128 for personal income and population data.

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

Table 11

Fiscal Year	General Obligation Debt	Certificates of Obligation	Tax Anticipation Note	Total	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property*	Per Capita**
2004	\$ 114,085,000	\$ 204,009,656	\$ 4,000,000	\$ 322,094,656	\$ 1,314,659	\$ 320,779,997	3.47%	1,443
2005	203,615,000	159,125,207	3,640,000	366,380,207	2,745,794	363,634,413	3.81%	1,641
2006	194,370,000	156,700,035	5,373,000	356,443,035	3,210,136	353,232,899	3.60%	1,588
2007	227,625,000	115,365,000	4,240,000	347,230,000	3,643,875	343,586,125	3.30%	1,527
2008	290,205,000	103,150,000	3,185,000	396,540,000	5,285,612	391,254,388	3.60%	1,730
2009	276,935,000	113,855,000	6,170,000	396,960,000	6,140,162	390,819,838	3.51%	1,730
2010	263,227,550	230,730,000	5,050,000	499,007,550	6,051,447	492,956,103	4.60%	2,172
2011	254,862,475	215,760,000	5,440,000	476,062,475	6,265,763	469,796,712	4.54%	2,063
2012	303,560,743	208,434,172	-	511,994,915	5,241,033	506,753,882	5.01%	2,222
2013	277,694,156	214,937,991	-	492,632,147	6,314,007	486,318,140	4.88%	2,100

This report reflects changes made to the General Obligaion Debt column to properly report the total amount of general obligation debt outstanding each year.

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

* See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 119 for property value data.

** Population data can be found in the Schedule of Demographic and Economic Statistics on page 128.

City of Garland
Estimated Direct and Overlapping Governmental Activities Debt
As of September 30, 2013
(unaudited)

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Garland Independent School District	\$ 372,319,346	71.06%	\$ 264,570,127
Collin County	393,350,000	0.03%	118,005
Collin County Community College District	37,460,000	0.03%	11,238
Dallas County	136,430,000	5.79%	7,899,297
Dallas County Community College District	355,880,000	5.79%	20,605,452
Dallas County Hospital District	743,250,000	5.79%	43,034,175
Dallas County Schools	61,595,000	5.79%	3,566,351
Dallas Independent School District	2,614,110,000	0.22%	5,751,042
Richardson Independent School District	441,309,988	3.41%	15,048,671
Plano Independent School District	978,780,871	0.06%	587,269
Mesquite Independent School District	369,567,822	1.84%	<u>6,800,048</u>
Subtotal, overlapping debt			367,991,674
City direct debt			<u>492,632,147</u>
Total estimated direct and overlapping debt			<u><u>\$ 860,623,821</u></u>

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

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

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

City of Garland
Legal Debt Margin Information
September 30, 2013
(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 FY13 is \$.7046 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	
2004	\$ 205,509,317	\$ 193,344,158	\$ 12,165,159	\$ 1,565,238	\$ 857,676	5.02	\$ 47,531,877	\$ 34,060,885	\$ 13,470,992	\$ 4,081,190	\$ 2,069,573	2.19
2005	228,947,259	207,006,704	21,940,555	2,465,952	1,343,233	5.76	55,278,540	34,521,360	20,757,180	5,039,524	2,587,796	2.72
2006	278,495,241	207,677,043	70,818,198	3,610,238	1,937,279	12.77	70,938,017	36,061,645	34,876,372	5,728,810	2,747,140	4.11
2007	244,179,434	195,648,649	48,530,785	4,523,333	2,411,386	7.00	61,219,697	38,218,281	23,001,416	7,003,095	3,362,221	2.22
2008	278,688,019	238,988,738	39,699,281	4,756,190	2,240,833	5.67	67,608,735	40,565,444	27,043,291	8,877,750	4,052,695	2.09
2009	234,046,619	167,009,741	67,036,878	5,385,500	2,351,999	8.66	73,238,821	43,211,675	30,027,146	9,443,250	4,067,502	2.22
2010	232,689,990	169,922,518	62,767,472	5,399,211	2,207,117	8.25	81,075,657	46,002,329	35,073,328	10,109,000	4,243,081	2.44
2011	223,439,359	138,663,012	84,776,347	5,212,750	2,082,419	11.62	92,330,704	49,155,966	43,174,738	10,628,000	4,374,209	2.88
2012	223,567,545	140,852,028	82,715,517	5,095,000	1,887,700	11.85	88,795,586	52,500,437	36,295,149	10,441,750	3,965,662	2.52
2013	296,802,209	248,084,572	48,717,637	5,076,111	1,607,330	7.29	96,736,703	68,166,340	28,570,363	10,313,500	3,458,475	2.07

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

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

Table 15

Fiscal Year	Population	Personal Income (amt expressed in thousands)	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
2004	222,350	\$ 4,447,000	\$ 20,000	31.7	12.9	56,568	5.0%
2005	221,588	5,280,220	23,829	32.0	12.9	57,265	5.4%
2006	222,432	5,300,332	23,829	32.0	12.9	56,593	4.7%
2007	224,988	5,361,239	23,829	32.7	12.9	56,579	4.2%
2008	226,144	5,388,785	23,829	32.7	12.9	56,579	5.8%
2009	225,865	6,497,458	28,767	32.7	12.9	56,579	8.3%
2010	226,915	6,527,664	28,767	34.6	12.9	57,405	8.6%
2011	227,726	6,550,994	28,767	33.2	12.9	57,833	7.8%
2012	228,060	5,012,075	21,977	33.7	12.9	58,151	6.3%
2013	231,618	5,085,868	21,958	33.7	12.9	58,059	6.4%

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

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

Table 16

<u>Employer</u>	<u>2013</u>			<u>2004</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Raytheon E-Systems	2,200	1	2.18%	2,750	1	2.95%
Walmart Super Centers	1,250	2	1.24%	1,500	2	1.61%
International/SST Truck	982	3	0.97%	-	-	-
Atlas Copco	727	4	0.72%	-	-	-
US Food Service	500	5	0.50%	-	-	-
APEX Tool Group	467	6	0.46%	-	-	-
KARLEE, Inc	451	7	0.45%	443	7	0.47%
Hatco (Risistol)	490	8	0.49%	-	-	-
Home Depot	339	9	0.34%	-	-	-
Prestige Ford	310	10	0.31%	-	-	-
Sears Industrial Park	-	-	-	1,300	3	1.39%
Baylor Medical Center	-	-	-	1,205	4	1.29%
Software Spectrum	-	-	-	600	5	0.64%
Kraft Foods	-	-	-	450	6	0.48%
Leland Medical Plaza	-	-	-	405	8	0.43%
Northrup Grumman	-	-	-	400	9	0.43%
Varo, LLC	-	-	-	400	10	0.43%
	<u>7,716</u>		<u>7.64%</u>	<u>9,453</u>		<u>10.14%</u>

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

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

Table 17

	Full-time Equivalent Employees as of December 31									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function										
General Government	307	292	291	290	297	284	282	350	344	348
Police										
Sworn (civil service)	314	314	326	327	328	324	323	323	323	323
Non-Sworn (non-civil service)	133	133	133	138	135	134	133	133	132	133
Fire										
Sworn (civil service)	246	246	254	255	255	251	249	249	255	255
Non-Sworn (non-civil service)	11	9	9	7	7	7	7	7	7	7
Culture and Recreation	168	162	162	162	162	152	151	157	158	159
Internal Services	252	246	197	201	255	252	251	254	252	252
Electric	237	236	236	247	256	252	252	238	238	249
Water	54	54	54	57	61	61	62	62	64	63
Sewer	102	102	102	102	101	100	99	99	97	97
Solid Waste	89	88	88	88	88	88	88	90	87	87
Stormwater Management	25	25	25	25	25	25	25	25	24	24
Golf	36	36	36	36	29	28	28	28	28	17
Special Revenue	128	117	162	169	117	113	115	44	44	42
Total FTE Employees	2,102	2,060	2,075	2,104	2,116	2,071	2,065	2,059	2,053	2,056

Source: City of Garland Budget Office

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

Table 18

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Physical arrests	15,418	15,933	16,166	15,440	14,019	13,902	11,803	11,431	11,284	11,168
Citations issued	50,482	59,461	61,143	60,226	60,298	56,982	53,666	53,613	61,591	62,737
Fire										
Number of calls answered	18,082	19,442	20,024	19,085	20,464	19,770	20,047	20,670	21,146	21,924
Business Inspections	7,489	6,774	7,785	7,964	5,354	5,575	5,188	4,116	2,506	2,029
Highways and streets										
Street resurfacing (miles)	18	26	20	14	19	17	14	15	23	15
Service maintenance requests	1,717	1,923	1,396	1,607	1,538	1,463	1,794	1,550	1,719	2,099
Parks and recreation										
Performing arts center attendance	161,681	170,939	152,508	180,000	170,000	158,103	153,450	150,496	158,500	134,637
Recreation center attendance	773,498	820,497	856,663	820,000	813,000	970,966	722,462	1,004,064	1,104,143	1,199,720
Library										
Volumes, items, or physical units	506,522	521,952	491,220	460,774	433,938	436,783	409,378	409,378	337,728	346,108
Number of Library circulation transactions	1,208,774	1,190,882	1,178,165	1,383,490	1,438,442	1,736,304	1,857,317	1,783,536	1,549,358	1,549,358
Electric										
Number of accounts	67,968	67,761	68,048	68,671	67,899	67,956	68,001	68,034	68,396	69,126
Average daily usage (KWH)	5,431,222	5,532,836	5,712,121	5,413,698	5,640,434	5,381,022	5,614,012	5,707,569	5,370,791	5,270,163
Water										
New connections	505	223	337	467	519	188	9	20	103	196
Water main breaks	213	401	507	398	247	303	393	479	400	438
Average daily consumption (thousands of gallons)	30,042	29,966	33,882	25,792	28,537	32,716	32,041	34,812	29,498	30,058
Wastewater										
Average daily sewage treatment (millions of gallons)	38	33	31	36	34	35	41	34	34	34

Sources: Various City departments

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

Table 19

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	N/A	N/A	65	66	78	78	81	81	81	81
Fire Stations	9	10	10	11	11	11	11	11	11	11
Highways and streets										
Streets (miles)	671.60	687.60	687.60	690.77	690.77	690.77	697.05	697.00	697.00	700.00
Streetlights	11,228	11,228	11,228	11,228	11,376	15,107	13,662	14,068	14,062	14,104
Traffic signals	171	181	182	182	181	181	182	185	185	
Parks and recreation										
Parks acreage	2,865	2,865	2,865	2,428	2,428	2,428	2,880	2,880	2,880	2,880
Parks	68	68	68	68	68	68	63	63	63	63
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	35	35	35	35	35	35	35	35	35	35
Recreation centers	6	6	6	6	6	6	6	6	6	6
Electric										
Substations	20	22	22	22	23	23	23	23	23	23
Miles of service lines	1,946	2,007	2,140	2,142	2,140	2,140	1,012	1,073	1,082	1,090
Maximum daily capacity (MWH)	598.8	576.8	576.8	576.8	576.8	574.1	408.0	408.0	408.0	528.0
Water										
Water mains (miles)	1,083	1,085	1,085	1,097	1,107	1,111	1,111	1,113	1,114	1,117
Fire Hydrants	7,062	7,095	7,160	7,270	7,391	7,442	7,456	8,244	8,271	8,305
Maximum daily capacity (millions of gallons)	230	230	230	230	230	227	221	221	221	221
Sewer										
Sanitary sewers (miles)	982	983	990	995	999	1,000	1,001	1,001	1,001	1,003
Maximum daily treatment capacity (millions of gallons)	54	54	64	64	64	64	64	64	110	68

Sources: Various City departments

**Texas Municipal Power Agency
Condensed Financial Information
As of September 30, 2013
(reported in thousands)**

	Amount in (000's)
Total assets	\$ <u>1,078,086</u>
Total liabilities	1,022,973
Total net assets	55,113
Total liabilities and net assets	\$ <u>1,078,086</u>
Total operating revenues	\$ 271,120
Total operating expenses	<u>134,405</u>
Income from operations	136,715
Total other income(expenses)	360
Total interest charges	(43,613)
Deferred revenue	34,949
Deferred cost	(89,363)
Refunds to member Cities	<u>(35,793)</u>
Change in net assets	3,255
Net assets - beginning balance	51,858
Net assets - ending balance	\$ <u>55,113</u>

Source: TMPA Comprehensive Annual Financial Report

City of Garland
Schedule of Insurance in Force
As of 9/30/13
(unaudited)

<u>Insurance Company</u>	<u>Policy Number</u>	<u>From</u>	<u>To</u>	<u>Description</u>	<u>Deductible</u>	<u>Limits</u>
Evanston Insurance Company	SM879012	4/2/13	4/2/14	Medical ProfessionalLiability	\$2,500	\$3,000,000
Federal Insurance Company	6801-8884	12/3/12	12/3/13	Crime Coverage	\$100,000	\$750,000
Great American Insurance Company	IMP523230105	10/1/12	10/1/13	Contractors Equip &Fleet Catastrophe	\$100,000	\$25,000,000
Lexington Insurance Company	21469073	10/1/12	10/1/13	Property Coverage	\$250,000	\$500,000,000
Nationwide Mutual Insurance Company	FWC0000025627400	10/15/12	10/15/13	General Liability-Special Events	\$0	\$5,000,000
Star Insurance Company	CP0642040	10/1/12	10/1/13	Excess LiabilityPackage Policy	\$500,000	\$18,000,000
Travelers Indemnity Company	BM21303D3252-TCT-12	10/1/12	10/1/13	Boiler/Machinery/Transformers	\$250,000	\$25,000,000

Sources: *City of Garland Risk Management Department*