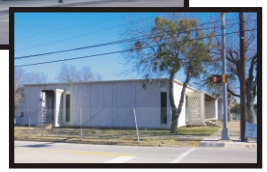
City of Garland, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2010



Prepared by

Department of Finance and the Accounting Office

On the Cover

Top left - The Charles E. Duckworth Utility Services Building was officially dedicated in June 2010. Originally constructed in 1968 to house the Police Department and Municipal Court, an addition in 1979 made room for the Fire Department administrative offices. The building was totally remodeled in 2010 to house Garland Power & Light administrative staff, along with the Tax and Revenue Recovery Departments and the Utility Customer Service Department. The repurposed building is named for Charles E. (Charlie) Duckworth, who served as Garland City Manager from 1965 to 1977. The smaller photo shows the building at 217 North Fifth Street as it looked in the 1980s.

Bottom left - Garland Utility Payment Drive Thru at 717 West State Street opened in June, 2010. This facility is for payment of City of Garland utility bills only. Customers needing to open or close accounts must go to the Duckworth building. The facility also houses the Meter Reader division of the Customer Service Department. Prior to the construction of the Utility Payment Drive Thru, the land was home to an automotive garage and a Texas Utilities building.

Right - The Bankhead Highway was Garland's Main Street from the 1920s to the 1940s. Construction began in 1919 on the highway which would connect Washington, D.C. with San Diego, California. In 1938, a banner stretched across the Bankhead Highway welcomed Smiley Burnette and Roy Rogers to Garland to promote "Under Western Stars," the film that provided Rogers his first starring movie role as a singing cowboy. In 2009, the highway was designated as a Texas Historic Highway.

CITY OF GARLAND, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2010

CITY COUNCIL

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

CITY MANAGER

William E. Dollar

INTERIM 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, 2010

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CITY OF GARLAND, TEXAS

March 31, 2011

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, 2010, 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 226,915 (as estimated by the City's Planning Department as of January 1, 2010) makes it the tenth largest city in the state of Texas, and places it among the top 100 largest municipalities in the United States.

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

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

The impacts of the recession are apparent in the planning for the 2011 fiscal year budget. Property values declined for the second consecutive year, bringing the tax base down to the level where it was in 2006. The City has also experienced two years of declining sales tax revenue which remains $2.1 million below the levels seen prior to the downturn. Preliminary projections indicated the General Fund faced a $5 million deficit after allowing for the three highest priorities. These priorities included (1) funding the opening of the Harris Hollabaugh West Garland Recreation Center, (2) increasing street repair funding to partially restore reductions taken last year, and (3) restoring pay cuts taken by employees in 2009-10.

To address the 2011 economic forecast concerns, the City implemented the following measures in the 2010-11 Adopted Budget to eliminate the General Fund deficit and fund our highest priorities:

- Implementation of a new Debt Service Management Strategy that allowed the Debt Service Tax Rate to be reduced by one-half cent with a corresponding increase in the Operations and Maintenance Tax Rate of a like amount. The end result was a combined Tax Rate that was unchanged while the General Fund received an additional $500,000.
- Assessment of a 5% In-Lieu-of Franchise Fee on residential solid waste collection services – providing $656,000 in additional General Fund revenue.
- Assessment of a $1.50 Emergency Medical Services Fee to be included on monthly utility bills to recover $1.2 million of the operating deficit created by that service.
- Elimination of selected vacant positions and reductions in operating expenditures totaling approximately $600,000.
- Use of $2.2 million in fund balance reserves.

FINANCIAL INFORMATION

Accounting and Budgetary Controls

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

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

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's revenue managers and the 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 20th.

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

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

During the course of the fiscal year, each department head monitors expenditure controls with overall review exercised by the 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 valuation of costs and benefits requires estimates and judgments by management.

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

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

Long-Term Financial Planning

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

- A multi-year financial forecast is prepared projecting revenues and expenditures for all operating funds.
- 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.
- Maintain an ending "fund balance" goal in the General Fund of 30 days of budget-based operating expenditures.
- Maintain an ending "working capital balance" (current assets minus current liabilities) goal in the enterprise funds of 45 days.
- Maintain internal service funds to be fully self-supporting to the extent that any retained earnings deficit shall be recovered in the subsequent fiscal year through increased charges to benefiting departments.

OTHER INFORMATION

Independent Audit

According to Article IV, Section 7, of the City Charter, an annual audit to be performed by independent, certified public accountants, is required to be made of the financial records of the City. Deloitte & Touche LLP was selected in July 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 government-wide 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, 2009. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The City of Garland has received a Certificate of Achievement for the last twenty-eight 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
Interim Director of Financial Services

Steve R. Anderson
Accounting Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Garland

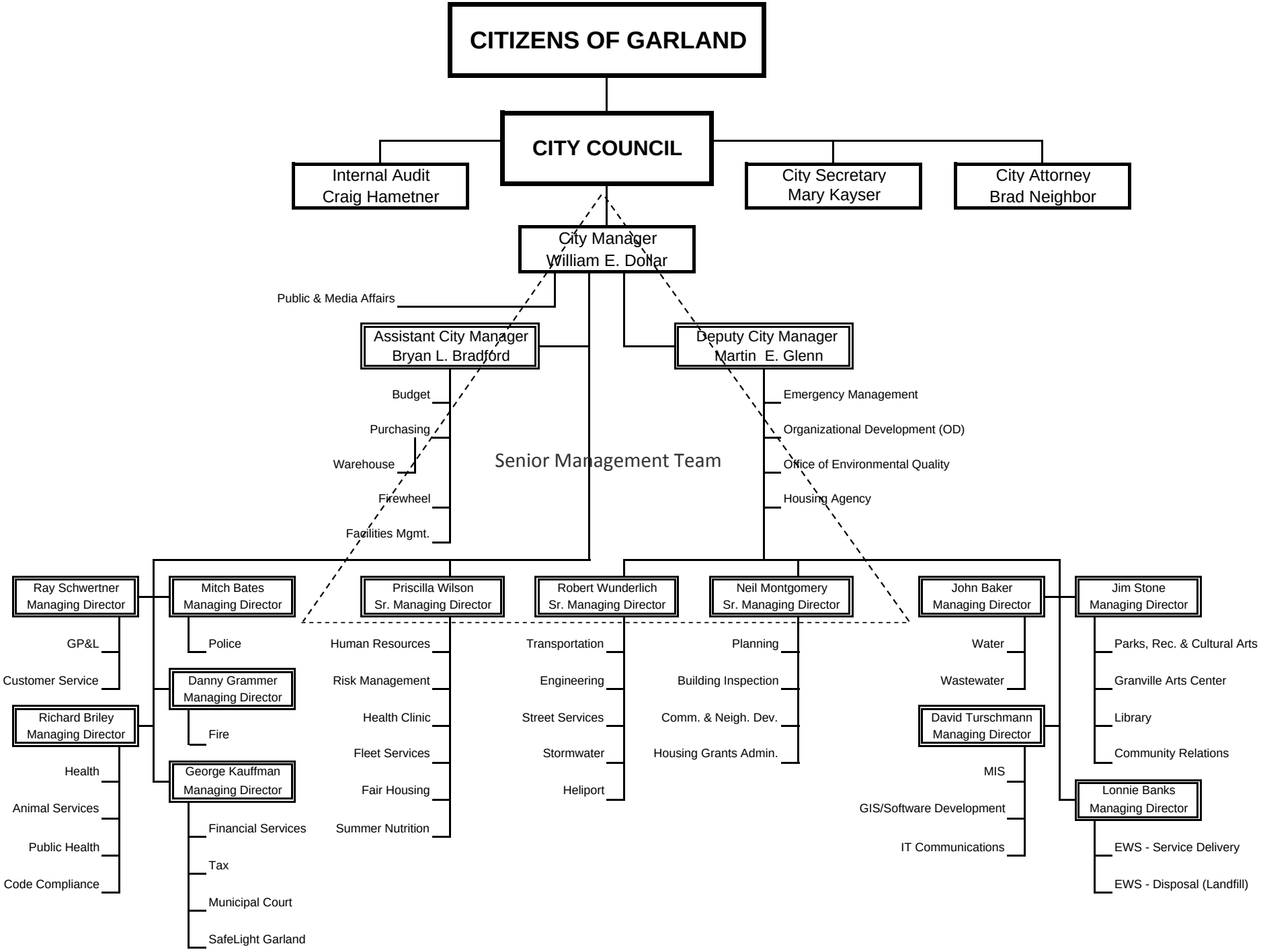
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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

President

Executive Director


CITIZENS OF GARLAND
CITY COUNCIL
Internal Audit
Craig Hametner
City Secretary
Mary Kayser
City Attorney
Brad Neighbor
City Manager
William E. Dollar
Public & Media Affairs
Assistant City Manager
Bryan L. Bradford
Deputy City Manager
Martin E. Glenn
Budget
Purchasing
Warehouse
Firewheel
Facilities Mgmt.
Senior Management Team
Emergency Management
Organizational Development (OD)
Office of Environmental Quality
Housing Agency
Ray Schwertner
Managing Director
GP&L
Customer Service
Richard Briley
Managing Director
Health
Animal Services
Public Health
Code Compliance
Mitch Bates
Managing Director
Police
Danny Grammer
Managing Director
Fire
George Kauffman
Managing Director
Financial Services
Tax
Municipal Court
SafeLight Garland
Priscilla Wilson
Sr. Managing Director
Human Resources
Risk Management
Health Clinic
Fleet Services
Fair Housing
Summer Nutrition
Robert Wunderlich
Sr. Managing Director
Transportation
Engineering
Street Services
Stormwater
Heliport
Neil Montgomery
Sr. Managing Director
Planning
Building Inspection
Comm. & Neigh. Dev.
Housing Grants Admin.
John Baker
Managing Director
Water
Wastewater
David Turschmann
Managing Director
MIS
GIS/Software Development
IT Communications
Jim Stone
Managing Director
Parks, Rec. & Cultural Arts
Granville Arts Center
Library
Community Relations
Lonnie Banks
Managing Director
EWS - Service Delivery
EWS - Disposal (Landfill)

GARLAND

Deloitte & Touche LLP

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

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www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Garland, Texas (the "City"), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Garland's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Garland, Texas, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, the general fund budgetary comparison schedule, and the schedules of funding progress for the Texas Municipal Retirement System and for the other postemployment benefits as described in the table of contents are not required parts of the basic

financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the City's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we do not express an opinion on it.

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

Deloitte & Touche LLP

March 31, 2011

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, 2010. All amounts, unless otherwise indicated, are expressed in dollars.

Financial Highlights

- The assets of the City of Garland (City) exceeded its liabilities at the close of the fiscal year by $724,738,995. Ending net assets for governmental activities amount to $158,128,280 and the ending net assets for the business type activities amount to $566,610,715.
- Net Assets for the governmental activities decreased $5,254,790 and the net assets for the business type activities increased $25,018,833 for a total increase in the City's net assets of $19,764,043. Contributing factors related to the decrease in governmental activities and the increase in business type activates are discussed in the government activities and business type activities sections of this overview and analysis.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $36,825,698. Of the combined ending fund balances, $19,639,675 is unreserved and $564,849 is reserved in the General Fund, $6,051,447 is reserved for debt service, $4,624,832 is unreserved and $9,411,927 is reserved in special revenue funds, and the Capital Projects fund has a deficit fund balance of $3,467,032.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

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

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

Fund financial statement

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

Governmental funds

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

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

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

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

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

Business type funds

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

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

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

Fiduciary funds

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-73 of this report.

Other information

Required supplementary information concerning the General Fund statement of revenues, expenditures, and changes in fund balances – budget and actual for the year ended September, 30, 2010, the City's progress in funding its obligation to provide Texas Municipal Retirement System pension benefits and Post Employment Benefits (OPEB) to its employees, are presented on pages 75-77 of this report.

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

Government-wide Financial Analysis

Total assets at fiscal year end amount to $1,698,426,784. Current and other assets comprise 35.7% and capital assets comprise 64.3% of the total assets. Total assets increased $159,721,458 during the fiscal year primarily as a result of the following.

- Other assets increased $134,796,529 as a result of recording the economic benefit related to the City issuing Combination Tax and Electric Utility System Revenue Refunding Bonds, Series 2010. This economic benefit will be amortized over the economic life of twenty years for this asset. This transaction is discussed further in the debt section of this overview and analysis.
- Capital assets increased $18,195,705 as a result of changes in construction in progress, land and systems. Significant additions to fixed asset and construction in progress are described in the capital asset section of this overview and analysis.
- Deferred outflow of resources increased $1,186,601 as a result of recording the market value adjustment for an interest rate swap associated with the General Obligation Bonds, Series 2007B issue. This transaction is discussed further in the debt section of this overview and analysis.
- Assets held for resale increased $1,166,844 to record an inventory of seventeen residential properties that were purchased with grant funds. The City will improve these properties and resell them to individuals that meet grant eligibility requirements.

Total liabilities at the end of the fiscal year amount to $973,687,789. Long-term liabilities comprise 90.1% and other liabilities comprise 9.9% of the total liabilities. Total liabilities increased $139,957,415 during the fiscal year. Contributing factors to this increase are the result of the following.

- Certificates of Obligation increased $116,875,000 as the result of issuing Certificate of Obligation Bonds, Series 2010 in the amount of $3,250,000, issuing Combination Tax and Electric Utility System Revenue Refunding Bonds, Series 2010 in the amount of $126,885,000 and making $13,215,000 in scheduled principal payments on outstanding Certificates of Obligation Bonds.
- Utility System Revenue Bonds increased as a result of current year issues exceeding current year bond principal payments by $8,190,000.
- Unamortized premium and issue cost increased $11,420,794 primarily due to the Combination Tax and Electric Utility System Revenue Refunding Bonds, Series 2010 that was issued during this fiscal year. This bond issue is discussed further in the debt section of this overview and analysis.
- OPEB claims payable increased $2,443,922 based on the current actuarial study
- The interest rate cap liability increased $1,186,601 as a result of recording the market value adjustment for an interest rate swap associated with the General Obligation Bonds, Series 2007B issue. This transaction is discussed further in the debt section of this overview and analysis.

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities (net assets) by $724,738,995 for the year ended September 30, 2010. The largest portion of the City's net assets (62.6 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and systems); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (17.9 percent) represents resources that are subject to external restrictions on how they may be used. These restrictions are detailed in revenue bond debt covenants, the City of Garland Charter, grant contracts and state law. The remaining balance of unrestricted net assets (19.5 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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

Condensed Schedule of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 146,506,876	$ 154,382,482	$ 459,599,897	$ 310,198,538	$ 606,106,773	$ 464,581,020
Capital assets	416,233,832	415,807,848	676,086,179	658,316,458	1,092,320,011	1,074,124,306
Total assets	562,740,708	570,190,330	1,135,686,076	968,514,996	1,698,426,784	1,538,705,326
Long-term liabilities outstanding	326,215,902	336,088,122	551,386,574	400,311,874	877,602,476	736,399,996
Other liabilities	78,396,526	70,719,138	17,688,787	26,611,240	96,085,313	97,330,378
Total liabilities	404,612,428	406,807,260	569,075,361	426,923,114	973,687,789	833,730,374
Net assets:						
Invested in capital assets, net of related debt	119,059,830	151,311,862	334,698,641	337,930,445	453,758,471	489,242,307
Restricted for:						
Debt Service	4,534,151	4,369,046	744,248	-	5,278,399	4,369,046
Construction	7,014,576	11,341,678	-	-	7,014,576	11,341,678
Rate Mitigation	-	-	115,366,553	82,525,231	115,366,553	82,525,231
Housing Assistance	2,097,785	2,424,123	-	-	2,097,785	2,424,123
Unrestricted	25,421,938	(6,063,639)	115,801,273	121,136,206	141,223,211	115,072,567
Total net assets	$ 158,128,280	$ 163,383,070	$ 566,610,715	$ 541,591,882	$ 724,738,995	$ 704,974,952

The total net assets increased $19,764,043 for the 2010 fiscal year. Business type activities contributed $25,018,833 of this increase while the governmental activities decreased this total by $5,254,790. Discussion of these increases and decreases will be discussed in the governmental activities section and the business type activities section of this overview and analysis.

Schedule of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	$ 32,520,047	$ 33,530,094	$ 334,833,973	$ 324,506,754	$ 367,354,020	$ 358,036,848
Operation grants and contributions	21,420,963	17,351,640	-	-	21,420,963	17,351,640
Capital grants and contributions	974,984	2,082,015	878,483	3,679,673	1,853,467	5,761,688
General Revenues:						
Property taxes	75,675,105	77,869,371	-	-	75,675,105	77,869,371
Sales taxes	21,648,693	22,041,066	-	-	21,648,693	22,041,066
Other taxes	9,277,552	8,758,016	-	-	9,277,552	8,758,016
Unrestricted interest earnings	730,796	2,771,407	1,426,960	5,031,184	2,157,756	7,802,591
Loss on sale of capital assets	-	-	(1,529,932)	-	(1,529,932)	-
Miscellaneous	28,089	(58,601)	1,176,711	(2,566,210)	1,204,800	(2,624,811)
Total Revenues	162,276,229	164,345,008	336,786,195	330,651,401	499,062,424	494,996,409
Expenses:						
General government	32,846,193	31,153,948	-	-	32,846,193	31,153,948
Public safety	86,168,466	88,837,476	-	-	86,168,466	88,837,476
Public works	41,358,430	40,530,087	-	-	41,358,430	40,530,087
Culture and recreation	19,505,793	19,849,963	-	-	19,505,793	19,849,963
Public health	3,604,317	3,455,498	-	-	3,604,317	3,455,498
Interest and fiscal charges	12,713,773	12,888,091	-	-	12,713,773	12,888,091
Electric	-	-	191,187,490	183,527,066	191,187,490	183,527,066
Water	-	-	34,274,026	33,000,743	34,274,026	33,000,743
Sewer	-	-	33,643,084	30,838,009	33,643,084	30,838,009
Golf	-	-	3,636,869	2,801,539	3,636,869	2,801,539
Heliport	-	-	39,590	27,482	39,590	27,482
Storm Water Management	-	-	3,598,351	3,176,002	3,598,351	3,176,002
Parks Performance	-	-	778,409	818,781	778,409	818,781
Sanitation	-	-	15,943,590	15,558,875	15,943,590	15,558,875
Total expenses	196,196,972	196,715,063	283,101,409	269,748,497	479,298,381	466,463,560
Increase in net assets before transfers	(33,920,743)	(32,370,055)	53,684,786	60,902,904	19,764,043	28,532,849
Transfers	28,665,953	26,866,448	(28,665,953)	(26,866,448)	-	-
Increase (decrease) in net assets	(5,254,790)	(5,503,607)	25,018,833	34,036,456	19,764,043	28,532,849
Net assets - beginning	163,383,070	168,886,677	541,591,882	507,555,426	704,974,952	676,442,103
Net assets - ending	$ 158,128,280	$ 163,383,070	$ 566,610,715	$ 541,591,882	$ 724,738,995	$ 704,974,952

Governmental activities

Governmental activities decreased the City's net assets by $5,254,790. Key factors that contributed to this decrease are discussed below.

Revenues by Source – Governmental Activities

Revenues by Source

	2010		2009		Amount	Percentage
	Amount	Percentage	Amount	Percentage	Change	Change
Charges for services	$ 32,520,047	20.04%	$ 33,530,094	20.40%	$ (1,010,047)	-3.01%
Operation grants and contributions	21,420,963	13.20%	17,351,640	10.56%	4,069,323	23.45%
Capital grants and contributions	974,984	0.60%	2,082,015	1.27%	(1,107,031)	-53.17%
Property taxes	75,675,105	46.63%	77,869,371	47.38%	(2,194,266)	-2.82%
Sales taxes	21,648,693	13.34%	22,041,066	13.41%	(392,373)	-1.78%
Other taxes	9,277,552	5.72%	8,758,016	5.33%	519,536	5.93%
Unrestricted interest earnings	730,796	0.45%	2,771,407	1.69%	(2,040,611)	-73.63%
Miscellaneous	28,089	0.02%	(58,601)	-0.04%	86,690	-147.93%
Total Revenues	$ 162,276,229		$ 164,345,008		$ (2,068,779)	

Charges for services decreased $1,010,047 as a result of the following:

- Landfill revenues decreased $803,890 as a result of a decrease in tonnage taken to the landfill by commercial and residential customers.
- Intergovernmental revenue decreased $357,418 due to a one time cost sharing payment from a state agency in the prior fiscal year for Duck Creek Park improvements.

Operating grants and contributions increased $4,069,323 as a result of the following:

- CDBG grant revenues increased $1,633,992 as a result of the City's participation in the Neighborhood Stabilization Program.
- Housing assistance grant revenues increased $1,168,659 as a result of HUD adjusting current year revenues up as a result of higher than anticipated rental assistance expense in the current year.
- America Recovery and Reinvestment Act grant revenues increased $1,047,689 as a result of the City's participation in this new grant program.
- Awards for narcotic seizures increased $291,018 as a result of court case decisions to award the City proceeds from prior narcotic seizures.

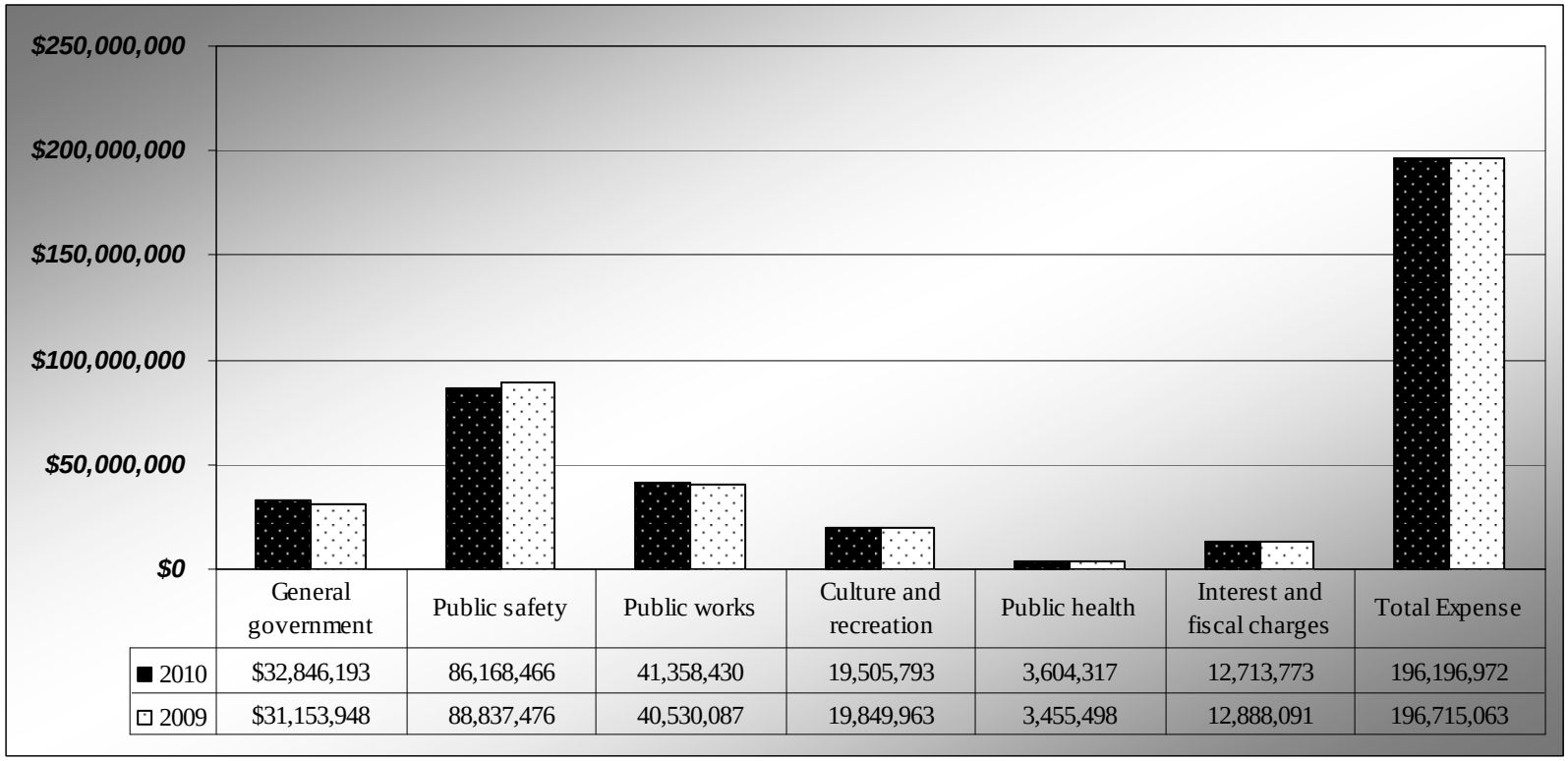
Capital grants and contributions decreased $1,107,031 as a result of a decrease in contributions from developers for streets, alleys and drainage in new developments.

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

- Property taxes decreased $2,194,266 despite a one half cent increase to the debt service portion of the tax rate. This decrease is the result of an average 3.5% decrease in assessed value for residential property and an average 6.6% decrease in assessed value for commercial property.
- Sales tax revenue decreased $392,373 and 1.78% from the prior year. This decrease reflects the continued slow down in the economy.
- Interest earnings decreased as a result of lower yields earned on investments.

Expenses by Source – Governmental Activities

The following chart provides a summary of expenses by source for the governmental activities for the 2010 and 2009 fiscal years.



	General government	Public safety	Public works	Culture and recreation	Public health	Interest and fiscal charges	Total Expense
■ 2010	$32,846,193	86,168,466	41,358,430	19,505,793	3,604,317	12,713,773	196,196,972
□ 2009	$31,153,948	88,837,476	40,530,087	19,849,963	3,455,498	12,888,091	196,715,063

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

General government expenses increased $1,692,245 as a result of the following:

- Expenditures increased $3,094,558 due to the following:
  - CDBG expenditures increased $1,962,224 as a result of spending more entitlement funding and incurring expenditures for the new Neighborhood Stabilization Program.
  - America Recovery and Reinvestment Act (ARRA) expenditures of $831,026 were incurred during the fiscal year. There were no ARRA expenditures in the prior year.
  - Hotel/Motel expenditures increased $310,500 as a result of increased promotion of events and facilities in the City.
- Expenditures decreased in the following departments:
  - Expenditures in Financial Services decreased $188,816 due to a reduction in professional services.
  - Expenditures in Personnel decreased $86,106 as a result of lower salary and wages, employee development cost and equipment rental cost.
  - Expenditures in City Secretary decreased $76,617 due to a reduction in salary and wages, election and other outside services.
- Depreciation expense and loss on disposal of assets expense for general government departments decreased $750,921 from the prior year.
- The general government's portion of Internal Service cost decreased $246,161.
- Long-term liability expense decreased $66,167 due to a drop in compensated absences for general government employees.

Public safety expenses decreased $2,669,010 as a result of the following:

- General public safety expenses decreased $378,214 as a result of cost cutting efforts.
- Depreciation expense and loss on disposal of assets for public safety departments decreased $530,392.
- Long-term liability expense decreased $325,236 due to a drop in compensated absence for public safety employees.
- OPEB expenses increased $117,822 based on the results of the current actuarial study.
- Non-major governmental fund and non-departmental cost decreased $349,237.
- Internal service cost associated with public safety decreased $1,159,023.
- Inter fund activity decreased $44,730.

Public works expenses increased $828,343. Contributing factors to this decrease are as follows:

- General expenditures decreased $221,387 as a result of cost cutting efforts.
- Depreciation expense and loss on disposal of assets increased $2,728,308 as a result of depreciation of new assets.
- Long-term liability expense increased $1,604,353 due to landfill post closure costs.
- OPEB expenses increased $15,197 based on the results of the current actuarial study.
- Non-major governmental fund and non-departmental cost decreased $3,003,770 as a result of a decrease in expenditure in the Infrastructure Repair Fund and the Landfill Closure Fund.

- Internal service cost associated with public works decreased $266,321.
- Inter fund activity decreased $28,037.

Business-type Activities

Business-type activities increased the City's net assets by $25,018,833. Key elements of this change are as follows:

- The electric utility generated a net income of $19,875,373. The net income for the electric utility decreased $10,172,167 from the prior fiscal year as a result of the following.
  - Charges for services increased $2,047,790. This increase was the result of an increase in consumption.
  - Demand charges increased $4,390,816 as a result of higher fixed cost at Texas Municipal Power Agency.
  - Fuel and energy purchase expense decreased $7,097,115 as a result of low natural gas prices.
  - Amortization of other assets of $3,456,321 was recorded as a result of amortizing the economic benefit related to the City issuing $126,885,000 Combination Tax and Electric Utility System Revenue Refunding Bonds, Series 2010. This bond issue will be discussed further in the debt section of this analysis and overview.
  - Depreciation expense increased $2,289,395 as a result of improvements to the City's electric system based on the electric utility's Capital Improvement Program.
  - The loss on disposal of capital assets decreased $2,970,769. In the prior year outdated inefficient electric generating units were retired and a segment of a transmission line was moved to accommodate the extension of Interstate Highway 190.
  - Earning from investments decreased $2,419,081 as a result of the current interest rate environment.
  - Interest expense increased $3,084,667 primarily due to the City issuing $126,885,000 Combination Tax and Electric Utility System Revenue Refunding Bonds, Series 2010.

- The water utility incurred a net income of $2,642,119. The net income for the water utility was an increase of $3,387,436 over the net loss from the prior year. Key elements to this change are as follows.
  - Charges for services increased $6,452,087 as a result an increase in consumption and rate increases.
  - Operating expenses increased $1,985,474 as a result in increased expenses for salaries and benefits, water purchases, general and administrative and depreciation.
  - Interest earnings decreased $401,306 as a result of the current interest rate environment.
  - Interest expense decreased $600,204 due primarily to an increase in capitalized interest for the water utility.

- The net income for the sewer utility amounted to $1,657,642. The net income for the sewer utility decreased $2,335,390 from the prior year as a result of the following.
  - Charges for services increased $1,920,255 due to an increase in consumption and rate increases.
  - Operating expense increased $2,430,465 as a result in increased expenses for salaries and benefits, maintenance repairs and supplies, general and administrative and depreciation.
  - Interest earnings decreased $743,362 as a result of the current interest rate environment.
  - Interest expense increased $488,125 due to the current bond funding strategy to fund sewer utility improvements.

- The combined net losses for non-major enterprise funds (golf, heliport, storm water, parks performance and sanitation) amounted to $709,927. The City continues to monitor these funds and implement programs and strategies to improve their financial condition.

- The net cost allocated to the business-type activities from the internal service funds amounted to $1,553,626.

Revenues by Source – Business-type Activities

	Charges for Service			Capital Grants and Contributions			Miscellaneous		
	2010	2009	Change Amount	2010	2009	Change Amount	2010	2009	Change Amount
Electric	$ 231,758,075	$ 229,710,285	$ 2,047,790	$ 623,241	$ 2,308,720	$ (1,685,479)	$ 710,540	$ 1,420,972	$ (710,432)
Water	40,688,647	34,236,560	6,452,087	224,238	1,084,665	(860,427)	189,319	169,974	19,345
Sewer	40,316,535	38,396,280	1,920,255	31,004	286,288	(255,284)	131,115	170,702	(39,587)
Non-major Enterprise	22,070,716	22,163,629	(92,913)	-	-	-	145,733	176,381	(30,648)
Total	$ 334,833,973	$ 324,506,754	$ 10,327,219	$ 878,483	$ 3,679,673	$ (2,801,190)	$ 1,176,707	$ 1,938,029	$ (761,322)

Expenses by Source – Business-type Activities

	2010	2009	Dollar Change	Percentage Change
Electric	$191,187,490	$183,949,864	$7,237,626	3.93%
Water	34,274,026	33,076,845	1,197,181	3.62%
Sewer	33,643,084	30,909,123	2,733,961	8.85%
Non-Major Enterprise	23,996,809	22,434,296	1,562,513	6.96%
	$283,101,409	$270,370,128	$12,731,281	4.71%

Fiduciary funds

In the prior fiscal year the City established an Other Post Employment Benefit Trust Fund, which allows the City to capture long-term returns to make progress towards reducing the unfunded liability of post-employment health care. The City contributed $250,000 to the trust fund during the fiscal year and $25,816 was earned from those investments. 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 fiscal year 2010, the City had $1,092,320,011 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 $18,195,705 or 1.7 percent increase from the prior fiscal year. Key elements of this change are as follows:

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 79,217,081	$ 77,740,605	$ 18,499,745	$ 17,951,637	$ 97,716,826	$ 95,692,242
Construction in Progress	37,786,328	68,386,012	52,880,878	71,678,163	90,667,206	140,064,175
Building, Improvements, equipment and systems	299,230,423	269,681,231	604,705,556	568,686,658	903,935,979	838,367,889
Total capital assets	$ 416,233,832	$ 415,807,848	$ 676,086,179	$ 658,316,458	$ 1,092,320,011	$ 1,074,124,306

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

Description	Amount
Utility Services Building	$21,813,000
Downtown Reconstruction & Development	8,589,000
Broadway Pump Station	5,429,000
New Water Tower	4,979,000
Centerville Road Water Transmission Main	4,597,000
Miller 138KV Substation Conversion	4,152,000
Centerville Pleasant Valley Transmission main	3,688,000
Eastern Hill Relief Sewer Line	3,320,000
Street Improvement Country Club-Walnut to Commerce	3,206,000
Sixth Street	3,091,000
Hinton Landfill Cell 5	2,360,000
Hinton Landfill Cell 4	2,352,000
Centerville to Miller Road line upgrade	2,326,000
Duck Creek Interceptor Line	2,038,000
Street Improvement Fifth Street - Miller to Ave D	2,027,000
Carroll Barfield Project	2,014,000
Reconstruct Apollo-Naaman electric line	1,908,000
Bradfield, Wynne, and Holford Pools	1,787,000
City Employee Health Clinic	1,487,000
Library facilities upgrade	1,408,000

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

Description	Amount
University Channel	$6,111,000
Radio System Replacement	5,408,000
Radio Read Water Meters	3,980,000
Rowlett Phase I	3,217,000
West Garland Community Center	2,685,000
Long Branch - II main relocation	1,859,000
Rowlett Creek Wastewater Treatment Plant Improvements	1,771,000
Local Flooding	1,720,000
Lift Station Rehab	1,692,000
Nodal Software	1,684,000
Street Improvement Naaman Forest - Ranger to Brand	1,528,000
Sewer Collection mains	1,456,000
Transmission Line relocation for DART extension	1,436,000
Sidewalk/curb & gutter petitions	1,329,000
Playground improvements	1,226,000
Transmission & Distribution Building	1,172,000
Telephone system upgrades	1,165,000
138kv Transmission line upgrade	1,142,000
Water Utilities field operation center	1,129,000

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

Debt

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

Outstanding Debt, at Year-end

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Long-Term:						
General obligation bonds	$ 183,442,550	$ 194,650,000	$ 79,785,000	$ 82,285,000	$ 263,227,550	$ 276,935,000
Certificates of obligation	89,971,569	95,934,063	140,758,432	17,920,937	230,730,001	113,855,000
Tax Notes	-	360,000	-	-	-	360,000
Utility system revenue bonds	-	-	304,765,000	296,575,000	304,765,000	296,575,000
Total Long-Term	273,414,119	290,944,063	525,308,432	396,780,937	798,722,551	687,725,000
Short-Term:						
Commercial Paper	35,000,000	25,000,000	-	-	35,000,000	25,000,000
Tax Notes	5,050,000	5,810,000	-	-	5,050,000	5,810,000
Total Short-Term	40,050,000	30,810,000	-	-	40,050,000	30,810,000
Total outstanding debt	$ 313,464,119	$ 321,754,063	$ 525,308,432	$ 396,780,937	$ 838,772,551	$ 718,535,000

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

		Bond Ratings	
Issue	Principal	Standard & Poor's	Fitch IBCA
Long-term			
Certificates of Obligation, Series 2010	$3,205,000	AA+	AA+
Combination Tax and Electric Utility System Revenue Refunding Bonds, Series 2010	126,885,000	AA+	AA+
Water & Sewer System Revenue Bonds, Series 2010	21,270,000	AA	AA
Short-term			
Commercial Paper	35,000,000	A-1+	--
Tax Anticipation Note, Series 2010	5,050,000	--	--
Total debt issued during the fiscal year	$191,410,000		

The proceeds of the Certificates of Obligation, Series 2010 will be used for the following:

- Constructing and improving streets within the City including related traffic signalization, signage, sidewalks, landscaping and drainage improvement
- Acquiring equipment and vehicles for the Sanitation Services Department
- Professional services rendered in connection with this issue.

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

The proceeds of the Combination Tax and Electric Utility System Revenue Refunding Bonds, Series 2010 were used for the purpose of refunding certain contractual obligations to the Texas Municipal Power Agency (TMPA). 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 city's annual net energy load. The City's current net energy load is 47% of TMPA electric generation. The City of Garland does not own an equity interest in TMPA.

The City along with the other TMPA member cities elected to issue bonds based on the percentage of their annual net energy load and placed the proceeds with TMPA. TMPA then used the bond proceeds from each member city to refund outstanding bonds totaling $92,689,410 and build a scrubber at the TMPA plant at an estimated cost of $46,864,280. The TMPA member cities elected to issue bonds in lieu of having TMPA issue the bonds in order to meet their future contractual obligation with TMPA. The sources and uses related to the Bonds that the City issued to provide its 47% is detailed below.

Proceeds from Bond Sale

Description	Amount
Principal amount of bonds	$126,885,000
Plus: Reoffering Premium	12,668,690
Less: City Interest and Sinking Fund Amount	(205,000)
Less: Underwriter's Discount	(769,151)
Less: Issuance Cost	(326,689)
Total Other asset	$138,252,850

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 the 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 will be 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 $3,456,321 for six months of amortization resulting in a fiscal year end balance in other asset of $134,796,529. 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 Governmental Accounting Standards Board has issued statement 53, "Accounting and Financial Reporting for Derivative Instruments" (GASB 53), which became effective during the current fiscal year. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are complex financial arrangements used by governments to manage specific risks or to make investments.

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 cap. This interest rate cap agreement results in an interest swap that qualifies this debt instrument as a derivative instrument. To terminate this interest cap agreement the City would have to pay Bank of America $1,186,601 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. of this report.

The City continued the use of short term financing with general obligation commercial paper notes and tax anticipation notes. These financing tools provide interest savings as well as an additional funding source for street improvements projects. During the year the City issued general obligation commercial paper notes amounting to $35,000,000 to fund various governmental construction projects. In addition, the City issued $5,050,000 in tax anticipation notes to fund various street improvements during the 2011 fiscal year.

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

The City's Funds

At the close of the City's fiscal year, the governmental funds of the City reported a combined fund balance of $36,825,698, a decrease of $7,968,421 from the prior year. The decrease in the net change in fund balance for the Capital Projects Fund of $5,194,399 is attributable to capital project expenditures funded by general obligation commercial paper ($35,000,000) and tax notes ($5,050,000). These two loan instruments are reported as liabilities on the Capital Projects balance sheet and not as other financing sources revenue on the statement of

revenues, expenditures and changes in fund balance. 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 and as the tax notes are paid off annually.

The General Fund ended the fiscal year with a fund balance of $20,204,524, which was an increase of $1,329,589 from the prior year. The original budget projected a decrease in fund balance of $1,032,983 which was later revised to a decrease of $1,369,574 in fund balance. Favorable budget variances were experienced for revenues as well as expenditures for the fiscal year. Actual revenues, proceeds from the sale of capital assets and transfers in exceeded final budgeted revenues by $993,507 and actual expenditures and transfers out were under the final budget amount by $1,705,656. This favorable budget variance was a result of better than anticipated property tax revenues, service charges, fines and forfeits, 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 $6,051,447 due to a net decrease in fund balance for the fiscal year of $88,715. This decrease in fund balance was the result of debt service revenues decreasing $48,028, primarily due to a decrease in interest earnings and miscellaneous revenue.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2010, the City Council amended the budget for the General Fund on several occasions. The amendments were made up of supplemental appropriations and adjusted budgets. Appropriations are adjusted annually for open purchase orders and various grant awards. Budgets are reviewed and adjusted during the fiscal year to address changing operational and or economic situations. These supplemental appropriations and re-estimated allocations amounted to increasing appropriations by $1,039,847.

Economic Factors and Next Year's Budgets and Rates

The City's unemployment rate at September 30, 2010, was 8.6%, and the State of Texas unemployment rate was 8%. The City's estimated population of 226,915 (as estimated at January 1, 2010, by the City's Planning department) remained virtually unchanged from the prior year.

The primary focus of the 2010 Adopted Budget was to absorb the impact of a significant downturn in the national and regional economy without increasing the Operations and Maintenance (O&M) tax rate and minimizing the impact to service levels. Preliminary projections indicated Garland faced approximately a $7,000,000 deficit in the General Fund for Fiscal Year 2010 with shortfalls continuing for the next three to five years as the economy struggles to recover. In addition to challenges in the General Fund, the City's utilities are facing increasing expenditures and/or declining revenues due to situations unique to each service. The measures approved were as follows:

- Revenue Enhancements – fee and rate increases.
- Temporary 1.15% reduction in employee pay.
- Elimination of vacant positions.
- Cost-cutting measures in operating expenditures.
- Increase in Charge-Outs to the Hotel/Motel and Stormwater Management Funds.
- Reduction in transfers to the IT Replacement Fund.
- Reduction in transfers to the Infrastructure Repair & Replacement Fund.
- Use of approximately $1,500,000 in fund balance reserves.

Highlights of the 2011 fiscal year budget are outlined below:

The primary focus of the 2011 Adopted Budget was to absorb the impact of a lingering recession without increasing the Operations and Maintenance (O&M) tax rate. Preliminary projections indicated Garland faced approximately a $5,000,000 deficit in the General Fund for Fiscal Year 2011. The measures approved to eliminate the Fiscal Year 2011 projected deficit in the General Fund are as follows:

- Implementation of a new Debt Service Management Strategy that allowed the Debt Service Tax Rate to be reduced by one-half cent with a corresponding increase in the Operations and Maintenance Tax Rate of a like amount. The end result was a combined Tax Rate that was unchanged.
- Assessment of a 5% In-Lieu-of Franchise Fee on residential solid waste collections services.
- Assessment of a $1.50 Emergency Medical Services Fee to be included on monthly utility bills to recover approximately $1,200,000 of the operating deficit created by that service.
- Elimination of selected vacant positions and reductions in operating expenditures.

Contacting the City's Financial Management

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

GARLAND

City of Garland, Texas
Statement of Net Assets
September 30, 2010

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 87,919,609	$ 44,886,679	$ 132,806,288	$ 577,973
Investments	35,062,871	17,145,623	52,208,494	-
Accounts Receivable, net of allowance for uncollectibles	12,836,966	41,148,948	53,985,914	42,558
Due from other governments	2,282,083	-	2,282,083	-
Internal Balances	(13,878,916)	13,878,916	-	-
Inventories	5,374,448	2,611,588	7,986,036	-
Prepaid and other items	864,415	-	864,415	-
Restricted Assets:				
Cash and cash equivalents	8,262,103	100,909,842	109,171,945	-
Investments	2,798,173	96,414,764	99,212,937	-
Accrued interest	8,692	241,291	249,983	-
Deferred bond issuance costs	2,622,987	7,565,717	10,188,704	-
Assets held for resale	1,166,844	-	1,166,844	825,012
Capital Assets				
Land	79,217,081	18,499,745	97,716,826	900,000
Construction in Progress	37,786,328	52,880,878	90,667,206	-
Buildings, Improvements, Equipment and System (net of accumulated depreciation)	299,230,423	604,705,556	903,935,979	-
Deferred outflows of resources	1,186,601	-	1,186,601	-
Other Assets	-	134,796,529	134,796,529	-
Total assets	562,740,708	1,135,686,076	1,698,426,784	2,345,543
LIABILITIES				
Accounts payable and accrued liabilities	18,035,269	14,372,794	32,408,063	400
Escrow payable	279,206	-	279,206	-
Retainage payable	1,058,670	496,506	1,555,176	-
Accrued interest payable	1,517,296	2,819,487	4,336,783	-
Customer deposits	10,637,734	-	10,637,734	-
Tax Note Payable	5,050,000	-	5,050,000	-
Commercial Paper	35,000,000	-	35,000,000	-
Interest rate cap	1,186,601	-	1,186,601	
Due to other governments	569,767	-	569,767	-
Unearned revenue	5,061,983	-	5,061,983	776,250
Noncurrent Liabilities:				
Due within one year	32,787,929	24,647,415	57,435,344	-
Due in more than one year	293,427,973	526,739,159	820,167,132	-
Total liabilities	404,612,428	569,075,361	973,687,789	776,650
NET ASSETS				
Invested in capital assets, net of related debt	119,059,830	334,698,641	453,758,471	900,000
Restricted for:				
Debt Service	4,534,151	744,248	5,278,399	-
Construction	7,014,576	-	7,014,576	-
Rate Mitigation	-	115,366,553	115,366,553	-
Housing	2,097,785	-	2,097,785	-
Unrestricted net assets	25,421,938	115,801,273	141,223,211	668,893
Total net assets	$ 158,128,280	$ 566,610,715	$ 724,738,995	$ 1,568,893

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, 2010

Functions/Programs	Expenses	Program Revenues: Charges for services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
Primary Government								
Governmental activities:								
General government	$ 32,846,193	$ 6,086,998	$ 18,195,037	$ -	$ (8,564,158)	$ -	$ (8,564,158)	$ -
Public safety	86,168,466	11,904,259	2,083,383	-	(72,180,824)	-	(72,180,824)	-
Public works	41,358,430	12,326,162	-	974,984	(28,057,284)	-	(28,057,284)	-
Culture and recreation	19,505,793	1,701,121	725,077	-	(17,079,595)	-	(17,079,595)	-
Public health	3,604,317	501,507	417,466	-	(2,685,344)	-	(2,685,344)	-
Interest and fiscal charges	12,713,773	-	-	-	(12,713,773)	-	(12,713,773)	-
Total governmental activities	196,196,972	32,520,047	21,420,963	974,984	(141,280,978)	-	(141,280,978)	-
Business type activities:								
Electric	191,187,490	231,758,075	-	623,241	-	41,193,826	41,193,826	-
Water	34,274,026	40,688,647	-	224,238	-	6,638,859	6,638,859	-
Sewer	33,643,084	40,316,535	-	31,004	-	6,704,455	6,704,455	-
Golf	3,636,869	2,163,761	-	-	-	(1,473,108)	(1,473,108)	-
Heliport	39,590	6,528	-	-	-	(33,062)	(33,062)	-
Storm Water Management	3,598,351	3,455,484	-	-	-	(142,867)	(142,867)	-
Parks Performance	778,409	694,108	-	-	-	(84,301)	(84,301)	-
Sanitation	15,943,590	15,750,835	-	-	-	(192,755)	(192,755)	-
Total business-type activities	283,101,409	334,833,973	-	878,483	-	52,611,047	52,611,047	-
Total primary government	$ 479,298,381	$ 367,354,020	$ 21,420,963	$ 1,853,467	(141,280,978)	52,611,047	(88,669,931)	-
Component units								
Garland Housing Finance Corp.	$ 135,096	$ 99,966	$ 300,519	-	-	-	-	265,389
Garland Health Facilities Development Corp.	41,220	25,000	-	-	-	-	-	(16,220)
Garland Economic Develop. Authority	733	-	-	-	-	-	-	(733)
	$ 177,049	$ 124,966	$ 300,519	$ -				
General revenues:								
Sales taxes					21,648,693	-	21,648,693	-
Franchise fees					8,352,056	-	8,352,056	-
Property taxes					75,675,105	-	75,675,105	-
Hotel/Motel taxes					562,590	-	562,590	-
Mixed drink taxes					263,272	-	263,272	-
Bingo taxes					99,634	-	99,634	-
Unrestricted investment earnings					730,796	1,426,960	2,157,756	5,998
Miscellaneous					28,089	1,176,711	1,204,800	-
Loss on sale of capital assets					-	(1,529,932)	(1,529,932)	-
Transfers					28,665,953	(28,665,953)	-	-
Total general revenues and transfers					136,026,188	(27,592,214)	108,433,974	5,998
Net change in net assets					(5,254,790)	25,018,833	19,764,043	254,434
Net assets-beginning					163,383,070	541,591,882	704,974,952	1,314,459
Net assets-ending					$ 158,128,280	$ 566,610,715	$ 724,738,995	$ 1,568,893

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

City of Garland, Texas
Governmental Funds
Balance Sheet
September 30, 2010

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 14,906,028	$ 5,965,661	$ 26,276,937	$ 10,546,888	$ 57,695,514
Investments	5,601,226	-	14,300,106	4,013,490	23,914,822
Receivables:					
Accounts, net	8,214,875	-	-	2,311,526	10,526,401
Taxes, net	579,806	470,403	-	-	1,050,209
Accrued interest	39,035	506	45,816	17,835	103,192
Assessments	-	-	-	19,214	19,214
Other	-	-	20,523	-	20,523
Due from other funds	3,257,736	-	-	-	3,257,736
Due from other governments	164,696	-	-	2,117,388	2,282,084
Prepaid items	-	-	-	864,415	864,415
Assets held for resale	-	-	-	1,166,844	1,166,844
Total Current Assets	32,763,402	6,436,570	40,643,382	21,057,600	100,900,954
Restricted assets:					
Cash and cash equivalents	-	-	-	937,564	937,564
Total Restricted Assets	-	-	-	937,564	937,564
Total Assets	$ 32,763,402	$ 6,436,570	$ 40,643,382	$ 21,995,164	$ 101,838,518
LIABILITIES					
Accounts payable and accrued liabilities	$ 8,465,325	$ -	$ 2,542,535	$ 1,768,736	$ 12,776,596
Escrow payable	-	-	-	279,206	279,206
Due to other funds	27,097	-	617,519	1,302,612	1,947,228
Deferred revenues	4,066,456	385,123	370,830	4,017,386	8,839,795
Due to other governments	-	-	-	569,767	569,767
Retainage payable	-	-	529,530	20,698	550,228
Tax note payable	-	-	5,050,000	-	5,050,000
Commercial paper	-	-	35,000,000	-	35,000,000
Total Liabilities	12,558,878	385,123	44,110,414	7,958,405	65,012,820
FUND BALANCES					
Fund balances:					
Reserved for:					
Debt service	-	6,051,447	-	-	6,051,447
Construction	564,849	-	-	6,449,727	7,014,576
Housing	-	-	-	2,097,785	2,097,785
Prepaid items	-	-	-	864,415	864,415
Unreserved					
General Fund	19,639,675	-	-	-	19,639,675
Capital Projects Fund	-	-	(3,467,032)	-	(3,467,032)
Special Revenue Funds	-	-	-	4,624,832	4,624,832
Total Fund Balances	20,204,524	6,051,447	(3,467,032)	14,036,759	36,825,698
Total Liabilities and Fund Balances	$ 32,763,402	$ 6,436,570	$ 40,643,382	$ 21,995,164	$ 101,838,518

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

City of Garland, Texas
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Assets
September 30, 2010

Total fund balances - governmental funds	$	36,825,698
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		355,029,685
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.		3,777,812
Bond interest is not accrued at the fund level.		(1,315,696)
Deferred bond issuance costs are not reported at the fund level.		2,014,202
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		(235,320,088)
Landfill closure costs		(8,176,622)
Compensated absences		(19,630,860)
Unamortized premium, loss on refunding, and bond issue costs		(5,446,708)
Other Post Employment Benefits liability payable		(4,423,987)
Internal service funds net asset adjustment excluding assets and liabilities included in the adjustments listed above. Internal service funds are used by management to charge the costs of various services to individual funds. Certain assets and liabilities of the internal service funds are included with governmental activities in the statement of net assets.		34,794,844
Total net assets - governmental activities	$	158,128,280

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, 2010

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 63,184,478	$ 33,947,550	$ -	$ 1,238,860	$ 98,370,888
Franchise fees	8,352,056	-	-	-	8,352,056
Service charges	16,929,426	-	-	-	16,929,426
Licenses and permits	3,085,185	-	-	-	3,085,185
Earnings on investments	207,698	24,148	167,441	102,132	501,419
Intergovernmental	818,723	-	(7,957)	19,185,096	19,995,862
Intragovernmental	7,430,975	-	-	-	7,430,975
Fines and forfeits	5,627,058	-	-	-	5,627,058
Rents and concessions	947,809	-	-	152	947,961
Assessments	-	-	46,478	2,977	49,455
Impact Fees	-	-	-	252,767	252,767
Contributions	-	-	596,973	22,224	619,197
Program income	-	-	-	163,681	163,681
Awards	-	-	-	665,163	665,163
Miscellaneous and other	-	5,853	287,667	830,696	1,124,216
Total revenues	106,583,408	33,977,551	1,090,602	22,463,748	164,115,309
EXPENDITURES					
Current:					
General government	9,691,138	-	126,445	-	9,817,583
Public safety	74,890,153	-	-	-	74,890,153
Public works	8,709,794	-	-	-	8,709,794
Culture and recreation	12,641,150	-	-	-	12,641,150
Public health	3,189,738	-	-	-	3,189,738
Nondepartmental	17,315,649	-	-	-	17,315,649
Operations	-	-	-	28,602,430	28,602,430
Capital outlay	-	-	16,840,378	1,880,844	18,721,222
Debt service:					
Principal	-	17,476,637	-	-	17,476,637
Interest	-	10,879,254	-	-	10,879,254
Issue costs on issuance of debt	-	-	70,000	-	70,000
Other and fiscal expenditures	-	611,979	5,640	-	617,619
Total expenditures	126,437,622	28,967,870	17,042,463	30,483,274	202,931,229
Excess (deficiency) of revenues over (under) expenditures	(19,854,214)	5,009,681	(15,951,861)	(8,019,526)	(38,815,920)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	68,326	-	-	44,063	112,389
Transfers in	27,445,843	797,962	12,119,189	9,122,634	49,485,628
Transfers out	(6,330,366)	(5,896,358)	(3,581,727)	(5,162,067)	(20,970,518)
Proceeds from issuance of debt	-	-	2,220,000	-	2,220,000
Total other financing sources (uses)	21,183,803	(5,098,396)	10,757,462	4,004,630	30,847,499
Net change in fund balance	1,329,589	(88,715)	(5,194,399)	(4,014,896)	(7,968,421)
Fund balances - beginning	18,874,935	6,140,162	1,727,367	18,051,655	44,794,119
Fund balances - ending	$ 20,204,524	$ 6,051,447	$ (3,467,032)	$ 14,036,759	$ 36,825,698

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, 2010

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

Net change in fund balances - total governmental funds	$ (7,968,421)
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.	(11,330,487)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(23,130)
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.	15,275,143
Other Post Employment Benefits liability is accrued in the government wide financial statements but not at the fund level.	(1,491,206)
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.	(2,955)
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.	
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.	286,266
Net change in net assets-total governmental activities	$ (5,254,790)

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

City of Garland, Texas
Proprietary Funds
Statement of Net Assets
September 30, 2010

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	$ 32,159,999	$ 183,522	$ 10,923,000	$ 1,620,158	$ 44,886,679	$ 30,224,095
Investments	12,285,576	69,843	4,171,946	618,258	17,145,623	11,148,049
Receivable, net of allowance	29,239,052	5,565,971	4,386,649	1,876,850	41,068,522	1,083,018
Accrued interest	64,238	281	13,801	2,106	80,426	34,409
Inventories	2,611,588	-	-	-	2,611,588	5,374,448
Total current assets	76,360,453	5,819,617	19,495,396	4,117,372	105,792,838	47,864,019
Noncurrent Assets:						
Restricted assets						
Revenue bond retirement fund:						
Cash and cash equivalents	205,214	-	-	-	205,214	-
Total revenue bond retirement fund	205,214	-	-	-	205,214	-
Revenue bond reserve fund:						
Cash and cash equivalents	-	200,332	338,702	-	539,034	-
Total revenue bond reserve fund	-	200,332	338,702		539,034	-
Rate mitigation:						
Cash and cash equivalents	41,002,057	-	-	-	41,002,057	-
Investments	74,194,824	-	-	-	74,194,824	-
Accrued interest	169,672	-	-	-	169,672	-
Total rate mitigation	115,366,553	-	-	-	115,366,553	-
Construction funds:						
Cash and cash equivalents	17,849,080	11,792,467	28,461,475	1,060,515	59,163,537	7,324,539
Investments	6,435,889	4,505,044	10,873,862	405,145	22,219,940	2,798,173
Accrued interest	19,754	15,776	34,825	1,264	71,619	8,692
Total construction funds	24,304,723	16,313,287	39,370,162	1,466,924	81,455,096	10,131,404
Capital Assets:						
Land	3,566,290	1,491,430	2,255,481	11,186,544	18,499,745	-
Buildings, improvements, equipment and systems	386,619,954	203,609,293	392,763,914	27,272,164	1,010,265,325	96,273,610
Construction in progress	20,551,728	13,909,000	18,401,046	19,104	52,880,878	10,559,414
Less accumulated depreciation	(149,914,710)	(80,345,378)	(160,755,099)	(14,544,582)	(405,559,769)	(45,628,877)
Net capital assets	260,823,262	138,664,345	252,665,342	23,933,230	676,086,179	61,204,147
Unamortized bond issuance cost	4,001,652	1,235,234	2,229,698	99,133	7,565,717	608,785
Other Assets	134,796,529	-	-	-	134,796,529	-
Advance to other funds	4,753,208	-	-	-	4,753,208	-
Total noncurrent assets	544,251,141	156,413,198	294,603,904	25,499,287	1,020,767,530	71,944,336
Total Assets	$ 620,611,594	$ 162,232,815	$ 314,099,300	$ 29,616,659	$ 1,126,560,368	$ 119,808,355

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

City of Garland, Texas
Proprietary Funds
Statement of Net Assets
September 30, 2010

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES						
Current liabilities:						
Payable from current assets						
Accounts payable and accrued liabilities	$ 9,589,332	$ 1,102,570	$ 686,974	$ 848,145	$ 12,227,021	$ 4,217,168
Retainage	69,280	-	-	-	69,280	-
Due to other funds	-	-	-	1,300,008	1,300,008	10,500
Insurance claims payable	-	-	-	-	-	6,503,079
Accrued interest payable:						
General obligation bonds	309,367	44,584	129,961	-	483,912	5,500
Certificates of obligation	811,782	8,203	28,503	23,694	872,182	196,101
Customer deposits	-	-	-	-	-	10,637,734
General obligation bonds	3,500,000	525,000	1,230,000	-	5,255,000	35,000
Certificates of obligation	846,974	278,846	910,208	1,150,000	3,186,028	2,443,464
Compensated absences	1,007,925	193,551	306,261	358,650	1,866,387	674,463
Total payable from current assets	16,134,660	2,152,754	3,291,907	3,680,497	25,259,818	24,723,009
Payable from restricted assets						
Accounts payable	825,206	401,475	901,542	17,550	2,145,773	1,041,505
Retainage payable	4,365	57,881	344,282	20,698	427,226	508,442
Accrued interest payable-revenue bonds	389,384	406,550	667,459	-	1,463,393	-
Revenue bonds payable	5,515,000	2,953,306	5,871,694	-	14,340,000	-
Total payable from restricted assets	6,733,955	3,819,212	7,784,977	38,248	18,376,392	1,549,947
Total current liabilities	22,868,615	5,971,966	11,076,884	3,718,745	43,636,210	26,272,956
Long-term Liabilities:						
Advances from other funds	-	-	-	38,556	38,556	4,714,652
Revenue bonds payable (net of unamortized premium)	99,067,636	69,136,968	128,921,912	-	297,126,516	-
Certificates of obligation (net of unamortized premium)	143,045,495	1,059,051	3,687,329	2,238,584	150,030,459	35,693,862
General obligation bonds (net of unamortized premium and defeased bond costs)	48,090,950	7,712,601	21,343,801	-	77,147,352	897,614
Insurance claims payable	-	-	-	-	-	5,936,625
OPEB payable	878,480	212,610	346,679	489,969	1,927,738	876,039
Compensated absences	362,304	62,049	36,979	45,762	507,094	157,491
Total other liabilities	291,444,865	78,183,279	154,336,700	2,812,871	526,777,715	48,276,283
Total Liabilities	314,313,480	84,155,245	165,413,584	6,531,616	570,413,925	74,549,239
NET ASSETS						
Invested in capital assets, net of related debt	111,048,079	72,852,504	128,824,736	21,973,322	334,698,641	30,715,664
Restricted for:						
Debt Service	205,214	200,332	338,702	-	744,248	-
Rate Mitigation	115,366,553	-	-	-	115,366,553	-
Unrestricted	79,678,268	5,024,734	19,522,278	1,111,721	105,337,001	14,543,452
Total net assets	$ 306,298,114	$ 78,077,570	$ 148,685,716	$ 23,085,043	556,146,443	$ 45,259,116
Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.					10,464,272	
Net assets of business type activities					$ 566,610,715	

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

City of Garland, Texas
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2010

	Business-type Activities					Governmental Activities
	Electric	**Water**	**Sewer**	**Other Enterprise Funds**	**Total Enterprise Funds**	**Internal Service Funds**
OPERATING REVENUES:						
Charges for services	$ 231,758,075	$ 40,688,647	$ 40,316,535	$ 22,070,716	$ 334,833,973	$ 44,120,913
Insurance premiums	-	-	-	-	-	27,737,523
Other	710,540	189,319	131,115	145,733	1,176,707	2,647,372
Total Operating Revenues	232,468,615	40,877,966	40,447,650	22,216,449	336,010,680	74,505,808
OPERATING EXPENSES:						
Salaries and benefits	22,588,554	4,185,956	6,548,559	8,892,158	42,215,227	16,308,660
Demand charges	51,494,491	-	-	-	51,494,491	-
Amortization of other assets	3,456,321	-	-	-	3,456,321	
Fuel purchases	69,729,685	-	-	-	69,729,685	-
Water purchases	-	16,295,908	-	-	16,295,908	-
Landfill fees	-	-	-	3,729,436	3,729,436	-
Maintenance, repairs, and supplies	9,701,390	3,419,837	7,696,521	6,640,369	27,458,117	16,264,832
Insurance and other expenses	2,100,333	218,383	361,151	483,362	3,163,229	-
General and administrative	11,889,485	3,902,230	3,876,144	1,846,845	21,514,704	6,035,244
Capitalized general and administrative	(1,335,982)	(206,459)	(486,444)	-	(2,028,885)	-
Premiums	-	-	-	-	-	6,780,976
Claims	-	-	-	-	-	20,245,850
Insurance claims payable	298,241	73,377	117,166	166,873	655,657	(1,077,451)
Administrative services	-	-	-	-	-	952,148
Depreciation	13,662,382	4,842,610	11,054,488	2,245,922	31,805,402	6,155,811
Total Operating Expenses	183,584,900	32,731,842	29,167,585	24,004,965	269,489,292	71,666,070
Total Operating Income (Loss)	$ 48,883,715	$ 8,146,124	$ 11,280,065	$ (1,788,516)	$ 66,521,388	$ 2,839,738

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

City of Garland, Texas
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2010

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
NONOPERATING REVENUES (EXPENSES)						
Gain (loss) on disposal of capital assets	$ (1,557,572)	$ (6,174)	$ (7,484)	$ 41,298	$ (1,529,932)	$ 218,227
Earnings from investments:						
Current operations	931,914	4,519	65,956	8,627	1,011,016	122,500
Revenue bond retirement and reserve fund	214	123	219	-	556	-
Construction fund	132,194	96,962	179,753	6,479	415,388	106,878
Total earnings on investments	1,064,322	101,604	245,928	15,106	1,426,960	229,378
Interest expense:						
Revenue bonds	(4,871,332)	(2,997,394)	(5,526,846)	-	(13,395,572)	-
Certificates of obligation	(3,159,531)	(70,699)	(248,295)	(121,126)	(3,599,651)	(1,540,119)
General obligation bonds	(2,380,894)	(368,564)	(1,026,540)	-	(3,775,998)	(58,175)
Advance from other funds	-	-	-	(2,409)	(2,409)	-
Less capitalized interest	1,759,954	1,706,384	2,141,553	-	5,607,891	-
Total interest expense	(8,651,803)	(1,730,273)	(4,660,128)	(123,535)	(15,165,739)	(1,598,294)
Income (loss) before transfers and contributions	39,738,662	6,511,281	6,858,381	(1,855,647)	51,252,677	1,689,049
TRANSFERS						
Transfers in	22,800	-	-	1,277,290	1,300,090	855,600
Transfers out	(20,509,330)	(4,093,400)	(5,231,743)	(131,570)	(29,966,043)	(704,757)
Net transfers	(20,486,530)	(4,093,400)	(5,231,743)	1,145,720	(28,665,953)	150,843
Capital contributions	623,241	224,238	31,004	-	878,483	-
NET INCOME (LOSS)	19,875,373	2,642,119	1,657,642	(709,927)	23,465,207	1,839,892
Net assets, beginning of year	286,422,741	75,435,451	147,028,074	23,794,970	532,681,236	43,419,224
Net assets, end of year	$ 306,298,114	$ 78,077,570	$ 148,685,716	$ 23,085,043	556,146,443	$ 45,259,116
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					1,553,626	
Change in net assets of business-type activities					$ 25,018,833	

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, 2010

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	$ 231,209,976	$ 39,731,637	$ 40,088,866	$ 22,190,517	$ 333,220,996	$ 71,907,201
Cash received for customer deposit	-	-	-	-	-	422,537
Cash paid to suppliers	(279,406,187)	(24,191,716)	(11,288,297)	(12,342,686)	(327,228,886)	(49,354,777)
Cash paid to employees for services	(22,521,873)	(4,186,305)	(6,531,451)	(8,860,971)	(42,100,600)	(16,283,153)
Other operating revenues	710,543	189,319	131,115	145,733	1,176,710	2,647,372
Net cash provided by (used for) operations	(70,007,541)	11,542,935	22,400,233	1,132,593	(34,931,780)	9,339,180
Cash flows from noncapital financing activities:						
Retainage - increase	-	-	-	-	-	(38,462)
Due to other funds (decreases)	-	-	-	(278,956)	(278,956)	10,500
Due from other funds decreases	-	-	-	3,836	3,836	-
Advance to other funds decrease	318,269	-	-	-	318,269	-
Transfers in	22,800	-	-	1,277,290	1,300,090	855,600
Transfers out	(20,509,330)	(4,093,400)	(5,231,743)	(131,570)	(29,966,043)	(704,757)
Net cash provided by (used for) noncapital financing activities	(20,168,261)	(4,093,400)	(5,231,743)	870,600	(28,622,804)	122,881
Cash flows from capital and related financing activities:						
Proceeds from sales of:						
Certificates of obligation	126,885,000	-	-	985,000	127,870,000	-
Revenue bonds	-	8,975,000	12,295,000	-	21,270,000	-
Premium on issuance of debt	12,668,690	460,769	638,918	13,633	13,782,010	-
Acquisition and construction of capital assets	(21,734,120)	(13,308,180)	(18,051,240)	(967,870)	(54,061,410)	(18,747,467)
Principal paid on:						
Revenue bonds	(5,125,000)	(2,625,287)	(5,329,713)	-	(13,080,000)	-
Certificates of obligation	(2,677,838)	(281,186)	(1,123,482)	(950,000)	(5,032,506)	(2,243,307)
General obligation bonds	(1,140,000)	(485,000)	(875,000)	-	(2,500,000)	(30,000)
Advance from other funds	-	-	-	(11,694)	(11,694)	(306,575)
Interest paid on:						
Revenue bonds	(4,468,593)	(1,450,260)	(3,685,948)	-	(9,604,801)	-
Certificates of obligation	(1,833,626)	(43,692)	(193,001)	(120,259)	(2,190,578)	(1,843,565)
General obligation bonds	(2,185,950)	(191,061)	(757,529)	-	(3,134,540)	(54,426)
Advances from other funds	-	-	-	(2,409)	(2,409)	-
Bond issue expense	(1,095,840)	(110,769)	(153,918)	(23,633)	(1,384,160)	-
Contributions	623,241	224,238	2,436	-	849,915	-
Proceeds from sales of assets	116,357	-	-	34,525	150,882	288,243
Net cash provided by (used for) capital and related financing activities	100,032,321	(8,835,428)	(17,233,477)	(1,042,707)	72,920,709	(22,937,097)

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, 2010

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from investing activities:						
Purchase of investment securities	(189,507,705)	(9,220,302)	(30,257,876)	(2,244,113)	(231,229,996)	(28,270,073)
Proceeds from sale and maturities of investment securities	146,740,390	8,392,879	26,206,815	1,769,538	183,109,622	27,107,651
Interest received on investments	1,054,624	120,268	293,152	16,866	1,484,910	295,655
Net cash used for investing activities	(41,712,691)	(707,155)	(3,757,909)	(457,709)	(46,635,464)	(866,767)
Net increase (decrease) in cash and cash equivalents	(31,856,172)	(2,093,048)	(3,822,896)	502,777	(37,269,339)	(14,341,803)
Cash and cash equivalents at beginning of the year	123,072,522	14,269,369	43,546,073	2,177,896	183,065,860	51,890,437
Cash and cash equivalents at end of the year	$ 91,216,350	$ 12,176,321	$ 39,723,177	$ 2,680,673	$ 145,796,521	$ 37,548,634
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities						
Operating income (loss)	$ 48,883,715	$ 8,146,124	$ 11,280,065	$ (1,788,516)	$ 66,521,388	$ 2,839,738
Adjustments:						
Depreciation expense	13,662,382	4,842,610	11,054,488	2,245,922	31,805,402	6,155,811
Change in allowance for uncollectible accounts	(22,124)	23,218	(8,674)	(21,588)	(29,168)	(1,824)
Change in assets and liabilities						
(increase) decrease in accounts receivable	(525,972)	(980,228)	(218,995)	141,389	(1,583,806)	50,588
(increase) decrease in inventory	(217,661)	-	-	-	(217,661)	245,203
(Increase) in other assets	(134,796,529)	-	-	-	(134,796,529)	-
increase (decrease) in accounts payable	2,643,726	(561,817)	159,075	357,326	2,598,310	679,069
increase (decrease) in compensated absences	66,681	(349)	17,108	31,187	114,627	25,507
increase in customer deposits	-	-	-	-	-	422,537
increase in OPEB payable	298,241	73,377	117,166	166,873	655,657	294,097
increase in insurance claims payable	-	-	-	-	-	(1,371,546)
Total adjustments	(118,891,256)	3,396,811	11,120,168	2,921,109	(101,453,168)	6,499,442
Net cash provided by (used for) operating activities	$ (70,007,541)	$ 11,542,935	$ 22,400,233	$ 1,132,593	$ (34,931,780)	$ 9,339,180
Noncash investing, capital and financing activities:						
Contributions from developers	-	178,845	28,568	-	207,413	-

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

City of Garland, Texas
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2010

		Other Post Employment Benefits Trust Fund
Assets		
Investments:		
Equity mutual funds	$	155,998
Fixed income mutual funds		113,185
Money Market fund		11,743
Total Investments		280,926
Receivables		250,000
Total assets	$	530,926
NET ASSETS		
Held in trust for other post employmenet benefits and other purposes		530,926
	$	530,926

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

City of Garland, Texas
Fiduciary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2010

	Other Post Employment Benefits Trust Fund
Additions	
Earnings from investments	$ 25,816
Employer contributions	250,000
Total additions	275,816
Deductions	
Administrative expenses	5,831
Total deductions	5,831
Change in net assets	269,985
Net assets, beginning of year	260,941
Net assets, end of year	$ 530,926

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

GARLAND

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Discretely Presented Component Units

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

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund categories:

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The 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 assets or equity

1. Deposits and investments

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

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

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

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

2. Receivables and payables

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

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

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

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

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

3. Inventories and prepaid items

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

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

4. Restricted assets

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

5. Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capital value of the assets constructed. The total interest expense by the City during the current year was $27,643,287. Of this amount, $5,607,891 was included as part of the cost of capital assets under construction in connection with electric, water, and sewer construction projects.

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

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

6. Compensated absences

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

7. Long-term obligations

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

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

8. Fund equity

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

9. ***New accounting principles***

The City implemented the following new GASB standards during the fiscal year ended September 30, 2010:

The GASB has issued Statement No. 51, *"Accounting and Financial Reporting for Intangible Assets"* ("GASB 51"). This statement establishes accounting and financial reporting requirements for intangible assets used in providing government services. The statement requires that all intangible assets covered under the provisions of the statement should be considered capital assets. The adoption of this statement had no impact on the financial statements.

The GASB has also issued Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments"* ("GASB 53"). This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. The adoption of this statement is discussed on page 61.

The GASB has issued Statement No. 58, *"Accounting and Financial Reporting for Chapter 9 Bankruptcies"* ("GASB 58"). The objective of this statement is to provide accounting and financial report guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The adoption of this statement had no impact on the financial statements.

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

The GASB has issued Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions"* ("GASB 54"). Statement 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. GASB Statement 54 is effective in fiscal year 2011. The City has not yet evaluated the impact of the implementation of this standard.

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

The GASB has issued Statement No. 59, *"Financial Instruments Omnibus"* ("GASB 59"), which will be effective in fiscal year 2011. Statement 59 will update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 60, *"Accounting and Financial Reporting for Service Concession Arrangement"* ("GASB 60"), which will be effective in fiscal year 2012. 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 City has not yet evaluated the impact of the implementation of this standard.

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 will be 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, *"Basis 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 has not yet evaluated the impact of the implementation of this standard.

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 will be 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 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 assets.

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide financial statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $273,414,119 difference are as follows:

General Obligation bonds	$183,442,550
Certificates of Obligation – General Government portion	89,971,569
Net adjustment to reduce *fund balance – total governmental funds* to arrive at net assets – governmental activities	$273,414,119

The portion of Certificates of Obligation amounting to $37,119,031 and a portion of General Obligation amounting to $975,000 was issued for Internal Service fund projects.

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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between *net changes in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $15,275,143 difference are as follows:

Debt issued or incurred:	
Issuance of certificates of obligation - Governmental Funds	$ (2,220,000)
Principal repayments:	
General obligation debt	11,177,450
Certificates of obligation	5,939,187
Tax note	360,000
Amortization of bond issue costs	454,349
Change in landfill closure liability	(384,157)
Change in compensated absences liability	(51,686)
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 15,275,143

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 $11,330,487 difference are as follows:

Capital outlays	$ 18,721,222
Developers contributions	106,964
General Fund expense outlays	375,065
Depreciation expense	(28,994,517)
CIP expense outlays	(1,136,020)
Loss on disposals of assets	(403,201)
Net adjustment to decrease *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*	$(11,330,487)

III. Stewardship, compliance, and accountability

A. Budgetary information

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

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

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

For the year ended September 30, 2010, the Narcotic Seizure Fund reflected expenditures in excess of budget of $138,904.

B. Deficit fund equity

The CDBG Fund deficit of $21,308 will be eliminated through reimbursements for projects in the next fiscal year.

The NETLS Fund deficit of $12,278 will be eliminated through reimbursements for projects in the next fiscal year.

The Self-Insurance Fund deficit of $2,508,557 will be eliminated by increasing charges to other operating funds in future years.

The Long-Term Disability Insurance Fund deficit of $3,187,751 is the result of an accrual of claims incurred but not reported of $3,891,025. This accrual was made on the basis of an actuarial analysis completed in 2010. This fund is managed and funded on a cash basis. Therefore, this fund will continue to report a deficit.

IV. Detailed notes on all funds

A. Deposits and investments

As of September 30, 2010, the City had the following cash equivalents and investments:

		Investment Maturities (in Years)	
Investment Type	**Fair Value**	**Less than 1**	**1-5**
Federal Home Loan Bank	$ 36,941,844	$ 8,926,844	$ 28,015,000
Federal National Mortgage Association	49,047,813	-	49,047,813
Federal Home Loan Mortgage Corp	39,170,813	5,038,739	34,132,074
Federal Farm Credit Bank	26,260,961	-	26,260,961
Investment Pools – Texpool &Texpool Prime	134,535,799	134,535,799	-
Investment Pools – Texstar	101,526,620	101,526,620	-
Investment Pools – Logic	5,910	5,910	-
Money Market Fund	4,457,320	4,457,320	-
Total investment fair value	$ 391,947,080	$ 254,491,232	$ 137,455,848

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

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

Credit risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2010, the City held no direct investments in commercial paper. The City's investments in U. S. agencies were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. Due to the economic collapse and credit crisis, it was announced in August 2008 that US Agency debt would be explicitly backed by the US Treasury. The City's investments in Texpool and Texpool Prime were rated AAAm by Standard & Poor's. The City's investment in Texstar and LOGIC were rated AAAm by Standard & Poor's.

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

The City invests in Texpool, Texpool Prime, Texstar, and Logic to meet its daily liquidity needs. Texpool, Texpool Prime, Texstar, and Logic are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texpool, Texpool Prime, Texstar, and Logic are SEC rule 2(a)7 like pool funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of $1.00, although this cannot be fully guaranteed. Texpool, Texpool Prime, Texstar, and Logic are all rated AAAm and must maintain a dollar weighted average maturity not to exceed a 60 day limit. As of September 30, 2010, Texpool, Texpool Prime, Texstar, and Logic had a weighted average maturity of 30 days, 32 days, 47 days, and 40 days respectively. This weighted average maturity calculation uses the SEC Rule 2(a)-7 definition for stated maturity for any floating rate instrument held in the portfolio to determine the weighted average maturity for the pool. The City considers the holdings in these funds to have a weighted average maturity of one day, due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City follows the State regulations for collateralization of custodial credit risk. As of September 30, 2010, the carrying amount of the City's deposits was $1,452,584 and the bank balance was $1,750,039. On September 30, 2010, the City's bank balance was fully collateralized. Bank balances for the City's component units (Garland Housing Finance Corporation, Garland Health Facilities Development Corporation and Garland Economic Development Authority) were fully collateralized.

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, 2010, 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, 2010, the City had the following cash equivalents and investments held by the trust agency Public Agency Retirement Services (PARS) for the OPEB trust fund:

Investment Type	Fair Value
Equity Mutual Funds	$ 155,998
Fixed Income Mutual Funds	113,185
Money Market Fund	11,743
Total investment fair value	$ 280,926

As of September 30, 2010, the Discretely Presented Component Units of the City had the following cash equivalents:

Garland Housing Finance Corp	Fair Value
Money Market Fund	$24,214

Garland Economic Development Authority	Fair Value
Money Market Fund	$90,000

Garland Health Facilities Development Corp	Fair Value
Money Market Fund	$128,874

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	$ 39,035	$ 506	$ 45,816	$ 64,238	$ 281	$ 13,801	$ 54,350	$ 218,027
Taxes	1,329,346	1,078,513	-	-	-	-	-	2,407,859
Utility Accounts	11,362	-	-	24,821,101	5,470,528	3,382,030	3,384,452	37,069,473
Mowing Liens	1,296,334	-	-	-	-	-	-	1,296,334
EMS Accounts	3,447,195	-	-	-	-	-	-	3,447,195
Franchise Fee	1,695,602	-	-	-	-	-	-	1,695,602
Sales Tax	3,460,330	-	-	-	-	-	-	3,460,330
Wholesale & Other Accts	2,051,097	-	20,523	5,763,447	338,767	1,213,451	2,315,511	11,702,796
Assessments	-	-	-	-	-	-	19,214	19,214
Gross Receivables	13,330,301	1,079,019	66,339	30,648,786	5,809,576	4,609,282	5,773,527	61,316,830
Less: allowance for uncollectibles	(4,496,585)	(608,110)	-	(1,345,496)	(243,324)	(208,832)	(428,569)	(7,330,916)
Net total receivables	$ 8,833,716	$ 470,909	$ 66,339	$ 29,303,290	$ 5,566,252	$ 4,400,450	$ 5,344,958	$ 53,985,914

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

	Unavailable	Unearned
Delinquent property taxes receivable (general fund)	$ 474,692	$ -
Delinquent property taxes receivable (debt service fund)	385,123	-
Sales tax, mowing liens, EMS, & other receivables (general fund)	2,917,997	-
Parks service charges for future events	-	144,566
Faulkner receivable	-	380,823
Grant draw downs prior to meeting all eligibility requirements	-	529,201
Homeowner assistance	-	3,478,369
Special assessments prior to meeting all eligibility requirements	-	529,024
	$ 3,777,812	$ 5,061,983

C. Capital Assets

Capital asset activity for the year ended September 30, 2010, was as follows:

Primary government

	Balance at Oct. 1, 2009	Increases	Decreases	Balance at Sept. 30, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 77,740,605	$ 1,476,476	$ -	$ 79,217,081
Construction in progress	36,996,818	17,677,137	(27,447,041)	27,226,914
Internal service construction in progress	31,389,194	13,914,784	(34,744,564)	10,559,414
Total capital assets, not being depreciated	146,126,617	33,068,397	(62,191,605)	117,003,409
Capital assets, being depreciated:				
Buildings	100,038,467	3,502,362	(3,980,084)	99,560,745
Improvements other than buildings	393,953,371	20,062,526	(1,982,752)	412,033,145
Machinery and equipment	85,845,525	4,857,639	(2,153,480)	88,549,684
Internal service buildings, improvements, and equipment	63,579,172	38,834,336	(6,139,898)	96,273,610
Total capital assets being depreciated	643,416,535	67,256,863	(14,256,214)	696,417,184
Less accumulated depreciation for:				
Buildings	(28,892,911)	(2,489,700)	1,565,097	(29,817,514)
Improvements other than buildings	(239,239,812)	(19,883,183)	1,982,752	(257,140,243)
Machinery, furniture, and equipment	(60,081,891)	(6,621,634)	2,103,398	(64,600,127)
Internal service buildings, improvements, and equipment	(45,520,690)	(6,155,811)	6,047,624	(45,628,877)
Total accumulated depreciation	(373,735,304)	(35,150,328)	11,698,871	(397,186,761)
Total capital assets, being depreciated, net	269,681,231	32,106,535	(2,557,343)	299,230,423
Governmental activities capital assets, net	$ 415,807,848	$ 65,174,932	$ (64,748,948)	$416,233,832

	Balance at Oct. 1, 2009	Increases	Decreases	Balance at Sept. 30, 2010
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 17,951,637	$ 548,108	$ -	$ 18,499,745
Construction in progress	71,678,163	44,216,883	(63,014,168)	52,880,878
Total capital assets, not being depreciated	89,629,800	44,764,991	(63,014,168)	71,380,623
Capital assets, being depreciated:				
Utility buildings, improvements, and equipment	946,897,953	69,629,410	(6,262,038)	1,010,265,325
Total capital assets being depreciated	946,897,953	69,629,410	(6,262,038)	1,010,265,325
Less accumulated depreciation for:				
Utility buildings, improvements, and equipment	(378,211,295)	(31,805,402)	4,456,928	(405,559,769)
Total accumulated depreciation	(378,211,295)	(31,805,402)	4,456,928	(405,559,769)
Total capital assets, being depreciated, net	568,686,658	37,824,008	(1,805,110)	604,705,556
Business-type activities capital assets, net	$658,316,458	$ 82,588,999	$ (64,819,278)	$ 676,086,179

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

Governmental activities:	
General government	$ 947,477
Public safety	4,281,752
Public works	20,748,760
Culture and recreation	2,915,868
Public health	100,660
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	6,155,811
Total depreciation expense – governmental activities	$ 35,150,328
Business-type activities:	
Electric	$ 13,662,382
Water	4,842,610
Sewer	11,054,488
Other non-major business-type activities	2,245,922
Total depreciation expense – business-type activities	$ 31,805,402

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, 2010. At year-end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Electric System	$ 16,175,040	$ 843,790
Water System	42,937	81,035
Sewer System	14,913,166	415,980
Parks and Recreation	2,188,069	108,878
Landfill	1,727,461	90,919
Streets and Drainage	10,176,586	843,860
Buildings	-	464,183
Total	$ 45,223,259	$ 2,848,645

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2010, is as follows:

Interfund Payable	General	Total
General	$ 27,097	$ 27,097
Capital Project	617,519	617,519
Non-Major Business-type	1,300,008	1,300,008
Internal Services	10,500	10,500
Non-Major Governmental	1,302,612	1,302,612
	$ 3,257,736	$ 3,257,736

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, 2010, is as follows:

	Advance Receivable	
Advance Payable	Electric	Total
Internal Service	$ 4,714,652	$ 4,714,652
Non-Major Business-type	38,556	38,556
	$ 4,753,208	$ 4,753,208

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

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

Transfers From:	General Fund	Electric Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Nonmajor Business-Type Funds	Internal Service Fund	Total Transfers
General Fund	$ -	$ -	$ 1,375,989	$ 76,219	$ 4,378,158	$ 500,000	$ -	$ 6,330,366
Debt Service Fund	-	-	5,810,000	-	-	-	86,358	5,896,358
Capital Project Fund	-	22,800	-	-	3,400,000	86,430	72,497	3,581,727
Non-major governmental	-	-	4,800,000	362,067	-	-	-	5,162,067
Electric	19,451,298	-	133,200	228,087	-	-	696,745	20,509,330
Water	3,377,299	-	-	43,863	672,238	-	-	4,093,400
Sewer	4,524,415	-	-	35,090	672,238	-	-	5,231,743
Non-major Business-type	78,934	-	-	52,636	-	-	-	131,570
Internal Service	13,897	-	-	-	-	690,860	-	704,757
	$ 27,445,843	$ 22,800	$ 12,119,189	$ 797,962	$ 9,122,634	$ 1,277,290	$ 855,600	$ 51,641,318

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.

E. Long-term liabilities

A summary of long-term liabilities, including current portion, for the year ended September 30, 2010, is as follows:

	Balance at Oct. 1, 2009	Increased	Retired	Balance at Sept. 30, 2010	Due within one year
Governmental activities:					
General obligation bonds	$ 194,650,000	$ -	$ (11,207,450)	$ 183,442,550	$ 10,875,076
Certificates of obligation	95,934,063	2,220,000	(8,182,495)	89,971,568	7,768,971
Tax Note	360,000	-	(360,000)	-	-
Unamortized premium and defeased debt costs	7,326,738	30,762	(934,883)	6,422,617	-
Landfill post closure cost	7,792,465	384,157	-	8,176,622	-
Compensated absences	20,385,621	1,875,124	(1,797,930)	20,462,815	7,640,803
Insurance claims payable	13,814,213	20,726,707	(22,101,216)	12,439,704	6,503,079
OPEB claims payable	3,511,760	1,788,266	-	5,300,026	-
Governmental activities Long-term debt	$ 343,774,860	$ 27,025,016	$ (44,583,974)	$ 326,215,902	$ 32,787,929
Business-type activities:					
Utility System revenue bonds	$ 296,575,000	$ 21,270,000	$ (13,080,000)	$ 304,765,000	$ 14,340,000
General obligation bonds	82,285,000	-	(2,500,000)	79,785,000	5,255,000
Certificates of obligation	17,920,937	127,870,000	(5,032,505)	140,758,432	3,186,028
Unamortized premium and defeased debt costs	9,452,008	13,782,010	(1,457,095)	21,776,923	-
Compensated absences	2,258,854	484,462	(369,835)	2,373,481	1,866,387
OPEB claims payable	1,272,082	655,656	-	1,927,738	-
Business-type activities Long-term debt	$ 409,763,881	$ 164,062,128	$ (22,439,435)	$ 551,386,574	$ 24,647,415

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 $897,614 of general obligation bond debt, $35,693,862 of certificates of obligation, $831,954 of compensated absences, and $876,039 of OPEB claims payable from the internal service funds are included in the governmental activities general obligation bonds, certificates of obligation, compensated absences and OPEB claims payable. Also, for the governmental activities, compensated absences and OPEB Claims Payable are generally liquidated by the general fund.

The proceeds of $2,220,000 from the sale of certificates of obligation for governmental activities are reported as proceeds from issuance of debt in the capital projects fund.

A summary of short-term debt transactions for the year ended September 30, 2010, is as follows:

	Balance at October 1, 2009	Increased	Retired	Balance at September 30, 2010
Governmental activities:				
Tax Notes	$ 5,810,000	$ 5,050,000	$ (5,810,000)	$ 5,050,000
Commercial Paper	25,000,000	35,000,000	(25,000,000)	35,000,000
Governmental activities short-term debt	$ 30,810,000	$ 40,050,000	$ (30,810,000)	$ 40,050,000

Long-term debt at September 30, 2010, includes the following individual issues (not including the unamortized discount, premium, and refunding costs of $28,199,540):

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
General obligation bonds:						
2001 Various purpose	4.25 – 5.00	4/01/2001	2/15/2021	$ 14,315,000	$ 10,530,000	$ 3,785,000
2005A Refunding	3.5 – 5.25	4/19/2005	2/15/2020	70,615,000	3,570,000	67,045,000
2005B Refunding	3.00 – 5.25	4/19/2005	2/15/2022	23,675,000	4,615,000	19,060,000
2007A Refunding	4.00 – 5.00	2/15/2007	2/15/2025	67,385,000	120,000	67,265,000
2007B Refunding	Variable	2/20/2007	2/15/2025	23,745,000	237,450	23,507,550
2008 Refunding	3.35	4/22/2008	2/15/2019	43,025,000	15,035,000	27,990,000
2008A Refunding	4.00 – 5.00	6/15/2008	2/15/2025	57,760,000	3,185,000	54,575,000
				$ 300,520,000	$ 37,292,450	$ 263,227,550

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
Certificates of Obligation:						
1997B Golf course	5.50 – 5.50	8/15/1997	8/15/2027	$ 600,000	$ -	$ 600,000
2001 Various purpose	4.25 – 5.25	4/01/2001	2/15/2021	45,320,000	34,585,000	10,735,000
2002 Various purpose	3.75 – 5.25	5/21/2002	2/15/2022	25,350,000	20,500,000	4,850,000
2003 Various purpose	3.00 – 4.75	4/15/2003	2/15/2023	18,685,000	7,580,000	11,105,000
2004 Various purpose	2.00 – 5.00	4/15/2004	2/15/2024	17,045,000	8,095,000	8,950,000
2005 Various purpose	3.00 – 5.25	4/19/2005	2/15/2025	20,275,000	13,250,000	7,025,000
2006 Various purpose	3.75 – 4.375	3/15/2006	2/15/2026	10,275,000	4,770,000	5,505,000
2007 Various purpose	4.00 – 5.625	5/15/2007	2/15/2022	16,975,000	1,325,000	15,650,000
2008 Various purpose	.3.00 – 4.75	6/15/2008	2/15/2028	15,965,000	2,110,000	13,855,000
2009 Various purpose	.3.00 – 5.25	5/15/2009	2/15/2029	22,985,000	620,000	22,365,000
2010 Electric utility	.2.00 – 5.00	3/01/2010	2/15/2030	126,885,000	-	126,885,000
2010 Various purpose	.2.00 – 4.50	4/15/2010	2/15/2030	3,205,000	-	3,205,000
				$ 323,565,000	$ 92,835,000	$ 230,730,000
Utility System revenue bonds:						
2003 Electric Utility	3.00 – 5.00	8/01/2003	3/01/2023	$ 13,810,000	$ 3,080,000	$ 10,730,000
2003 Water & Sewer	2.00 – 5.00	8/01/2003	3/01/2023	13,680,000	3,505,000	10,175,000
2004 Electric Utility	2.00 – 5.00	4/15/2004	3/01/2024	19,060,000	4,370,000	14,690,000
2004 Water & Sewer	2.00 – 6.00	4/15/2004	3/01/2024	33,540,000	7,020,000	26,520,000
2004 Water & Sewer	2.00 – 5.00	5/25/2004	3/01/2024	38,485,000	6,910,000	31,575,000
2005 Electric Utility	2.75 – 5.25	4/19/2005	3/01/2025	18,935,000	3,490,000	15,445,000
2005 Water & Sewer	2.75 – 5.25	4/19/2005	3/01/2025	20,545,000	4,075,000	16,470,000
2006 Electric Utility	3.50 – 5.00	3/15/2006	3/01/2026	25,045,000	2,950,000	22,095,000
2006 Water & Sewer	4.00 – 4.50	3/15/2006	3/01/2026	16,180,000	2,205,000	13,975,000
2007 Electric Utility	4.00 – 5.625	5/15/2007	3/01/2027	21,050,000	1,575,000	19,475,000
2007 Water & Sewer	4.00 – 5.625	5/15/2007	3/01/2027	29,070,000	2,135,000	26,935,000
2008 Electric Utility	3.25 – 4.75	6/15/2008	3/01/2028	10,115,000	770,000	9,345,000
2008 Water & Sewer	3.00 – 5.00	6/15/2008	3/01/2028	39,900,000	2,245,000	37,655,000
2009 Electric Utility	3.25 – 5.25	5/15/2009	3/01/2029	11,760,000	955,000	10,805,000
2009 Water & Sewer	2.00 – 4.75	5/15/2009	3/01/2029	18,090,000	485,000	17,605,000
2010 Water & Sewer	2.00 – 4.75	4/15/2010	3/01/2030	21,270,000	-	21,270,000
				$ 350,535,000	$ 45,770,000	$ 304,765,000

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

Terms of the Interest Rate Cap commenced on May 15, 2007, the City shall be entitled to receive a payment from Bank of America on each February 15, May 15, August 15, and November 15. The amount of any such payment by Bank of America shall be based on: i) the amount that the LIBOR rate with a stated maturity of three months exceeds 3.80%; and ii) the currently outstanding notional balance of the Cap. The notional amount of the cap at September 30, 2010 was $23,507,550. The Cap is scheduled to terminate on August 15, 2015.

The fair value of the Cap, if it were to be terminated, was $1,186,601 as of September 30, 2010. 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, 2010, the City was exposed to credit risk by the amount of the Fair Value of the Cap. Since the inception of the Cap agreement, the counter party has maintained their ratings of Aa1, AA and AA by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively.

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

As of September 30, 2010, the City would pay Bank of America $1,186,601 if the City elected to terminate the agreement.

In fiscal 2010, the City implemented GASB Statement No. 53 and added the derivative to the statement of net assets at fair value.

Short-term debt at September 30, 2010, includes the following individual issues:

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Tax anticipation notes:						
2009 Tax anticipation	1.35	9/29/2009	9/30/2010	$ 5,810,000	$ 5,810,000	$ -
2010 Tax anticipation	1.35	9/16/2010	11/01/2011 *	5,050,000	-	5,050,000
				$ 10,860,000	$ 5,810,000	$ 5,050,000
Commercial Paper						
2009 Commercial Paper Issue	0.35 – 0.35	9/03/2009	11/02/2009	$ 20,000,000	$ 20,000,000	$ -
2009 Commercial Paper Issue	0.40 – 0.40	9/29/2009	11/02/2009	5,000,000	5,000,000	-
2010 Commercial Paper Issue	0.32 – 0.32	9/09/2010	10/14/2010	30,000,000	-	30,000,000
2010 Commercial Paper Issue	0.30 – 0.30	9/28/2010	10/14/2010	5,000,000	-	5,000,000
				$ 60,000,000	$ 25,000,000	$ 35,000,000

* The City considers this short-term as final payment was made on March 1, 2011.

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

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

The annual requirements to amortize outstanding debt as of September 30, 2010, including interest payments of $351,687,188 are summarized in the table below. Due to the nature of the obligation for compensated absences, annual requirements to amortize such obligations are not determinable, and have not been included in the following summary:

Governmental Activities

Years Ending September 30,	General Obligation	GO Interest	Certificates Of Obligation	CO Interest	Tax Note	Tax note Interest	Commercial Paper	CP Interest
2011	$ 10,875,076	$ 8,411,721	$ 7,768,971	$ 3,843,431	$ 5,050,000	$ 1,551	$ 35,000,000	$ 5,605
2012	12,512,725	7,921,317	7,019,130	3,503,154	-	-	-	-
2013	13,115,398	7,331,628	7,299,298	3,202,516	-	-	-	-
2014	12,868,094	6,720,327	7,259,489	2,890,905	-	-	-	-
2015	13,330,813	6,093,376	5,824,680	2,606,417	-	-	-	-
2016-2020	71,470,444	29,991,713	22,845,000	9,733,089	-	-	-	-
2021-2025	49,270,000	9,964,738	19,840,000	5,102,152	-	-	-	-
2026-2030	-	-	12,115,000	1,030,849	-	-	-	-
Total	$183,442,550	$76,434,820	$89,971,568	$31,912,513	$ 5,050,000	$ 1,551	$ 35,000,000	$ 5,605

Business-type Activities

Years Ending September 30,	Revenue	Revenue Interest	General Obligation	GO Interest	Certificates of Obligation	CO Interest
2011	$ 14,340,000	$ 13,915,071	$ 5,255,000	$ 3,755,300	$ 3,186,028	$ 6,847,182
2012	15,285,000	12,953,600	5,690,000	3,527,643	2,855,871	6,697,472
2013	15,930,000	12,303,598	5,935,000	3,256,517	3,035,702	6,561,139
2014	16,500,000	11,611,155	6,270,000	2,975,070	2,870,511	6,423,924
2015	16,090,000	10,902,834	7,895,000	2,657,983	3,510,320	6,270,394
2016-2020	91,040,000	42,917,223	44,730,000	6,388,428	11,335,000	29,986,026
2021-2025	101,545,000	19,463,750	4,010,000	131,443	49,260,000	22,651,504
2026-2030	34,035,000	2,729,609	-	-	64,705,000	8,405,834
Total	$304,765,000	$126,796,840	$79,785,000	$22,692,384	$140,758,432	$ 93,843,475

At September 30, 2010, the City has authorized but not issued general obligation bonds and general obligation commercial paper in the amount of $155,134,506 as follows:

	Balance at Oct.1, 2009	General Obligation Bonds Issued	GO Commercial Paper Issued	Balance at Sept.30, 2010
Streets Improvements	$ 111,762,287	-	$17,632,781	$ 94,129,506
Park Improvements	25,454,000	-	3,769,000	21,685,000
Drainage Improvements	27,376,026	-	9,261,026	18,115,000
Municipal Facilities	11,544,000	-	584,000	10,960,000
Library Improvements	6,043,813	-	2,323,813	3,720,000
Public Safety	4,534,380	-	1,429,380	3,105,000
Economic Development	3,420,000	-	-	3,420,000
	$ 190,134,506	-	$35,000,000	$155,134,506

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 $144,520,217 in outstanding Electric Utility Revenue Bonds and $287,041,623 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 2030. Principal paid and interest incurred for the current year were as follows:

Utility Revenue Bonds	Principal	Interest	Total	Pledged Revenue
Electric	$ 5,125,000	$ 4,871,332	$ 9,996,332	$ 62,767,472
Water & Sewer	7,955,000	8,524,240	16,479,240	35,073,328

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

Debt issues for the year are as follows:

Issue		Principal	Net Interest Cost
Certificates of Obligation, Series 2010	$	3,205,000	3.940%
Electric Utility System Revenue Refunding Bonds, Series 2010		126,885,000	4.340%
Water & Sewer System Revenue Bonds, Series 2010		21,270,000	4.370%
Tax Anticipation Note, Series 2010		5,050,000	0.790%
Commercial Paper		35,000,000	.30 – .32%

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, 2010, $34,865,000 of General Obligation Bonds and $51,160,000 of Certificates of Obligation, all of which are considered defeased, are still outstanding.

As discussed in Note I, in 1976 the City entered into a Power Sales Contract with TMPA to purchase power and energy from TMPA upon the meeting of certain requirements. 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 Assets 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. In 2010, the City recorded amortization expense of $3,456,321 leaving a balance in the Other Assets account of $134,796,529 at September 30, 2010.

F. Retirement Plans

Plan Description

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

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

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

Contributions

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

In December 2007, the TMRS Board of Trustees met and adopted actuarial changes that include a change from the unit credit actuarial cost method to the projected unit credit actuarial cost method for all TMRS city plans as well as a closed amortization period of 30 years. The effect of these changes resulted in an increase in city contribution rates for most Texas cities. Cities will have the option to increase their contributions over an eight year phase-in period. These changes are intended to help the TMRS system remain well-funded, to preserve member's benefits, and to give cities a more complete picture of the cost of benefits currently adopted. The City's required contribution rate for FY10 was increased from 16.547% in calendar 2009 to 17.07% in 2010. Management believes that while these increases will present additional challenges to the City, changes can be made during the budgeting process to mitigate any adverse financial impact to the City.

The City's total payroll in fiscal year 2010 was $149,688,495, and the City's contributions were based on a payroll of $120,458,793. Both the City and the covered employees made the required contributions, amounting to $20,385,074 for the City and $8,432,115 (7 %) for the employees.

A summary of City and employee contributions for the fiscal year ending September 30, 2010, follows:

	Gross	Normal		Unfunded Actuarial Liability		Death and Disability Benefit		Total	Total
	Earnings	Rate	Contribution	Rate	Contribution	Rate	Contribution	Rate	Contribution
City Contribution:									
Months in calendar year 2009	$ 33,441,907	10.94%	$ 3,658,545	5.38%	$ 1,799,174	0.22%	$ 73,572	16.54%	$ 5,531,291
Months in calendar year 2010	87,016,886	11.30%	9,832,908	5.56%	4,838,139	0.21%	182,736	17.07%	14,853,783
Total Fiscal Year	$120,458,793		$ 13,491,453		$ 6,637,313		$ 256,308		$ 20,385,074
Employee Contribution:									
Months in calendar year 2009	$ 33,441,907	7.00%	$ 2,340,933	-	-	-	-	7.00%	$ 2,340,933
Months in calendar year 2010	87,016,886	7.00%	6,091,182	-	-	-	-	7.00%	6,091,182
Total Fiscal Year	$ 120,458,793		$ 8,432,115		-		-		$ 8,432,115
Total City and Employee Contributions			$21,923,568		$ 6,637,313		$ 256,308		$ 28,817,189

Three Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	$18,408,169	100%	--
2009	$19,740,792	100%	--
2010	$20,384,137	100%	--

Actuarial Assumptions

Actuarial Valuation Date		12/31/2009
Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	28 Years - Closed Period
Asset Valuation Method	-	10-year Smoothed Market (to accurately reflect the requirements of GASB stmt., No. 25, paragraphs 36e and 138)
Investment Rate of Return	-	7.5%
Projected Salary Increases	-	Varies by age and service
Includes Inflation At	-	3.0%
Cost-of-living Adjustments	-	None

Schedule of Funding Information

Actuarial valuation date	12/31/2009
Actuarial value of assets	$366,884,729
Actuarial accrued liability (AAL)	$483,517,234
Unfunded actuarial accrued liability (UAAL)	$116,632,505
Funded ratio	75.9%
Annual covered payroll (actuarial)	$125,871,786
UAAL as % of covered payroll	92.3%

See required supplemental information for schedule of funding progress.

G. Other postemployment benefits

Annual OPEB Cost and Net OPEB Obligation

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

	2008	2009	2010
Annual Required Contribution	$ 6,175,488	$ 6,420,936	$ 5,473,215
Interest on Net OPEB Obligation	-	106,705	227,232
Adjustment to Annual Required Contribution	-	(92,478)	(188,226)
Annual OPEB Cost	6,175,488	6,435,163	5,512,221
Employer contribution to trust fund	-	(250,000)	(250,000)
Employer Contributions with interest	(3,507,856)	(4,068,953)	(2,818,299)
Increase in Net OPEB Obligation	2,667,632	2,116,210	2,443,922
Net OPEB Obligation beginning of year	-	2,667,632	4,783,842
Net OPEB Obligation end of year	2,667,632	$ 4,783,842	$ 7,227,764

In addition to the employer contribution, the retirees paid $1,892,371 in the form of premiums which funded current medical claims.

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2008	$ 6,175,488	$ 3,507,856	56.8%	$ 2,667,632
9/30/2009	$ 6,435,163	$ 4,318,953	67.1%	$ 4,783,842
9/30/2010	$ 5,512,221	$ 3,068,299	55.7%	$ 7,227,764

Actuarial Assumptions

Actuarial Valuation Date		10/01/2009
Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	28 Years - Closed Period
Investment Rate of Return	-	4.75%
Projected Salary Increases	-	Varies by age and service
Includes Healthcare cost trend at	-	9.5%
Cost-of-living Adjustments	-	None

Schedule of Funding Information

Actuarial valuation date	10/01/2009
Actuarial value of assets	$260,541
Actuarial accrued liability (AAL)	$69,463,991
Unfunded actuarial accrued liability (UAAL)	$69,203,450
Funded ratio	0.4%
Annual covered payroll (actuarial)	$122,500,000
UAAL as % of covered payroll	56%

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

Supplemental Death Benefits Plan (SDBF)

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

Funding Requirements: The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to SDBF for the years ended September 30, 2010, 2009, and 2008 were $256,308, $276,903, and $306,251 respectively.

H. Self Insurance

Self-insurance for general and auto liability exposure is maintained in the Self-Insurance Fund in the Internal Service Funds. Self-insurance for workers' compensation is also maintained in the Self-Insurance Fund. A private insurance company administers workers' compensation claims and losses for the City. Self-insurance premiums of $5,110,784 were collected from insured funds. Claims settlement and loss expenses are accrued in the Self-Insurance Fund for the estimated settlement value of claims reported and incurred but not reported arising from incidents during the period. A liability, insurance claims payable, has been established. The reported liability includes actuarially determined present value projected losses for general, auto, and workers' compensation exposure. In determining projected losses, coverages with material incurred losses were compared to expected industry loss levels for prior periods. Based on this comparison, an experience modifier was selected and applied to current indicated industry premiums per exposure unit to obtain expected losses as of September 30, 2010, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in December 2010 long-term claims payable as of September 30, 2010 was estimated at $2,962,078.

Long-Term Disability claims are paid from the LTD Insurance Fund, which is funded with City and employee contributions. A private company administers the long-term disability claims and losses for the City. Based on a current independent actuarial analysis, an actuarially determined liability of $2,974,547 has been established for projected future long-term disability claims.

Group medical benefits are paid from the Group Health Fund, which has an annually negotiated stop loss provision. Revenues are recognized from payroll deductions for employee dependent coverage and from City contributions for employee coverage. At September 30, 2010 a short-term liability of $2,350,065 was recognized for open claims and claims incurred but not reported. The claims incurred but not reported are calculated based on a monthly average for claims paid during the current fiscal year.

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

Changes in the self-insurance, long-term disability and group health insurance claims payable in fiscal years 2009 and 2010 are:

Internal Service Fund	Beginning of Fiscal Year Liability	Current Year Claims	Changes in Estimates	Claim Payments	Balance at Fiscal Year – End	Current Portion
Self Insurance – 2009	$ 6,366,482	$ 1,722,129	$ (653,459)	$ 1,722,129	$ 5,713,023	$ 2,443,941
Self Insurance – 2010	5,713,023	1,720,872	485,591	1,720,872	6,198,614	3,236,536
Long-Term Disability – 2009	4,691,025	376,094	(800,000)	376,094	3,891,025	916,478
Long-Term Disability – 2010	3,891,025	345,842	-	345,842	3,891,025	916,478
Group Health – 2009	3,166,766	16,840,661	1,043,399	16,840,661	4,210,165	4,210,165
Group Health – 2010	4,210,165	18,179,136	(1,860,100)	18,179,136	2,350,065	2,350,065

I. Texas Municipal Power Agency

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

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

Total debt of TMPA at September 30, 2010, amounted to $813,176,000 of which $32,100,000 represented the current portion. TMPA's Revenue Bonds are payable from and secured by an irrevocable first lien on the TMPA's net revenues and certain other special funds created in the TMPA's Bond Resolution.

TMPA
Outstanding Debt Amounts
September 30, 2010
(reported in thousands)

	Long-Term	Current	Total
Revenue Bonds	$ 316,093	$ 6,620	$ 322,713
Zero Coupon Interest Payable	296,283	25,480	321,763
Tax Exempt Commercial Paper	168,700	-	168,700
	$ 781,076	$ 32,100	$ 813,176

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

J. Deferred Compensation Plan

The City offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all permanent City employees, permits participants to contribute $16,500 annually per IRS limitations on a tax-deferred basis to their 457 qualified account. 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.

K. Conduit Debt Information

Each of the discrete component units was created to issue revenue bonds to provide financial assistance to qualified homeowners and businesses. Even though the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit bonds by component unit at September 30, 2010, is as follows:

Series	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Total
2000	6,000,000	-	6,000,000
2002	-	25,019,000	25,019,000
2005	12,697,922	-	12,697,922
	$ 18,697,922	$ 25,019,000	$ 43,716,922

L. Landfill Closure and Postclosure Care Cost

As of September 30, 2010, the total estimated landfill closure/postclosure cost for the City's Castle Drive landfill, Hinton landfill, and transfer station is $8,915,162, $29,807,340 and $29,315 respectively. The $8,176,622 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, 16.33% use of the Hinton landfill, 100% of the closure cost for the transfer station, less post closure expenditures to date of $5,635,083. The City will recognize the remaining estimated closure and postclosure care costs of $24,940,112 as the percentage of capacity depletion increases. These amounts are based on an engineering study performed in 1996 and updated in 2006, which estimated cost to perform all closure and postclosure care. In addition, the closure and postclosure care cost were adjusted for inflation annually based on the most recent Implicit Price Deflator for Gross National Product published by the United States Department of Commerce. Actual cost may differ from the estimate due to inflation, changes in technology, or regulatory changes. The Hinton landfill has an estimated remaining useful life of 54.86 years.

Since the City's Landfill operation is a general government function, a special revenue fund was established to account for actual landfill closure and postclosure care funding sources and expenditures as they are incurred. Expenditures to date of $5,635,083 were paid for landfill closure projects. Based on the City's current landfill closure financial strategy, $2.4 million in Certificates of Obligation will be issued to finance the one time closure cost and the on-going post closure care will be paid from operating funds.

M. Commitments and Contingent Liabilities

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

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

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

On July 9, 1996, the Department Housing and Urban Development (HUD) conveyed title of the Villages of Eastgate apartment complex to the City through a Special Warranty Deed. According to the Deed the City is required to setup and maintain an escrow account (HAPP account) for a period of 20 years from the date of the Deed to account for the sale proceeds of the apartment complex plus earned interest. The funds in the HAPP account are to be used by the City only in the event that HUD is not able to provide housing assistance in the form of Section 8 to the City for the 89 Walker Participants. The HAPP account began the fiscal year with a balance of $568,656, earned interest in the amount of $1,111, and ended the fiscal year with a balance of $569,767. There were no withdraws from this account during the fiscal year. The fiscal year end balance of the HAPP account is reported on page 80 of this report as restricted cash and cash equivalents and due to other governments in Nonmajor Governmental Funds Balance Sheet for the Other Housing Assistance Governmental Fund.

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

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

N. GHFC Primrose at Crist Project

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

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

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. At September 30, 2008, GHFC reported this land lease transaction as Land $900,000, deferred revenue of $776,250 and rent revenue of $22,500 on their financial statements. The remaining deferred revenue will be amortized over the next 34.5 years as rent revenue.

According to the Primrose at Crist Master Agreement TX Crist GP LLC will receive a developer fee that could amount to $500,000. To date, GHFC has received $265,714 of the $500,000. After the developers' fee is paid TX Crist GP LLC shall be entitled to receive from net operating cash flow after a $10,000 asset management fee is paid, any tax credit shortfalls are paid, any operating deficit loans are paid, and any subordinated property management fees are paid, a cumulative fee equal to 2% of gross collected rent. The officers of TX Crist GP LLC will issue annual dividends to GHFC based on the net revenues and expenses of the limited liability corporation. In addition, TX Crist GP LLC owns 0.01% of TX Crist Housing LLP. This equity ownership amounts to less than $10,000 and is not material to the financial operation of GHFC.

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

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

O. Subsequent Events

On February 23, 2011, the City issued $10,860,000 in General Obligation Refunding Bonds to advance refund $11,370,000 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.

GARLAND

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, 2010
(unaudited)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	$ 61,428,757	$ 62,623,030	$ 63,184,478	$ 561,448
Franchise fees	8,252,694	7,867,902	8,352,056	484,154
Service charges	17,179,438	17,055,588	16,929,426	(126,162)
Licenses and permits	2,524,186	2,957,059	3,085,185	128,126
Earnings on investments	400,000	273,990	207,698	(66,292)
Intergovernmental	829,929	845,880	818,723	(27,157)
Intragovernmental	7,383,850	7,429,868	7,430,975	1,107
Fines and forfeits	5,877,569	5,705,577	5,627,058	(78,519)
Rents and concessions	921,634	957,156	947,809	(9,347)
Total revenues	104,798,057	105,716,050	106,583,408	867,358
Expenditures:				
Current:				
General government	9,729,629	9,643,243	9,691,138	(47,895)
Public safety	76,719,217	76,171,864	74,890,153	1,281,711
Public works	9,090,479	9,507,665	8,709,794	797,871
Culture and recreation	12,980,841	13,075,538	12,641,150	434,388
Public health	3,189,496	3,281,495	3,189,738	91,757
Nondepartmental	16,326,662	16,721,366	17,315,649	(594,283)
Total expenditures	128,036,324	128,401,171	126,437,622	1,963,549
Excess of revenues over expenditures	(23,238,267)	(22,685,121)	(19,854,214)	2,830,907
Other financing sources (uses):				
Sale of capital assets	-	-	68,326	68,326
Transfer in	27,534,431	27,319,694	27,445,843	126,149
Transfers out	(5,329,147)	(6,004,147)	(6,330,366)	(326,219)
Total other financing sources (uses)	22,205,284	21,315,547	21,183,803	(131,744)
Net Change in fund balances	(1,032,983)	(1,369,574)	1,329,589	2,699,163
Fund balance, beginning of year	18,874,935	18,874,935	18,874,935	-
Fund balance, end of year	$ 17,841,952	$ 17,505,361	$ 20,204,524	$ 2,699,163

See notes to required supplementary information.

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

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

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
12/31/2007	(1)	$ 339,856,766	$ 541,298,967	62.80%	$ 201,442,201	$ 114,140,292	176.50%
12/31/2008		347,564,834	456,083,557	76.20%	108,518,723	119,081,305	91.10%
12/31/2009		366,884,729	483,517,234	75.90%	116,632,505	125,891,786	92.30%

Schedule of other postemployment benefits (OPEB)
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
10/1/2007	$ -	$ 79,187,130	0.00%	$ 79,187,130	$ 114,140,292	69.4%
10/1/2008	-	83,522,196	0.00%	83,522,196	119,081,305	70.1%
10/1/2009	260,541	69,463,991	0.40%	69,203,450	122,500,000	56.5%

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

City of Garland, Texas
Notes to Required Supplementary Information

I. Budgets and Budgetary Accounting

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

GARLAND

City of Garland, Texas
Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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, 2010

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Infrastructure Repair	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Library Contributions	Other Housing Assistance	TIF's	ARRA Recovery Act	Total Other Governmental Funds
Assets																
Cash and cash equivalents	$ 33,700	$ 1,255,104	$ 195,547	$ 939,631	$ 3,612,594	$ 1,340,784	$ 149,127	$ 500	$ 156,808	$ 1,047,228	$ 894,304	$ 63,709	$ 438,571	$ 659,268	$ (239,987)	$ 10,546,888
Investments	12,874	479,484	74,361	358,965	1,380,109	512,102	56,971	-	59,905	400,070	234,984	24,338	167,546	251,781	-	4,013,490
Receivables:																
Accrued interest	39	1,446	207	1,126	8,511	3,212	148	-	203	1,250	668	77	-	948	-	17,835
Assessments	-	-	-	-	-	19,214	-	-	-	-	-	-	-	-	-	19,214
Other	236,400	-	2,075,126	-	-	-	-	-	-	-	-	-	-	-	-	2,311,526
Due from other governments	1,324,389	-	18,512	-	-	-	-	279,510	324,342	-	-	-	-	-	170,635	2,117,388
Prepaid items	-	864,415	-	-	-	-	-	-	-	-	-	-	-	-	-	864,415
Assets held for resale	1,166,844	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,166,844
Total Current Assets	2,774,246	2,600,449	2,363,753	1,299,722	5,001,214	1,875,312	206,246	280,010	541,258	1,448,548	1,129,956	88,124	606,117	911,997	(69,352)	21,057,600
Restricted assets:																
Cash and cash equivalents	-	-	-	-	-	-	-	-	65,604	-	-	-	569,767	-	302,193	937,564
Total Restricted Assets	-	-	-	-	-	-	-	-	65,604	-	-	-	569,767	-	302,193	937,564
Total Assets	$ 2,774,246	$ 2,600,449	$ 2,363,753	$ 1,299,722	$ 5,001,214	$ 1,875,312	$ 206,246	$ 280,010	$ 606,862	$ 1,448,548	$ 1,129,956	$ 88,124	$ 1,175,884	$ 911,997	$ 232,841	$ 21,995,164
LIABILITIES																
Current liabilities:																
Accounts payable and accrued liabilities	$ 427,697	$ 208,016	$ 113,809	$ 42,907	$ 35	$ 695,838	$ -	$ 18,912	$ 143,927	$ -	$ 7,260	$ 33	$ 3,490	$ -	$ 106,812	$ 1,768,736
Retainage Payable	-	-	-	-	-	20,698	-	-	-	-	-	-	-	-	-	20,698
Due to other funds	964,613	-	64,623	-	-	-	-	273,376	-	-	-	-	-	-	-	1,302,612
Escrow payable	-	-	-	-	-	-	-	-	-	-	279,206	-	-	-	-	279,206
Deferred revenues	1,403,244	-	2,075,126	-	-	32,165	-	-	380,822	-	-	-	-	-	126,029	4,017,386
Due to other governments	-	-	-	-	-	-		-	-	-	-	-	569,767	-	-	569,767
Total Liabilities	2,795,554	208,016	2,253,558	42,907	35	748,701	-	292,288	524,749	-	286,466	33	573,257	-	232,841	7,958,405
FUND BALANCES (DEFICITS)																
Reserved for:																
Construction	-	-	-	-	5,001,179	-	-	-	-	1,448,548	-	-	-	-	-	6,449,727
Housing	-	1,528,018	-	-	-	-	-	-	-	-	-	-	569,767	-	-	2,097,785
Prepaids	-	864,415	-	-	-	-	-	-	-	-	-	-	-	-	-	864,415
Unreserved	(21,308)	-	110,195	1,256,815	-	1,126,611	206,246	(12,278)	82,113	-	843,490	88,091	32,860	911,997	-	4,624,832
Total fund balances (deficits)	(21,308)	2,392,433	110,195	1,256,815	5,001,179	1,126,611	206,246	(12,278)	82,113	1,448,548	843,490	88,091	602,627	911,997	-	14,036,759
Total Liabilities and Fund Balances (DEFICITS)	$ 2,774,246	$ 2,600,449	$ 2,363,753	$ 1,299,722	$ 5,001,214	$ 1,875,312	$ 206,246	$ 280,010	$ 606,862	$ 1,448,548	$ 1,129,956	$ 88,124	$ 1,175,884	$ 911,997	$ 232,841	$ 21,995,164

City of Garland, Texas
Nonmajor Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended September 30, 2010

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Infrastructure Repair	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Library Contributions	Other Housing Assistance	TIF's	ARRA Recovery Act	Total Other Governmental Funds
REVENUES																
Taxes	$ -	$ -	$ -	$ 562,590	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 676,270	$ -	$ 1,238,860
Rent	-	-	-	-	-	-	-	-	-	-	-	-	152	-	-	152
Earnings on investments	173	7,794	1,480	5,215	43,282	23,656	3,804	-	1,278	6,642	4,110	428	(485)	4,249	506	102,132
Intergovernmental	4,305,110	11,691,384	698,190	-	-	-	-	670,625	772,098	-	-	-	-	-	1,047,689	19,185,096
Assessments	-	-	-	-	-	2,977	-	-	-	-	-	-	-	-	-	2,977
Impact Fees	-	-	-	-	252,767	-	-	-	-	-	-	-	-	-	-	252,767
Contributions	-	-	-	-	-	-	-	-	-	-	-	22,224	-	-	-	22,224
Program income	58,300	-	105,381	-	-	-	-	-	-	-	-	-	-	-	-	163,681
Awards	-	-	-	-	-	-	-	-	-	-	665,163	-	-	-	-	665,163
Miscellaneous and other	-	713,322	-	11,213	-	41,183	-	16,473	48,505	-	-	-	-	-	-	830,696
Total Revenues	4,363,583	12,412,500	805,051	579,018	296,049	67,816	3,804	687,098	821,881	6,642	669,273	22,652	(333)	680,519	1,048,195	22,463,748
EXPENDITURES																
Current:																
Operations	3,518,866	12,834,347	1,045,373	464,855	-	8,713,055	145,189	684,875	202,323	-	162,246	275	-	-	831,026	28,602,430
Capital outlay	836,759	-	-	-	-	143,007	-	-	595,908	-	88,001	-	-	-	217,169	1,880,844
Total Expenditures	4,355,625	12,834,347	1,045,373	464,855	-	8,856,062	145,189	684,875	798,231	-	250,247	275	-	-	1,048,195	30,483,274
Excess (deficiency) of revenues over (under) expenditures	7,958	(421,847)	(240,322)	114,163	296,049	(8,788,246)	(141,385)	2,223	23,650	6,642	419,026	22,377	(333)	680,519	-	(8,019,526)
OTHER FINANCING SOURCES (USES)																
Sale of capital assets	-	-	-	-	-	44,063	-	-	-	-	-	-	-	-	-	44,063
Transfers in	-	-	20,000	-	-	9,102,634	-	-	-	-	-	-	-	-	-	9,122,634
Transfers out	-	-	-	-	(4,800,000)	-	-	-	-	-	-	-	-	(362,067)	-	(5,162,067)
Total other financing sources (uses)	-	-	20,000	-	(4,800,000)	9,146,697	-	-	-	-	-	-	-	(362,067)	-	4,004,630
Net change in fund balances (deficits)	7,958	(421,847)	(220,322)	114,163	(4,503,951)	358,451	(141,385)	2,223	23,650	6,642	419,026	22,377	(333)	318,452	-	(4,014,896)
Fund balances (deficits) - beginning	(29,266)	2,814,280	330,517	1,142,652	9,505,130	768,160	347,631	(14,501)	58,463	1,441,906	424,464	65,714	602,960	593,545	-	18,051,655
Fund balances (deficits) - ending	$ (21,308)	$ 2,392,433	$ 110,195	$ 1,256,815	$ 5,001,179	$ 1,126,611	$ 206,246	$ (12,278)	$ 82,113	$ 1,448,548	$ 843,490	$ 88,091	$ 602,627	$ 911,997	$ -	$ 14,036,759

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, 2010

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
Revenues:				
General property taxes	$ 33,232,023	$ 33,232,023	$ 33,947,550	$ 715,527
Earnings on investments	50,000	50,000	24,148	(25,852)
Miscellaneous and other	-	-	5,853	5,853
Total Revenues	33,282,023	33,282,023	33,977,551	695,528
Expenditures:				
Principal retirement	17,359,185	17,359,185	17,476,637	(117,452)
Interest	11,923,618	11,923,618	10,879,254	1,044,364
Fiscal charges and other	154,817	154,817	611,979	(457,162)
Total Expenditures	29,437,620	29,437,620	28,967,870	469,750
Excess of revenues over expenditures	3,844,403	3,844,403	5,009,681	1,165,278
Other financing sources:				
Transfers in	695,391	695,391	797,962	102,571
Transfers out	(5,941,358)	(5,941,358)	(5,896,358)	45,000
Total other financing sources	(5,245,967)	(5,245,967)	(5,098,396)	147,571
Net change in fund balances	(1,401,564)	(1,401,564)	(88,715)	1,312,849
Fund balance, beginning of year	6,140,162	6,140,162	6,140,162	-
Fund balance, end of year	$ 4,738,598	$ 4,738,598	$ 6,051,447	$ 1,312,849

City of Garland, Texas
Hotel/Motel, Infrastructure Repair, and Narcotic Seizure Funds
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2010

	Hotel/Motel Tax				Infrastructure Repair				Narcotic Seizure			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:												
Occupancy taxes	$ 446,900	$ 431,618	$ 562,590	$ 130,972	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Earnings on investments	-	-	5,215	5,215	95,000	98,000	23,656	(74,344)	-	624	4,110	3,486
Assessments	-	-	-	-	2,000	3,200	2,977	(223)	-	-	-	-
Special event income	5,000	5,000	-	(5,000)	-	-	-	-	-	-	-	-
Miscellaneous and other	-	-	11,213	11,213	-	44,063	41,183	(2,880)	-	-	665,163	665,163
Total revenues	451,900	436,618	579,018	142,400	97,000	145,263	67,816	(77,447)	-	624	669,273	668,649
Expenditures:												
Current:												
Operations	461,864	581,864	464,855	117,009	8,971,990	10,449,655	8,713,055	1,736,600	50,422	111,343	162,246	(50,903)
Capital	-	-	-	-	93,260	147,897	143,007	4,890	-	-	88,001	(88,001)
Total expenditures	461,864	581,864	464,855	117,009	9,065,250	10,597,552	8,856,062	1,741,490	50,422	111,343	250,247	(138,904)
Excess (deficiency) of revenues over expenditures	(9,964)	(145,246)	114,163	259,409	(8,968,250)	(10,452,289)	(8,788,246)	1,664,043	(50,422)	(110,719)	419,026	529,745
Other financing sources:												
Sale of capital assets	-	-	-	-	-	-	44,063	(44,063)				
Transfers in	-	-	-	-	8,927,634	9,102,634	9,102,634	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	8,927,634	9,102,634	9,146,697	(44,063)	-	-	-	-
Net change in fund balances	(9,964)	(145,246)	114,163	259,409	(40,616)	(1,349,655)	358,451	1,619,980	(50,422)	(110,719)	419,026	529,745
Fund balances, beginning of year	1,142,652	1,142,652	1,142,652	-	768,160	768,160	768,160	-	424,464	424,464	424,464	-
Fund balances (deficit), end of year	$ 1,132,688	$ 997,406	$ 1,256,815	$ 259,409	$ 727,544	$ (581,495)	$ 1,126,611	$ 1,619,980	$ 374,042	$ 313,745	$ 843,490	$ 529,745

GARLAND

City of Garland, Texas
Nonmajor Enterprise Funds

Nonmajor Enterprise Funds

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

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

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

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

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

Sanitation Fund – 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 Assets
September 30, 2010

	Business-Type Activities - Enterprise Funds					
	Golf	**Heliport**	**Storm Water Management**	**Parks Performance**	**Sanitation**	**Total Other Enterprise Funds**
ASSETS						
Current assets						
Unrestricted						
Cash and cash equivalents	$ 1,500	$ 98,767	$ 394,218	$ 156,160	$ 969,513	$ 1,620,158
Investments	-	37,732	150,602	59,658	370,266	618,258
Receivable, net of allowance	-	-	307,635	480	1,568,735	1,876,850
Accrued interest	-	124	523	161	1,298	2,106
Total current assets	1,500	136,623	852,978	216,459	2,909,812	4,117,372
Noncurrent assets						
Restricted assets						
Construction funds:						
Cash and cash equivalents	140,524	-	-	-	919,991	1,060,515
Investments	53,684	-	-	-	351,461	405,145
Accrued interest	156	-	-	-	1,108	1,264
Total construction funds	194,364	-	-	-	1,272,560	1,466,924
Capital Assets						
Land	9,111,400	1,776,208	-	-	298,936	11,186,544
System	13,974,912	746,069	3,205,415	218,326	9,127,442	27,272,164
Construction in progress	19,104	-	-	-	-	19,104
Less accumulated depreciation	(6,067,491)	(612,025)	(1,903,019)	(180,706)	(5,781,341)	(14,544,582)
Net capital assets	17,037,925	1,910,252	1,302,396	37,620	3,645,037	23,933,230
Unamortized bond discount and issue cost	-	-	-	-	99,133	99,133
Total noncurrent assets	17,232,289	1,910,252	1,302,396	37,620	5,016,730	25,499,287
Total assets	$ 17,233,789	$ 2,046,875	$ 2,155,374	$ 254,079	$ 7,926,542	$ 29,616,659

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Assets
September 30, 2010

	Business-Type Activities - Enterprise Funds					
	Golf	**Heliport**	**Storm Water Management**	**Parks Performance**	**Sanitation**	**Total Other Enterprise Funds**
LIABILITIES						
Current Liabilities						
Payable from current assets						
Accounts payable and accrued liabilities	$ 257,731	$ -	$ 205,759	$ 23,670	$ 360,985	$ 848,145
Accrued certificates of obligation interest	-	-	-	-	23,694	23,694
Certificates of obligation	-	-	-	-	1,150,000	1,150,000
Due to other funds	1,300,008	-	-	-	-	1,300,008
Compensated absences	79,888	-	70,284	-	208,478	358,650
Total payable from current assets	1,637,627	-	276,043	23,670	1,743,157	3,680,497
Payable from restricted assets:						
Accounts payable	17,550	-	-	-	-	17,550
Retainage payable	-	-	20,698	-	-	20,698
Total payable from restricted assets	17,550	-	20,698	-	-	38,248
Total current liabilities	1,655,177	-	296,741	23,670	1,743,157	3,718,745
Long-term Liabilities						
Advance from other funds	38,556	-	-	-	-	38,556
Certificates of obligation (net of unamortized premium)	-	-	-	-	2,238,584	2,238,584
Insurance claims payable	98,309	-	86,650	-	305,010	489,969
Compensated absences	18,076	-	13,968	-	13,718	45,762
Total long-term liabilities	154,941	-	100,618	-	2,557,312	2,812,871
Total Liabilities	1,810,118	-	397,359	23,670	4,300,469	6,531,616
NET ASSETS						
Invested in capital assets, net of related debt	17,214,739	1,910,252	1,281,698	37,620	1,529,013	21,973,322
Unrestricted (deficit)	(1,791,068)	136,623	476,317	192,789	2,097,060	1,111,721
Total net assets	$ 15,423,671	$ 2,046,875	$ 1,758,015	$ 230,409	$ 3,626,073	$ 23,085,043

City of Garland
Nonmajor Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2010

	Business-Type Activities - Enterprise Funds					
	Golf	**Heliport**	**Storm Water Management**	**Parks Performance**	**Sanitation**	**Total Other Enterprise Funds**
OPERATING REVENUES						
Charges for services	$ 2,163,761	$ 6,528	$ 3,455,484	$ 694,108	$ 15,750,835	$ 22,070,716
Other	5,900	-	8,747	77,495	53,591	145,733
Total Operating Revenues	2,169,661	6,528	3,464,231	771,603	15,804,426	22,216,449
OPERATING EXPENSES						
Salaries and benefits	1,684,473	-	1,960,553	127,631	5,119,501	8,892,158
Landfill fees	-	-	-	-	3,729,436	3,729,436
Maintenance, repairs, and supplies	998,037	10,916	1,057,273	621,034	3,953,109	6,640,369
Insurance and other expenses	34,046	-	70,335	-	378,981	483,362
General and administrative	2,500	-	278,836	14,084	1,551,425	1,846,845
Insurance claims payable	33,138	-	29,587	-	104,148	166,873
Depreciation	902,224	28,891	221,514	19,932	1,073,361	2,245,922
Total Operating Expenses	3,654,418	39,807	3,618,098	782,681	15,909,961	24,004,965
Total Operating Income (Loss)	(1,484,757)	(33,279)	(153,867)	(11,078)	(105,535)	(1,788,516)
NONOPERATING REVENUES (EXPENSES)						
Gain on sale of capital assets	6,152	-	621	-	34,525	41,298
Earnings from investments:						
Current operations	-	725	2,997	776	4,129	8,627
Construction fund	672	-	-	-	5,807	6,479
Total earnings on investments	672	725	2,997	776	9,936	15,106

City of Garland
Nonmajor Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2010

	Business-Type Activities - Enterprise Funds					
	Golf	**Heliport**	**Storm Water Management**	**Parks Performance**	**Sanitation**	**Total Other Enterprise Funds**
Interest expense:						
Certificates of obligation	-	-	-	-	(121,126)	(121,126)
Advance from other funds	(2,409)	-	-	-	-	(2,409)
Total interest expense	(2,409)	-	-	-	(121,126)	(123,535)
Loss before transfers	(1,480,342)	(32,554)	(150,249)	(10,302)	(182,200)	(1,855,647)
TRANSFERS						
Transfers in	1,277,290	-	-	-	-	1,277,290
Transfers out	-	-	(8,773)	(30,000)	(92,797)	(131,570)
Total transfers	1,277,290	-	(8,773)	(30,000)	(92,797)	1,145,720
NET LOSS	(203,052)	(32,554)	(159,022)	(40,302)	(274,997)	(709,927)
Net assets, beginning of year	15,626,723	2,079,429	1,917,037	270,711	3,901,070	23,794,970
Net assets, end of year	$ 15,423,671	$ 2,046,875	$ 1,758,015	$ 230,409	$ 3,626,073	$ 23,085,043

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2010

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Cash flows from operating activities:						
Cash received from customers	$ 2,334,623	$ 6,528	$ 3,420,097	$ 693,628	$ 15,735,641	$ 22,190,517
Cash payments for goods and services	(864,290)	(10,916)	(1,285,907)	(638,824)	(9,542,749)	(12,342,686)
Cash payments to employees for services	(1,687,845)	-	(1,947,119)	(127,631)	(5,098,376)	(8,860,971)
Other operating revenues	5,900	-	8,747	77,495	53,591	145,733
Net cash provided (used for) by operating activities	(211,612)	(4,388)	195,818	4,668	1,148,107	1,132,593
Cash flows from non-capital financing activities:						
Due from other funds - (increase) decreases	3,836	-	-	-	-	3,836
Due to other funds	(278,956)	-	-	-	-	(278,956)
Transfers in	1,277,290	-	-	-	-	1,277,290
Transfers out	-	-	(8,773)	(30,000)	(92,797)	(131,570)
Net cash provided by (used for) non-capital financing activities	1,002,170	-	(8,773)	(30,000)	(92,797)	870,600
Cash flows from capital and related financing activities:						
Certificate of obligation issues	-	-	-	-	985,000	985,000
Premium on issuance of debt	-	-	-	-	13,633	13,633
Bond issue expense	-	-	-	-	(23,633)	(23,633)
Acquisition of capital assets	(707,265)	(26,922)	(205,308)	(16,301)	(12,074)	(967,870)
Principal paid on certificates of obligation	-	-	-	-	(950,000)	(950,000)
Decrease in advance from other funds	(11,694)	-	-	-	-	(11,694)
Interest paid on certificates of obligation	-	-	-	-	(120,259)	(120,259)
Interest paid on advances from other funds	(2,409)	-	-	-	-	(2,409)
Proceeds from sale of fixed assets	-	-	-	-	34,525	34,525
Net cash used for capital and related financing activities	(721,368)	(26,922)	(205,308)	(16,301)	(72,808)	(1,042,707)
Cash flows from investing activities:						
Purchase of investment securities	(120,236)	(74,894)	(298,385)	(117,650)	(1,632,948)	(2,244,113)
Proceeds from the sale and maturity of investment securities	92,034	70,754	260,439	109,009	1,237,302	1,769,538
Interest received on investments	733	890	3,446	1,036	10,761	16,866
Net cash used for investing activities	(27,469)	(3,250)	(34,500)	(7,605)	(384,885)	(457,709)

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2010

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Net increase (decrease) in cash and cash equivalents	41,721	(34,560)	(52,763)	(49,238)	597,617	502,777
Cash and cash equivalents at beginning of year	100,303	133,327	446,981	205,398	1,291,887	2,177,896
Cash and cash equivalents at end of year	$ 142,024	$ 98,767	$ 394,218	$ 156,160	$ 1,889,504	$ 2,680,673
Reconciliation of operating loss to net cash provided by (used for) operating activities:						
Operating loss	$ (1,484,757)	$ (33,279)	$ (153,867)	$ (11,078)	$ (105,535)	$ (1,788,516)
Adjustments:						
Depreciation	902,224	28,891	221,514	19,932	1,073,361	2,245,922
Provision for uncollectible accounts	-	-	299	-	(21,887)	(21,588)
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	170,862	-	(35,686)	(480)	6,693	141,389
Increase (decrease) in accounts payable	170,293	-	120,537	(3,706)	70,202	357,326
Increase (decrease) in compensated absences	(3,372)	-	13,434	-	21,125	31,187
Increase in insurance claims payable	33,138	-	29,587	-	104,148	166,873
Total adjustments	1,273,145	28,891	349,685	15,746	1,253,642	2,921,109
Net cash provided by (used for) operating activities	$ (211,612)	$ (4,388)	$ 195,818	$ 4,668	$ 1,148,107	$ 1,132,593

GARLAND

City of Garland, Texas
Internal Service Funds

Internal Service Funds

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

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

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

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

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

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

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

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

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

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

City of Garland, Texas
Internal Service Funds
Statement of Net Assets
September 30, 2010

	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
ASSETS										
Current assets:										
Unrestricted										
Cash and cash equivalents	$ 3,295,954	$ 3,266,140	$ 508,433	$ 360,391	$ 6,347,580	$ 6,667,003	$ 1,287,242	$ -	$ 8,491,352	$ 30,224,095
Investments	1,259,144	1,247,754	194,236	137,603	2,424,949	2,546,976	491,761	-	2,845,626	11,148,049
Accrued interest	3,699	3,277	605	460	7,628	8,240	1,487	295	8,718	34,409
Other Receivables	-	-	-	-	-	1,135	-	-	1,081,883	1,083,018
Inventories	-	-	-	277,078	-	-	-	5,097,370	-	5,374,448
Total current assets	4,558,797	4,517,171	703,274	775,532	8,780,157	9,223,354	1,780,490	5,097,665	12,427,579	47,864,019
Noncurrent assets:										
Restricted										
Construction funds:										
Cash and cash equivalents	-	-	-	266,468	-	1,976,635	-	4,003	5,077,433	7,324,539
Investments	-	-	-	101,798	-	755,128	-	1,529	1,939,718	2,798,173
Accrued interest	-	-	-	324	-	2,468	-	5	5,895	8,692
Total construction funds	-	-	-	368,590	-	2,734,231	-	5,537	7,023,046	10,131,404
Capital assets										
System	21,834	24,844	-	2,288,752	27,322,986	34,971,231	283,184	493,392	30,867,387	96,273,610
Construction in progress	-	-	-	23,440	-	9,162,981	-	-	1,372,993	10,559,414
Less accumulated depreciation	(15,011)	(24,844)	-	(1,486,040)	(19,719,317)	(22,681,535)	(282,991)	(431,582)	(987,557)	(45,628,877)
Net capital assets	6,823	-	-	826,152	7,603,669	21,452,677	193	61,810	31,252,823	61,204,147
Unamortized bond discount and issue cost	-	-	-	47,468	-	224,238	-	(16)	337,095	608,785
Total noncurrent assets	6,823	-	-	1,242,210	7,603,669	24,411,146	193	67,331	38,612,964	71,944,336
Total assets	4,565,620	4,517,171	703,274	2,017,742	16,383,826	33,634,500	1,780,683	5,164,996	51,040,543	119,808,355
LIABILITIES										
Current Liabilities:										
Payable from current assets										
Accounts payable and accrued liabilities	598,418	754,279	-	830,009	225,851	570,045	219,281	314,516	704,769	4,217,168
Accrued interest payable:										
General obligation bonds	-	-	-	575	-	233	-	188	4,504	5,500
Certificates of obligation	-	-	-	2,366	-	51,113	-	120	142,502	196,101
Customer deposits	-	-	-	-	-	-	-	-	10,637,734	10,637,734
Due to other funds	10,500	-	-	-	-	-	-	-	-	10,500
Compensated absences	8,625	25,668	-	85,157	-	202,346	105,453	36,084	211,130	674,463
Insurance claims payable	2,350,065	3,236,536	916,478	-	-	-	-	-	-	6,503,079
General obligation bonds	-	-	-	20,000	-	-	-	-	15,000	35,000
Certificates of obligation	-	-	-	10,000	-	1,390,000	-	3,464	1,040,000	2,443,464
Total payable from current assets	2,967,608	4,016,483	916,478	948,107	225,851	2,213,737	324,734	354,372	12,755,639	24,723,009
Payable from restricted assets										
Accounts payable	-	-	-	-	-	642,292	-	-	399,213	1,041,505
Retainage payable	-	-	-	-	-	-	-	-	508,442	508,442
Total payable from restricted assets	-	-	-	-	-	642,292	-	-	907,655	1,549,947
Total Current Liabilities	2,967,608	4,016,483	916,478	948,107	225,851	2,856,029	324,734	354,372	13,663,294	26,272,956
Long-term Liabilities:										
Advances from other funds	-	-	-	-	-	-	-	4,714,652	-	4,714,652
Certificates of obligation (net of amortized bond premium)	-	-	-	427,341	-	9,068,283	-	15,567	26,182,671	35,693,862
General obligation bonds (net of amortized bond premium and defeased debt cost)	-	-	-	101,474	-	30,250	-	29,929	735,961	897,614
Compensated absences	379	20,459	-	-	-	115,627	20,604	422	-	157,491
Insurance claims payable	-	2,962,078	2,974,547	-	-	-	-	-	-	5,936,625
OPEB payable	13,864	26,708	-	126,038	-	221,741	116,117	38,127	333,444	876,039
Total Long-term Liabilities	14,243	3,009,245	2,974,547	654,853	-	9,435,901	136,721	4,798,697	27,252,076	48,276,283
Total Liabilities	2,981,851	7,025,728	3,891,025	1,602,960	225,851	12,291,930	461,455	5,153,069	40,915,370	74,549,239
NET ASSETS										
Invested in capital assets, net of related debt	6,823	-	-	635,927	7,603,669	13,056,083	193	18,387	9,394,582	30,715,664
Unrestricted	1,576,946	(2,508,557)	(3,187,751)	(221,145)	8,554,306	8,286,487	1,319,035	(6,460)	730,591	14,543,452
Total net assets	$ 1,583,769	$ (2,508,557)	$ (3,187,751)	$ 414,782	$ 16,157,975	$ 21,342,570	$ 1,319,228	$ 11,927	$ 10,125,173	$ 45,259,116

City of Garland, Texas
Internal Service Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2010

	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	$ -	$ -	$ -	$ 7,748,181	$ 3,250,108	$ 13,994,653	$ 6,621,479	$ 1,046,061	$ 11,460,431	$ 44,120,913
Premiums	22,128,135	5,110,784	498,604	-	-	-	-	-	-	27,737,523
Other	2,330,528	29,866	-	-	-	-	-	22,069	264,909	2,647,372
Total Operating Revenues	24,458,663	5,140,650	498,604	7,748,181	3,250,108	13,994,653	6,621,479	1,068,130	11,725,340	74,505,808
OPERATING EXPENSES:										
Salaries and benefits	356,055	670,631	-	2,120,513	-	5,382,707	1,713,651	640,716	5,424,387	16,308,660
Maintenance, repairs, and supplies	189,088	628,327	-	4,575,464	15,976	5,135,268	3,856,653	111,626	1,752,430	16,264,832
Premiums	4,515,703	2,265,273	-	-	-	-	-	-	-	6,780,976
Claims	18,179,136	1,720,872	345,842	-	-	-	-	-	-	20,245,850
Insurance claims payable - increase (decrease)	(1,855,366)	495,060	-	42,606	-	73,377	39,055	13,018	114,799	(1,077,451)
Administrative services	908,498	43,650	-	-	-	-	-	-	-	952,148
General and administrative	372,713	124,753	-	646,547	99,360	1,380,183	355,918	251,854	2,803,916	6,035,244
Depreciation	2,729	-	-	94,082	3,110,963	2,215,649	4,469	9,196	718,723	6,155,811
Total Operating Expenses	22,668,556	5,948,566	345,842	7,479,212	3,226,299	14,187,184	5,969,746	1,026,410	10,814,255	71,666,070
Total Operating Income (Loss)	1,790,107	(807,916)	152,762	268,969	23,809	(192,531)	651,733	41,720	911,085	2,839,738
NONOPERATING REVENUES (EXPENSES):										
Earnings from investments:										
Current operations	23,088	17,867	2,841	304	42,806	36,724	8,138	1,043	(10,311)	122,500
Construction fund	-	-	-	2,630	-	25,507	-	38	78,703	106,878
Interest expense:										
Certificates of obligation	-	-	-	(16,342)	-	(432,898)	-	(1,016)	(1,089,863)	(1,540,119)
General Obligation bonds	-	-	-	(4,784)	-	(2,559)	-	(1,507)	(49,325)	(58,175)
Gain (loss) on sale of capital assets	-	-	-	895	216,896	(92)	528	-	-	218,227
Total nonoperating revenues (expenses)	23,088	17,867	2,841	(17,297)	259,702	(373,318)	8,666	(1,442)	(1,070,796)	(1,150,689)
Income (loss) before transfers	1,813,195	(790,049)	155,603	251,672	283,511	(565,849)	660,399	40,278	(159,711)	1,689,049
TRANSFERS										
Transfers in	-	-	-	-	90,655	72,497	-	-	692,448	855,600
Transfers out	-	(13,897)	-	-	-	-	-	-	(690,860)	(704,757)
Net transfers	-	(13,897)	-	-	90,655	72,497	-	-	1,588	150,843
NET INCOME (LOSS)	1,813,195	(803,946)	155,603	251,672	374,166	(493,352)	660,399	40,278	(158,123)	1,839,892
Net assets, beginning of year	(229,426)	(1,704,611)	(3,343,354)	163,110	15,783,809	21,835,922	658,829	(28,351)	10,283,296	43,419,224
Net assets, end of year	$ 1,583,769	$ (2,508,557)	$ (3,187,751)	$ 414,782	$ 16,157,975	$ 21,342,570	$ 1,319,228	$ 11,927	$ 10,125,173	$ 45,259,116

GARLAND

City of Garland, Texas
Internal Service Funds
Statement of Cash Flows
For the Year Ended September 30, 2010

	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	$ 22,128,135	$ 5,110,784	$ 498,604	$ 7,748,181	$ 3,250,108	$ 14,009,886	$ 6,621,479	$ 1,046,061	$ 11,493,963	$ 71,907,201
Cash received for customer deposits	-	-	-	-	-	-	-	-	422,537	422,537
Cash payments for goods and services	(23,950,923)	(4,177,498)	(345,842)	(5,263,505)	17,722	(6,822,964)	(4,218,708)	(121,878)	(4,471,181)	(49,354,777)
Cash payments to employees for services	(358,659)	(664,872)	-	(2,113,671)	-	(5,396,831)	(1,697,823)	(634,847)	(5,416,450)	(16,283,153)
Other operating revenues	2,330,528	29,866	-	-	-	-	-	22,069	264,909	2,647,372
Net cash provided by operating activities	149,081	298,280	152,762	371,005	3,267,830	1,790,091	704,948	311,405	2,293,778	9,339,180
Cash flows from non-capital financing activities:										
Retainage - increase	-	-	-	-	-	-	(38,462)	-	-	(38,462)
Due to other funds - increase	10,500	-	-	-	-	-	-	-	-	10,500
Transfers in	-	-	-	-	90,655	72,497	-	-	692,448	855,600
Transfers out	-	(13,897)	-	-	-	-	-	-	(690,860)	(704,757)
Net cash provided by (used for) non-capital financing activities	10,500	(13,897)	-	-	90,655	72,497	(38,462)	-	1,588	122,881
Cash flows from capital and financing activities:										
Acquisition of capital assets	-	-	-	(16,807)	(3,142,042)	(2,855,566)	-	-	(12,733,052)	(18,747,467)
Principal paid on certificates of obligation	-	-	-	(15,000)	-	(1,460,000)	-	(3,307)	(765,000)	(2,243,307)
Principal paid on general obligation bonds	-	-	-	(20,000)	-	-	-	-	(10,000)	(30,000)
Decrease in advance from other funds	-	-	-	-	-	-	-	(306,575)	-	(306,575)
Interest paid on certificates of obligation	-	-	-	(16,422)	-	(439,741)	-	(1,035)	(1,386,367)	(1,843,565)
Interest paid on general obligations	-	-	-	(4,864)	-	(1,863)	-	(1,500)	(46,199)	(54,426)
Proceeds from sale of assets	-	-	-	895	286,820	-	528	-	-	288,243
Net cash provided by (used for) financing activities	-	-	-	(72,198)	(2,855,222)	(4,757,170)	528	(312,417)	(14,940,618)	(22,937,097)
Cash flows from investing activities:										
Purchase of investment securities	(2,529,654)	(2,537,836)	(417,697)	(541,439)	(4,923,462)	(6,569,821)	(1,111,827)	(3,042)	(9,635,295)	(28,270,073)
Proceeds from the sale and maturity of investment securities	2,158,629	2,139,102	332,990	414,412	4,157,239	6,249,581	843,057	2,622	10,810,019	27,107,651
Interest received on investments	27,466	20,864	3,151	2,908	49,382	80,251	8,582	1,042	102,009	295,655
Net cash provided by (used for) investing activities	(343,559)	(377,870)	(81,556)	(124,119)	(716,841)	(239,989)	(260,188)	622	1,276,733	(866,767)
Net increase in cash and cash equivalents	(183,978)	(93,487)	71,206	174,688	(213,578)	(3,134,571)	406,826	(390)	(11,368,519)	(14,341,803)
Cash and cash equivalents at beginning of year	3,479,932	3,359,627	437,227	452,171	6,561,158	11,778,209	880,416	4,393	24,937,304	51,890,437
Cash and cash equivalents at end of year	$ 3,295,954	$ 3,266,140	$ 508,433	$ 626,859	$ 6,347,580	$ 8,643,638	$ 1,287,242	$ 4,003	$ 13,568,785	$ 37,548,634
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:										
Operating income (loss)	$ 1,790,107	$ (807,916)	$ 152,762	$ 268,969	$ 23,809	$ (192,531)	$ 651,733	$ 41,720	$ 911,085	$ 2,839,738
Adjustments:										
Depreciation	2,729	-	-	94,082	3,110,963	2,215,649	4,469	9,196	718,723	6,155,811
Provision for uncollectible accounts	-	-	-	-	-	-	-	-	(1,824)	(1,824)
Change in assets and liabilities:										
Increase (decrease) in inventory	-	-	-	(51,569)	-	-	-	296,772	-	245,203
Decrease in accounts receivable	-	-	-	-	-	15,233	-	-	35,355	50,588
Increase (decrease) in accounts payable	214,215	605,377	-	10,075	133,058	(307,513)	(6,137)	(55,171)	85,165	679,069
Increase in customer deposits	-	-	-	-	-	-	-	-	422,537	422,537
Increase (decrease) in compensated absences	(2,604)	5,759	-	6,842	-	(14,124)	15,828	5,869	7,937	25,507
Increase in OPEB payable	4,087	7,153	-	42,606	-	73,377	39,055	13,019	114,800	294,097
Increase (decrease) in insurance claims payable	(1,859,453)	487,907	-	-	-	-	-	-	-	(1,371,546)
Total adjustments	(1,641,026)	1,106,196	-	102,036	3,244,021	1,982,622	53,215	269,685	1,382,693	6,499,442
Net cash provided by (used for) operating activities	$ 149,081	$ 298,280	$ 152,762	$ 371,005	$ 3,267,830	$ 1,790,091	$ 704,948	$ 311,405	$ 2,293,778	$ 9,339,180

GARLAND

City of Garland, Texas
Discretely Presented Component Units

Component Units

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

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

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

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

Component Units
Combining Statement of Net Assets
September 30, 2010

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 94,172	$ 358,376	$ 125,425	$ 577,973
Accounts receivable, net of allowance for uncollectibles	-	25,000	-	25,000
Loans receivable	17,558	-	-	17,558
Asset held for sale	825,012	-	-	825,012
Noncurrent assets:				
Land	900,000	-	-	900,000
Total assets	1,836,742	383,376	125,425	2,345,543
LIABILITIES				
Current liabilities:				
Accounts payable	400	-	-	400
Noncurrent liabilities:				
Deferred Revenue	776,250	-	-	776,250
Total liabilities	776,650	-	-	776,650
NET ASSETS				
Invested in capital assets, net of related debt	900,000	-	-	900,000
Unrestricted	160,092	383,376	125,425	668,893
Total net assets	$ 1,060,092	$ 383,376	$ 125,425	$ 1,568,893

Component Units
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2010

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
PROGRAM REVENUES				
Charges for services	$ 99,966	$ 25,000	$ -	$ 124,966
Operating grants and contributions	22,500	-	-	22,500
Total operating revenues	122,466	25,000	-	147,466
EXPENSES				
Operations	135,096	41,220	733	177,049
Total operating expenses	135,096	41,220	733	177,049
Operating loss	(12,630)	(16,220)	(733)	(29,583)
General revenues:				
Intergovernmental	278,019	-	-	278,019
Unrestricted investment earnings	3,030	2,968	-	5,998
Total net non-operating income	281,049	2,968	-	284,017
Change in net assets	268,419	(13,252)	(733)	254,434
Net assets, beginning of year	791,673	396,628	126,158	1,314,459
Net assets, end of year	$ 1,060,092	$ 383,376	$ 125,425	$ 1,568,893

Component Units
Combining Statement of Cash Flows
For the Year Ended September 30, 2010

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
Cash flows from operating activities:				
Cash received from customers	$ 99,966	$ 25,000	$ -	$ 124,966
Cash paid for salaries and related activities	(59,564)	-	-	(59,564)
Cash paid to suppliers for goods and services	(75,132)	(41,220)	(733)	(117,085)
Net cash provided (used) by operating activities	(34,730)	(16,220)	(733)	(51,683)
Cash flows from noncapital financing activities:				
Cash received from loans receivable	964	-	-	964
Cash received from primary government	278,019	-	-	278,019
Contributions	-	(6,600)	-	(6,600)
Cash paid on assets held for sale	(278,157)	-	-	(278,157)
Net cash provided (used) for noncapital finaincing activities	826	(6,600)	-	(5,774)
Cash flows from investing activities:				
Earnings on investments	3,030	3,002	-	6,032
Net cash provided by investing activities	3,030	3,002	-	6,032
Net decrease in cash and cash equivalents	(30,874)	(19,818)	(733)	(51,425)
Cash and cash equivalents at beginning of year	125,046	378,194	126,158	629,398
Cash and cash equivalents at end of year	$ 94,172	$ 358,376	$ 125,425	$ 577,973
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (12,630)	$ (16,220)	$ (733)	$ (29,583)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Land lease rental	(22,500)	-	-	(22,500)
Change in assets and liabilities:				
Increase (decrease) in accounts payable and accrued liabilities	400	-	-	400
Total adjustments	(22,100)	-	-	(22,100)
Net cash provided (used) by operating activities	$ (34,730)	$ (16,220)	$ (733)	$ (51,683)

CITY OF GARLAND, TEXAS
Statistical Section
(Unaudited)

Contents **Page**

Financial Trends **105**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity **111**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity **115**

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.

Demographic and Economic Information **120**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information **122**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

GARLAND

Table 1

City of Garland
Net Assets by Component
Last Nine Fiscal Years
(accural basis of accounting)
(unaudited)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities									
Invested in capital assets, net of related debt	$ 121,384,580	$ 159,562,356	$ 154,170,896	$ 152,244,746	$ 150,638,419	$ 146,152,849	$ 152,134,216	$ 151,311,862	$ 119,059,830
Restricted	4,547,009	9,915,653	1,921,608	9,332,603	11,148,268	16,539,955	24,872,761	18,134,847	13,646,512
Unrestricted	33,142,813	3,773,762	3,439,609	(5,114,118)	3,205,798	3,861,767	(8,120,300)	(6,063,639)	25,421,938
Total governmental activities net assets	$ 159,074,402	$ 173,251,771	$ 159,532,113	$ 156,463,231	$ 164,992,485	$ 166,554,571	$ 168,886,677	$ 163,383,070	$ 158,128,280
Business-type activities									
Invested in capital assets, net of related debt	$ 254,893,648	$ 319,873,430	$ 317,711,532	$ 316,840,492	$ 321,262,146	$ 357,951,642	$ 355,663,983	$ 337,930,445	$ 334,698,641
Restricted	69,072,047	69,675,800	70,686,549	72,202,545	73,218,539	77,356,305	80,549,836	82,525,231	116,110,801
Unrestricted	128,126,679	48,296,779	38,559,211	35,223,599	85,484,980	64,523,017	71,341,607	121,136,206	115,801,273
Total business-type activities net assets	$ 452,092,374	$ 437,846,009	$ 426,957,292	$ 424,266,636	$ 479,965,665	$ 499,830,964	$ 507,555,426	$ 541,591,882	$ 566,610,715
Primary government									
Invested in capital assets, net of related debt	$ 376,278,228	$ 479,435,786	$ 471,882,428	$ 469,085,238	$ 471,900,565	$ 504,104,491	$ 507,798,199	$ 489,242,307	$ 453,758,471
Restricted	73,619,056	79,591,453	72,608,157	81,535,148	84,366,807	93,896,260	105,422,597	100,660,078	129,757,313
Unrestricted	161,269,492	52,070,541	41,998,820	30,109,481	88,690,778	68,384,784	63,221,307	115,072,567	141,223,211
Total primary government activities net assets	$ 611,166,776	$ 611,097,780	$ 586,489,405	$ 580,729,867	$ 644,958,150	$ 666,385,535	$ 676,442,103	$ 704,974,952	$ 724,738,995

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

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Expenses									
Governmental activities:									
General government	$ 24,202,192	$ 25,448,260	$ 35,270,124	$ 32,392,426	$ 30,790,105	$ 37,623,390	$ 31,821,475	$ 31,153,948	$ 32,846,193
Public safety	60,351,565	62,999,309	69,028,367	71,669,173	80,537,648	82,379,317	85,948,538	88,837,476	86,168,466
Public works	32,738,057	30,529,070	32,081,450	33,252,736	35,936,678	39,645,423	41,491,649	40,530,087	41,358,430
Culture and recreation	18,079,673	17,091,792	18,117,717	18,188,655	19,160,660	19,159,881	19,925,775	19,849,963	19,505,793
Public health	2,463,345	2,525,006	2,795,918	2,581,301	2,771,112	3,085,931	3,346,806	3,455,498	3,604,317
Interest and fiscal charges	8,571,287	8,117,822	8,342,311	9,222,475	10,348,493	10,686,236	10,476,757	12,888,091	12,713,773
Tri-City Academy	74,061	73,957	74,091	12,721	-	-	-	-	-
Total governmental activities expenses	146,480,180	146,785,216	165,709,978	167,319,487	179,544,696	192,580,178	193,011,000	196,715,063	196,196,972
Business-type activities:									
Electric	163,654,263	190,479,543	209,650,788	222,883,550	222,703,702	212,231,176	255,025,955	183,527,066	191,187,490
Water	21,687,201	23,212,750	25,800,512	25,806,273	25,540,630	28,221,876	29,979,447	33,000,743	34,274,026
Sewer	20,249,731	21,483,043	22,865,652	22,685,980	24,768,707	26,661,625	29,021,769	30,838,009	33,643,084
Golf	3,102,011	3,548,906	3,607,795	2,796,283	2,953,267	2,844,792	2,827,100	2,801,539	3,636,869
Heliport	40,068	30,526	34,457	28,576	76,842	28,007	27,335	27,482	39,590
Storm water management	2,872,805	3,022,324	2,953,322	2,961,292	3,535,492	3,227,420	3,192,094	3,176,002	3,598,351
Parks performance	584,615	614,297	721,368	749,667	773,516	718,131	702,176	818,781	778,409
Sanitation	12,607,400	12,717,666	13,565,161	13,301,942	13,399,591	14,741,829	15,618,088	15,558,875	15,943,590
Total business-type activities expenses	224,798,094	255,109,055	279,199,055	291,213,563	293,751,747	288,674,856	336,393,964	269,748,497	283,101,409
Total primary government expenses	$ 371,278,274	$ 401,894,271	$ 444,909,033	$ 458,533,050	$ 473,296,443	$ 481,255,034	$ 529,404,964	$ 466,463,560	$ 479,298,381
Program Revenues									
Governmental activities:									
Charges for services:									
General government	$ 7,397,381	$ 5,812,636	$ 7,318,626	$ 6,676,910	$ 6,858,486	$ 6,611,850	$ 6,687,922	$ 6,010,639	$ 6,086,998
Public safety	8,778,000	9,076,549	8,579,287	10,202,599	10,803,372	10,568,258	9,335,039	12,015,983	11,904,259
Public works	11,843,394	10,129,500	10,571,408	11,200,394	12,990,004	13,651,673	12,565,983	13,317,251	12,326,162
Culture and recreation	2,114,703	1,503,405	1,622,913	1,745,890	1,615,310	1,530,098	1,655,630	1,871,402	1,701,121
Public health	170,077	191,342	189,935	179,789	177,835	331,128	321,296	314,819	501,507
Operating grants and contributions	16,191,085	18,385,284	18,516,283	19,713,353	21,863,489	22,852,488	21,055,526	17,351,640	21,420,963
Capital grants and contributions	7,153,603	5,236,706	5,686,588	3,556,983	8,445,411	3,811,318	6,398,010	2,082,015	974,984
Total governmental activities program revenues	53,648,243	50,335,422	52,485,040	53,275,918	62,753,907	59,356,813	58,019,406	52,963,749	54,915,994
Business-type activities:									
Charges for services:									
Electric	168,564,076	180,508,844	199,926,505	224,884,115	271,751,654	233,626,927	270,716,085	229,710,285	231,758,075
Water	20,472,979	24,366,846	22,966,885	28,235,537	35,641,398	26,528,327	30,974,200	34,236,560	40,688,647
Sewer	22,401,028	22,638,954	24,328,999	26,719,862	34,668,202	33,628,914	35,436,808	38,396,280	40,316,535
Golf	2,086,288	2,221,772	2,193,048	2,133,498	2,224,318	2,070,839	2,069,842	1,996,599	2,163,761
Heliport	5,499	6,500	6,000	6,000	5,556	6,098	6,299	6,451	6,528
Storm water management	3,027,510	3,068,703	3,105,222	3,088,386	3,140,224	3,116,627	3,160,313	3,137,707	3,455,484
Parks performance	569,396	594,613	778,364	838,064	745,186	666,131	744,918	831,481	694,108
Sanitation	12,002,268	12,943,652	13,229,144	13,159,315	13,331,142	15,054,605	15,574,619	16,191,391	15,750,835
Capital grants and contributions	3,055,431	2,780,713	2,275,432	1,890,046	3,103,011	2,853,227	4,226,700	3,679,673	878,483
Total business-type activities program revenues	232,184,475	249,130,597	268,809,599	300,954,823	364,610,691	317,551,695	362,909,784	328,186,427	335,712,456
Total primary government program revenues	$ 285,832,718	$ 299,466,019	$ 321,294,639	$ 354,230,741	$ 427,364,598	$ 376,908,508	$ 420,929,190	$ 381,150,176	$ 390,628,450

Table 2

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net (expense)/revenue									
Governmental activities	$ (92,831,937)	$ (96,449,794)	$ (113,224,938)	$ (114,043,569)	$ (116,790,789)	$ (133,223,365)	$ (134,991,594)	$ (143,751,314)	$ (141,280,978)
Business-type activities	7,386,381	(5,978,458)	(10,389,456)	9,741,260	70,858,944	28,876,839	26,515,820	58,437,930	52,611,047
Total primary government net expense	$ (85,445,556)	$ (102,428,252)	$ (123,614,394)	$ (104,302,309)	$ (45,931,845)	$ (104,346,526)	$ (108,475,774)	$ (85,313,384)	$ (88,669,931)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	$ 56,369,413	$ 59,697,133	$ 59,700,363	$ 61,816,669	$ 66,825,355	$ 70,205,635	$ 74,677,018	$ 77,869,371	$ 75,675,105
Sales taxes	18,248,669	18,181,431	18,454,380	19,368,101	22,517,489	23,278,730	23,694,596	22,041,066	21,648,693
Franchise taxes	7,876,575	7,781,687	7,146,208	7,268,396	7,883,149	8,028,128	8,372,409	7,935,599	8,352,056
Hotel/motel taxes	458,478	408,539	415,767	417,034	464,905	488,123	469,185	483,639	562,590
Mixed drink taxes	110,445	109,474	110,443	121,644	135,586	167,372	216,527	233,290	263,272
Bingo taxes	72,911	81,597	89,543	88,918	101,189	97,866	87,133	105,488	99,634
Unrestricted investment earnings	5,742,752	2,676,584	1,677,257	1,875,018	3,883,272	5,061,009	3,486,049	2,771,407	730,796
Miscellaneous	96,678	114,718	208,727	700,956	140,242	850,982	46,672	(58,601)	28,089
Special item-apartment complex transfer	-	-	4,250,070	-	-	-	-	-	-
Transfers	16,191,522	16,077,933	7,452,522	19,317,950	23,368,856	26,607,606	26,274,111	26,866,448	28,665,953
Total governmental activities	105,167,443	105,129,096	99,505,280	110,974,686	125,320,043	134,785,451	137,323,700	138,247,707	136,026,188
Business-type activities:									
Unrestricted investment earnings	8,382,853	3,876,683	2,322,731	4,166,933	8,932,791	13,001,111	7,794,879	5,031,184	1,426,960
Miscellaneous	1,060,891	3,933,343	4,630,530	2,719,099	3,595,093	4,594,955	3,235,856	(2,566,210)	1,176,711
Loss on sale of capital assets	-	-	-	-	-	-	-	-	(1,529,932)
Special item-impairment of electric assets	-	-	-	-	-	-	(3,547,982)	-	-
Transfers	(16,191,522)	(16,077,933)	(7,452,522)	(19,317,950)	(23,368,856)	(26,607,606)	(26,274,111)	(26,866,448)	(28,665,953)
Total business-type activities	(6,747,778)	(8,267,907)	(499,261)	(12,431,918)	(10,840,972)	(9,011,540)	(18,791,358)	(24,401,474)	(27,592,214)
Total primary government	$ 98,419,665	$ 96,861,189	$ 99,006,019	$ 98,542,768	$ 114,479,071	$ 125,773,911	$ 118,532,342	$ 113,846,233	$ 108,433,974
Change in Net Assets									
Governmental activities	$ 12,335,506	$ 8,679,302	$ (13,719,658)	$ (3,068,883)	$ 8,529,254	$ 1,562,086	$ 2,332,106	$ (5,503,607)	$ (5,254,790)
Business-type activities	638,603	(14,246,365)	(10,888,717)	(2,690,658)	60,017,972	19,865,299	7,724,462	34,036,456	25,018,833
Cumulative effect of change in acctg principle	-	5,498,067	-	-	(4,318,943)	-	-	-	-
Total primary government	$ 12,974,109	$ (68,996)	$ (24,608,375)	$ (5,759,541)	$ 64,228,283	$ 21,427,385	$ 10,056,568	$ 28,532,849	$ 19,764,043

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

Table 3

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

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Hotel/Motel Tax	Mixed Drink Tax	Bingo Tax	Total
2000	$ 46,233,392	$ 18,263,423	$ 648,115	$ 477,944	$ 101,691	$ 69,994	$ 65,794,559
2001	50,130,626	18,273,744	7,671,616	480,836	104,578	78,090	76,739,490
2002	56,369,413	18,248,669	7,876,575	458,478	110,445	72,911	83,136,491
2003	59,697,133	18,181,431	7,781,687	408,539	109,474	81,597	86,259,861
2004	59,700,363	18,454,380	7,146,208	415,767	110,443	89,543	85,916,704
2005	61,816,669	19,368,101	7,268,396	417,034	121,644	88,918	89,080,762
2006	66,825,355	22,517,489	7,883,149	464,905	135,586	101,189	97,927,673
2007	70,205,635	23,278,730	8,028,128	488,123	167,372	97,866	102,265,854
2008	74,677,018	23,694,596	8,598,552	469,185	216,527	87,133	107,743,011
2009	77,869,371	22,041,066	7,935,599	483,639	233,290	105,488	108,668,453
2010	75,591,153	21,573,549	8,352,056	562,590	263,272	99,634	106,442,254

Table 4

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 231,850	$ 394,642	$ 564,849
Unreserved	13,583,072	13,122,317	13,779,636	11,030,482	13,190,208	20,888,141	17,308,504	17,050,423	18,480,293	19,639,675
Total general fund	$ 13,583,072	$ 13,122,317	$ 13,779,636	$ 11,030,482	$ 13,190,208	$ 20,888,141	$ 17,308,504	$ 17,282,273	18,874,935	20,204,524
All other government funds										
Reserved	$ 57,724,530	$ 44,081,650	$ 32,623,209	$ 1,921,608	$ 40,581,722	$ 1,068,786	$ 16,539,955	$ 24,640,911	$ 20,470,134	$ 15,463,374
Unreserved, reported in:										
Special revenue funds	6,456,162	5,121,834	4,968,076	13,545,029	5,753,428	4,596,233	7,293,957	8,678,081	3,721,683	4,624,832
Capital project funds	-	-	-	-	-	-	(26,178,715)	5,649,541	1,727,367	(3,467,032)
Total all other governmental funds	$ 64,180,692	$ 49,203,484	$ 37,591,285	$ 15,466,637	$ 46,335,150	$ 5,665,019	$ (2,344,803)	$ 38,968,533	$ 25,919,184	$ 16,621,174

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes	$ 69,097,874	$ 74,275,259	$ 77,604,482	$ 78,671,897	$ 81,838,275	$ 89,864,990	$ 94,277,497	$ 99,567,491	$ 100,620,433	$ 98,370,888
Franchise fees	7,671,616	7,876,575	7,781,687	7,146,208	7,268,396	7,883,149	8,028,128	8,372,409	7,935,599	8,352,056
Service charges	11,494,440	13,790,894	13,048,766	14,026,350	14,600,925	16,382,249	17,224,499	17,268,733	17,537,722	16,929,426
Licenses and permits	1,769,018	1,787,051	2,138,200	2,151,482	2,701,470	3,104,974	3,056,687	2,632,116	2,566,182	3,085,185
Investment earnings	8,820,760	4,745,090	2,035,328	1,343,658	1,875,021	3,883,271	5,061,009	3,486,049	1,739,575	501,419
Intergovernmental	12,715,988	14,787,976	17,115,642	16,797,896	17,835,272	19,092,728	20,938,438	19,709,837	16,786,683	19,995,862
Intragovernmental	20,012,800	5,618,359	5,835,277	6,065,514	5,790,632	5,803,231	6,068,356	6,727,768	7,324,102	7,430,975
Fines and forfeits	4,168,074	4,290,574	4,488,485	5,194,326	6,073,988	5,915,617	5,324,440	5,195,729	6,064,644	5,627,058
Rents and concessions	626,360	533,773	582,969	1,634,362	770,684	946,539	959,214	1,066,932	1,089,898	947,961
Assessments	51,879	134,341	104,538	122,600	56,039	43,908	54,207	37,546	32,609	49,455
Impact fees	14,981	1,946,127	878,040	589,283	558,677	1,043,145	1,215,941	728,946	140,278	252,767
Contributions	1,275,822	2,321,702	2,205,047	194,029	582,969	1,789,346	378,732	8,173	418,424	619,197
Program income	355,456	855,348	422,702	232,812	531,270	580,242	197,794	251,679	135,695	163,681
Special event income	695,189	927,277	399,826	488,207	434,879	79,439	1,623	-	-	-
Miscellaneous	1,451,016	1,828,377	1,568,925	2,448,424	2,314,668	2,727,545	1,737,656	1,174,425	1,998,868	1,124,216
Awards	123,901	116,161	347,055	197,821	93,334	498,287	445,701	347,993	374,145	665,163
Total Revenues	140,345,174	135,834,884	136,556,969	137,304,869	143,326,499	159,638,660	164,969,922	166,575,826	164,764,857	164,115,309
Expenditures										
General government	7,468,670	7,771,073	8,265,797	13,547,721	9,846,252	8,399,455	16,162,770	9,035,894	10,183,430	9,817,583
Public safety	50,676,933	52,504,755	56,389,366	59,878,602	62,364,342	67,979,184	71,923,692	75,115,520	75,268,367	74,890,153
Public works	6,131,095	6,584,672	6,912,917	7,306,230	7,080,641	8,087,824	9,765,312	9,659,895	8,931,181	8,709,794
Culture and recreation	10,332,719	10,644,306	11,084,087	11,306,781	11,072,061	11,487,982	12,401,080	13,209,936	12,550,200	12,641,150
Public health	2,088,095	2,061,934	2,201,729	2,429,705	2,136,542	2,275,483	2,721,376	2,965,945	2,893,506	3,189,738
Nondepartmental	11,396,820	12,959,772	11,702,099	13,949,955	12,826,489	14,498,714	16,258,263	17,075,180	16,941,189	17,315,649
Operations	27,233,002	26,875,871	22,841,120	26,923,692	26,842,657	26,199,922	25,113,864	29,652,263	28,925,801	28,602,430
Capital Outlay	33,474,956	37,694,712	46,481,607	41,594,043	43,223,875	55,132,525	31,349,700	28,377,230	16,664,598	18,721,222
Debt service										
Principal	11,869,987	14,606,500	13,350,239	10,622,833	12,018,720	12,973,186	14,015,396	15,317,098	16,637,994	17,476,637
Interest	9,782,351	8,004,673	7,798,522	7,795,875	8,385,551	12,418,459	12,282,296	11,353,053	12,767,629	10,879,254
Issue costs on issuance of debt	-	243,458	-	-	-	-	133,969	720,789	35,000	70,000
Tri City Academy	74,175	74,061	73,957	74,091	12,721	-	-	-	-	-
Other charges	335,859	343,646	454,223	515,609	519,353	146,905	120,590	162,728	475,849	617,619
Total expenditures	170,864,662	180,369,433	187,555,663	195,945,137	196,329,204	219,599,639	212,248,308	212,645,531	202,274,744	202,931,229
Excess of revenues over (under) expenditures	(30,519,488)	(44,534,549)	(50,998,694)	(58,640,268)	(53,002,705)	(59,960,979)	(47,278,386)	(46,069,705)	(37,509,887)	(38,815,920)
Other financing sources (uses)										
Sale of capital assets	-	-	-	-	-	-	417,045	2,204,592	363,244	112,389
Transfers in	22,997,020	29,280,489	29,407,407	31,726,983	28,899,080	32,423,803	38,353,344	40,925,950	40,823,290	49,485,628
Transfers out	(10,360,953)	(16,394,518)	(13,441,661)	(14,118,676)	(9,657,539)	(9,550,022)	(17,040,435)	(17,903,902)	(15,483,332)	(20,970,518)
Issuance of debt	23,678,068	21,792,772	18,580,000	12,058,728	65,895,000	4,115,000	13,825,000	59,830,000	350,000	2,220,000
Premium on issuance of debt	-	-	-	-	3,392,524	-	1,493,762	2,761,825	-	-
Refunding proceeds	-	-	-	-	28,305,000	-	39,200,000	26,940,000	-	-
Payment to bond refunding agent	-	(8,027,772)	-	-	(30,803,121)	-	(40,559,793)	(27,401,656)	-	-
Total other financing sources (uses)	36,314,135	26,650,971	34,545,746	29,667,035	86,030,944	26,988,781	35,688,923	87,356,809	26,053,202	30,847,499
Change in fund balance	5,794,647	(17,883,578)	(16,452,948)	(28,973,233)	33,028,239	(32,972,198)	(11,589,463)	41,287,104	(11,456,685)	(7,968,421)
Cummulative effect of change in accounting principle	-	-	5,498,067	-	-	-	-	-	-	-
Special item-apartment complex sale	-	-	-	4,099,431	-	-	-	-	-	-
Net change in fund balances	$ 5,794,647	$ (17,883,578)	$ (10,954,881)	$ (24,873,802)	$ 33,028,239	$ (32,972,198)	$ (11,589,463)	$ 41,287,104	$ (11,456,685)	$ (7,968,421)
Debt service as a percentage of noncapital expenditures	15.76%	15.85%	14.99%	11.93%	13.33%	15.44%	14.54%	14.47%	15.84%	15.39%

Table 6

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

Fiscal Year Ended September 30,	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2001	$ 5,855,804,270	$ 2,237,297,210	$ 656,341,750	$ 821,963,564	$ 7,927,479,666	$ 0.6336
2002	5,768,607,851	3,155,723,180	578,069,500	898,430,636	8,603,969,895	0.6411
2003	6,426,672,230	3,263,895,460	656,509,700	1,168,754,111	9,178,323,279	0.6411
2004	6,795,954,000	3,295,142,390	624,699,750	1,483,946,215	9,231,849,925	0.6411
2005	7,077,522,770	3,326,226,180	568,356,980	1,429,095,701	9,543,010,229	0.6411
2006	7,229,465,100	3,500,737,880	664,641,720	1,578,751,415	9,816,093,285	0.6661
2007	8,397,628,690	3,017,766,630	838,155,930	1,836,648,950	10,416,902,300	0.6786
2008	8,523,853,140	3,517,203,860	775,413,890	1,933,972,589	10,882,498,301	0.6886
2009	8,663,790,930	3,721,257,230	864,829,660	2,128,083,759	11,121,794,061	0.6996
2010	8,409,174,740	3,617,980,940	889,829,860	2,198,702,169	10,718,283,371	0.7046

Source: City of Garland, Texas - Tax Office

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

	City Direct Rates			Overlapping Rates*								
Fiscal Year	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
2001	$ 0.3740	$ 0.2596	$ 0.6336	$ 1.4053	$ 0.1960	$ 0.2540	$ 0.0500	$ 1.5475	$ 1.6683	$ 1.5800	$ -	$ -
2002	0.3740	0.2671	0.6411	1.4717	0.1960	0.2540	0.0600	1.5475	1.7993	1.5800	-	-
2003	0.3740	0.2671	0.6411	1.4586	0.1960	0.2540	0.0600	1.5875	1.8081	1.6200	-	-
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

Source: City of Garland, Texas - Tax Office

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

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

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

	2010			2001		
Taxpayer	**Taxable Assessed Valuation**	**Rank**	**Percent of Total City Taxable Assessed Value**	**Taxable Assessed Valuation**	**Rank**	**Percent of Total City Taxable Assessed Value**
Walmart/Sam's Club	$ 112,306,930	1	1.05%	$ 30,770,070	8	0.39%
Simon Property Group	109,659,400	2	1.02%	-		-
Plastipak Packaging	67,353,519	3	0.63%	-		-
Verizon	58,436,130	4	0.55%	-		-
Westdale Property Group	55,549,270	5	0.52%	-		-
Kraft Foods, Inc	46,479,200	6	0.43%	50,091,220	6	0.63%
Sears, Roebuck and Co.	45,729,772	7	0.43%	115,330,260	1	1.45%
SST Truck Company LLC	42,336,480	8	0.39%	-		-
Valspar Engineered Polymer	42,189,026	9	0.39%	51,094,660	5	0.64%
Regions Equipment Financial	37,184,860	10	0.35%	-		-
General Telephone Company	-		-	79,083,890	2	1.00%
Eckerd Drugs, Inc.	-		-	69,508,330	3	0.88%
Raytheon/E-Systems	-		-	41,405,280	7	0.52%
Fleming Foods of Texas	-		-	52,182,650	4	0.66%
Ingersoll Rand	-		-	29,619,030	9	0.37%
Prestige Ford	-		-	28,538,980	10	0.36%
	$ 617,224,587		5.76%	$ 547,624,370		6.91%

Source: City of Garland, Texas - Tax Office

Table 9

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

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collections within Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	$ 50,228,511	$ 49,773,440	99.09%	$ 433,749	$ 50,207,189	99.96%
2002	55,160,051	54,785,537	99.32%	346,970	55,132,507	99.95%
2003	58,730,715	57,863,914	98.52%	818,585	58,682,498	99.92%
2004	59,188,532	58,234,780	98.39%	908,433	59,143,213	99.92%
2005	61,180,242	60,323,475	98.60%	805,364	61,128,839	99.92%
2006	65,446,028	64,291,109	98.24%	1,067,423	65,358,533	99.87%
2007	69,481,794	68,346,908	98.37%	931,418	69,278,326	99.71%
2008	74,759,668	73,764,627	98.67%	725,897	74,490,524	99.64%
2009	77,977,700	76,842,208	98.54%	645,582	77,487,790	99.37%
2010	75,678,090	74,800,032	98.84%	-	74,800,032	98.84%

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

Table 10

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

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

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

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

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

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

Fiscal Year	General Obligation Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property*	Per Capita**
2001	$ 157,552,111	$ 299,996	$ 157,252,115	1.98%	729
2002	163,250,145	4,547,009	158,703,136	1.84%	718
2003	170,640,147	712,233	169,927,914	1.85%	763
2004	184,743,535	1,314,659	183,428,876	1.99%	825
2005	238,609,860	2,745,794	235,864,066	2.47%	1,064
2006	235,166,327	3,210,136	231,956,191	2.36%	1,043
2007	233,611,527	3,643,875	229,967,652	2.21%	1,022
2008	289,065,204	5,285,612	283,779,592	2.61%	1,255
2009	296,114,063	6,140,162	289,973,901	2.61%	1,284
2010	278,464,118	6,051,447	272,412,671	2.54%	1,201

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

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

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

City of Garland
Estimated Direct and Overlapping Governmental Activities Debt
As of September 30, 2010
(unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Garland Independent School District	$ 379,478,834	72.10%	$ 273,604,239
Collin County	383,805,000	0.03%	115,142
Collin County Community College District	48,345,000	0.03%	14,504
Dallas County	138,531,552	5.98%	8,284,187
Dallas County Community College District	417,385,000	5.98%	24,959,623
Dallas County Hospital District	705,000,000	5.98%	42,159,000
Dallas Independent School District	1,728,665,000	0.20%	3,457,330
Richardson Independent School District	394,849,987	3.35%	13,227,475
Plano Independent School District	1,042,987,381	1.74%	18,147,980
Mesquite Independent School District	439,061,579	1.74%	7,639,671
Subtotal, overlapping debt			391,609,151
City direct debt			278,464,118
Total estimated direct and overlapping debt			$ 670,073,269

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

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

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

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

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 FY10 is $.7046 per $100.00 assessed value.

Table 14

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

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

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.

Table 15

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

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
2001	215,768	$ 4,315,360	$ 20,000	31.7	12.9	51,884	4.7%
2002	220,946	4,418,920	20,000	31.7	12.9	53,612	5.9%
2003	222,651	4,453,020	20,000	31.7	12.9	54,868	5.3%
2004	222,350	4,447,000	20,000	31.7	12.9	56,568	5.0%
2005	221,588	5,280,220	23,829	32.0	12.9	57,265	5.4%
2006	222,432	5,300,332	23,829	32.0	12.9	56,593	4.7%
2007	224,988	5,361,239	23,829	32.7	12.9	56,579	4.2%
2008	226,144	5,388,785	23,829	32.7	12.9	56,579	5.8%
2009	225,865	6,497,458	28,767	32.7	12.9	56,579	8.3%
2010	226,915	6,527,664	28,767	34.6	12.9	57,405	8.6%

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

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

	2010			2001		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Raytheon E-Systems	3,500	1	3.47%	2,750	1	2.95%
Sears Industrial Park	1,300	2	1.29%	1,250	2	1.34%
Atlas Copco	700	3	0.69%	-		-
International/SST Truck	700	3	0.69%	-		-
Kingsley Tools (Danaher)	650	5	0.64%	-		-
Verizon	600	6	0.59%			
General Dynamics	550	7	0.54%	-		-
Kraft Foods	500	8	0.50%	650	7	0.70%
US Food Service	490	9	0.49%	-		-
Interceramic	474	10	0.47%	400	10	-
Baylor Medical Center	-		-	1,205	3	1.29%
Software Spectrum	-		-	1,134	4	1.22%
Dynamic Detail	-		-	650	5	0.70%
Risistol Hats	-		-	517	6	0.55%
Intercontinental Mfg. Co.	-		-	450	7	0.48%
Garland Community Hospital	-		-	405	9	0.43%
Eckerd Drug Company	-		-	450	10	0.48%
	9,464		9.37%	9,861		10.14%

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

Table 17

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

	Full-time Equivalent Employees as of December 31									
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Function										
General Government	293	294	301	307	292	291	290	297	284	282
Police										
Sworn (civil service)	290	290	301	314	314	326	327	328	324	323
Non-Sworn (non-civil service)	133	133	133	133	133	133	138	135	134	133
Fire										
Sworn (civil service)	230	230	238	246	246	254	255	255	251	249
Non-Sworn (non-civil service)	10	10	11	11	9	9	7	7	7	7
Culture and Recreation	168	167	168	168	162	162	162	162	152	151
Internal Services	236	244	247	252	246	197	201	255	252	251
Electric	200	204	228	237	236	236	247	256	252	252
Water	53	54	54	54	54	54	57	61	61	62
Sewer	103	103	103	102	102	102	102	101	100	99
Solid Waste	79	89	89	89	88	88	88	88	88	88
Stormwater Management	23	25	25	25	25	25	25	25	25	25
Golf	36	36	36	36	36	36	36	29	28	28
Special Revenue	129	129	127	128	117	162	169	117	113	115
Total FTE Employees	1,983	2,008	2,061	2,102	2,060	2,075	2,104	2,116	2,071	2,065

Source: City of Garland Budget Office

Table 18

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Function									
Police									
Physical arrests	12,719	14,737	15,418	15,933	16,166	15,440	14,019	13,902	11,803
Citations issued	64,143	65,525	50,482	59,461	61,143	60,226	60,298	56,982	53,666
Fire									
Number of calls answered	18,933	18,413	18,082	19,442	20,024	19,085	20,464	19,770	20,047
Business Inspections	5,196	6,343	7,489	6,774	7,785	7,964	5,354	5,575	5,188
Highways and streets									
Street resurfacing (miles)	31	21	18	26	20	14	19	17	14
Service maintenance requests	1,560	1,509	1,717	1,923	1,396	1,607	1,538	1,463	1,794
Parks and recreation									
Performing arts center attendance	101,040	125,700	161,681	170,939	152,508	180,000	170,000	158,103	153,450
Recreation center attendance	773,719	708,165	773,498	820,497	856,663	820,000	813,000	970,966	722,462
Library									
Volumes, items, or physical units	446,775	496,804	506,522	521,952	491,220	460,774	433,938	436,783	409,378
Number of Library circulation transactions	1,179,398	1,179,398	1,208,774	1,190,882	1,178,165	1,383,490	1,438,442	1,736,304	1,857,317
Electric									
Number of accounts	66,456	67,175	67,968	67,761	68,048	68,671	67,899	67,956	68,001
Average daily usage (KWH)	5,340,425	5,543,664	5,431,222	5,532,836	5,712,121	5,413,698	5,640,434	5,381,022	5,614,012
Water									
New connections	726	711	505	223	337	467	519	188	9
Water main breaks	228	236	213	401	507	398	247	303	393
Average daily consumption (thousands of gallons)	28,599	30,951	30,042	29,966	33,882	25,792	28,537	32,716	32,041
Wastewater									
Average daily sewage treatment (millions of gallons)	37	36	38	33	31	36	34	35	41

Sources: Various City departments

Table 19

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

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Function									
Public Safety									
Police:									
Stations	1	1	1	1	1	1	1	1	1
Patrol Units	N/A	N/A	N/A	N/A	65	66	78	78	81
Fire Stations	8	8	9	10	10	11	11	11	11
Highways and streets									
Streets (miles)	662.91	671.60	671.60	687.60	687.60	690.77	690.77	690.77	697.05
Streetlights	11,228	11,228	11,228	11,228	11,228	11,228	11,376	15,107	13,662
Traffic signals	166	170	171	181	182	182	181	181	182
Parks and recreation									
Parks acreage	2,698	2,698	2,865	2,865	2,865	2,428	2,428	2,428	2,880
Parks	68	68	68	68	68	68	68	68	63
Swimming pools	4	4	4	4	4	4	4	4	4
Tennis courts	35	35	35	35	35	35	35	35	35
Recreation centers	6	6	6	6	6	6	6	6	6
Electric									
Substations	19	19	20	22	22	22	23	23	23
Miles of service lines	799	897	1,946	2,007	2,140	2,142	2,140	2,140	1,012
Maximum daily capacity (MWH)	497	598.8	598.8	576.8	576.8	576.8	576.8	574.1	408.0
Water									
Water mains (miles)	1,076	1,081	1,083	1,085	1,085	1,097	1,107	1,111	1,111
Fire Hydrants	6,963	7,042	7,062	7,095	7,160	7,270	7,391	7,442	7,456
Maximum daily capacity (millions of gallons)	230	230	230	230	230	230	230	227	221
Sewer									
Sanitary sewers (miles)	977	981	982	983	990	995	999	1,000	1,001
Maximum daily treatment capacity (millions of gallons)	54	54	54	54	64	64	64	64	64

Sources: Various City departments

Texas Municipal Power Agency
Condensed Financial Information
As of September 30, 2010
(reported in thousands)

		Amount in (000's)
Total assets	$	1,190,004
Total liabilities		1,132,361
Total net assets		57,643
Total liabilities and net assets	$	1,190,004
Total operating revenues	$	253,647
Total operating expenses		143,998
Income from operations		109,649
Total other income(expenses)		(3)
Total interest charges		(54,510)
Deferred revenue		17,474
Deferred cost		(31,856)
Refunds to member Cities		(23,438)
Change in net assets		17,316
Net assets - beginning balance		40,327
Net assets - ending balance	$	57,643

Source: TMPA Comprehensive Annual Financial Report

GARLAND