

City of Garland, Texas

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2007



Prepared by

Department of Finance and the Accounting Office

On the Cover

Top Left: Downtown Garland's Central Library is adorned with colorful banners featuring the "Faces of Garland," each holding a favorite book with the word "READ" prominently displayed. The models for these banners were selected to reflect the actual demographics of Garland's population.

Top and Bottom Right: Shoppers enjoy Firewheel Town Center, an open-air, mixed-use development with an array of department stores, specialty retail, unique restaurants and an 18-screen AMC Theatre. It is architecturally distinctive with a neighborly feel. Along with the one million square feet of retail space, the center offers more than 75,000 square feet of upscale office space, a large park with a Koi pond and fountain, a children's play area, and more than 300 upscale apartments and townhomes.

Bottom Center: The Garland Fire Department moved into its new home in late 2007. The 58,000 square foot complex includes administrative offices, meeting rooms and classrooms, and a fitness facility. The training facility includes a drill tower, burn building, flashover chamber, high rise apartment and a driving course and will be able to accommodate regional classes for the National Fire Academy. The new complex houses Fire Administration, the Fire Marshal's Office, Training Division, EMS offices and Support Services.

CITY OF GARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2007

CITY COUNCIL

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

CITY MANAGER

William E. Dollar

MANAGING DIRECTOR OF FINANCIAL SERVICES

George Kauffman

Prepared by

Department of Finance
Accounting Office

**CITY OF GARLAND, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

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May 20, 2008

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, 2007, is hereby submitted. The report is published to provide detailed information concerning the financial condition of the City to our citizens and the financial community, as well as other interested parties. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

GENERAL INFORMATION – CITY OF GARLAND

The City of Garland is located in Dallas County, approximately 15 miles northeast of downtown Dallas. The City's population of 224,988 (as estimated by the City's Planning Department as of January 1, 2007) makes it the tenth largest city in the state of Texas, and places it among the top 100 largest municipalities in the United States.

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

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

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

ECONOMIC CONDITIONS AND OUTLOOK

During the 2007 fiscal year the City's property tax base grew to just under \$11.0 billion, representing an increase of 5.6% over last years certified values. The growth in the tax base came primarily from the reevaluation of existing commercial property and new construction. Existing residential property values were stagnant, exhibiting growth of less than one percent. Sales tax revenues are projected to be in-line with inflationary growth after experiencing significant increases over the past three years with the development of the S.H. 190 corridor, opening of the Firewheel Town Center, and legalized sale of beer and wine.

Overall, the economic forecast for 2008 continues to be optimistic. The General Fund resources are projected to increase \$4.3. million (3.4%), which provides the required funding to maintain current service levels but allows only limited capacity for adding to, or enhancing, City services and programs. The City of Garland continues to remain financially strong and stable through managing cost increases and providing an economic climate to encourage revenue growth.

FINANCIAL INFORMATION

Accounting and Budgetary Controls

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

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

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

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

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

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

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

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

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

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

General Fund Balance

For the fiscal year, expenditures and transfers out of \$130,387,555 exceeded revenues, proceeds from the sale of assets and transfers in of \$126,807,918 resulting in a decrease in fund balance of \$3,579,637. It is the City's declared policy to maintain a minimum unreserved fund balance of 30 days of expenditures on a budget basis, and the General Fund unreserved fund balance at September 30, 2007, is equivalent to 46 days of expenditures as calculated by the City's budget office.

Enterprise Operations

The City's enterprise operations are composed of eight separate and distinct activities: electric, water, sewer, golf course, heliport, storm water management, parks performance and sanitation. Each of these eight activities is accounted for in separate funds. For the Electric, Water and Sewer Funds, it is the City's policy to maintain a working capital balance, at September 30, equivalent to 45 days of expenditures on a budget basis. The days of working capital, as calculated by the City's budget office, for the Electric, Water and Sewer Funds at September 30, 2007, is equivalent to 83, 98, and 108 days respectively.

Debt Administration

At September 30, 2007, the City had numerous debt issues outstanding. These issues include \$227,625,000 in general obligation bonds, \$115,365,000 in certificates of obligation, \$92,780,000 in electric utility system revenue bonds, \$142,705,000 in water and sewer system revenue bonds, \$4,240,000 in tax anticipation notes, and \$55,000,000 in general obligation commercial paper.

On February 15, 2007, the City issued \$67,385,000 in General Obligation Refunding Bonds to refund certain outstanding General Obligation and Certificates of Obligation bonds. On February 20, 2007, the City issued \$23,745,000 in General Obligation Refunding Bonds to refund the Series 2005B General Obligation Bonds. On March 15, 2007, the City issued \$16,975,000 in certificates of obligation. On March 15, 2007, the City issued Electric Utility System revenue Bonds Series 2007 for \$21,050,000, and Water and Sewer System Revenue Bonds Series 2007 for \$29,070,000. The payment of principal and interest on the certificates of obligation and the Revenue bonds are insured by a municipal bond guaranty insurance policy. As a result of this insurance policy the certificates of obligation and the Revenue Bonds received AAA ratings from Standard & Poor's Corporation and Fitch Ratings. On September 20, 2007, the City received the proceeds of a \$4,240,000 from tax anticipation notes. Tax notes are not rated due to the short-term maturities. At various times during the current fiscal year the City issued \$55,000,000 in general obligation commercial paper which received an A-1+ rating from Standard & Poor's and a F1+ from Fitch.

Cash Management

Cash temporarily idle during the year was invested in short-term money market instruments including demand deposits, U.S. Government agency obligations, commercial paper, reverse repurchase agreements, government investment pools, and money market funds. In order to facilitate cash management, the operating cash of certain funds is pooled into a common account. The average yield for investments was 5.2%, and the earned investment income reported in the financial statements totals \$18,062,120 for the year ended September 30, 2007.

The objectives of the City's investment policy are to minimize credit and market risks while maintaining liquidity and a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized with U.S. Treasury obligations. All collateral on deposits was held either by the City's agent or by a financial institution's trust department in the City's name. Investments in U.S. Government securities held by the City at September 30, 2007, are classified in the category of lowest risk, and amounts invested in commercial paper, governmental investment pools and money market funds are not categorized as specified by the Governmental Accounting Standards Board.

OTHER INFORMATION

Independent Audit

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Garland for its Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2006. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

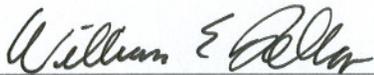
A Certificate of Achievement is valid for a period of one year only. The City of Garland has received a Certificate of Achievement for the last twenty-seven consecutive years. We believe that our current report continues to conform to the Certificate of Achievement Program requirements, and we will submit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

Acknowledgements

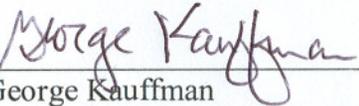
The preparation of this Comprehensive Annual Financial Report was accomplished with the professional and dedicated efforts of the staff of the Accounting Office. Appreciation is also extended to those individuals in other departments who contributed, directly or indirectly, to the development of this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

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

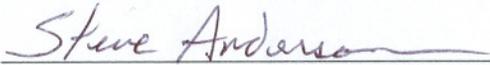
Sincerely,



William E. Dollar
City Manager



George Kauffman
Managing Director of Financial Services



Steve Anderson
Accounting Manager

GARLAND

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, 2006

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.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

CITIZENS OF GARLAND

CITY COUNCIL

Internal Audit
Craig Hametner

City Secretary
Mary Kayser

City Attorney
Brad Neighbor

City Manager
William E. Dollar

Deputy City Manager
Martin E. Glenn

Senior Management Team

Public Information Officer

Emergency Management

Housing Agency

Organizational Development

GP&L
Ray Schwertner

Police
Mitch Bates

Budget
Bryan Bradford

Human Resources
Priscilla Wilson

Transportation
Robert Wunderlich

Planning
Neil Montgomery

Water
Jack May

Park & Recreation
Jim Stone

Customer Service

Health
Richard Briley

Fire
Danny Grammer

Finance
George Kauffman

Purchasing

Warehouse

Firewheel

Risk Management

Fleet Services

Fair Housing

Summer Nutrition

Engineering

Street Services

Stormwater

Building Inspection

Comm. & Neigh. Dev.

Housing Grants Admin.

Wastewater

Facilities Mgmt.

Information Technology
David Turschmann

MIS

GIS/Software Development

Communications

Granville Arts Center

Library

Community Relations

Env. Waste Services
Lonnie Banks

EWS - Service Delivery

EWS - Disposal (Landfill)

Tax

Municipal Court

SafeLight Garland

Code Compliance

Health

Animal Services

GARLAND

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Garland, Texas (the "City") as of and for the year ended September 30, 2007, which collectively comprise the City of Garland, Texas basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Garland's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Garland, Texas as of September 30, 2007 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.

Management's Discussion and Analysis, the general fund budgetary comparison schedule, and the Texas Municipal Retirement System Schedule of Funding Progress as described in the table of contents is not a required part of the basic financial statements but is 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 such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. 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, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The introductory section and the statistical information listed in the table of contents, which are also the responsibility of the City's management, are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on it.

Deloitte & Touche LLP

May 20, 2008

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, 2007. 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 \$666,385,535.
- Net Assets for the governmental activities increased \$1,562,086 and the net assets for the business type activities increased \$19,865,299 for a total increase in the City's net assets of \$21,427,385. Contributing factors related to the increases are discussed in the government activities and business type activities sections of this overview and analysis.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,963,701. Of the combined ending fund balances, \$3,643,875 is reserved for debt service, \$17,308,504 is unreserved in the General Fund, and \$7,293,957 is unreserved and \$12,896,080 is reserved in special revenue funds. The Capital Projects fund ended the year with a fund deficit of \$26,178,715. This deficit is a result of the City's Commercial Paper and Tax Note programs and the deficit will be eliminated as General Obligation Bonds are issued to replace the Commercial Paper and as Tax Notes are paid off.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

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

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

Fund financial statement

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

Governmental funds

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

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

The City maintains seventeen individual governmental funds. The general fund, the debt service fund, and the capital project fund, are considered to be major funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 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, print shop, 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.

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 37-68 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, 2007 and the City's progress in funding its obligation to provide Texas Municipal Retirement System pension benefits to its employees, are presented on pages 70-72 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, enterprise, and internal service funds are presented on pages 73-94 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the City, assets exceeded liabilities (net assets) by \$666,385,535 for the year ended September 30, 2007. The largest portion of the City's net assets (76 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and systems); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (14 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 (10 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2007

Table 1
Schedule of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 138,613,693	\$ 121,042,663	\$ 320,252,329	\$ 300,970,722	\$ 458,866,022	\$ 422,013,385
Capital assets	395,607,496	388,264,272	563,013,112	520,681,083	958,620,608	908,945,355
Total assets	<u>534,221,189</u>	<u>509,306,935</u>	<u>883,265,441</u>	<u>821,651,805</u>	<u>1,417,486,630</u>	<u>1,330,958,740</u>
Long-term liabilities						
outstanding	270,748,533	268,402,654	351,010,736	315,035,404	621,759,269	583,438,058
Other liabilities	96,918,085	75,911,796	32,423,741	26,650,736	129,341,826	102,562,532
Total liabilities	<u>367,666,618</u>	<u>344,314,450</u>	<u>383,434,477</u>	<u>341,686,140</u>	<u>751,101,095</u>	<u>686,000,590</u>
Net assets:						
Invested in capital assets, net of related debt	146,152,849	150,638,419	357,951,642	321,262,146	504,104,491	471,900,565
Restricted for:						
Debt Service	3,643,875	3,210,136	-	-	3,643,875	3,210,136
Construction	9,594,447	7,938,132	-	-	9,594,447	7,938,132
Rate Mitigation	-	-	77,356,305	73,218,539	77,356,305	73,218,539
Housing Assistance	3,301,633	-	-	-	3,301,633	-
Unrestricted	<u>3,861,767</u>	<u>3,205,798</u>	<u>64,523,017</u>	<u>85,484,980</u>	<u>68,384,784</u>	<u>88,690,778</u>
Total net assets	<u>\$ 166,554,571</u>	<u>\$ 164,992,485</u>	<u>\$ 499,830,964</u>	<u>\$ 479,965,665</u>	<u>\$ 666,385,535</u>	<u>\$ 644,958,150</u>

The total net assets increased \$21,427,385 as a result of operations for the 2007 fiscal year. Governmental activities contributed 7% of this total and the business type activities contributed 93% of this total.

City of Garland, Texas
Management's Discussion and Analysis (continued)
September 30, 2007

Table 2
Schedule of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 32,693,007	\$ 32,445,007	\$ 314,698,468	\$ 361,507,680	\$ 347,391,475	\$ 393,952,687
Operation grants and contributions	22,852,488	21,863,489	-	-	22,852,488	21,863,489
Capital grants and contributions	3,811,318	8,445,411	2,853,227	3,103,011	6,664,545	11,548,422
General Revenues:						
Property taxes	70,205,635	66,825,355	-	-	70,205,635	66,825,355
Sales taxes	23,278,730	22,517,489	-	-	23,278,730	22,517,489
Other taxes	8,781,489	8,584,829	-	-	8,781,489	8,584,829
Unrestricted interest earnings	5,061,009	3,883,272	13,001,111	8,932,791	18,062,120	12,816,063
Miscellaneous	850,982	140,242	4,594,955	3,595,093	5,445,937	3,735,335
Total Revenues	<u>167,534,658</u>	<u>164,705,094</u>	<u>335,147,761</u>	<u>377,138,575</u>	<u>502,682,419</u>	<u>541,843,669</u>
Expenses:						
General government	37,886,265	30,790,105	-	-	37,886,265	30,790,105
Public safety	83,031,661	80,537,648	-	-	83,031,661	80,537,648
Public works	38,519,246	35,936,678	-	-	38,519,246	35,936,678
Culture and recreation	19,349,911	19,160,660	-	-	19,349,911	19,160,660
Public health	3,106,859	2,771,112	-	-	3,106,859	2,771,112
Interest and fiscal charges	10,686,236	10,348,493	-	-	10,686,236	10,348,493
Electric	-	-	212,231,176	222,703,702	212,231,176	222,703,702
Water	-	-	28,221,876	25,540,630	28,221,876	25,540,630
Sewer	-	-	26,661,625	24,768,707	26,661,625	24,768,707
Golf	-	-	2,844,792	2,953,267	2,844,792	2,953,267
Heliport	-	-	28,007	76,842	28,007	76,842
Storm Water Management	-	-	3,227,420	3,535,492	3,227,420	3,535,492
Parks Performance	-	-	718,131	773,516	718,131	773,516
Sanitation	-	-	14,741,829	13,399,591	14,741,829	13,399,591
Total expenses	<u>192,580,178</u>	<u>179,544,696</u>	<u>288,674,856</u>	<u>293,751,747</u>	<u>481,255,034</u>	<u>473,296,443</u>
Increase in net assets before transfers and special items	(25,045,520)	(14,839,602)	46,472,905	83,386,828	21,427,385	68,547,226
Transfers	26,607,606	23,368,856	(26,607,606)	(23,368,856)	-	-
Increase (decrease) in net assets	1,562,086	8,529,254	19,865,299	60,017,972	21,427,385	68,547,226
Net assets - beginning	164,992,485	156,463,231	479,965,665	424,266,636	644,958,150	580,729,867
Cumulative effect of change in accounting principle	-	-	-	(4,318,943)	-	(4,318,943)
Net assets restated - beginning	164,992,485	156,463,231	479,965,665	419,947,693	644,958,150	576,410,924
Net assets - ending	<u>\$ 166,554,571</u>	<u>\$ 164,992,485</u>	<u>\$ 499,830,964</u>	<u>\$ 479,965,665</u>	<u>\$ 666,385,535</u>	<u>\$ 644,958,150</u>

Governmental activities

Governmental activities increased the City's net assets by \$1,562,086. This increase is discussed below.

Revenues by Source – Governmental Activities

Table 3
Revenues by Source

	2007		2006		Amount Change	Percentage Change
	Amount	Percentage	Amount	Percentage		
Charges for services	\$ 32,693,007	19.51%	\$ 32,445,007	19.70%	\$ 248,000	0.76%
Operation grants and contributions	22,852,488	13.64%	21,863,489	13.27%	988,999	4.52%
Capital grants and contributions	3,811,318	2.27%	8,445,411	5.13%	(4,634,093)	-54.87%
Property taxes	70,205,635	41.91%	66,825,355	40.57%	3,380,280	5.06%
Sales taxes	23,278,730	13.89%	22,517,489	13.67%	761,241	3.38%
Other taxes	8,781,489	5.24%	8,584,829	5.21%	196,660	2.29%
Unrestricted interest earnings	5,061,009	3.02%	3,883,272	2.36%	1,177,737	30.33%
Miscellaneous	850,982	0.51%	140,242	0.09%	710,740	506.80%
Total Revenues	<u>\$ 167,534,658</u>		<u>\$ 164,705,094</u>		<u>\$ 2,829,564</u>	

Charges for services increased \$248,000 as a result of the following:

- Increased tonnage dumped at the landfill resulted in General Fund revenues increasing \$630,142.
- Building permit revenue in the General Fund decreased \$56,815.
- Program Income in the CDBG and Neighborhood Services Special Revenue Funds decreased \$314,297.

Operation grants and contributions increased \$988,999 as a result of the following:

- Housing Assistance intergovernmental and program revenues increased \$2,197,030 from the prior year due to increased activity in the Housing Assistance grant.
- Other Housing Assistance revenues decreased \$844,771 due to providing housing assistance for Hurricane Katrina evacuees in the prior year.
- CDBG intergovernmental revenues decreased \$86,736 from the prior year due to decreased activity in the CDBG grant projects.
- Neighborhood Services intergovernmental revenues increased \$29,613 from the prior year due to increased activities in various grant funded projects that benefit the citizens.
- The Police Training Fund intergovernmental and program revenues decreased \$339,260 from the prior year due to decreased activity in the police grant funded programs.
- The North East Library System intergovernmental revenues increased \$36,151 from the prior year due to increased activity.

Capital grants and contributions decreased \$4,634,093 as a result of the following:

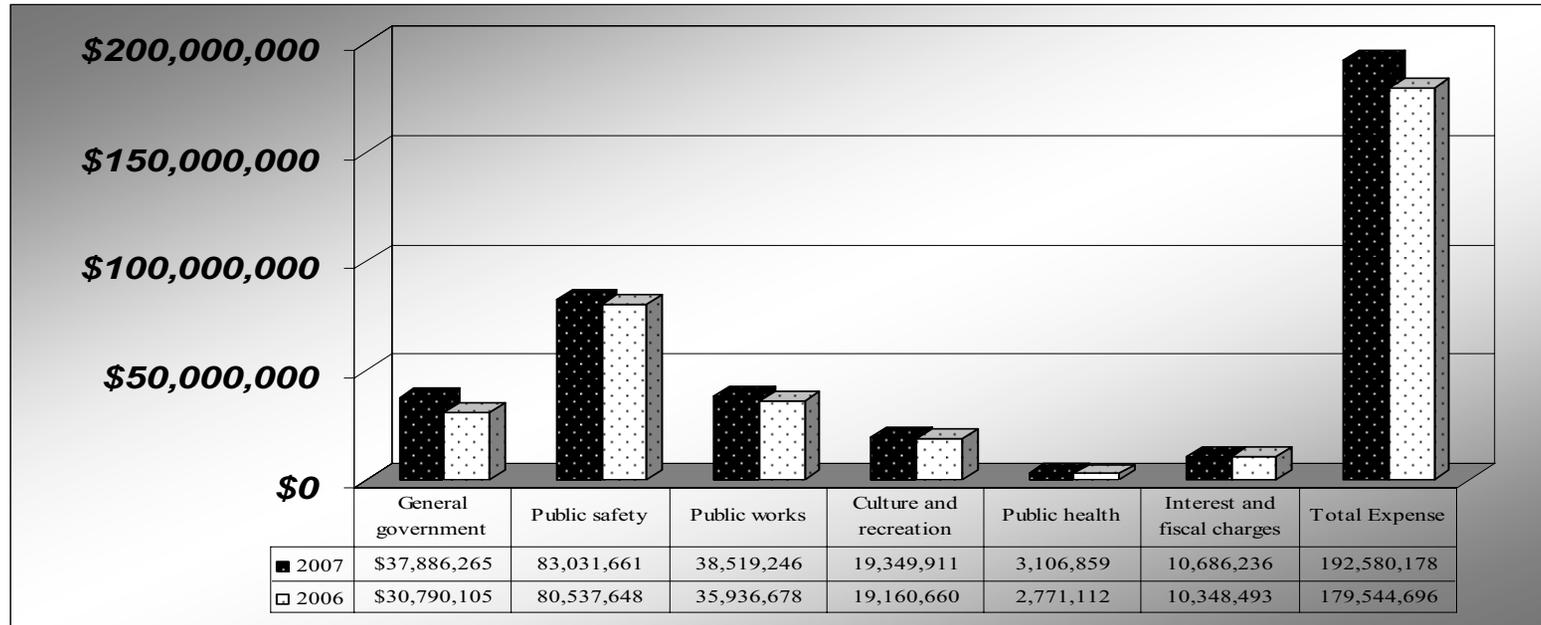
- Contributions from developers for streets, alleys and drainage in new developments decreased \$3,258,980 from the prior year due to fewer developments being completed in the City.
- Contributions from DART decreased \$1,392,389 from the prior year due to decreased expenditures on DART funded projects.

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

- Property taxes increased \$3,380,280 as a result of a 1.25 cent increase in the tax rate and a 4.4% growth in the City's tax base.
- Sales tax revenue increased \$761,241 and 3.38% from the prior year due to increased retail activity which was aided by the Firewheel Town Center, Bass Pro Shop and other retail outlets.
- Interest earnings increased as a result of higher governmental fund type cash balances and a slightly higher yield earned on investments.

Expenses by Source – Governmental Activities

The following chart provides a summary of expenses by source for the governmental activities for the 2006 and 2007 fiscal years.



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

General government expenses increased \$7,096,160 as a result of the following:

- Governmental capital projects expense of \$8,987,685 for the City's share of right of way cost to extend State Highway 190 from State Highway 78 to Interstate Highway 30.
- Governmental capital project expense of \$795,050 was incurred for City facility upgrades and minor miscellaneous equipment purchases that were not recorded as fixed assets, neighborhood vitality expense of \$522,010 to improve neighborhoods throughout the City, and \$354,587 in intersection improvement expense incurred for and reimbursed by a neighboring city.
- Special Revenue fund expenses decreased \$2,273,213 as a result of a decrease in of \$1,361,788 for a one time FEMA Housing Assistance expense incurred in the prior fiscal year for Hurricane Katrina evacuees and a \$1,051,108 decrease in Housing Assistance Grant expenses.
- The loss on disposal of general government assets decreased \$1,258,388.

Public safety expenses increased \$2,494,013 as a result of the following:

- Police department expense increased \$1,955,034. Contributing factors of this increase were pay increases, the addition of three communications specialists, three detention officers, and one forensic investigator. The remaining increases were to purchase computer equipment and to pay for increased fuel cost.
- Fire department expense increased \$1,946,161. This increase was due to pay increases, upgrade of three lieutenant positions to battalion chiefs, upgrade of three firefighter positions to captain and additional overtime hours. The remaining increases were for increased fuel cost and to purchase various rescue and safety equipment.
- The loss on disposal of public safety assets decreased \$2,067,560.

Public works expenses increased \$2,582,568 as a result of the following:

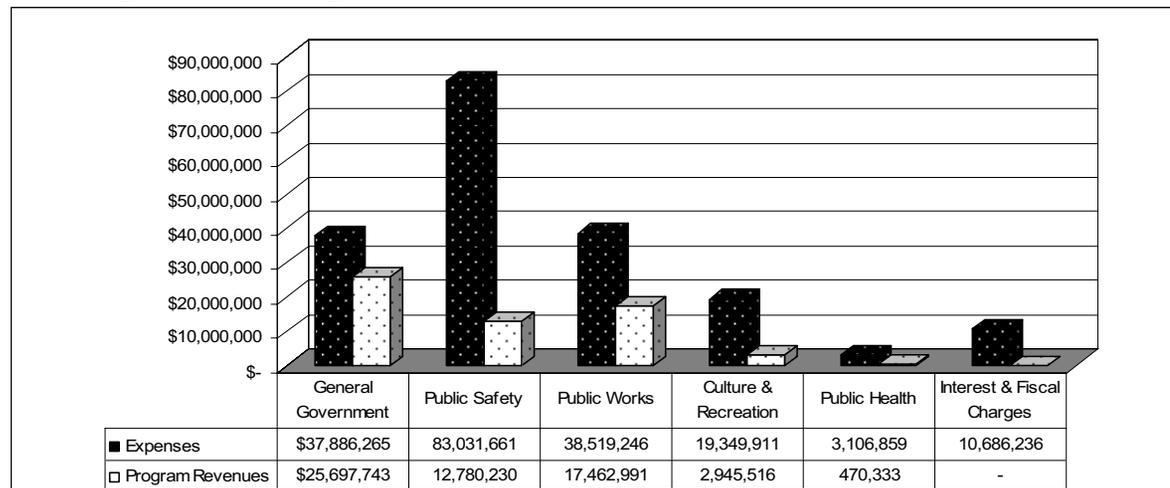
- Infrastructure repair expenses increased \$2,047,119 as a result of moving street repair projects funded by tax notes from the governmental capital projects fund.
- Landfill closure fund expenses decreased \$883,189 as the Castle Drive Landfill closure project nears completion.
- Depreciation expense increased \$1,477,153.

Public health expense increased \$335,747 as a result of the following:

- Public health department expenses increased \$391,953 due to the addition of two grant funded nurse positions, transferring two positions from the special revenue police training fund and utilizing part time nurses to provide public health services. Operational costs increased \$53,941 as a result of increased public health service.

Interest expense increased \$337,743 due to increased interest cost on higher balances of outstanding bond principal.

Expenses and Program Revenues – Governmental Activities



Business-type Activities

Business-type activities increased the City's net assets by \$19,865,299. Key elements of this change are as follows:

- The net income for the electric utility amounted to \$13,758,073. The net income for the electric utility decreased \$28,456,305 from the prior fiscal year as a result of the following.
 - Electric consumption dropped 5% from the prior fiscal year and the electric fuel factor rate was decreased from 0.0696 per kilowatt hour to 0.0644 per kilowatt hour. These changes resulted in a \$38,124,724 decrease in charges for services from the prior fiscal year.
 - Fuel purchase expense dropped \$14,323,785 as a result of the decrease in consumption and a decrease in natural gas prices.
 - Depreciation expense increased \$2,814,537. The majority of this increase (\$1,967,578) was the result of a change to the depreciable asset life for certain electric distribution system assets.
- A net loss for the water utility amounted to \$1,785,557. The net income for the water utility decreased \$11,054,396 from the prior year as a result of the following.
 - Water consumption dropped 24% from the prior fiscal year due to a wetter than normal year. In addition the City implemented a new three-tiered rate structure designed to encourage water conservation. The combination of the drop in consumption and the new rate structure, charges for services decreased \$9,113,071.
 - Operating expenses increased \$2,372,545 as a result of increased salaries and wages, general and administrative and depreciation expense.

- The net income for the sewer utility amounted to \$6,711,466. The net income for the sewer utility decreased \$3,097,729 as a result of the following.
 - Charges for services in the sewer utility decreased \$1,039,288 from the prior year as a result of a drop in water consumption. The effect of the drop in consumption was offset by a sewer rate increase that was implemented for the fiscal year to cover increased capital cost for the wastewater treatment plants.
 - Operating expenses increased \$2,197,183 as a result of increased salaries and wages, maintenance, repairs and supplies, general and administrative, and depreciation expense.
- The net income for the sanitation utility amount to \$368,009. The net loss for the sanitation utility increased \$395,284 from the prior year as a result of the following.
 - Sanitation charges for services increased \$1,723,463 due to rate increases for residential and commercial services.
 - Operating expense increased \$1,344,795 as a result of increased salaries and wages, landfill fees, maintenance, repairs and supplies, general and administrative, and depreciation expense.
- The combined net losses for the golf, heliport, storm water, and parks performance funds amounted to \$372,112. The City continues to monitor these funds and implement programs and strategies to improve the financial condition of these funds.
- The net income allocated to the business-type funds from the internal service funds amounts to \$1,185,420.

Revenues by Source – Business-type Activities

Table 4

	Charges for Service			Capital Grants and Contributions			Miscellaneous		
	2007	2006	Change Amount	2007	2006	Change Amount	2007	2006	Change Amount
Electric	\$ 233,626,927	\$ 271,751,654	\$ (38,124,727)	\$ -	\$ -	\$ -	\$ 4,309,094	\$ 3,253,497	\$ 1,055,597
Water	26,528,327	35,641,398	(9,113,071)	1,943,621	1,908,847	34,774	205,590	127,755	77,835
Sewer	33,628,914	34,668,202	(1,039,288)	909,606	1,145,522	(235,916)	(272,312)	141,543	(413,855)
Non-major Enterprise	20,914,300	19,446,426	1,467,874	-	48,642	(48,642)	352,583	72,298	280,285
Total	\$ 314,698,468	\$ 361,507,680	\$ (46,809,212)	\$ 2,853,227	\$ 3,103,011	\$ (249,784)	\$ 4,594,955	\$ 3,595,093	\$ 999,862

Capital grant and contributions decreased as a result of contributed assets from developers for new subdivisions decreasing for the sewer utility and increasing for the water utility. The decrease in capital grants and contributions for the Non-major Enterprise funds is the result of receiving a one time capital improvement grant for the heliport in the prior fiscal year.

Miscellaneous electric revenue increased as a result of receiving insurance proceeds for damages incurred from a fire at an electric substation. The sewer utility incurred a \$371,739 loss on disposal of assets, which was combined with miscellaneous revenues of \$99,427 resulted in the miscellaneous loss reported above.

Expenses by Source – Business-type Activities

Table 5

	2007	2006	Dollar Change	Percentage Change
Electric	\$ 212,231,176	\$ 222,703,702	\$ (10,472,526)	-4.70%
Water	28,221,876	25,540,630	2,681,246	10.50%
Sewer	26,661,625	24,768,707	1,892,918	7.64%
Golf	2,844,792	2,953,267	(108,475)	-3.67%
Heliport	28,007	76,842	(48,835)	-63.55%
Storm Water	3,227,420	3,535,492	(308,072)	-8.71%
Parks Performance	718,131	773,516	(55,385)	-7.16%
Sanitation	14,741,829	13,399,591	1,342,238	10.02%
	<u>\$ 288,674,856</u>	<u>\$ 293,751,747</u>	<u>\$ (5,076,891)</u>	-1.73%

Electric fuel expense decreased \$14,323,785, insurance and other expense increased \$538,772, general and administrative expense increased \$1,663,410 and depreciation expense increased \$2,814,537 to contribute to the decrease in electric expenses of \$10,472,526. Water salaries and wages increased \$470,548, general and administrative increased \$580,685, interest expense increased \$450,475 and depreciation expense increased \$1,436,041 to contribute to the increase in water expense of \$2,681,246. Sewer materials, repairs and supplies expense increased \$477,371, general and administrative increased \$600,566, capitalized general and administrative expense decreased \$174,903 and depreciation expense increased \$977,051 to contribute to the increase in Sewer expenses of \$1,892,918. Sanitation salaries and wages increased \$394,537, landfill fees increased \$352,857, materials, repairs and supplies increased \$357,386, general and administrative increased \$125,946 and depreciation expense increased \$114,569 to contribute to the increase in sanitation expense of \$1,342,238.

Capital Asset and Debt Administration

Capital Assets

At the end of the fiscal year 2007, the City had \$958,620,608 invested in a broad range of capital assets including police and fire equipment, buildings, park facilities, roads, bridges, an electric system, a water system, and a sewer system. (See Table 6 below) This amount represents a net increase of \$49,675,253 or 5.47 percent over the prior fiscal year. Construction in progress decreased \$54,177,234, land increased \$18,299,470 and building, improvements, equipment and systems increased \$85,553,080.

Table 6
Capital Assets at Year-end
(Net of Accumulated Depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Land	\$ 72,723,360	\$ 57,802,588	\$ 17,030,293	\$ 13,651,659	\$ 89,753,653	\$ 71,454,247
Construction in Progress	55,398,213	76,153,483	71,250,490	104,672,454	126,648,703	180,825,937
Building, Improvements, equipment and systems	267,485,923	254,308,201	474,732,329	402,356,970	742,218,252	656,665,171
Total capital assets	\$ 395,607,496	\$ 388,264,272	\$ 563,013,112	\$ 520,681,083	\$ 958,620,608	\$ 908,945,355

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

<u>Description</u>	<u>Amount</u>
Duck Creek Wastewater Plant Expansion	\$ 44,184
Land, Parking Lot and other Improvements at the Bass Pro Shop Development	21,807
Water Control Center	9,277
Street Construction Apollo from Jupiter to N Garland	4,863
Marquis Electric Substation Construction	4,792
Street Construction Garland Road from SH190 to Blackburn	4,695
Crist Electric Substation Construction	4,398
Electric Production - Boilertube rebuild	3,202
Street Conststuction Bobtown from Lyons to Kelso	2,809
Street Conststuction Galaxie from Arapaho to Apollo	2,700
Duck Creek Connector Road	1,704
Brand Electric Substation Upgrade	1,418
Windridge Lift Station	1,128
Zion Lift Station	1,124

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

<u>Description</u>	<u>Amount</u>	<u>Description</u>	<u>Amount</u>
Fire Department Administration and Training Facility	\$ 16,391	Hinton Landfill Expansion	2,112
Duck Creek Wastewater Treatment Interceptor Line	8,044	Street Improvements - Naaman School from SH78 to Pleasant Valley	2,068
Street Improvements Kingsley from First to Centerville	5,264	Fairdale Electric Substation Load Conversion	2,016
Jupiter Electric Substation Upgrades	3,403	Reconstruct Electric Lines from Apollo to Naaman	1,907
Street Improvements - IH30 to Candlestick	2,980	Electric Distribution Firewheel Town Center	1,737
Centerville Electric Substation Upgrades	2,853	Eastern Hills Sewer Collection Relief	1,426
Wastewater Treatment Biosolids Expansion	2,490	Fire Station 3 Construction	1,043
Fire Station 10 Construction	2,240	Olinger Electric Substation Rebuild	1,005
Police Shooting Range	2,234		

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

Debt

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

Table 7
Outstanding Debt, at Year-end

	Governmental		Business-type		Total	
	Activities		Activites			
	2007	2006	2007	2006	2007	2006
Long-Term:						
General obligation bonds	\$ 152,557,292	\$ 140,958,212	\$ 75,067,708	\$ 53,411,788	\$ 227,625,000	\$ 194,370,000
Certificates of obligation	76,814,236	88,835,115	38,550,764	67,864,920	115,365,000	156,700,035
Utility system revenue bonds	-	-	235,485,000	191,935,000	235,485,000	191,935,000
Total Long-Term	<u>229,371,528</u>	<u>229,793,327</u>	<u>349,103,472</u>	<u>313,211,708</u>	<u>578,475,000</u>	<u>543,005,035</u>
Short-Term:						
Commercial Paper	55,000,000	35,000,000	-	-	55,000,000	35,000,000
Tax Notes	4,240,000	5,373,000	-	-	4,240,000	5,373,000
Total Short-Term	<u>59,240,000</u>	<u>40,373,000</u>	<u>-</u>	<u>-</u>	<u>59,240,000</u>	<u>40,373,000</u>
Total outstanding debt	<u>\$ 288,611,528</u>	<u>\$ 270,166,327</u>	<u>\$ 349,103,472</u>	<u>\$ 313,211,708</u>	<u>\$ 637,715,000</u>	<u>\$ 583,378,035</u>

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

Issue	Principal	Bond Ratings	
		Standard & Poor's	Fitch IBCA
Long-term			
General Obligation Refunding, Series 2007A	\$ 67,385,000		
General Obligation Refunding, Series 2007B	23,745,000		
Certificates of Obligation, Series 2007	16,975,000	AAA	AAA
Electric Utility System Revenue Bonds, Series 2007	21,050,000	AAA	AAA
Water & Sewer System Revenue Bonds, Series 2007	29,070,000	AAA	AAA
Short-term			
Commercial Paper	55,000,000	A-1+	F1+
Tax Anticipation Note, Series 2007	4,240,000	--	--
Total debt financing	<u>\$ 217,465,000</u>		

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

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

- Acquiring, constructing, improving, modifying and/or equipping the City's solid waste disposal system facilities.
- Acquiring, constructing, improving, modifying and/or equipping the City's library facilities, including acquisition of land.
- Acquiring, constructing, improving, modifying and/or equipping the City's public safety facilities and existing municipal facilities.
- Acquiring a portable crushing plant for the City's transportation department.
- Constructing storm drainage protection within the City.
- Acquiring, improving, upgrading and replacing equipment for the City's information management and communication systems.
- Professional services rendered in connection with the issuance of the Certificates.

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

The City's 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 \$55 million. In addition, the City issued another \$4.2 million in tax anticipation notes to fund various street improvements during the 2007 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 \$14,963,701, a decrease of \$11,589,463 from the prior year. The General, Debt Service, and other Governmental Funds fund balances are offset by a capital projects fund deficit of \$26,178,715. The fund balance deficit in the Capital Projects Fund is the result of reporting the proceeds of \$55 million in general obligation commercial paper and the \$4.2 million in Tax Notes as a liability and not as other financing sources revenue. The Capital Projects fund balance will be increased in the future when general obligation bonds are issued to retire the outstanding general obligation commercial paper and as Tax Notes are paid off annually.

The General Fund ended the fiscal year with a fund balance of \$17,308,504, which was a decrease of \$3,579,637 from the prior year. The original budget projected a decrease in fund balance of \$5,152,922 which was later revised to a decrease of \$6,864,696 in fund balance. Favorable budget variances were experienced for revenues as well as expenditures for the fiscal year. Actual revenues, proceeds from the sale of capital assets and transfers in exceeded final budgeted revenues by \$1,466,218 and actual expenditures and transfers out were under the final budget amount by \$1,818,841. This favorable budget variance was a result of increased property tax revenues, franchise fees, landfill disposal revenues, building and professional service fees, intergovernmental grant revenues, and other operational expenditure savings across General Fund departments.

It is the City's declared policy to maintain a minimum unreserved general fund balance equivalent to 30 days of expenditures on a budget basis. At the end of the current fiscal year the unreserved fund balance for the general fund is equivalent to 46 days of expenditures as calculated by the City's Budget Department.

The Debt Service Fund ended the fiscal year with a fund balance of \$3,643,875 due to a net increase in fund balance for the fiscal year of \$433,739. This increase in fund balance was the result of debt service revenues increasing \$2,131,469, debt service payments and fiscal and other expenses increasing \$440,854, and net transfers out decreasing \$1,721,218.

General Fund Budgetary Highlights

During the fiscal year ended September 30, 2007, the City Council amended the budget for the General Fund on several occasions. The amendments were made up of supplemental appropriations and re-estimated allocations. These supplemental appropriations and re-estimated allocations amounted to increasing appropriations by \$463,138 and transfers out by \$599,522. The increase in appropriations was for the annual roll over of open purchase orders; upgrade the Emergency Operations Center's phone system, various grant awards, and

Narcotic Seizure fund expenditures. The re-estimate adjustments were used to reallocate funds appropriated to more accurately account for estimated revenues and payments to internal service funds.

Economic Factors and Next Year's Budgets and Rates

The City's unemployment rate at September 30, 2007, was 4.3%, the State of Texas unemployment rate was also 4.3%, and the unemployment rate for Dallas County was 4.3%. The City's estimated population of 224,988 (as estimated at January 1, 2007, by the City's Planning department) remained virtually unchanged from the prior year.

The operating budget for the 2007 fiscal year was developed by City management and approved by the City's elected officials focused on using the City's available financial resources to address the following priority areas:

- Maintain the current Operations and Maintenance Tax rate – thereby absorbing the impact of the increased Homestead Exemption.
- Address critical support staff needs for the police department.
- Provide funding for the opening and operation of fire station No. 10.
- Provide the staffing resources necessary for the electric departments' conversion to the Nodal electric market and to meet new compliance standards.

The adopted 2007 fiscal year budget addressed the priorities listed above in the following ways:

- Approved tax rate increase of 1.25 cents. This increase is to fund debt service cost related to the 1997 and 2004 bond programs. The 2007 fiscal year tax rate with the increase is 67.86 cents per \$100 of appraised property value. In addition, the City increased the Homestead exemption from 5% to 6% and implemented a senior and disabled citizen's exemption of \$51,000 to appraised property values.
- Provided additional support staff positions in the police department including three communications specialists for 911 operations, three detention officers for jail operations, and a forensic investigator.
- Provided funding for the opening and operation of fire station 10.
- Added eleven staff positions in the electric department to address fundamental shifts occurring in the Texas electric industry related to the implementation of Nodal market methodology and to meet new reporting requirements mandated by the Electric Reliability Council of Texas.

Highlights of the 2008 fiscal year budget are outlined below:

- Approved tax rate increase of 1.00 cents. This increase is to fund debt service cost related to the 1997 and 2004 bond programs. The 2008 fiscal year tax rate with the increase is 68.86 cents per \$100 of appraised property value. In addition, the City increased the Homestead exemption from 6% to 7%.
- Added one neighborhood planner, one neighborhood police officer, one health inspector and one administration assistant for the office of emergency management. In addition a safelight coordinator position was eliminated due to the reduction of the red light camera program.
- Added seven staff positions in the City's Electric Utility. A project manager, planning coordinator and engineering assistant was added to increase efficiencies, coordinate construction projects, design, plan, and provide cost estimates for construction projects. An administrative assistant was added to provide support for the substation group of the transmission and distribution division. In addition two positions were added to in energy management to address additional work loads related to the implementation of Nodal market methodology and to meet new reporting requirements mandated by the Electric Reliability Council of Texas.
- Approved a rate increase for wastewater services. The adjustments in the wastewater rates are due to significant capital improvements in the City's wastewater treatment plants and infrastructure.

Contacting the City's Financial Management

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

GARLAND

GARLAND

City of Garland, Texas
Statement of Net Assets
September 30, 2007

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
ASSETS				
Cash and cash equivalents	\$ 44,651,122	\$ 10,048,190	\$ 54,699,312	\$ 878,190
Investments	66,060,014	17,539,504	83,599,518	-
Assets held for resale	-	-	-	352,560
Accounts Receivable, net of allowance for uncollectibles	15,602,856	42,328,667	57,931,523	79,220
Due from other governments	2,095,163	-	2,095,163	-
Internal Balances	(9,313,098)	9,313,098	-	-
Inventories	5,730,065	1,804,919	7,534,984	-
Prepaid and other items	857,195	-	857,195	-
Restricted Assets:				
Cash and cash equivalents	3,890,291	87,473,594	91,363,885	-
Investments	6,426,746	143,236,037	149,662,783	-
Accrued interest	55,157	1,523,993	1,579,150	-
Deferred bond issuance costs	2,558,182	6,984,327	9,542,509	-
Capital Assets (net of accumulated depreciation)	395,607,496	563,013,112	958,620,608	900,000
Total assets	<u>534,221,189</u>	<u>883,265,441</u>	<u>1,417,486,630</u>	<u>2,209,970</u>
LIABILITIES				
Accounts payable and accrued liabilities	17,571,490	18,389,782	35,961,272	45,509
Escrow payable	246,824	-	246,824	-
Retainage payable	1,265,022	867,733	2,132,755	-
Accrued interest payable	2,011,122	2,720,380	4,731,502	-
Customer deposits	8,497,613	-	8,497,613	-
Tax Note Payable	4,240,000	-	4,240,000	-
Commercial Paper	55,000,000	-	55,000,000	-
Due to other governments	603,891	528,291	1,132,182	-
Unearned revenue	1,912,365	-	1,912,365	843,750
Unamortized bond premium, and defeased debt cost	5,569,758	9,917,555	15,487,313	-
Noncurrent Liabilities:				
Due within one year	26,191,581	16,562,719	42,754,300	-
Due in more than one year	244,556,952	334,448,017	579,004,969	-
Total liabilities	<u>367,666,618</u>	<u>383,434,477</u>	<u>751,101,095</u>	<u>889,259</u>
NET ASSETS:				
Invested in capital assets, net of related debt	146,152,849	357,951,642	504,104,491	56,250
Restricted for:				
Debt Service	3,643,875	-	3,643,875	-
Construction - Impact Fees	9,594,447	-	9,594,447	-
Rate Mitigation	-	77,356,305	77,356,305	-
Housing	3,301,633	-	3,301,633	-
Unrestricted	3,861,767	64,523,017	68,384,784	1,264,461
Total net assets	<u>\$ 166,554,571</u>	<u>\$ 499,830,964</u>	<u>\$ 666,385,535</u>	<u>\$ 1,320,711</u>

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

City of Garland, Texas
Statement of Activities
For the Year Ended September 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business Type Activities	Total	
Primary Government								
Governmental activities:								
General government	\$ 37,886,265	\$ 6,611,850	\$ 19,085,893	\$ -	\$ (12,188,522)	\$ -	\$ (12,188,522)	\$ -
Public safety	83,031,661	10,568,258	2,211,972	-	(70,251,431)	-	(70,251,431)	-
Public works	38,519,246	13,651,673	-	3,811,318	(21,056,255)	-	(21,056,255)	-
Culture and recreation	19,349,911	1,530,098	1,415,418	-	(16,404,395)	-	(16,404,395)	-
Public health	3,106,859	331,128	139,205	-	(2,636,526)	-	(2,636,526)	-
Interest and fiscal charges	10,686,236	-	-	-	(10,686,236)	-	(10,686,236)	-
Total governmental activities	<u>192,580,178</u>	<u>32,693,007</u>	<u>22,852,488</u>	<u>3,811,318</u>	<u>(133,223,365)</u>	<u>-</u>	<u>(133,223,365)</u>	<u>-</u>
Business type activities:								
Electric	212,231,176	233,626,927	-	-	-	21,395,751	21,395,751	-
Water	28,221,876	26,528,327	-	1,943,621	-	250,072	250,072	-
Sewer	26,661,625	33,628,914	-	909,606	-	7,876,895	7,876,895	-
Golf	2,844,792	2,070,839	-	-	-	(773,953)	(773,953)	-
Heliport	28,007	6,098	-	-	-	(21,909)	(21,909)	-
Storm Water Management	3,227,420	3,116,627	-	-	-	(110,793)	(110,793)	-
Parks Performance	718,131	666,131	-	-	-	(52,000)	(52,000)	-
Sanitation	14,741,829	15,054,605	-	-	-	312,776	312,776	-
Total business-type activities	<u>288,674,856</u>	<u>314,698,468</u>	<u>-</u>	<u>2,853,227</u>	<u>-</u>	<u>28,876,839</u>	<u>28,876,839</u>	<u>-</u>
Total primary government	<u>\$ 481,255,034</u>	<u>\$ 347,391,475</u>	<u>\$ 22,852,488</u>	<u>\$ 6,664,545</u>	<u>(133,223,365)</u>	<u>28,876,839</u>	<u>(104,346,526)</u>	<u>-</u>
Component units								
Garland Housing Finance Corp.	\$ 86,889	\$ 54,208	\$ -	-	-	-	-	(32,681)
Garland Health Facilities Development Corp.	29,259	25,000	-	-	-	-	-	(4,259)
Garland Economic Develop. Authority	4,259	7,000	-	-	-	-	-	2,741
General revenues:								
Sales taxes					23,278,730	-	23,278,730	-
Franchise taxes					8,028,128	-	8,028,128	-
Property taxes					70,205,635	-	70,205,635	-
Hotel/Motel taxes					488,123	-	488,123	-
Mixed drink taxes					167,372	-	167,372	-
Bingo taxes					97,866	-	97,866	-
Unrestricted investment earnings					5,061,009	13,001,111	18,062,120	27,861
Miscellaneous					850,982	4,594,955	5,445,937	(5,899)
Transfers					26,607,606	(26,607,606)	-	-
Total general revenues and transfers					<u>134,785,451</u>	<u>(9,011,540)</u>	<u>125,773,911</u>	<u>21,962</u>
Change in net assets					1,562,086	19,865,299	21,427,385	(12,237)
Net assets restated - beginning					164,992,485	479,965,665	644,958,150	1,332,948
Net assets-ending					<u>\$ 166,554,571</u>	<u>\$ 499,830,964</u>	<u>\$ 666,385,535</u>	<u>\$ 1,320,711</u>

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

**City of Garland, Texas
Governmental Funds
Balance Sheet
September 30, 2007**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,819,512	\$ 3,592,720	\$ 14,296,919	\$ 8,664,595	\$ 29,373,746
Investments	7,747,536	-	23,329,371	12,951,177	44,028,084
Receivables:					
Accounts, net	12,501,244	-	-	-	12,501,244
Taxes, net	805,792	599,890	-	-	1,405,682
Accrued interest	317,705	506	260,703	103,850	682,764
Assessments	-	-	-	12,158	12,158
Due from other funds	9,335,546	-	12,660	15,486	9,363,692
Due from other governments	113,758	-	-	1,981,405	2,095,163
Prepaid items	-	-	-	857,195	857,195
Total Assets	\$ 33,641,093	\$ 4,193,116	\$ 37,899,653	\$ 24,585,866	\$ 100,319,728
LIABILITIES					
Accounts payable and accrued liabilities	\$ 9,807,272	\$ -	\$ 2,864,509	\$ 1,537,098	\$ 14,208,879
Escrow payable	-	-	-	246,824	246,824
Due to other funds	23,506	-	634,431	1,071,867	1,729,804
Deferred revenues	6,501,811	549,241	124,905	1,023,536	8,199,493
Due to other governments	-	-	120,906	482,985	603,891
Retainage payable	-	-	1,093,617	33,519	1,127,136
Tax note payable	-	-	4,240,000	-	4,240,000
Commercial paper	-	-	55,000,000	-	55,000,000
Total Liabilities	16,332,589	549,241	64,078,368	4,395,829	85,356,027
FUND BALANCES:					
Fund balances:					
Reserved for:					
Debt service	-	3,643,875	-	-	3,643,875
Construction - Impact Fees	-	-	-	9,594,447	9,594,447
Housing	-	-	-	3,301,633	3,301,633
Unreserved, reported in:					
General Fund	17,308,504	-	-	-	17,308,504
Capital Projects Fund	-	-	(26,178,715)	-	(26,178,715)
Special Revenue Funds	-	-	-	7,293,957	7,293,957
Total Fund Balances (deficit)	17,308,504	3,643,875	(26,178,715)	20,190,037	14,963,701
Total Liabilities and Fund Balances	\$ 33,641,093	\$ 4,193,116	\$ 37,899,653	\$ 24,585,866	\$ 100,319,728

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, 2007**

Total fund balances - governmental funds	\$	14,963,701
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This amount includes capital assets used in the internal service funds.		395,607,496
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.		6,287,128
Bond interest is not payable within 60 days and is therefore not accrued at the fund level.		(1,950,131)
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		(222,518,464)
Landfill closure costs		(8,473,958)
Compensated absences		(18,238,854)
Unamortized premium, loss on refunding, and bond issue costs		(2,923,078)
Internal service funds net asset adjustment excluding assets and liabilities included in the adjustments listed above. Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of the internal service funds are included with governmental activities in the statement of net assets.		3,800,731
Total net assets - governmental activities	\$	166,554,571

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, 2007

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 63,531,623	\$ 29,979,219	\$ -	\$ 766,655	\$ 94,277,497
Franchise fees	8,028,128	-	-	-	8,028,128
Service charges	17,224,499	-	-	-	17,224,499
Licenses and permits	3,056,687	-	-	-	3,056,687
Earnings on investments	1,782,897	441,307	1,905,075	931,730	5,061,009
Intergovernmental	463,552	-	-	20,474,886	20,938,438
Intragovernmental	6,068,356	-	-	-	6,068,356
Fines and forfeits	5,324,440	-	-	-	5,324,440
Rents and concessions	955,652	-	-	3,562	959,214
Assessments	-	-	49,583	4,624	54,207
Impact Fees	-	-	-	1,215,941	1,215,941
Contributions	-	-	376,922	1,810	378,732
Program income	-	-	-	197,794	197,794
Special event income	-	-	-	1,623	1,623
Awards	-	-	-	445,701	445,701
Miscellaneous and other	-	2,785	232,561	1,502,310	1,737,656
Total revenues	<u>106,435,834</u>	<u>30,423,311</u>	<u>2,564,141</u>	<u>25,546,636</u>	<u>164,969,922</u>
EXPENDITURES					
Current:					
General government	9,049,924	-	7,112,846	-	16,162,770
Public safety	71,923,692	-	-	-	71,923,692
Public works	9,765,312	-	-	-	9,765,312
Culture and recreation	12,401,080	-	-	-	12,401,080
Public health	2,721,376	-	-	-	2,721,376
Nondepartmental	16,258,263	-	-	-	16,258,263
Operations	-	-	-	25,113,864	25,113,864
Capital outlay	-	-	29,296,903	2,052,797	31,349,700
Debt service:					
Principal	-	14,015,396	-	-	14,015,396
Interest	-	10,842,901	-	1,439,395	12,282,296
Issue Costs on issuance of debt	-	133,969	-	-	133,969
Other and fiscal expenditures	-	120,590	-	-	120,590
Total expenditures	<u>122,119,647</u>	<u>25,112,856</u>	<u>36,409,749</u>	<u>28,606,056</u>	<u>212,248,308</u>
Excess (deficiency) of revenues over (under) expenditures	(15,683,813)	5,310,455	(33,845,608)	(3,059,420)	(47,278,386)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	127,045	-	290,000	-	417,045
Transfers in	20,245,039	362,315	8,552,375	9,193,615	38,353,344
Transfers out	(8,267,908)	(5,373,000)	(3,111,000)	(288,527)	(17,040,435)
Issuance of debt	-	-	12,015,000	1,810,000	13,825,000
Premium on issuance of debt	-	1,493,762	-	-	1,493,762
Issuance of refunding bonds	-	39,200,000	-	-	39,200,000
Payment to refunded bonds escrow agent	-	(40,559,793)	-	-	(40,559,793)
Total other financing sources (uses)	<u>12,104,176</u>	<u>(4,876,716)</u>	<u>17,746,375</u>	<u>10,715,088</u>	<u>35,688,923</u>
Net change in fund balance	(3,579,637)	433,739	(16,099,233)	7,655,668	(11,589,463)
Fund balances - beginning	20,888,141	3,210,136	(10,079,482)	12,534,369	26,553,164
Fund balances - ending	<u>\$ 17,308,504</u>	<u>\$ 3,643,875</u>	<u>\$ (26,178,715)</u>	<u>\$ 20,190,037</u>	<u>\$ 14,963,701</u>

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

**City of Garland, Texas
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance to the Statement of Activities
For the Year Ended September 30, 2007**

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

Net change in fund balances - total governmental funds	\$ (11,589,463)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	5,090,775
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	630,267
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.	(1,674,826)
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.	(369,894)
Internal service funds are used by management to charge the costs of vehicle services, building services, printing services, and insurance services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>9,475,227</u>
Change in net assets of governmental activities	<u><u>\$ 1,562,086</u></u>

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

**City of Garland, Texas
Proprietary Funds
Statement of Net Assets
September 30, 2007**

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 6,023,788	\$ 1,561,056	\$ 1,882,319	\$ 581,027	\$ 10,048,190	\$ 15,277,376
Investments	10,893,493	2,577,681	3,108,980	959,350	17,539,504	22,031,930
Receivable, net of allowance	32,892,768	3,567,433	3,654,849	2,074,305	42,189,355	818,318
Accrued interest	80,216	22,331	28,129	8,636	139,312	182,690
Due from other funds	360,885	100,000	34,831	10,051	505,767	562,771
Inventories	1,804,919	-	-	-	1,804,919	5,730,065
Total unrestricted current assets	<u>52,056,069</u>	<u>7,828,501</u>	<u>8,709,108</u>	<u>3,633,369</u>	<u>72,227,047</u>	<u>44,603,150</u>
<i>Restricted assets</i>						
Rate mitigation:						
Cash and cash equivalents	2,748,093	-	-	-	2,748,093	-
Investments	73,692,866	-	-	-	73,692,866	-
Accrued interest	915,346	-	-	-	915,346	-
Total rate mitigation	<u>77,356,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,356,305</u>	<u>-</u>
Construction funds:						
Cash and cash equivalents	23,224,010	8,268,524	52,275,804	957,163	84,725,501	3,890,291
Investments	38,365,662	13,659,456	15,936,836	1,581,217	69,543,171	6,426,746
Accrued interest	337,093	120,035	137,897	13,622	608,647	55,157
Total construction funds	<u>61,926,765</u>	<u>22,048,015</u>	<u>68,350,537</u>	<u>2,552,002</u>	<u>154,877,319</u>	<u>10,372,194</u>
Total current assets	<u>191,339,139</u>	<u>29,876,516</u>	<u>77,059,645</u>	<u>6,185,371</u>	<u>304,460,671</u>	<u>54,975,344</u>
Noncurrent Assets:						
Capital Assets:						
Land	2,752,869	1,461,083	1,629,797	11,186,544	17,030,293	-
Buildings, improvements, equipment and systems	346,427,946	154,439,807	310,741,856	25,566,636	837,176,245	59,893,858
Construction in progress	37,998,475	15,159,208	17,840,778	252,029	71,250,490	3,782,939
Less accumulated depreciation	<u>(151,846,585)</u>	<u>(67,345,568)</u>	<u>(131,666,317)</u>	<u>(11,585,446)</u>	<u>(362,443,916)</u>	<u>(41,891,532)</u>
Net capital assets	235,332,705	103,714,530	198,546,114	25,419,763	563,013,112	21,785,265
Unamortized bond discount and issue cost	3,537,613	1,036,234	2,157,117	253,363	6,984,327	299,215
Advance to other funds	5,255,705	-	-	-	5,255,705	-
Total noncurrent assets	<u>244,126,023</u>	<u>104,750,764</u>	<u>200,703,231</u>	<u>25,673,126</u>	<u>575,253,144</u>	<u>22,084,480</u>
Total Assets	<u>\$ 435,465,162</u>	<u>\$ 134,627,280</u>	<u>\$ 277,762,876</u>	<u>\$ 31,858,497</u>	<u>\$ 879,713,815</u>	<u>\$ 77,059,824</u>

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

**City of Garland, Texas
Proprietary Funds
Statement of Net Assets
September 30, 2007**

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES						
Current liabilities:						
<i>Payable from current assets</i>						
Accounts payable and accrued liabilities	\$ 9,843,259	\$ 663,638	\$ 432,616	\$ 415,913	\$ 11,355,426	\$ 3,006,264
Retainage	-	-	-	6,815	6,815	-
Due to other funds	19,604	69,602	10,986	1,995,042	2,095,234	6,607,192
Insurance claims payable	-	-	-	-	-	3,056,990
Accrued interest payable:						
General obligation bonds	288,042	49,700	137,663	-	475,405	-
Certificates of obligation	125,911	20,977	61,644	67,638	276,170	60,991
Customer deposits	-	-	-	-	-	8,497,613
General obligation bonds	2,358	365,897	434,259	-	802,514	-
Certificates of obligation	3,351,228	411,055	1,473,997	851,762	6,088,042	867,346
Compensated absences	892,562	162,315	279,179	273,107	1,607,163	604,909
Total payable from current assets	<u>14,522,964</u>	<u>1,743,184</u>	<u>2,830,344</u>	<u>3,610,277</u>	<u>22,706,769</u>	<u>22,701,305</u>
<i>Payable from restricted assets</i>						
Accounts payable	3,304,021	823,690	2,900,312	6,333	7,034,356	356,347
Retainage payable	72,874	378,196	409,848	-	860,918	137,886
Due to other governments	220,632	106,939	200,720	-	528,291	-
Accrued interest payable-revenue bonds	811,600	589,919	567,286	-	1,968,805	-
Revenue bonds payable	3,015,000	1,214,249	3,835,751	-	8,065,000	-
Total payable from restricted assets	<u>7,424,127</u>	<u>3,112,993</u>	<u>7,913,917</u>	<u>6,333</u>	<u>18,457,370</u>	<u>494,233</u>
Total current liabilities	<u>21,947,091</u>	<u>4,856,177</u>	<u>10,744,261</u>	<u>3,616,610</u>	<u>41,164,139</u>	<u>23,195,538</u>
Long-term Liabilities:						
Advances from other funds	-	-	-	72,058	72,058	5,183,647
Revenue bonds payable	89,765,000	41,962,719	95,692,281	-	227,420,000	-
Certificates of obligation	17,219,305	3,080,071	8,678,346	3,485,000	32,462,722	5,115,718
General obligation bonds	44,579,991	7,860,279	21,824,924	-	74,265,194	870,000
Unamortized bond premium, and defeased debt cost	5,201,928	1,585,853	2,811,425	318,349	9,917,555	387,713
Insurance claims payable	-	-	-	-	-	10,882,993
Compensated absences	184,983	22,018	-	93,100	300,101	119,301
Total other liabilities	<u>156,951,207</u>	<u>54,510,940</u>	<u>129,006,976</u>	<u>3,968,507</u>	<u>344,437,630</u>	<u>22,559,372</u>
Total Liabilities	<u>178,898,298</u>	<u>59,367,117</u>	<u>139,751,237</u>	<u>7,585,117</u>	<u>385,601,769</u>	<u>45,754,910</u>
NET ASSETS						
Invested in capital assets, net of related debt	134,285,378	69,116,770	130,992,625	23,556,869	357,951,642	24,721,664
Restricted for:						
Rate Mitigation	77,356,305	-	-	-	77,356,305	-
Unrestricted	44,925,181	6,143,393	7,019,014	716,511	58,804,099	6,583,250
Total net assets	<u>\$ 256,566,864</u>	<u>\$ 75,260,163</u>	<u>\$ 138,011,639</u>	<u>\$ 24,273,380</u>	<u>\$ 494,112,046</u>	<u>\$ 31,304,914</u>

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.

5,718,918

Net assets of business type activities \$ 499,830,964

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, 2007

	Business-type Activities				Governmental Activities	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:						
Charges for services	\$ 233,626,927	\$ 26,528,327	\$ 33,628,914	\$ 20,914,300	\$ 314,698,468	\$ 41,543,247
Premiums	-	-	-	-	-	25,589,114
Other	4,235,183	205,590	99,427	339,449	4,879,649	1,467,182
Total Operating Revenues	237,862,110	26,733,917	33,728,341	21,253,749	319,578,117	68,599,543
OPERATING EXPENSES:						
Salaries and benefits	21,259,855	3,096,576	5,727,012	8,022,139	38,105,582	14,859,986
Demand charges	58,418,785	-	-	-	58,418,785	-
Fuel purchases	85,466,740	-	-	-	85,466,740	-
Water purchases	-	13,347,344	-	-	13,347,344	-
Landfill fees	-	-	-	3,764,302	3,764,302	-
Maintenance, repairs, and supplies	16,476,903	3,082,739	6,250,280	6,449,459	32,259,381	15,225,690
Contractual services	-	-	-	-	-	-
Insurance and other expenses	3,666,873	365,894	311,001	257,408	4,601,176	-
General and administrative	11,153,336	3,481,339	3,279,372	1,597,965	19,512,012	4,063,533
Capitalized general and administrative	(793,843)	(228,122)	(495,154)	-	(1,517,119)	-
Premiums	-	-	-	-	-	9,109,071
Claims	-	-	-	-	-	15,676,964
Insurance claims payable	-	-	-	-	-	520,699
Administrative Services	-	-	-	-	-	562,831
Depreciation	12,046,134	3,487,432	8,219,232	1,386,562	25,139,360	5,127,187
Total Operating Expenses	207,694,783	26,633,202	23,291,743	21,477,835	279,097,563	65,145,961
Total Operating Income (Loss)	\$ 30,167,327	\$ 100,715	\$ 10,436,598	\$ (224,086)	\$ 40,480,554	\$ 3,453,582

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, 2007

	Business-type Activities				Total Enterprise	Governmental
	Electric	Water	Sewer	Other Enterprise Funds	Funds	Activities Internal Service Funds
NONOPERATING REVENUES (EXPENSES)						
Gain (loss) on disposal of capital assets	\$ 73,911	\$ -	\$ (371,739)	\$ 13,134	\$ (284,694)	\$ 158,043
Earnings from investments:						
Current operations	6,317,324	293,559	463,880	94,772	7,169,535	1,678,592
Construction fund	1,677,061	853,143	3,196,664	104,708	5,831,576	375,595
Total earnings on investments	<u>7,994,385</u>	<u>1,146,702</u>	<u>3,660,544</u>	<u>199,480</u>	<u>13,001,111</u>	<u>2,054,187</u>
Interest expense:						
Revenue bonds	(3,657,099)	(1,466,072)	(3,935,405)	-	(9,058,576)	-
Certificates of obligation	(1,400,846)	(276,467)	(786,106)	(166,936)	(2,630,355)	(299,861)
General obligation bonds	(1,980,744)	(347,470)	(1,019,155)	-	(3,347,369)	-
Advance from other funds	-	-	-	(3,942)	(3,942)	-
Less capitalized interest	1,630,785	385,444	2,261,300	-	4,277,529	-
Total interest expense	<u>(5,407,904)</u>	<u>(1,704,565)</u>	<u>(3,479,366)</u>	<u>(170,878)</u>	<u>(10,762,713)</u>	<u>(299,861)</u>
Income (loss) before transfers and contributions	<u>32,827,719</u>	<u>(457,148)</u>	<u>10,246,037</u>	<u>(182,350)</u>	<u>42,434,258</u>	<u>5,365,951</u>
TRANSFERS						
Transfers in	-	-	-	261,000	261,000	5,294,736
Transfers out	(19,069,646)	(3,272,030)	(4,444,177)	(82,753)	(26,868,606)	(39)
Net transfers	<u>(19,069,646)</u>	<u>(3,272,030)</u>	<u>(4,444,177)</u>	<u>178,247</u>	<u>(26,607,606)</u>	<u>5,294,697</u>
Capital contributions	-	1,943,621	909,606	-	2,853,227	-
NET INCOME (LOSS)	13,758,073	(1,785,557)	6,711,466	(4,103)	18,679,879	10,660,648
Net assets, beginning of year	242,808,791	77,045,720	131,300,173	24,277,483	475,432,167	20,644,266
Net assets, end of year	<u>\$ 256,566,864</u>	<u>\$ 75,260,163</u>	<u>\$ 138,011,639</u>	<u>\$ 24,273,380</u>	<u>\$ 494,112,046</u>	<u>\$ 31,304,914</u>
					1,185,420	
					<u>\$ 19,865,299</u>	

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

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, 2007

	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	\$ 239,635,295	\$ 27,610,445	\$ 33,611,501	\$ 20,723,377	\$ 321,580,618	\$ 66,801,712
Cash received for customer deposit	-	-	-	-	-	1,201,124
Cash paid to suppliers	(173,014,635)	(20,636,613)	(9,459,163)	(12,129,869)	(215,240,280)	(46,321,643)
Cash paid to employees for services	(21,175,578)	(3,056,931)	(5,720,360)	(8,029,682)	(37,982,551)	(14,810,445)
Other operating revenues	4,235,183	205,590	99,427	339,449	4,879,649	1,467,182
Net cash provided by operations	<u>49,680,265</u>	<u>4,122,491</u>	<u>18,531,405</u>	<u>903,275</u>	<u>73,237,436</u>	<u>8,337,930</u>
Cash flows from noncapital financing activities:						
Due to other funds increases (decreases)	19,604	(218,503)	(250,165)	314,621	(134,443)	3,593,759
Due from other funds (increases)	(185,885)	243,882	88,459	(10,051)	136,405	(157,435)
Advance to other funds increase (decreases)	(2,073,439)	-	-	-	(2,073,439)	2,083,601
Due to other governments (decreases)	-	-	-	(1,193)	(1,193)	-
Transfers in	-	-	-	261,000	261,000	5,294,736
Transfers out	(19,069,646)	(3,272,030)	(4,444,177)	(82,753)	(26,868,606)	(39)
Net cash provided by (used for) noncapital financing activities	<u>(21,309,366)</u>	<u>(3,246,651)</u>	<u>(4,605,883)</u>	<u>481,624</u>	<u>(28,680,276)</u>	<u>10,814,622</u>
Cash flows from capital and related financing activities:						
Proceeds from sales of:						
Certificates of obligation	-	-	-	2,065,000	2,065,000	1,050,000
Revenue bonds	21,050,000	18,915,000	10,155,000	-	50,120,000	-
General obligation bonds	11,490,000	4,665,000	11,160,000	-	27,315,000	870,000
Premium on issuance of debt	984,888	1,027,686	542,279	304,847	2,859,700	165,719
Acquisition and construction of capital assets	(31,789,876)	(14,739,751)	(13,206,781)	(2,505,536)	(62,241,944)	(7,531,271)
Principal paid on:						
Revenue bonds	(2,210,000)	(750,475)	(3,609,525)	-	(6,570,000)	-
Certificates of obligation	(3,179,976)	(391,382)	(1,417,262)	(719,799)	(5,708,419)	(896,441)
General obligation bonds	(1,170)	(561,524)	(2,562,083)	-	(3,124,777)	-
Advance from other funds	-	-	-	(10,162)	(10,162)	-
Payment to escrow agent	(12,917,426)	(4,991,931)	(12,019,061)	-	(29,928,418)	(743,343)
Interest paid on:						
Revenue bonds	(3,659,715)	(838,374)	(1,470,613)	-	(5,968,702)	-
Certificates of obligation	136,531	(301,532)	(857,858)	(139,490)	(1,162,349)	(316,264)
General obligation bonds	(1,909,915)	(329,596)	(975,731)	-	(3,215,242)	(20,237)
Advances from other funds	-	-	-	(3,942)	(3,942)	-
Bond issue expense	958,936	(81,107)	566,734	(229,847)	1,214,716	(217,377)
Contributions	-	189,471	23,945	-	213,416	-
Proceeds from sales of assets	-	-	-	13,134	13,134	218,500
Net cash provided by (used for) capital and related financing activities	<u>(21,047,723)</u>	<u>1,811,485</u>	<u>(13,670,956)</u>	<u>(1,225,795)</u>	<u>(34,132,989)</u>	<u>(7,420,714)</u>

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

City of Garland, Texas
Proprietary Funds
Statement of Cash Flows
For the Year Ended September 30, 2007

	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	(105,039,161)	(22,588,169)	(24,763,956)	(3,270,170)	(155,661,456)	(40,472,495)
Proceeds from sale and maturities of investment securities	62,023,881	15,239,403	17,240,420	2,215,953	96,719,657	25,548,855
Interest received on investments	7,557,859	1,105,352	3,627,974	194,709	12,485,894	1,971,288
Net cash provided by (used for) investing activities	<u>(35,457,421)</u>	<u>(6,243,414)</u>	<u>(3,895,562)</u>	<u>(859,508)</u>	<u>(46,455,905)</u>	<u>(12,952,352)</u>
Net decrease in cash and cash equivalents	(28,134,245)	(3,556,089)	(3,640,996)	(700,404)	(36,031,734)	(1,220,514)
Cash and cash equivalents at beginning of the year	60,130,136	13,385,669	57,799,119	2,238,594	133,553,518	20,388,181
Cash and cash equivalents at end of the year	<u>\$ 31,995,891</u>	<u>\$ 9,829,580</u>	<u>\$ 54,158,123</u>	<u>\$ 1,538,190</u>	<u>\$ 97,521,784</u>	<u>\$ 19,167,667</u>
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities						
Operating income (loss)	\$ 30,167,327	\$ 100,715	\$ 10,436,598	\$ (224,086)	\$ 40,480,554	\$ 3,453,582
Adjustments:						
Depreciation expense	12,046,134	3,487,432	8,219,232	1,386,562	25,139,360	5,127,187
Provision for uncollectible accounts	6,619	62,432	22,022	-	91,073	-
Change in assets and liabilities						
(increase) decrease in accounts receivable	6,001,749	1,019,686	(39,435)	(190,923)	6,791,077	(330,649)
(increase) decrease in inventory	668,730	-	-	-	668,730	(1,294,953)
increase (decrease) in accounts payable	744,892	(587,419)	(113,664)	(60,735)	(16,926)	(388,601)
increase (decrease) in compensated absences	44,814	39,645	6,652	(7,543)	83,568	49,541
increase in customer deposits	-	-	-	-	-	1,201,124
increase (decrease) in insurance claims payable	-	-	-	-	-	520,699
Total adjustments	<u>19,512,938</u>	<u>4,021,776</u>	<u>8,094,807</u>	<u>1,127,361</u>	<u>32,756,882</u>	<u>4,884,348</u>
Net cash provided by operating activities	<u>\$ 49,680,265</u>	<u>\$ 4,122,491</u>	<u>\$ 18,531,405</u>	<u>\$ 903,275</u>	<u>\$ 73,237,436</u>	<u>\$ 8,337,930</u>
Noncash investing, capital and financing activities:						
Contributions from developers	-	1,754,150	885,661	-	2,639,811	-
Capitalized general & administrative expense	793,843	228,122	495,154	-	1,517,119	-
Capitalized Revenue Bond Interest	1,630,785	385,444	2,261,300	-	4,277,529	-
Insurance claims payable - increase (decrease)	-	-	-	-	-	520,699

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

GARLAND

City of Garland, Texas
Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Discretely Presented Component Units

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

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

B. Government-wide and fund financial statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

Additionally, the City reports the following fund categories:

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

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

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

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

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. *Deposits and investments*

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

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

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

2. *Receivables and payables*

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

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

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

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

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

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

3. *Inventories and prepaid items*

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

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

4. *Restricted assets*

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

5. *Capital assets*

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value for buildings excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond 40 years. The reported value for infrastructure includes all upgrades and is depreciated over a useful life of 15-50 years. In the case of contributed assets, the City values these capital assets at the estimated fair value of the item at the date of its contribution.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest accrued 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 incurred by the City during the current year was \$27,660,075. Of this amount, \$4,277,529 was included as part of the cost of capital assets under construction in connection with electric, water, and sewer construction projects.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	15
Equipment	2 – 10
Systems and Infrastructure	15 - 50

6. *Compensated absences*

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

7. *Long-term obligations*

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

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

8. *Fund equity*

In the fund financial statements, governmental funds and proprietary funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans, and are subject to change.

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

9. *New accounting principles*

The GASB has issued Statement No. 43, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”* (“GASB 43”), which was effective for the City in the fiscal year ending September 30, 2007. GASB 43 establishes uniform financial reporting standards for OPEB (other post-employment benefits) plans and supersedes interim guidance in GASB 26. The implementation of this standard did not have an impact on the City’s financial statements.

The GASB has also issued Statement No. 45, *“Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions”* (“GASB 45”), which will be effective for the City in the fiscal year ended September 30, 2008. GASB 45 requires that state and local governments establish standards for the measurement, recognition, and display of other post employment benefits expense/expenditures, related liabilities, and note disclosures in the financial statements. The City is in the process of reviewing and evaluating the potential impact of this statement.

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

The GASB has also issued Statement No. 48, *“Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”* (“GASB 48”), which will be effective in fiscal year 2008. This statement establishes standards for reporting transactions occurring when receivables are pledged. This statement also includes a provision related to the valuation of assets transferred between financial reporting entity components. The City is in the process of reviewing and evaluating this statement.

The GASB has also issued Statement No. 49, *“Accounting and Financial Reporting for Pollution Remediation Obligations”* (“GASB 49”), which will be effective in fiscal year 2009. This statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation and be required to estimate its expected outlays for pollution remediation if it knows a site is polluted. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has also issued Statement No. 50, *“Pension Disclosures”* (“GASB 50”), which will be effective in fiscal year 2008. This statement amends statements 25 and 27 and identifies the information required for disclosure in the financial statements for defined benefit pension plans and sole and agent employers. The City has not yet evaluated the impact of the implementation of this standard.

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

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

The GASB has also issued Statement No. 52, “*Land and Other Real Estate Held as Investments by Endowments*” (“GASB 52”), which will be effective in fiscal year 2009. Prior to the issuance of GASB 52, accounting standards required permanent and term endowments, including permanent funds, to report land and other real estate held as investments at historical cost. Other entities that exist for the purpose of generating income – such as pension plans – report them at fair value. The GASB believes that fair value information about investments is more transparent and useful to the users of financial statements than original cost. Statement 52 eliminates the reporting inconsistency by requiring permanent and term endowments to report these assets at fair value. It also requires the changes in fair value to be reported as investment income and the methods and significant assumptions employed to determine fair value to be disclosed. Governments should also disclose other information that they currently present for other investments reported at fair value. The adoption of this statement is not expected to have an impact on the accompanying financial statements.

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 a 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 \$222,518,464 difference are as follows:

General Obligation bonds	\$151,687,292
Certificates of Obligation – General Government portion	<u>70,831,172</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at net assets – governmental activities	<u>\$222,518,464</u>

The portion of Certificates of Obligation amounting to \$5,983,064 was issued for Internal Service fund projects. This total is included in the reconciliation total of \$3,800,731 for internal service funds net asset adjustment.

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 a reconciliation between *net changes in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,674,826 difference are as follows:

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

Debt issued or incurred:	
Issuance of certificates of obligation - Governmental Funds	\$ 13,860,000
Issuance of general obligation bonds	39,200,000
Net premium and issue costs on issuance of GO bonds	428,098
Principal repayments:	
General obligation debt	(7,765,221)
Certificates of obligation	(6,250,175)
Refunded debt of certificates of obligation bonds	(18,957,399)
Refunded debt of general obligation bonds	(20,705,699)
Amortization of bond issue costs	(332,218)
Change in landfill closure liability	783,249
Change in compensated absences liability	1,414,191
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 1,674,826

Another element of that reconciliation states that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.” The details of this \$5,090,775 difference are as follows:

Capital outlays	\$ 31,498,437
Developers contributions	3,382,775
Depreciation expense	(25,972,660)
CIP expense outlays	(3,531,148)
Loss on disposal of asset	(286,629)
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 5,090,775

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.

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

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

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

B. Excess of expenditures over appropriations

Expenditures for all funds were under appropriations set by City Council.

C. Deficit fund equity

The Capital Projects Fund deficit of \$26,178,715 will be eliminated when general obligation bonds are issued to refund general obligation commercial paper. General obligation commercial paper is recorded as a fund liability and not as other financing sources revenue since they are within six months from issuance.

The CDBG Fund deficit of \$44,407 will be eliminated through reimbursements for projects in the next fiscal year.

The NETLS Fund deficit of \$4,269 will be eliminated through reimbursements for projects in the next fiscal year.

The TIF fund deficit of \$380,196 will be eliminated over several years from future taxes for the tax increment financing districts.

The Self-Insurance Fund deficit of \$3,519,749 decreased by \$145,536 from the prior year. This deficit will be eliminated by increasing charges to other operating funds in future years.

The Long-Term Disability Insurance Fund deficit of \$3,729,684 is the result of an accrual of claims incurred but not reported of \$4,187,446. This accrual was made on the basis of an actuarial analysis completed in December of 2006. This fund is managed and funded on a cash basis. Therefore, this fund will continue to report a deficit.

The Fleet Services Fund deficit of \$731,727 increased by \$48,715 from the prior year. This deficit will be eliminated by increasing charges to other operating funds.

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

IV. Detailed notes on all funds

A. Deposits and investments

As of September 30, 2007, the City had the following cash and cash equivalents and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Federal Home Loan Bank	\$ 97,681,110	\$ 10,908,438	\$ 86,772,672
Federal National Mortgage Association	63,070,550	19,973,987	43,096,563
Federal Home Loan Mortgage Corp	48,523,130	6,950,435	41,572,695
Federal Farm Credit Bank	8,548,846	-	8,548,846
Investment Pools – Texpool & Texpool Prime	119,272,694	119,272,694	-
Investment Pools – Logic	7,361,075	7,361,075	-
Money Market Fund	1,855,846	1,855,846	-
Commercial Paper	30,866,705	30,866,705	-
Investment allowance	(450,323)	(450,323)	-
Total fair value	<u>\$ 376,729,633</u>	<u>\$ 196,738,857</u>	<u>\$ 179,990,776</u>

Investment allowance. Investment allowance represents the write-down of a commercial paper issue in the original amount of \$5,000,000 whose issuer is facing credit difficulty and has not repaid the investment on its maturity. The rating on this investment was downgraded to CCC at September 30, 2007, and the City expects to collect 90.9935% of face value. As of the opinion date, the investment is not rated.

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

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, 2007, the City’s investments in commercial paper were rated A1 by Standard & Poor’s, F-1 by Fitch Ratings, and P-1 by Moody’s Investors Service except as discussed above. The City’s investments in U. S. agencies were rated AAA by Standard & Poor’s and Moody’s Investors Service. The City’s investments in Texpool were rated AAAM by Standard & Poor’s. The City’s investment in LOGIC was rated AAAM by Standard & Poor’s.

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

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

The City invests in Texpool, Texpool Prime, and Logic to meet its daily liquidity needs. Texpool, Texpool Prime, and Logic are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texpool, Texpool Prime, and Logic are 2(a)7 like pool funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. Texpool, Texpool Prime, and Logic are all rated AAAM and must maintain a dollar weighted average maturity not to exceed a 60 day limit. As of September 30, 2007, Texpool, Texpool Prime, and Logic had a weighted average maturity of 33 days, 23 days, and 28 days, respectively. The City considers the holdings in these funds to have a weighted average maturity of one day, due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

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, 2007, the carrying amount of the City's deposits was \$2,595,865 and the bank balance was \$3,410,272. On September 30, 2007, the City's bank balance was fully collateralized. Bank balances for two of the City's component units (Garland Housing Finance Corporation and Garland Health Facilities Development Corporation) was unsecured and uncollateralized for deposits in excess of \$100,000 which was covered by federal depository insurance.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2007, the City's investments in U. S. agencies and commercial paper are categorized as insured or registered, or securities held by the City or its agent in the City's name.

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

B. Receivables

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

	General	Debt Service	Capital Projects	Electric	Water	Sewer	Other Funds	Total
Receivables:								
Interest	\$ 317,705	\$ 506	\$ 260,703	\$ 80,216	\$ 22,331	\$ 28,129	\$ 295,176	\$ 1,004,766
Taxes	1,361,361	1,013,496	-	-	-	-	-	2,374,857
Utility Accounts	10,210	-	-	28,431,935	3,692,110	3,081,472	3,242,540	38,458,267
Mowing Liens	900,547	-	-	-	-	-	-	900,547
EMS Accounts	6,334,825	-	-	-	-	-	-	6,334,825
Franchise Fee	1,493,052	-	-	-	-	-	-	1,493,052
Sales Tax	3,733,862	-	-	-	-	-	-	3,733,862
Other Accounts	4,251,299	-	-	6,065,382	60,921	770,052	197,721	11,345,375
Assessments	-	-	-	-	-	-	12,158	12,158
Gross Receivables	18,402,861	1,014,002	260,703	34,577,533	3,775,362	3,879,653	3,747,595	65,657,709
Less: allowance for uncollectibles	(4,778,120)	(413,606)	-	(1,604,549)	(185,598)	(196,675)	(547,638)	(7,726,186)
Net total receivables	\$ 13,624,741	\$ 600,396	\$ 260,703	\$ 32,972,984	\$ 3,589,764	\$ 3,682,978	\$ 3,199,957	\$ 57,931,523

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)	\$ 737,758	\$ -
Delinquent property taxes receivable (debt service fund)	549,241	-
Other receivables (general fund)	5,000,129	-
Parks service charges for future events	-	139,538
Faulkner receivable	-	624,386
Grant draw downs prior to meeting all eligibility requirements	-	998,427
Special assessments prior to meeting all eligibility requirements	-	150,014
	<u>\$ 6,287,128</u>	<u>\$ 1,912,365</u>

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

C. Capital Assets

Capital asset activity for the year ended September 30, 2007, was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 57,802,588	\$ 14,920,772	\$ -	\$ 72,723,360
Construction in progress	76,153,483	30,508,277	(51,263,547)	55,398,213
Total capital assets, not being depreciated	<u>133,956,071</u>	<u>45,429,049</u>	<u>(51,263,547)</u>	<u>128,121,573</u>
Capital assets, being depreciated:				
Buildings	84,654,205	212,502	-	84,866,707
Improvements other than buildings	330,628,801	33,195,945	-	363,824,746
Machinery and equipment	75,706,195	3,776,119	(1,586,690)	77,895,624
Internal service buildings, improvements, and equipment	58,050,786	7,440,377	(1,814,366)	63,676,797
Total capital assets being depreciated	<u>549,039,987</u>	<u>44,624,943</u>	<u>(3,401,056)</u>	<u>590,263,874</u>
Less accumulated depreciation for:				
Buildings	(22,486,279)	(2,146,481)	-	(24,632,760)
Improvements other than buildings	(189,284,543)	(16,925,912)	-	(206,210,455)
Machinery, furniture, and equipment	(44,442,994)	(6,900,270)	1,300,060	(50,043,204)
Internal service buildings, improvements, and equipment	(38,517,970)	(5,127,187)	1,753,625	(41,891,532)
Total accumulated depreciation	<u>(294,731,786)</u>	<u>(31,099,850)</u>	<u>3,053,685</u>	<u>(322,777,951)</u>
Total capital assets, being depreciated, net	<u>254,308,201</u>	<u>13,525,093</u>	<u>(347,371)</u>	<u>267,485,923</u>
Governmental activities capital assets, net	<u>\$ 388,264,272</u>	<u>\$ 58,954,142</u>	<u>\$ (51,610,918)</u>	<u>\$ 395,607,496</u>

Land purchases totaling \$14,523,454 was part of the \$51,263,547 construction in progress decrease reported above.

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 13,651,659	\$ 3,378,634	\$ -	\$ 17,030,293
Construction in progress	104,672,454	58,436,951	(91,858,915)	71,250,490
Total capital assets, not being depreciated	118,324,113	61,815,585	(91,858,915)	88,280,783
Capital assets, being depreciated:				
Utility buildings, improvements, and equipment	747,826,871	97,812,557	(8,463,183)	837,176,245
Total capital assets being depreciated	747,826,871	97,812,557	(8,463,183)	837,176,245
Less accumulated depreciation for:				
Utility buildings, improvements, and equipment	(345,469,901)	(25,139,360)	8,165,345	(362,443,916)
Total accumulated depreciation	(345,469,901)	(25,139,360)	8,165,345	(362,443,916)
Total capital assets, being depreciated, net	402,356,970	72,673,197	(297,838)	474,732,329
Business-type activities capital assets, net	\$ 520,681,083	\$ 134,488,782	\$ (92,156,753)	\$ 563,013,112

Land purchases amounting to \$3,378,634 was part of the \$91,858,915 decrease in construction in progress reported above.

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

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

Governmental activities:	
General government	\$ 1,063,768
Public safety	3,382,644
Public works	18,572,525
Culture and recreation	2,897,153
Public health	56,573
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	5,127,187
Total depreciation expense – governmental activities	\$ 31,099,850
Business-type activities:	
Electric	\$ 12,046,134
Water	3,487,432
Sewer	8,219,232
Other non-major business-type activities	1,386,562
Total depreciation expense – business-type activities	\$ 25,139,360

During the current fiscal year asset lives for various Electric System assets were changed to more accurately reflect the actual asset life. The change in asset life resulted in an increase in depreciation expense during fiscal year 2007 of \$1,967,578.

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

Construction commitments

The City has active construction projects as of September 30, 2007. At year-end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Electric system	\$ 161,502	\$ 157,443
Water system	7,061,375	502,543
Sewer system	39,921,860	2,760,155
Information Systems	1,358,457	20,407
Landfill	2,215,037	273,724
Streets and Drainage	2,245,310	262,304
Buildings	24,075,331	1,820,916
Total	<u>\$ 77,038,872</u>	<u>\$ 5,797,492</u>

During the fiscal year, the City entered into a contract with Trammell Crow Company/High Street Residential (developer) to construct a mixed use project on land owned by the City located at the northwest corner of Fifth Street and State Street. This project will include apartment units, office space, flex retail, and a parking garage. The apartment units, office space, and flex retail will be built, owned, and operated by the developer. The City is committed to pay approximately \$8,970,000 to the developer to build the parking garage which will be owned and operated by the City.

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2007, is as follows:

Interfund Payable	Interfund Receivable								
	General	Capital Projects	Electric	Water	Sewer	Internal Service	Non-Major Governmental	Non-Major Business-type	Total
General	\$ 23,485	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ -	\$ -	\$ 23,506
Capital Project	-	-	175,000	100,000	-	359,431	-	-	634,431
Electric	-	-	-	-	-	19,604	-	-	19,604
Water	-	12,660	-	-	34,831	22,111	-	-	69,602
Sewer	-	-	-	-	-	10,986	-	-	10,986
Non-major Business Type	1,723,673	-	185,885	-	-	75,433	-	10,051	1,995,042
Non-major Governmental	1,032,940	-	-	-	-	23,458	15,469	-	1,071,867
Internal Service	6,555,448	-	-	-	-	51,727	17	-	6,607,192
	<u>\$ 9,335,546</u>	<u>\$ 12,660</u>	<u>\$ 360,885</u>	<u>\$ 100,000</u>	<u>\$ 34,831</u>	<u>\$ 562,771</u>	<u>\$ 15,486</u>	<u>\$ 10,051</u>	<u>\$ 10,432,230</u>

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

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, 2007, is as follows:

Advance Payable	Advance Receivable	
	Electric	Total
Internal Service	\$ 5,183,647	\$ 5,183,647
Non-major Business-type fund	72,058	72,058
	\$ 5,255,705	\$ 5,255,705

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:

Transfers To:

	Transfers To:						Total Transfers
	General fund	Capital Projects Fund	Debt Service Fund	Non-major Governmental Funds	Non-major Business Type Funds	Internal Service Fund	
General	\$ -	\$ 3,179,375	\$ -	\$ 4,838,533	\$ 250,000	\$ -	\$ 8,267,908
Debt Service Fund	-	5,373,000	-	-	-	-	5,373,000
Capital Project Fund	-	-	-	3,100,000	11,000	-	3,111,000
Non-major governmental	63,527	-	-	-	-	225,000	288,527
Electric	13,770,189	-	229,760	-	-	5,069,697	19,069,646
Water	2,600,304	-	44,185	627,541	-	-	3,272,030
Sewer	3,781,288	-	35,348	627,541	-	-	4,444,177
Non-major Business-type	29,731	-	53,022	-	-	-	82,753
Internal Service	-	-	-	-	-	39	39
	\$ 20,245,039	\$ 8,552,375	\$ 362,315	\$ 9,193,615	\$ 261,000	\$ 5,294,736	\$ 43,909,080

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

E. Long-term liabilities

A summary of long-term liabilities, including current portion, for the year ended September 30, 2007, is as follows:

	Beginning Balance	Increased	Retired	Ending Balance	Due within one year
<u>Governmental activities:</u>					
General obligation bonds	\$ 140,958,212	\$ 40,070,000	\$ (28,470,920)	\$ 152,557,292	\$ 8,492,486
Certificates of obligation	88,835,115	14,910,000	(26,930,879)	76,814,236	7,691,958
Landfill post closure cost	7,690,709	804,464	(21,215)	8,473,958	-
Compensated absences	17,499,334	2,726,488	(1,262,758)	18,963,064	6,950,147
Insurance claims payable	13,419,284	3,056,990	(2,536,291)	13,939,983	3,056,990
Governmental activity Long-term debt	<u>\$ 268,402,654</u>	<u>\$ 61,567,942</u>	<u>\$ (59,222,063)</u>	<u>\$ 270,748,533</u>	<u>\$ 26,191,581</u>
<u>Business-type activities:</u>					
Utility System revenue bonds	\$ 191,935,000	\$ 50,120,000	\$ (6,570,000)	\$ 235,485,000	\$ 8,065,000
General obligation bonds	53,411,788	27,315,000	(5,659,080)	75,067,708	802,514
Certificates of obligation	67,864,920	2,065,000	(31,379,156)	38,550,764	6,088,042
Compensated absences	1,823,696	434,578	(351,010)	1,907,264	1,607,163
Business-type activity Long-term debt	<u>\$ 315,035,404</u>	<u>\$ 79,934,578</u>	<u>\$ (43,959,246)</u>	<u>\$ 351,010,736</u>	<u>\$ 16,562,719</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities. At year-end \$724,210 of internal service funds compensated absences are included in the governmental activities compensated absences. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

The proceeds of \$14,910,000 from the sale of certificates of obligation for governmental activities are reported as follows:

- Capital Projects Fund - Other financing sources \$13,825,000
- Internal Service Funds – Proceeds from the sale of debt \$ 1,050,000
- Business-type Activities – transfer from long-term debt \$ 35,000

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

A summary of short-term debt transactions for the year ended September 30, 2007, is as follows:

	Balance at October 1, 2006	Increased	Retired	Balance at September 30, 2007
<u>Governmental activities:</u>				
Tax Notes	\$ 5,373,000	\$ 4,240,000	\$ (5,373,000)	\$ 4,240,000
Commercial Paper	<u>35,000,000</u>	<u>55,000,000</u>	<u>(35,000,000)</u>	<u>55,000,000</u>
Governmental activity				
Short-term debt	\$ <u>40,373,000</u>	\$ <u>59,240,000</u>	\$ <u>(40,373,000)</u>	\$ <u>59,240,000</u>

Long-term debt at September 30, 2007, includes the following individual issues (not including the unamortized discount, premium, issue, and refunding costs of \$5,944,804):

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
General obligation bonds:						
1995B Refunding	5.25 – 5.50	6/16/1995	8/15/2007	\$ 24,325,000	\$ 24,325,000	\$ -
1997 Various purpose	5.125 – 7.125	5/07/1997	2/15/2017	6,375,000	6,055,000	320,000
1998 Various purpose	4.50 – 5.00	3/15/1998	2/15/2019	48,890,000	25,350,000	23,540,000
1999 Various purpose	4.05 – 5.30	3/30/1999	2/15/2019	18,375,000	14,815,000	3,560,000
1999A Refunding	4.05 – 5.30	2/22/1999	2/15/2016	13,335,000	4,750,000	8,585,000
2000 Various purpose	5.50 – 6.50	2/22/2000	2/15/2020	10,820,000	9,380,000	1,440,000
2001 Various purpose	4.25 – 5.00	4/01/2001	2/15/2021	14,315,000	8,640,000	5,675,000
2002 Refunding	3.75 – 4.50	5/21/2002	2/15/2010	8,050,000	5,600,000	2,450,000
2004 Refunding	3.39 – 10.00	2/13/2004	8/15/2020	1,860,000	1,860,000	-
2005A Refunding	3.5 – 5.25	4/19/2005	2/15/2020	70,615,000	1,950,000	68,665,000
2005B Refunding	3.00 – 5.25	4/19/2005	2/15/2022	23,675,000	1,415,000	22,260,000
2005B Various purpose	Variable *	9/07/2005	2/15/2025	23,745,000	23,745,000	-
2007A Refunding	4.00 – 5.00	2/15/2007	2/15/2025	67,385,000	-	67,385,000
2007B Refunding	Variable *	2/20/2007	2/15/2025	23,745,000	-	23,745,000
				<u>\$ 355,510,000</u>	<u>\$ 127,885,000</u>	<u>\$ 227,625,000</u>

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

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Certificates of Obligation:						
1997 Various purpose	5.00 – 5.00	3/15/1997	2/15/2017	\$ 11,930,000	\$ 11,430,000	\$ 500,000
1997B Golf course	5.50 – 5.50	8/15/1997	8/15/2027	600,000	-	600,000
1998 Various purpose	4.50 – 5.50	2/15/1998	2/15/2018	25,295,000	13,620,000	11,675,000
1999 Various purpose	3.15 – 5.15	2/22/1999	2/15/2019	20,780,000	15,690,000	5,090,000
2000 Various purpose	5.00 – 5.75	2/22/2000	2/15/2020	63,950,000	55,455,000	8,495,000
2001 Various purpose	4.25 – 5.25	4/01/2001	2/15/2021	45,320,000	27,845,000	17,475,000
2002 Various purpose	3.75 – 5.25	5/21/2002	2/15/2022	25,350,000	17,405,000	7,945,000
2003 Various purpose	3.00 – 4.75	4/15/2003	2/15/2023	18,685,000	4,525,000	14,160,000
2004 Various purpose	2.00 – 5.00	4/15/2004	2/15/2024	17,045,000	4,105,000	12,940,000
2005 Various purpose	3.00 – 5.25	4/19/2005	2/15/2025	20,275,000	10,040,000	10,235,000
2006 Various purpose	3.75 – 4.375	3/15/2006	2/15/2026	10,275,000	1,000,000	9,275,000
2007 Various purpose	4.00 – 5.625	5/15/2007	2/15/2022	16,975,000	-	16,975,000
				<u>\$ 276,480,000</u>	<u>\$ 161,115,000</u>	<u>\$ 115,365,000</u>
Utility System revenue bonds:						
2003 Electric Utility	3.00 – 5.00	8/01/2003	3/01/2023	\$ 13,810,000	\$ 1,340,000	\$ 12,470,000
2003 Water & Sewer	2.00 – 5.00	8/01/2003	3/01/2023	13,680,000	1,875,000	11,805,000
2004 Electric Utility	2.00 – 5.00	4/15/2004	3/01/2024	19,060,000	2,160,000	16,900,000
2004 Water & Sewer	2.00 – 6.00	4/15/2004	3/01/2024	33,540,000	3,400,000	30,140,000
2004 Water & Sewer	2.00 – 5.00	5/25/2004	3/01/2024	38,485,000	1,685,000	36,800,000
2005 Electric Utility	2.75 – 5.25	4/19/2005	3/01/2025	18,935,000	1,330,000	17,605,000
2005 Water & Sewer	2.75 – 5.25	4/19/2005	3/01/2025	20,545,000	1,555,000	18,990,000
2006 Electric Utility	3.50 – 5.00	3/15/2006	3/01/2026	25,045,000	290,000	24,755,000
2006 Water & Sewer	4.00 – 4.50	3/15/2006	3/01/2026	16,180,000	280,000	15,900,000
2007 Electric Utility	4.00 – 5.625	5/15/2007	3/01/2027	21,050,000	-	21,050,000
2007 Water & Sewer	4.00 – 5.625	5/15/2007	3/01/2027	29,070,000	-	29,070,000
				<u>\$ 249,400,000</u>	<u>\$ 13,915,000</u>	<u>\$ 235,485,000</u>

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

Terms of the Interest Rate Cap are commencing on May 15, 2007, the City shall be entitled to receive a payment from Bank of America on each February 15, May 15, August 15, and November 15. The amount of any such payment by Bank of America shall be based on: i) the amount that the LIBOR rate with a stated maturity of three months exceeds 3.80%; and ii) the currently outstanding notional balance of the Cap. The Cap is scheduled to terminate on August 15, 2015. The fair value of the Cap, if it were to be terminated, had a positive fair market value of \$306,082 as of September 30, 2007. Caps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market value was calculated using information obtained from

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

generally recognized sources with respect to quotations, reporting of specific transactions and market conditions and based on accepted industry standards and methodologies.

As of September 30, 2007, 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, 2007, the Bank of America would pay the City \$350,567 to terminate the agreement.

Arbitrage provisions of the Tax Reform act require the City to rebate excess arbitrage earnings from bond proceeds to the Internal Revenue Service. Accrued rebate liabilities for the fiscal year ended September 30, 2007, amounted to \$120,906 for Certificates of Obligation, \$220,632 for Electric Revenue Bonds and \$307,659 for Water & Sewer Revenue Bonds.

Short-term debt at September 30, 2007, includes the following individual issues:

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Tax anticipation notes:						
2006 Tax anticipation	3.99 – 4.45	9/12/2006	9/15/2007	\$ 5,373,000	\$ 5,373,000	\$ -
2007 Tax anticipation	4.05 – 5.50	9/27/2007	9/30/2008	4,240,000	-	4,240,000
				\$ 9,613,000	\$ 5,373,000	\$ 4,240,000
Commercial Paper						
2007 Commercial Paper Issue	3.75 – 3.75	6/14/2007	10/05/2007	\$ 5,000,000	\$ -	\$ 5,000,000
2007 Commercial Paper Issue	3.74 – 3.74	7/10/2007	10/09/2007	1,500,000	-	1,500,000
2007 Commercial Paper Issue	3.74 – 3.74	7/10/2007	10/09/2007	15,500,000	-	15,500,000
2007 Commercial Paper Issue	3.70 – 3.70	8/06/2007	11/07/2007	28,000,000	-	28,000,000
2007 Commercial Paper Issue	3.65 – 3.65	9/07/2007	01/08/2008	5,000,000	-	5,000,000
				\$ 55,000,000	\$ -	\$ 55,000,000

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

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

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 and advances from other funds as of September 30, 2007, including interest payments of \$250,685,529 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,	Certificates								
	General Obligation	GO Interest	Of Obligation	CO Interest	Tax Note	Taxnote Interest	Commercial Paper	CP Interest	
2008	\$ 8,492,486	7,064,886	7,691,958	3,650,193	4,240,000	211,576	55,000,000	542,020	
2009	9,122,626	6,653,074	7,338,217	3,018,708	-	-	-	-	
2010	9,099,953	6,237,515	7,171,408	2,688,543	-	-	-	-	
2011	8,703,529	5,814,390	6,441,130	2,374,431	-	-	-	-	
2012	9,160,388	5,384,515	5,630,935	2,093,093	-	-	-	-	
2013-2017	50,941,088	24,043,551	22,015,588	6,847,647	-	-	-	-	
2018-2022	44,407,222	14,767,179	11,900,000	3,326,476	-	-	-	-	
2023-2027	12,630,000	2,761,006	8,625,000	945,677	-	-	-	-	
Total \$	152,557,292	72,726,116	76,814,236	24,944,768	4,240,000	211,576	55,000,000	542,020	

Business-type Activities							
Years Ending September 30,	Revenue		Certificates				
	Revenue	Interest	General Obligation	GO Interest	of Obligation	CO Interest	
2008	\$ 8,065,000	11,512,682	802,514	3,783,180	6,088,042	1,760,200	
2009	9,480,000	10,087,616	867,374	3,744,877	6,426,783	1,417,076	
2010	9,855,000	9,716,599	900,047	3,707,685	6,528,592	1,108,243	
2011	10,185,000	9,306,039	3,606,471	3,594,891	4,568,870	841,026	
2012	10,605,000	8,866,003	3,804,612	3,404,701	4,304,065	624,586	
2013-2017	60,110,000	36,820,530	35,743,912	12,749,661	10,634,412	751,122	
2018-2022	74,510,000	21,458,181	29,342,778	2,570,027	-	-	
2023-2027	52,675,000	4,436,124	-	-	-	-	
Total \$	235,485,000	112,203,774	75,067,708	33,555,022	38,550,764	6,502,253	

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

At September 30, 2007, the City has authorized but not issued general obligation bonds in the amount of \$250,356,586 as follows:

	Balance at Oct. 1, 2006	Issued	Balance at Sept. 30, 2007
Streets Improvements	\$ 147,799,079	-	147,799,079
Park Improvements	27,694,000	-	27,694,000
Drainage Improvements	30,611,857	-	30,611,857
Municipal Facilities	364,000	-	364,000
Library Improvements	10,057,988	-	10,057,988
Public Safety	19,229,662	-	19,229,662
Economic Development	14,600,000	-	14,600,000
	\$ 250,356,586	-	250,356,586

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 revenue bonds issued by the City's Electric, Water, and Sewer Systems are payable as to both principal and interest solely from, and are secured by a lien on, and pledge of, the revenues of those combined systems, after deduction of reasonable operation and maintenance expenses.

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 2007	\$ 16,975,000	4.417%
General Obligation Refunding, Series 2007A	67,385,000	4.302%
General Obligation Refunding, Series 2007B	23,745,000	Variable
Electric Utility System Revenue Bonds, Series 2007	21,050,000	4.457%
Water & Sewer System Revenue Bonds, Series 2007	29,070,000	4.493%
Tax Anticipation Note, Series 2007	4,240,000	4.949%
Commercial Paper	55,000,000	3.65 – 3.75%

On March 27, 2007, the City issued \$67,385,000 in General Obligation Refunding Bonds to advance refund \$68,695,000 of outstanding certificates of obligation and general obligation bonds. An amount of \$71,231,554 was placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next seventeen years by \$4,144,600 and obtained an economic gain (difference

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

between the present values of the debt service payments of the old and new debt) of \$3,041,494. The refunding resulted in a book loss (difference between amount placed in escrow and carrying amount of debt refunded) of \$2,536,554.

On March 27, 2007, the City issued \$23,745,000 in General Obligation Refunding Bonds to advance refund \$23,745,000 of outstanding general obligation bonds. As a result of the refunding, the City increased its total debt service payment over the eighteen years by \$640,589 and obtained an economic loss (difference between the present values of the debt service payments of the old and new debt) of \$9,181.

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, 2007, \$37,465,000 of General Obligation Bonds and \$76,209,632 of Certificates of Obligation, all of which are considered defeased, are still outstanding.

F. Retirement Plans

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system. A copy of separately audited financial statements of the plan may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas 78714-9153.

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

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

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

Contributions

The contribution rate for employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing

monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

In December 2007, the TMRS Board of Trustees met and adopted actuarial changes that include a change from the unit credit actuarial cost method to the projected unit credit actuarial cost method for all TMRS city plans as well as a closed amortization period of 30 years. The effect of these changes will result 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. All cities will receive their 2009 contribution rate letter in May 2008 that will specify exactly how these changes will affect the future annual required contribution rate upon completion of an actuarial valuation to be performed as of December 31, 2007. 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. While the impact of the TMRS changes is not presently known, the City's contribution rate is expected to increase significantly. Tentative estimates of the City's future contribution rate show an increase from 15.49% to 16.49% in 2009. Management believes that while these increases will present additional challenges to the City, changes can be made during the budgeting process to mitigate any adverse financial impact to the City.

The City's total payroll in fiscal year 2007 was \$140,510,966, and the City's contributions were based on a payroll of \$114,776,320. Both the City and the covered employees made the required contributions, amounting to \$17,696,672 for the City and \$8,034,342 (7 %) for the employees.

A summary of City and employee contributions for the fiscal year ending September 30, 2007, follows:

	Gross Earnings	Normal		Unfunded Actuarial Liability		Death and Disability Benefit		Total Rate	Total Contribution
		Rate	Contribution	Rate	Contribution	Rate	Contribution		
City Contribution:									
Months in calendar year 2006	\$ 26,509,556	10.22%	\$ 2,709,277	4.71%	\$ 1,248,600	0.25%	\$ 66,274	15.18%	\$ 4,024,151
Months in calendar year 2007	88,266,764	10.21%	9,012,036	5.02%	4,430,992	0.26%	229,493	15.49%	13,672,521
Total Fiscal Year	<u>\$114,776,320</u>		<u>\$ 11,721,313</u>		<u>\$ 5,679,592</u>		<u>\$ 295,767</u>		<u>\$ 17,696,672</u>
Employee Contribution:									
Months in calendar year 2006	\$ 26,509,556	7.00%	\$ 1,855,669	-	-	-	-	7.00%	\$ 1,855,669
Months in calendar year 2007	88,266,764	7.00%	6,178,673	-	-	-	-	7.00%	6,178,673
Total Fiscal Year	<u>\$ 114,776,320</u>		<u>\$ 8,034,342</u>		<u>-</u>		<u>-</u>		<u>\$ 8,034,342</u>
Total City and Employee Contributions			<u>\$19,755,655</u>		<u>\$ 5,679,592</u>		<u>\$ 295,767</u>		<u>\$ 25,731,014</u>

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

Three Year Trend Information

Fiscal <u>Year</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2005	\$15,909,181	100%	--
2006	\$16,443,452	100%	--
2007	\$17,696,672	100%	--

Actuarial Assumptions

Actuarial Cost Method	- Unit Credit
Amortization Method	- Level Percent of Payroll
Remaining Amortization Period	- 25 Years - Open Period
Asset Valuation Method	- Amortized Cost (to accurately reflect the requirements of GASB stmt., No. 25, paragraphs 36e and 138)
Investment Rate of Return	- 7%
Projected Salary Increases	- None
Includes Inflation At	- 3.5%
Cost-of-living Adjustments	- None

G. 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 \$5,366,931 were collected from insured funds. Claims settlement and loss expenses are accrued in the Self-Insurance Fund for the estimated settlement value of claims reported and incurred but not reported arising from incidents during the period. A liability, insurance claims payable, has been established. The reported liability includes actuarially determined present value projected losses for general, auto, and worker's compensation exposure. In determining projected losses, coverages with material incurred losses were compared to expected industry loss levels for prior periods. Based on this comparison, an experience modifier was selected and applied to current indicated industry premiums per exposure unit to obtain expected losses as of September 30, 2007, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in December 2006 long-term claims payable is estimated at \$6,695,547. The next scheduled study will be performed during fiscal year 2008.

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

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. An actuarially determined liability of \$4,187,446 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, 2007, a short-term liability of \$3,056,990 was recognized for open claims and claims incurred but not reported. The claims incurred but not reported is calculated based on a monthly average for claims paid during the current fiscal year.

The City provides post employment health and dental care benefits for all retired employees and their dependents under the same plan(s) as active employees in accordance with City Directives, which are approved by City management. The City contributes \$313 per retiree per month for health premiums and claims are paid through the Group Health Fund. For the year ended September 30, 2007, claims paid for the 499 retirees in the plan totaled \$2,454,661 and premium contributions received from the retired employees totaled \$1,890,064.

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 2006 and 2007 are:

Internal Service Fund	Beginning of Fiscal Year Liability	Current Year Claims	Changes in Estimates	Claim Payments	Balance at Fiscal Year – End
Self Insurance – 2006	\$ 6,100,195	\$ 3,116,112	\$ 595,352	\$ 3,116,112	\$ 6,695,547
Self Insurance – 2007	6,695,547	2,999,920	-	2,999,920	6,695,547
Long-Term Disability – 2006	3,155,212	475,597	1,032,234	475,597	4,187,446
Long-Term Disability – 2007	4,187,446	449,083	-	449,083	4,187,446
Group Health – 2006	2,892,480	10,145,166	(356,188)	10,145,166	2,536,291
Group Health – 2007	2,536,291	12,227,961	520,699	12,227,961	3,056,990

H. Texas Municipal Power Agency

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

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

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, 2007, amounted to \$1,124,656,000 of which \$99,265,000 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, 2007
 (reported in thousands)

	<u>Long-Term</u>	<u>Current</u>	<u>Total</u>
Revenue Bonds	\$ 514,463	73,801	588,264
Zero Coupon Interest Payable	278,323	22,395	300,718
Tax Exempt Commercial Paper	232,605	-	232,605
Taxable Commercial Paper	-	3,069	3,069
	<u>\$ 1,025,391</u>	<u>99,265</u>	<u>1,124,656</u>

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

I. Deferred Compensation Plan

The City offers its employees a voluntary deferred compensation plan created under Section 457 of the Internal Revenue Code. As of June 2, 2008, it will be administered solely by Lincoln Financial Group (LFG). LFG was selected in January 2008 by a committee of employees and managers representing several City departments via an extensive RFP process. Prior to June 2, 2008, the program is administered by two vendors: Hartford and the International City Management Association. This plan allows full time employees to defer a portion of their income to future years and serves as a supplement to their retirement income. This program is of particular interest to City Police and Fire employees who do not participate in Social Security. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

At October 1, 1998, as a result of legislative changes, all amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefits of participants and their beneficiaries, whereas, prior to these legislative changes, these amounts were solely the property and rights of the City subject only to the claims of the City's general creditors. Therefore, the Deferred Compensation Investments are no longer reported in the City's financial statements.

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

J. Conduit Debt Information

Each component unit 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, 2007, is as follows:

Series	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Corporation	Total
1984	\$ -	\$ -	\$ 7,000,000	\$ 7,000,000
1997	941,946	-	-	941,946
1998	4,509,241	-	-	4,509,241
2000	6,000,000	-	-	6,000,000
2002	190,829	25,019,000	-	25,209,829
2003	5,725,972	-	-	5,725,972
2005	13,800,000	-	-	13,800,000
	<u>\$ 31,167,988</u>	<u>\$ 25,019,000</u>	<u>\$ 7,000,000</u>	<u>\$ 63,186,988</u>

K. Landfill Closure and Postclosure Care Cost

As of September 30, 2007, the total estimated landfill closure/postclosure cost for the City's Castle Drive landfill, Hinton landfill, and transfer station is \$8,576,827, \$28,676,136, and \$28,202 respectively. The \$8,473,958 reported as landfill closure and postclosure care liability represents the cumulative amount reported to date based on the use of 100.00% of the estimated capacity of the Castle landfill, 11.11% use of the Hinton landfill, 100.00% of the closure cost for the transfer station, less post closure expenditures to date of \$3,315,836. The City will recognize the remaining estimated closure and postclosure care costs of \$25,491,371 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 41.40 years.

Since the City's Landfill operation is a general government function, a special revenue fund was established to account for actual landfill closure and postclosure care funding sources and expenditures as they are incurred. Expenditures to date of \$3,315,836 were paid for landfill closure projects. Based on the City's current landfill closure financial strategy, \$2.4 million in Certificates of Obligation will be issued to finance the one time closure cost and the on-going post closure care will be paid from operating funds.

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

L. Litigation and Contingent Liabilities

On March 10, 2006, the City received a preliminary Adverse Determination Letter from the Internal Revenue Service (“IRS”) following an audit of the City’s \$13,335,000 General Obligation Bonds, Series 1999A (the “Series 1999A Bonds”), in which the IRS claimed the City’s method of blending yields on the refunding bonds with yields of the other bonds issued as part of the same plan of finance will result in the Series 1999A Bonds being treated as taxable arbitrage bonds. The IRS calculates the tax exposure to bondholders to be approximately \$785,000. The City disputes the IRS’s claim and intends to vigorously defend its method of yield calculation. It is impossible to predict with certainty the outcome of any dispute with the IRS. However, the City believes this dispute will not result in any material impact adverse to the City’s financial position, financial performance or operations.

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

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

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

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

M. GHFC Primrose at Crist Project

On January 17, 2005, GHFC entered into an agreement with Southwest Housing Development Company, Inc., 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 partnership of TX Crist Housing LLP consists of TX Crist GP LLC and Wachovia Affordable Housing Community Development Corporation a Limited Investment 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 for TX Crist Housing LLP the bond borrower.

On the closing date of the GHFC Variable Rate Multifamily Housing Revenue, the land for the project was purchased and titled to GHFC. The land and future improvement have been mortgaged to secure repayment to the lender of the GHFC Multifamily notes. In addition, the land was leased to TX Crist Housing LLP over the next 40 years for \$900,000. At September 30, 2007, GHFC reported this land lease transaction as Land \$900,000, deferred revenue of \$843,750 and rent revenue of \$22,500 on their financial statements. The remaining deferred revenue will be amortized over the next 37.5 years as rent revenue.

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

According to the Primrose at Crist Master Agreement TX Crist GP LLC will receive a developer fee that could amount to \$500,000. 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 project construction and 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.

N. Subsequent Events

On April 22, 2008, the City issued \$43,025,000 in General Obligation Refunding Bonds to advance refund \$43,310,000 of outstanding Certificates of 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, 2007

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 62,461,867	\$ 62,393,534	\$ 63,531,623	\$ 1,138,089
Franchise fees	7,628,749	7,884,323	8,028,128	143,805
Service charges	15,205,406	16,219,821	17,224,499	1,004,678
Licenses and permits	2,597,922	3,134,228	3,056,687	(77,541)
Earnings on investments	1,253,250	1,705,000	1,782,897	77,897
Intergovernmental	258,000	450,438	463,552	13,114
Intragovernmental	6,073,920	6,071,154	6,068,356	(2,798)
Fines and forfeits	7,207,244	5,479,121	5,324,440	(154,681)
Rents and concessions	920,769	899,994	955,652	55,658
Total revenues	<u>103,607,127</u>	<u>104,237,613</u>	<u>106,435,834</u>	<u>2,198,221</u>
Expenditures:				
Current:				
General government	9,425,992	9,286,783	9,049,924	236,859
Public safety	69,493,400	72,609,899	71,923,692	686,207
Public works	8,125,117	9,988,662	9,765,312	223,350
Culture and recreation	12,411,290	12,921,366	12,401,080	520,286
Public health	2,608,591	2,764,676	2,721,376	43,300
Nondepartmental	21,088,976	16,045,118	16,258,263	(213,145)
Total expenditures	<u>123,153,366</u>	<u>123,616,504</u>	<u>122,119,647</u>	<u>1,496,857</u>
Excess of revenues over expenditures	<u>(19,546,239)</u>	<u>(19,378,891)</u>	<u>(15,683,813)</u>	<u>3,695,078</u>
Other financing sources (uses):				
Sale of capital assets	-	-	127,045	127,045
Transfer in	22,383,687	21,104,087	20,245,039	(859,048)
Transfers out	<u>(7,990,370)</u>	<u>(8,589,892)</u>	<u>(8,267,908)</u>	<u>321,984</u>
Total other financing sources (uses)	<u>14,393,317</u>	<u>12,514,195</u>	<u>12,104,176</u>	<u>(410,019)</u>
Net Change in fund balances	(5,152,922)	(6,864,696)	(3,579,637)	3,285,059
Fund balance, beginning of year	20,888,141	20,888,141	20,888,141	-
Fund balance, end of year	<u>\$ 15,735,219</u>	<u>\$ 14,023,445</u>	<u>\$ 17,308,504</u>	<u>\$ 3,285,059</u>

See notes to required supplementary information

City of Garland, Texas
Required Supplementary Information
Texas Municipal Retirement System
Schedule of Funding Progress
Last three calendar years
(unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2004	\$ 298,281,108	\$ 395,006,055	75.50%	\$ 96,724,947	\$ 100,433,506	96.30%
12/31/2005	311,474,351	415,172,643	75.00%	103,698,292	101,175,792	102.50%
12/31/2006	324,018,467	437,356,769	74.09%	113,338,302	108,456,120	104.50%

City of Garland, Texas
Notes to Required Supplementary Information

I. Budgets and Budgetary Accounting

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

II. Excess Expenditures over appropriations

Total expenditures for the General Fund were less than the budgeted amount by \$1,496,857.

City of Garland, Texas Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

City of Garland, Texas
 Nonmajor Governmental Funds
 Balance Sheet
 September 30, 2007

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Infrastructure Repair	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Library Contributions	Other Housing Assistance	TIF's	Total Other Governmental Funds
Assets															
Cash and cash equivalents	\$ -	\$ 1,024,724	\$ 172,854	\$ 165,852	\$ 3,073,883	\$ 1,036,585	\$ 953,041	\$ 500	\$ 95,976	\$ 524,954	\$ 524,387	\$ 23,783	\$ 1,021,181	\$ 46,875	\$ 8,664,595
Investments	-	1,692,826	284,065	273,985	5,078,001	1,711,925	1,574,407	-	108,631	867,215	458,530	39,289	784,867	77,436	12,951,177
Receivables:															
Accrued interest	6	13,458	2,505	2,340	42,976	15,717	13,490	-	921	7,418	4,001	337	-	681	103,850
Assessments	-	-	-	-	-	12,158	-	-	-	-	-	-	-	-	12,158
Due from other governments	336,363	-	351,357	-	-	-	-	422,952	266,180	-	-	-	604,553	-	1,981,405
Due from other funds	-	-	15,486	-	-	-	-	-	-	-	-	-	-	-	15,486
Prepaid items	-	857,195	-	-	-	-	-	-	-	-	-	-	-	-	857,195
Total Current Assets	336,369	3,588,203	826,267	442,177	8,194,860	2,776,385	2,540,938	423,452	471,708	1,399,587	986,918	63,409	2,410,601	124,992	24,585,866
Total Assets	\$ 336,369	\$ 3,588,203	\$ 826,267	\$ 442,177	\$ 8,194,860	\$ 2,776,385	\$ 2,540,938	\$ 423,452	\$ 471,708	\$ 1,399,587	\$ 986,918	\$ 63,409	\$ 2,410,601	\$ 124,992	\$ 24,585,866
LIABILITIES															
Current liabilities:															
Accounts payable and accrued liabilities	\$ 233,658	\$ 286,100	\$ 151,854	\$ 928	\$ -	\$ 696,140	\$ 55,287	\$ 39,650	\$ 69,062	\$ -	\$ 100	\$ -	\$ 4,319	\$ -	\$ 1,537,098
Retainage Payable	-	-	-	-	-	-	33,519	-	-	-	-	-	-	-	33,519
Due to other funds	147,118	470	8,217	-	-	22,803	-	388,071	-	-	-	-	-	505,188	1,071,867
Escrow payable	-	-	-	-	-	-	-	-	-	-	246,824	-	-	-	246,824
Deferred revenues	-	-	20,988	-	-	25,109	-	-	372,886	-	-	-	604,553	-	1,023,536
Due to other governments	-	-	-	-	-	-	-	-	-	-	-	-	482,985	-	482,985
Total Liabilities	380,776	286,570	181,059	928	-	744,052	88,806	427,721	441,948	-	246,924	-	1,091,857	505,188	4,395,829
FUND BALANCES															
Reserved for:															
Construction	-	-	-	-	8,194,860	-	-	-	-	1,399,587	-	-	-	-	9,594,447
Housing	-	3,301,633	-	-	-	-	-	-	-	-	-	-	-	-	3,301,633
Unreserved	(44,407)	-	645,208	441,249	-	2,032,333	2,452,132	(4,269)	29,760	-	739,994	63,409	1,318,744	(380,196)	7,293,957
Total fund balances	(44,407)	3,301,633	645,208	441,249	8,194,860	2,032,333	2,452,132	(4,269)	29,760	1,399,587	739,994	63,409	1,318,744	(380,196)	20,190,037
Total liabilities and fund balances															
Total Liabilities and Fund Balances	\$ 336,369	\$ 3,588,203	\$ 826,267	\$ 442,177	\$ 8,194,860	\$ 2,776,385	\$ 2,540,938	\$ 423,452	\$ 471,708	\$ 1,399,587	\$ 986,918	\$ 63,409	\$ 2,410,601	\$ 124,992	\$ 24,585,866

City of Garland, Texas
 Nonmajor Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended September 30, 2007

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Infrastructure Repair	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Library Contributions	Other Housing Assistance	TIF's	Total Other Governmental Funds
REVENUES:															
Taxes	\$ -	\$ -	\$ -	\$ 488,123	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 278,532	\$ 766,655
Rent	-	-	-	-	-	-	-	-	-	-	-	-	3,562	-	3,562
Earnings on investments	2,842	87,025	26,295	13,123	371,730	194,205	73,527	-	12,911	68,642	38,536	3,208	28,449	11,237	931,730
Intergovernmental	2,392,712	13,307,801	1,947,573	-	-	-	-	1,394,419	1,432,381	-	-	-	-	-	20,474,886
Assessments	-	-	-	-	-	4,624	-	-	-	-	-	-	-	-	4,624
Impact Fees	-	-	-	-	1,215,941	-	-	-	-	-	-	-	-	-	1,215,941
Contributions	-	-	-	-	-	-	-	-	-	-	-	1,810	-	-	1,810
Program income	102,254	-	95,540	-	-	-	-	-	-	-	-	-	-	-	197,794
Special event income	-	-	-	1,623	-	-	-	-	-	-	-	-	-	-	1,623
Awards	-	-	-	-	-	-	-	-	-	-	445,701	-	-	-	445,701
Miscellaneous and other	-	1,437,808	-	-	-	17,378	-	4,363	28,732	-	7,828	-	6,201	-	1,502,310
Total Revenues	2,497,808	14,832,634	2,069,408	502,869	1,587,671	216,207	73,527	1,398,782	1,474,024	68,642	492,065	5,018	38,212	289,769	25,546,636
EXPENDITURES:															
Current:															
Operations	1,342,549	11,531,001	2,089,787	161,384	-	7,485,775	39,098	1,389,803	535,448	-	520,063	3,834	11,411	3,711	25,113,864
Capital outlay	1,211,033	-	-	-	-	135,614	-	-	706,150	-	-	-	-	-	2,062,797
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	1,439,395	1,439,395
Total Expenditures	2,553,582	11,531,001	2,089,787	161,384	-	7,621,389	39,098	1,389,803	1,241,598	-	520,063	3,834	11,411	1,443,106	28,606,056
Excess (deficiency) of revenues over (under) expenditures	(55,774)	3,301,633	(20,379)	341,485	1,587,671	(7,405,182)	34,429	8,979	232,426	68,642	(27,998)	1,184	26,801	(1,153,337)	(3,059,420)
OTHER FINANCING SOURCES (USES):															
Transfers in	-	-	-	-	-	9,193,615	-	-	-	-	-	-	-	-	9,193,615
Transfers out	-	-	(63,527)	-	-	-	-	-	(225,000)	-	-	-	-	-	(288,527)
Proceeds of debt	-	-	-	-	-	-	1,810,000	-	-	-	-	-	-	-	1,810,000
Total other financing sources (uses)	-	-	(63,527)	-	-	9,193,615	1,810,000	-	(225,000)	-	-	-	-	-	10,715,088
Net change in fund balances	(55,774)	3,301,633	(83,906)	341,485	1,587,671	1,788,433	1,844,429	8,979	7,426	68,642	(27,998)	1,184	26,801	(1,153,337)	7,655,668
Fund balances - beginning	11,367	-	729,114	99,764	6,607,189	243,900	607,703	(13,248)	22,334	1,330,945	767,992	62,225	1,291,943	773,141	12,534,369
Fund balances - ending	\$ (44,407)	\$ 3,301,633	\$ 645,208	\$ 441,249	\$ 8,194,860	\$ 2,032,333	\$ 2,452,132	\$ (4,269)	\$ 29,760	\$ 1,399,587	\$ 739,994	\$ 63,409	\$ 1,318,744	\$ (380,196)	\$ 20,190,037

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, 2007

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
Revenues:				
General property taxes	\$ 29,924,469	\$ 29,460,149	\$ 29,979,219	\$ 519,070
Earnings on investments	390,000	410,000	441,307	31,307
Miscellaneous and other	-	-	2,785	2,785
Total Revenues	<u>30,314,469</u>	<u>29,870,149</u>	<u>30,423,311</u>	<u>553,162</u>
Expenditures:				
Principal retirement	15,372,840	15,062,628	14,015,396	1,047,232
Interest	11,071,073	11,065,897	10,842,901	222,996
Issue costs on issuance of debt	-	-	133,969	(133,969)
Fiscal charges and other	131,635	131,635	120,590	11,045
Total Expenditures	<u>26,575,548</u>	<u>26,260,160</u>	<u>25,112,856</u>	<u>1,147,304</u>
Excess of revenues over expenditures	<u>3,738,921</u>	<u>3,609,989</u>	<u>5,310,455</u>	<u>1,700,466</u>
Other financing sources:				
Proceeds of general obligation refunding bonds	-	-	39,200,000	39,200,000
Payment to general obligation refunded bond escrow agent	-	-	(40,559,793)	(40,559,793)
Premium on issuance of debt	-	-	1,493,762	1,493,762
Transfers in	362,315	362,315	362,315	-
Transfers out	<u>(5,373,000)</u>	<u>(5,373,000)</u>	<u>(5,373,000)</u>	<u>-</u>
Total other financing sources	<u>(5,010,685)</u>	<u>(5,010,685)</u>	<u>(4,876,716)</u>	<u>133,969</u>
Net change in fund balances	(1,271,764)	(1,400,696)	433,739	1,834,435
Fund balance, beginning of year	<u>3,210,136</u>	<u>3,210,136</u>	<u>3,210,136</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,938,372</u>	<u>\$ 1,809,440</u>	<u>\$ 3,643,875</u>	<u>\$ 1,834,435</u>

City of Garland, Texas
Hotel/Motel, Infrastructure Repair, and Narcotic Seizure Funds
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2007

	<u>Hotel/Motel Tax</u>				<u>Infrastructure Repair</u>				<u>Narcotic Seizure</u>			
	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	\$ 428,776	\$ 445,826	\$ 488,123	\$ 42,297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	13,123	13,123	35,000	187,000	194,205	7,205	19,016	19,016	38,536	19,520
Assessments	-	-	-	-	5,000	2,500	4,624	2,124	-	-	-	-
Special event income	2,500	8,674	1,623	(7,051)	-	-	-	-	-	-	-	-
Miscellaneous and other	5,000	-	-	-	-	5,000	17,378	12,378	-	-	453,529	453,529
Total revenues	<u>436,276</u>	<u>454,500</u>	<u>502,869</u>	<u>48,369</u>	<u>40,000</u>	<u>194,500</u>	<u>216,207</u>	<u>21,707</u>	<u>19,016</u>	<u>19,016</u>	<u>492,065</u>	<u>473,049</u>
Expenditures:												
Current:												
Operations	347,054	347,054	161,384	185,670	9,133,774	9,071,430	7,485,775	1,585,655	400,522	400,522	520,063	(119,541)
Capital	-	-	-	-	-	-	135,614	(135,614)	-	-	-	-
Total expenditures	<u>347,054</u>	<u>347,054</u>	<u>161,384</u>	<u>185,670</u>	<u>9,133,774</u>	<u>9,071,430</u>	<u>7,621,389</u>	<u>1,450,041</u>	<u>400,522</u>	<u>400,522</u>	<u>520,063</u>	<u>(119,541)</u>
Excess (deficiency) of revenues over expenditures	<u>89,222</u>	<u>107,446</u>	<u>341,485</u>	<u>234,039</u>	<u>(9,093,774)</u>	<u>(8,876,930)</u>	<u>(7,405,182)</u>	<u>1,471,748</u>	<u>(381,506)</u>	<u>(381,506)</u>	<u>(27,998)</u>	<u>353,508</u>
Other financing sources:												
Transfers in	-	-	-	-	9,193,615	9,193,615	9,193,615	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,193,615</u>	<u>9,193,615</u>	<u>9,193,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	89,222	107,446	341,485	234,039	99,841	316,685	1,788,433	1,471,748	(381,506)	(381,506)	(27,998)	353,508
Fund balances (deficit), beginning of year	99,764	99,764	99,764	-	243,900	243,900	243,900	-	767,992	767,992	767,992	-
Fund balances (deficit), end of year	<u>\$ 188,986</u>	<u>\$ 207,210</u>	<u>\$ 441,249</u>	<u>\$ 234,039</u>	<u>\$ 343,741</u>	<u>\$ 560,585</u>	<u>\$ 2,032,333</u>	<u>\$ 1,471,748</u>	<u>\$ 386,486</u>	<u>\$ 386,486</u>	<u>\$ 739,994</u>	<u>\$ 353,508</u>

GARLAND

City of Garland, Texas Nonmajor Enterprise Funds

Nonmajor Enterprise Funds

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

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

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

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

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

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

**City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Assets
September 30, 2007**

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
ASSETS						
Current assets:						
<i>Unrestricted</i>						
Cash and cash equivalents	\$ -	\$ 55,027	\$ 129,117	\$ 27,871	\$ 369,012	\$ 581,027
Investments	-	90,904	213,299	46,041	609,106	959,350
Receivable, net of allowance	184,104	-	301,672	-	1,588,529	2,074,305
Accrued interest	-	776	1,818	238	5,804	8,636
Due from other funds	-	-	10,051	-	-	10,051
<i>Restricted assets</i>						
Construction funds:						
Cash and cash equivalents	79,969	-	-	-	877,194	957,163
Investments	132,108	-	-	-	1,449,109	1,581,217
Accrued interest	1,149	-	-	-	12,473	13,622
Total current assets	397,330	146,707	655,957	74,150	4,911,227	6,185,371
Capital Assets						
Land	9,111,400	1,776,208	-	-	298,936	11,186,544
System	13,034,451	719,149	3,505,411	241,104	8,066,521	25,566,636
Construction in progress	188,850	-	-	-	63,179	252,029
Less accumulated depreciation	(4,092,622)	(528,044)	(2,029,398)	(155,745)	(4,779,637)	(11,585,446)
Net capital assets	18,242,079	1,967,313	1,476,013	85,359	3,648,999	25,419,763
Unamortized bond discount and issue cost	-	-	-	-	253,363	253,363
Total noncurrent assets	18,242,079	1,967,313	1,476,013	85,359	3,902,362	25,673,126
Total assets	\$ 18,639,409	\$ 2,114,020	\$ 2,131,970	\$ 159,509	\$ 8,813,589	\$ 31,858,497

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Net Assets
September 30, 2007

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
LIABILITIES						
Current Liabilities:						
<i>Payable from current assets</i>						
Accounts payable and accrued liabilities	\$ 66,759	\$ -	\$ 93,054	\$ 11,857	\$ 244,243	\$ 415,913
Retainage payable	-	-	6,815	-	-	6,815
Accrued certificates of obligation interest	-	-	-	-	67,638	67,638
Certificates of obligation	-	-	-	-	851,762	851,762
Due to other funds	1,691,578	-	9,246	-	294,218	1,995,042
Compensated absences	50,305	-	55,096	-	167,706	273,107
<i>Total payable from current assets</i>	<u>1,808,642</u>	<u>-</u>	<u>164,211</u>	<u>11,857</u>	<u>1,625,567</u>	<u>3,610,277</u>
<i>Payable from restricted assets:</i>						
Accounts payable	633	-	-	-	5,700	6,333
<i>Total payable from restricted assets</i>	<u>633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,700</u>	<u>6,333</u>
Total current liabilities	<u>1,809,275</u>	<u>-</u>	<u>164,211</u>	<u>11,857</u>	<u>1,631,267</u>	<u>3,616,610</u>
Long-term Liabilities						
Advance from other funds	72,058	-	-	-	-	72,058
Certificates of obligation	-	-	-	-	3,485,000	3,485,000
Compensated absences	60,378	-	7,275	1,709	23,738	93,100
Unamortized bond premium, and defeased bond cost	-	-	-	-	318,349	318,349
Total long-term liabilities	<u>132,436</u>	<u>-</u>	<u>7,275</u>	<u>1,709</u>	<u>3,827,087</u>	<u>3,968,507</u>
Total Liabilities	<u>1,941,711</u>	<u>-</u>	<u>171,486</u>	<u>13,566</u>	<u>5,458,354</u>	<u>7,585,117</u>
NET ASSETS						
Invested in capital assets, net of related debt	18,454,672	1,967,313	1,469,198	85,359	1,580,327	23,556,869
Unrestricted	(1,756,974)	146,707	491,286	60,584	1,774,908	716,511
Total net assets	<u>\$ 16,697,698</u>	<u>\$ 2,114,020</u>	<u>\$ 1,960,484</u>	<u>\$ 145,943</u>	<u>\$ 3,355,235</u>	<u>\$ 24,273,380</u>

City of Garland
Nonmajor Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2007

	<u>Business-Type Activities - Enterprise Funds</u>					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
OPERATING REVENUES:						
Charges for services	\$ 2,070,839	\$ 6,098	\$ 3,116,627	\$ 666,131	\$ 15,054,605	\$ 20,914,300
Other	242,131	-	35,310	33,418	28,590	339,449
Total Operating Revenues	<u>2,312,970</u>	<u>6,098</u>	<u>3,151,937</u>	<u>699,549</u>	<u>15,083,195</u>	<u>21,253,749</u>
OPERATING EXPENSES:						
Salaries and benefits	1,736,264	-	1,576,455	126,579	4,582,841	8,022,139
Landfill fees	-	-	-	-	3,764,302	3,764,302
Maintenance, repairs, and supplies	562,558	-	1,143,185	563,768	4,179,948	6,449,459
Insurance and other expenses	-	-	-	-	257,408	257,408
General and administrative	-	-	288,386	15,964	1,293,615	1,597,965
Depreciation	553,710	28,122	232,647	14,769	557,314	1,386,562
Total Operating Expenses	<u>2,852,532</u>	<u>28,122</u>	<u>3,240,673</u>	<u>721,080</u>	<u>14,635,428</u>	<u>21,477,835</u>
Total Operating Income (Loss)	<u>(539,562)</u>	<u>(22,024)</u>	<u>(88,736)</u>	<u>(21,531)</u>	<u>447,767</u>	<u>(224,086)</u>
NONOPERATING REVENUES (EXPENSES):						
Gain on sale of capital assets	684	-	10,450	-	2,000	13,134
Earnings from investments:						
Current operations	-	7,054	16,288	6,179	65,251	94,772
Construction fund	10,865	-	-	-	93,843	104,708
Total earnings on investments	<u>10,865</u>	<u>7,054</u>	<u>16,288</u>	<u>6,179</u>	<u>159,094</u>	<u>199,480</u>

City of Garland
Nonmajor Enterprise Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2007

	<u>Business-Type Activities - Enterprise Funds</u>					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
Interest expense:						
Certificates of obligation	-	-	-	-	(166,936)	(166,936)
Advance from other funds	(3,942)	-	-	-	-	(3,942)
Total interest expense	(3,942)	-	-	-	(166,936)	(170,878)
Income (loss) before transfers	(531,955)	(14,970)	(61,998)	(15,352)	441,925	(182,350)
TRANSFERS						
Transfers in	261,000	-	-	-	-	261,000
Transfers out	-	-	(8,837)	-	(73,916)	(82,753)
Total transfers	261,000	-	(8,837)	-	(73,916)	178,247
NET INCOME (LOSS)	(270,955)	(14,970)	(70,835)	(15,352)	368,009	(4,103)
Net assets, beginning of year	16,968,653	2,128,990	2,031,319	161,295	2,987,226	24,277,483
Net assets, end of year	<u>\$ 16,697,698</u>	<u>\$ 2,114,020</u>	<u>\$ 1,960,484</u>	<u>\$ 145,943</u>	<u>\$ 3,355,235</u>	<u>\$ 24,273,380</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2007

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Cash flows from operating activities:						
Cash received from customers	\$ 2,043,375	\$ 6,098	\$ 3,150,471	\$ 666,131	\$ 14,857,302	\$ 20,723,377
Cash payments for goods and services	(591,552)	-	(1,451,954)	(589,156)	(9,497,207)	(12,129,869)
Cash payments to employees for services	(1,735,373)	-	(1,570,026)	(124,870)	(4,599,413)	(8,029,682)
Other operating revenues	242,131	-	35,310	33,418	28,590	339,449
Net cash provided (used for) by operating activities	<u>(41,419)</u>	<u>6,098</u>	<u>163,801</u>	<u>(14,477)</u>	<u>789,272</u>	<u>903,275</u>
Cash flows from non-capital financing activities:						
Due to other governments	-	-	-	-	(1,193)	(1,193)
Due from other funds - increase	-	-	(10,051)	-	-	(10,051)
Due to other funds	11,157	-	9,246	-	294,218	314,621
Transfers in	261,000	-	-	-	-	261,000
Transfers out	-	-	(8,837)	-	(73,916)	(82,753)
Net cash provided by (used for) non-capital financing activities	<u>272,157</u>	<u>-</u>	<u>(9,642)</u>	<u>-</u>	<u>219,109</u>	<u>481,624</u>
Cash flows from capital and related financing activities:						
Certificate of obligation issues	-	-	-	-	2,065,000	2,065,000
Premium on issuance of debt	-	-	-	-	304,847	304,847
Bond issue expense	-	-	-	-	(229,847)	(229,847)
Acquisition of capital assets	(250,567)	-	(195,340)	(61,946)	(1,997,683)	(2,505,536)
Principal paid on certificates of obligation	-	-	-	-	(719,799)	(719,799)
Decrease in advance from other funds	(10,162)	-	-	-	-	(10,162)
Interest paid on certificates of obligation	-	-	-	-	(139,490)	(139,490)
Interest paid on advances from other funds	(3,942)	-	-	-	-	(3,942)
Proceeds from sale of fixed assets	684	-	10,450	-	2,000	13,134
Net cash used for capital and related financing activities	<u>(263,987)</u>	<u>-</u>	<u>(184,890)</u>	<u>(61,946)</u>	<u>(714,972)</u>	<u>(1,225,795)</u>
Cash flows from investing activities:						
Purchase of investment securities	(168,305)	(115,787)	(271,723)	(58,710)	(2,655,645)	(3,270,170)
Proceeds from the sale and maturity of investment securities	129,778	77,938	200,737	70,079	1,737,421	2,215,953
Interest received on investments	10,821	6,883	16,525	6,471	154,009	194,709
Net cash provided by (used for) investing activities	<u>(27,706)</u>	<u>(30,966)</u>	<u>(54,461)</u>	<u>17,840</u>	<u>(764,215)</u>	<u>(859,508)</u>

City of Garland, Texas
Nonmajor Enterprise Funds
Statement of Cash Flows
For the Year Ended September 30, 2007

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
Net decrease in cash and cash equivalents	(60,955)	(24,868)	(85,192)	(58,583)	(470,806)	(700,404)
Cash and cash equivalents at beginning of year	140,924	79,895	214,309	86,454	1,717,012	2,238,594
Cash and cash equivalents at end of year	<u>\$ 79,969</u>	<u>\$ 55,027</u>	<u>\$ 129,117</u>	<u>\$ 27,871</u>	<u>\$ 1,246,206</u>	<u>\$ 1,538,190</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (539,562)	\$ (22,024)	\$ (88,736)	\$ (21,531)	\$ 447,767	\$ (224,086)
Adjustments:						
Depreciation	553,710	28,122	232,647	14,769	557,314	1,386,562
Change in assets and liabilities:						
Decrease (increase) in accounts receivable	(27,464)	-	33,844	-	(197,303)	(190,923)
Increase (decrease) in accounts payable	(28,994)	-	(20,383)	(9,424)	(1,934)	(60,735)
Increase (decrease) in compensated absences	891	-	6,429	1,709	(16,572)	(7,543)
Total adjustments	<u>498,143</u>	<u>28,122</u>	<u>252,537</u>	<u>7,054</u>	<u>341,505</u>	<u>1,127,361</u>
Net cash provided by (used for) operating activities	<u>\$ (41,419)</u>	<u>\$ 6,098</u>	<u>\$ 163,801</u>	<u>\$ (14,477)</u>	<u>\$ 789,272</u>	<u>\$ 903,275</u>

GARLAND

City of Garland, Texas Internal Service Funds

Internal Service Funds

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

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

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

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

Print Shop Fund – This fund is used to account for the cost of operating a centralized print shop.

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, 2007

	Group Health	Self Insurance	LTD Insurance	Print Shop	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
ASSETS											
Current assets:											
<i>Unrestricted</i>											
Cash and cash equivalents	\$ 1,911,153	\$ 1,287,424	\$ 171,675	\$ 13,981	\$ 200	\$ 2,785,924	\$ 4,403,322	\$ 280,508	\$ -	\$ 4,423,189	\$ 15,277,376
Investments	3,157,192	2,126,802	283,605	23,045	-	4,602,298	7,274,211	463,394	-	4,101,383	22,031,930
Accrued interest	23,605	18,241	2,482	197	-	36,599	61,370	3,820	-	34,376	182,690
Other Receivables	-	-	-	-	-	-	-	13,617	-	804,701	818,318
Due from other funds	-	30	-	68	449,393	-	71,296	-	37,405	4,579	562,771
Inventories	-	-	-	-	192,212	-	-	-	5,537,853	-	5,730,065
<i>Restricted assets</i>											
Construction funds:											
Cash and cash equivalents	-	-	-	-	131,524	-	907,801	-	1,967	2,848,999	3,890,291
Investments	-	-	-	-	217,276	-	1,499,672	-	3,301	4,706,497	6,426,746
Accrued interest	-	-	-	-	1,859	-	12,912	-	28	40,358	55,157
Total construction funds	-	-	-	-	350,659	-	2,420,385	-	5,296	7,595,854	10,372,194
Total current assets	5,091,950	3,432,497	457,762	37,291	992,464	7,426,821	14,230,584	761,339	5,580,554	16,964,082	54,975,344
Capital assets											
System	21,834	46,918	-	-	2,322,069	26,626,308	29,178,951	336,170	481,240	890,368	59,893,858
Construction in progress	-	-	-	-	126,876	-	3,473,947	-	-	182,116	3,782,939
Less accumulated depreciation	(6,823)	(45,523)	-	-	(1,413,905)	(19,215,684)	(19,869,096)	(321,385)	(404,735)	(614,381)	(41,891,532)
Net capital assets	15,011	1,395	-	-	1,035,040	7,410,624	12,783,802	14,785	76,505	448,103	21,785,265
Unamortized bond discount and issue cost	-	-	-	-	77,154	-	189,205	-	(21)	32,877	299,215
Total noncurrent assets	15,011	1,395	-	-	1,112,194	7,410,624	12,973,007	14,785	76,484	480,980	22,084,480
Total assets	5,106,961	3,433,892	457,762	37,291	2,104,658	14,837,445	27,203,591	776,124	5,657,038	17,445,062	77,059,824
LIABILITIES											
Current Liabilities:											
<i>Payable from current assets</i>											
Accounts payable and accrued liabilities	602,956	219,477	-	-	693,512	37,876	447,173	152,396	221,280	631,594	3,006,264
Accrued interest	-	-	-	-	10,233	-	37,130	-	361	13,267	60,991
Customer deposits	-	-	-	-	-	-	-	-	-	8,497,613	8,497,613
Due to other funds	-	-	-	37,291	1,360,614	-	5,196,040	2,584	68	10,595	6,607,192
Compensated absences	12,271	28,330	-	-	71,613	-	169,080	91,009	24,219	208,387	604,909
Insurance claims payable	3,056,990	-	-	-	-	-	-	-	-	-	3,056,990
Certificates of obligation	-	-	-	-	29,332	-	730,000	-	3,014	105,000	867,346
Total payable from current assets	3,672,217	247,807	-	37,291	2,165,304	37,876	6,579,423	245,989	248,942	9,466,456	22,701,305
<i>Payable from restricted assets</i>											
Accounts payable	-	-	-	-	-	-	319,128	-	-	37,219	356,347
Retainage payable	-	-	-	-	-	-	137,886	-	-	-	137,886
Total payable from restricted assets	-	-	-	-	-	-	457,014	-	-	37,219	494,233
Total Current Liabilities	3,672,217	247,807	-	37,291	2,165,304	37,876	7,036,437	245,989	248,942	9,503,675	23,195,538
Long-term Liabilities:											
Advances from other funds	-	-	-	-	-	-	-	-	5,183,647	-	5,183,647
Certificates of obligation	-	-	-	-	525,231	-	3,085,000	-	25,487	1,480,000	5,115,718
General obligation bonds	-	-	-	-	35,000	-	40,000	-	30,000	765,000	870,000
Unamortized bond premium, and defeased bond cost	-	-	-	-	104,001	-	244,793	-	(97)	39,016	387,713
Compensated absences	3,973	10,287	-	-	6,849	-	86,820	11,372	-	-	119,301
Insurance claims payable	-	6,895,547	4,187,446	-	-	-	-	-	-	-	10,882,993
Total Long-term Liabilities	3,973	6,705,834	4,187,446	-	671,081	-	3,456,613	11,372	5,239,037	2,284,016	22,559,372
Total Liabilities	3,676,190	6,953,641	4,187,446	37,291	2,836,385	37,876	10,493,050	257,361	5,487,979	11,787,691	45,754,910
NET ASSETS											
Invested in capital assets, net of related debt	15,011	1,395	-	-	769,289	7,410,624	10,836,585	14,785	23,376	5,650,599	24,721,664
Unrestricted	1,415,760	(3,521,144)	(3,729,684)	-	(1,501,016)	7,388,945	5,873,956	503,978	145,683	6,772	6,583,250
Total net assets (liabilities)	\$ 1,430,771	\$ (3,519,749)	\$ (3,729,684)	\$ -	\$ (731,727)	\$ 14,799,569	\$ 16,710,541	\$ 518,763	\$ 169,059	\$ 5,657,371	\$ 31,304,914

City of Garland, Texas
Internal Service Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2007

	Group Health	Self Insurance	LTD Insurance	Print Shop	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
OPERATING REVENUES:											
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 7,258,113	\$ 3,354,321	\$ 15,745,545	\$ 5,525,718	\$ 1,072,712	\$ 8,586,838	\$ 41,543,247
Premiums	19,829,102	5,366,931	393,081	-	-	-	-	-	-	-	25,589,114
Other	1,100,151	162,039	-	-	172	-	206,421	-	-	(1,601)	1,467,182
Total Operating Revenues	20,929,253	5,528,970	393,081	-	7,258,285	3,354,321	15,951,966	5,525,718	1,072,712	8,585,237	68,599,543
OPERATING EXPENSES:											
Salaries and benefits	316,987	620,508	-	-	1,951,245	-	4,737,064	1,703,953	575,670	4,954,559	14,859,986
Maintenance, repairs, and supplies	160,154	163,466	-	-	4,916,742	-	5,144,183	2,893,314	152,902	1,794,929	15,225,690
Premiums	7,547,243	1,561,828	-	-	-	-	-	-	-	-	9,109,071
Claims	12,227,961	2,999,920	449,083	-	-	-	-	-	-	-	15,676,964
Insurance claims payable - increase (decrease)	520,699	-	-	-	-	-	-	-	-	-	520,699
Administrative services	472,827	90,004	-	-	-	-	-	-	-	-	562,831
General and administrative	2,655	92,533	-	-	333,092	-	936,211	354,976	360,376	1,983,690	4,063,533
Depreciation	2,729	204	-	-	91,159	2,986,842	1,979,367	9,257	9,531	48,098	5,127,187
Total Operating Expenses	21,251,255	5,528,463	449,083	-	7,292,238	2,986,842	12,796,825	4,961,500	1,098,479	8,781,276	65,145,961
Total Operating Income (Loss)	(322,002)	507	(56,002)	-	(33,953)	367,479	3,155,141	564,218	(25,767)	(196,039)	3,453,582
NONOPERATING REVENUES (EXPENSES):											
Earnings from investments:											
Current operations	245,450	145,029	23,423	-	607	369,046	485,568	23,666	2,066	383,737	1,678,592
Construction fund	-	-	-	-	7,380	-	130,953	-	246	237,016	375,595
Interest expense	-	-	-	-	(22,749)	-	(161,408)	-	(3,108)	(112,596)	(299,861)
Gain (loss) on sale of capital assets	-	-	-	-	-	166,731	-	(8,688)	-	-	158,043
Total nonoperating revenues (expenses)	245,450	145,029	23,423	-	(14,762)	535,777	455,113	14,978	(796)	508,157	1,912,369
Income (loss) before transfers	(76,552)	145,536	(32,579)	-	(48,715)	903,256	3,610,254	579,196	(26,563)	312,118	5,365,951
TRANSFERS											
Transfers in	-	-	-	39	-	69,697	225,000	-	-	5,000,000	5,294,736
Transfers out	-	-	-	-	-	-	-	-	(39)	-	(39)
Net transfers	-	-	-	39	-	69,697	225,000	-	(39)	5,000,000	5,294,697
NET INCOME (LOSS)	(76,552)	145,536	(32,579)	39	(48,715)	972,953	3,835,254	579,196	(26,602)	5,312,118	10,660,648
Net assets (liabilities), beginning of year	1,507,323	(3,665,285)	(3,697,105)	(39)	(683,012)	13,826,616	12,875,287	(60,433)	195,661	345,253	20,644,266
Net assets (liabilities), end of year	\$ 1,430,771	\$ (3,519,749)	\$ (3,729,684)	\$ -	\$ (731,727)	\$ 14,799,569	\$ 16,710,541	\$ 518,763	\$ 169,059	\$ 5,657,371	\$ 31,304,914

GARLAND

City of Garland, Texas
Internal Service Funds
Statement of Cash Flows
For the Year Ended September 30, 2007

	Group Health	Self Insurance	LTD Insurance	Print Shop	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
Cash flows from operating activities:											
Cash received from customers	\$ 19,829,102	\$ 5,366,931	\$ 393,081	\$ -	\$ 7,258,113	\$ 3,354,321	\$ 15,746,405	\$ 5,523,494	\$ 1,072,712	\$ 8,257,553	\$ 66,801,712
Cash received for customer deposits	-	-	-	-	-	-	-	-	-	1,201,124	1,201,124
Cash payments for goods and services	(20,141,988)	(4,784,654)	(449,083)	-	(5,615,788)	-	(6,112,460)	(3,189,955)	(2,586,546)	(3,441,169)	(46,321,643)
Cash payments to employees for services	(313,284)	(616,421)	-	-	(1,955,346)	-	(4,730,358)	(1,689,759)	(574,310)	(4,930,967)	(14,810,445)
Other operating revenues	1,100,151	162,039	-	-	172	-	206,421	-	-	(1,601)	1,467,182
Net cash provided (used) by operating activities	<u>473,981</u>	<u>127,895</u>	<u>(56,002)</u>	<u>-</u>	<u>(312,849)</u>	<u>3,354,321</u>	<u>5,110,008</u>	<u>643,780</u>	<u>(2,088,144)</u>	<u>1,084,940</u>	<u>8,337,930</u>
Cash flows from non-capital financing activities:											
Due from other funds - (increase)	-	(30)	-	(68)	(165,816)	-	(21)	-	8,500	-	(157,435)
Due to other funds - increase (decrease)	-	-	-	(8,614)	420,082	(156,098)	3,325,142	2,584	68	10,595	3,593,759
Advances from other funds - increase	-	-	-	-	-	-	-	-	2,083,601	-	2,083,601
Transfers in	-	-	-	39	-	69,697	225,000	-	-	5,000,000	5,294,736
Transfers out	-	-	-	-	-	-	-	-	(39)	-	(39)
Net cash provided by (used for) non-capital financing activities	<u>-</u>	<u>(30)</u>	<u>-</u>	<u>(8,643)</u>	<u>254,266</u>	<u>(86,401)</u>	<u>3,550,121</u>	<u>2,584</u>	<u>2,092,130</u>	<u>5,010,595</u>	<u>10,814,622</u>
Cash flows from capital and financing activities:											
Certificate of obligation issues	-	-	-	-	300,000	-	750,000	-	-	-	1,050,000
General obligation issues	-	-	-	-	35,000	-	40,000	-	30,000	765,000	870,000
Acquisition of capital assets	-	-	-	-	(3,267)	(3,856,424)	(3,566,130)	-	-	(105,450)	(7,531,271)
Principal paid on certificates of obligation	-	-	-	-	(48,573)	-	(755,000)	-	(2,868)	(90,000)	(896,441)
Interest paid on certificates of obligation	-	-	-	-	(15,586)	-	(183,810)	-	(2,370)	(114,498)	(316,264)
Interest paid on general obligations	-	-	-	-	(875)	-	(931)	-	(750)	(17,681)	(20,237)
Premium on issuance of debt	-	-	-	-	107,886	-	170,983	-	(254)	(112,896)	165,719
Bond issue expense	-	-	-	-	(77,181)	-	(150,346)	-	25	10,125	(217,377)
Payment to escrow agent	-	-	-	-	(40,705)	-	(10,637)	-	(29,771)	(662,230)	(743,343)
Proceeds from sale of assets	-	-	-	-	-	218,500	-	-	-	-	218,500
Net cash provided by (used for) financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,699</u>	<u>(3,637,924)</u>	<u>(3,705,871)</u>	<u>-</u>	<u>(5,988)</u>	<u>(327,630)</u>	<u>(7,420,714)</u>
Cash flows from investing activities:											
Purchase of investment securities	(4,082,128)	(2,708,997)	(361,298)	(29,377)	(343,039)	(5,862,645)	(13,325,161)	(823,180)	(4,229)	(12,932,441)	(40,472,495)
Proceeds from the sale and maturity of investment securities	2,661,850	1,837,310	272,497	24,552	183,187	4,211,031	7,963,067	390,692	2,910	8,001,759	25,548,855
Interest received on investments	241,836	141,172	23,123	11	6,785	364,117	581,157	20,091	2,305	590,691	1,971,288
Net cash provided by (used for) investing activities	<u>(1,178,442)</u>	<u>(730,515)</u>	<u>(65,678)</u>	<u>(4,814)</u>	<u>(153,067)</u>	<u>(1,287,497)</u>	<u>(4,780,937)</u>	<u>(412,397)</u>	<u>986</u>	<u>(4,339,991)</u>	<u>(12,952,352)</u>
Net increase (decrease) in cash and cash equivalents	(704,461)	(602,650)	(121,680)	(13,457)	45,049	(1,657,501)	173,321	233,967	(1,016)	1,427,914	(1,220,514)
Cash and cash equivalents at beginning of year	2,615,614	1,890,074	293,355	27,438	86,675	4,443,425	5,137,802	46,541	2,983	5,844,274	20,388,181
Cash and cash equivalents at end of year	<u>\$ 1,911,153</u>	<u>\$ 1,287,424</u>	<u>\$ 171,675</u>	<u>\$ 13,981</u>	<u>\$ 131,724</u>	<u>\$ 2,785,924</u>	<u>\$ 5,311,123</u>	<u>\$ 280,508</u>	<u>\$ 1,967</u>	<u>\$ 7,272,188</u>	<u>\$ 19,167,667</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:											
Operating income (loss)	\$ (322,002)	\$ 507	\$ (56,002)	\$ -	\$ (33,953)	\$ 367,479	\$ 3,155,141	\$ 564,218	\$ (25,767)	\$ (196,039)	\$ 3,453,582
Adjustments:											
Depreciation	2,729	204	-	-	91,159	2,986,842	1,979,367	9,257	9,531	48,098	5,127,187
Change in assets and liabilities:											
Increase (decrease) in inventory	-	-	-	-	(43,654)	-	-	-	(1,251,299)	-	(1,294,953)
Decrease (increase) in accounts receivable	-	-	-	-	-	-	860	(2,224)	-	(329,285)	(330,649)
Increase (decrease) in accounts payable	268,852	123,097	-	-	(322,300)	-	(32,066)	58,335	(821,969)	337,450	(388,601)
Increase in customer deposits	-	-	-	-	-	-	-	-	-	1,201,124	1,201,124
Increase (decrease) in compensated absences	3,703	4,087	-	-	(4,101)	-	6,706	14,194	1,360	23,592	49,541
Increase in insurance claims payable	520,699	-	-	-	-	-	-	-	-	-	520,699
Total adjustments	795,983	127,388	-	-	(278,896)	2,986,842	1,954,867	79,562	(2,062,377)	1,280,979	4,884,348
Net cash provided by (used for) operating activities	<u>\$ 473,981</u>	<u>\$ 127,895</u>	<u>\$ (56,002)</u>	<u>\$ -</u>	<u>\$ (312,849)</u>	<u>\$ 3,354,321</u>	<u>\$ 5,110,008</u>	<u>\$ 643,780</u>	<u>\$ (2,088,144)</u>	<u>\$ 1,084,940</u>	<u>\$ 8,337,930</u>
Non-cash investing:											
Insurance claims payable - increase (decrease)	520,699	-	-	-	-	-	-	-	-	-	520,699
Non-cash transactions:											
Transfer in	-	-	-	39	-	69,697	225,000	-	-	5,000,000	5,294,736

Component Units
Combining Statement of Net Assets
September 30, 2007

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 304,415	\$ 452,492	\$ 121,283	\$ 878,190
Accounts receivable, net of allowance for uncollectibles	-	25,000	14,000	39,000
Accrued interest receivable	117	103	-	220
Loans Receivable	1,498	-	-	1,498
Asset held for sale	352,560	-	-	352,560
Noncurrent assets:				
Loans Receivable	38,502	-	-	38,502
Land	900,000	-	-	900,000
Total assets	<u>1,597,092</u>	<u>477,595</u>	<u>135,283</u>	<u>2,209,970</u>
LIABILITIES				
Current liabilities:				
Accounts payable	4,991	32,759	7,759	45,509
Noncurrent liabilities:				
Deferred Revenue	843,750	-	-	843,750
Total liabilities	<u>848,741</u>	<u>32,759</u>	<u>7,759</u>	<u>889,259</u>
NET ASSETS				
Invested in capital assets, net of related debt	56,250	-	-	56,250
Unrestricted	692,101	444,836	127,524	1,264,461
Total net assets	<u>\$ 748,351</u>	<u>\$ 444,836</u>	<u>\$ 127,524</u>	<u>\$ 1,320,711</u>

Component Units
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2007

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
PROGRAM REVENUES:				
Charges for services	\$ 31,708	\$ 25,000	\$ 7,000	\$ 63,708
Operating grants and contributions	22,500	-	-	22,500
Miscellaneous income	11,688	-	-	11,688
Total operating revenues	<u>65,896</u>	<u>25,000</u>	<u>7,000</u>	<u>97,896</u>
EXPENSES:				
Operations	<u>86,889</u>	<u>29,259</u>	<u>4,259</u>	<u>120,407</u>
Total operating expenses	<u>86,889</u>	<u>29,259</u>	<u>4,259</u>	<u>120,407</u>
Operating income	<u>(20,993)</u>	<u>(4,259)</u>	<u>2,741</u>	<u>(22,511)</u>
General revenues:				
Unrestricted investment earnings	13,711	14,150	-	27,861
Loss on sale of property	<u>(17,587)</u>	<u>-</u>	<u>-</u>	<u>(17,587)</u>
Total net non-operating income	<u>(3,876)</u>	<u>14,150</u>	<u>-</u>	<u>10,274</u>
Change in net assets	<u>(24,869)</u>	<u>9,891</u>	<u>2,741</u>	<u>(12,237)</u>
Net assets, beginning of year	<u>773,220</u>	<u>434,945</u>	<u>124,783</u>	<u>1,332,948</u>
Net assets, end of year	<u>\$ 748,351</u>	<u>\$ 444,836</u>	<u>\$ 127,524</u>	<u>\$ 1,320,711</u>

Component Units
Combining Statement of Cash Flows
For the Year Ended September 30, 2007

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
Cash flows from operating activities:				
Cash received from customers	\$ 43,396	\$ 25,000	\$ -	\$ 68,396
Cash paid for salaries and related activities	(51,129)	-	-	(51,129)
Cash paid to suppliers for goods and services	(40,592)	-	-	(40,592)
Net cash provided (used) by operating activities	<u>(48,325)</u>	<u>25,000</u>	<u>-</u>	<u>(23,325)</u>
Cash flows from noncapital financing activities:				
Cash paid for home improvement loans	(40,000)	-	-	(40,000)
Proceeds from sale of land held for sale	114,179	-	-	114,179
Cash paid on assets held for sale	(67,627)	-	-	(67,627)
Net cash used for noncapital financing activities	<u>6,552</u>	<u>-</u>	<u>-</u>	<u>6,552</u>
Cash flows from investing activities:				
Earnings on investments	<u>13,594</u>	<u>14,137</u>	<u>-</u>	<u>27,731</u>
Net cash provided by investing activities	<u>13,594</u>	<u>14,137</u>	<u>-</u>	<u>27,731</u>
Net increase (decrease) in cash and cash equivalents	(28,179)	39,137	-	10,958
Cash and cash equivalents at beginning of year	332,594	413,355	121,283	867,232
Cash and cash equivalents at end of year	<u>\$ 304,415</u>	<u>\$ 452,492</u>	<u>\$ 121,283</u>	<u>\$ 878,190</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (20,993)	\$ (4,259)	\$ 2,741	\$ (22,511)
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:				
Decrease in accounts receivable	-	-	(7,000)	(7,000)
Increase (decrease) in accounts payable and accrued liabilities	(4,832)	29,259	4,259	28,686
Total adjustments	<u>(27,332)</u>	<u>29,259</u>	<u>(2,741)</u>	<u>(814)</u>
Net cash provided (used) by operating activities	<u>\$ (48,325)</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ (23,325)</u>

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

<u>Contents</u>	<u>Page</u>
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Debt Capacity These schedules contain information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	107
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Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	114

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

GARLAND

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

Table 1

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
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
Restricted	4,547,009	9,915,653	1,921,608	9,332,603	11,148,268	16,539,955
Unrestricted	33,142,813	3,773,762	3,439,609	(5,114,118)	3,205,798	3,861,767
Total governmental activities net assets	<u>\$ 159,074,402</u>	<u>\$ 173,251,771</u>	<u>\$ 159,532,113</u>	<u>\$ 156,463,231</u>	<u>\$ 164,992,485</u>	<u>\$ 166,554,571</u>
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
Restricted	69,072,047	69,675,800	70,686,549	72,202,545	73,218,539	77,356,305
Unrestricted	128,126,679	48,296,779	38,559,211	35,223,599	85,484,980	64,523,017
Total business-type activities net assets	<u>\$ 452,092,374</u>	<u>\$ 437,846,009</u>	<u>\$ 426,957,292</u>	<u>\$ 424,266,636</u>	<u>\$ 479,965,665</u>	<u>\$ 499,830,964</u>
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
Restricted	73,619,056	79,591,453	72,608,157	81,535,148	84,366,807	93,896,260
Unrestricted	161,269,492	52,070,541	41,998,820	30,109,481	88,690,778	68,384,784
Total primary government activities net assets	<u>\$ 611,166,776</u>	<u>\$ 611,097,780</u>	<u>\$ 586,489,405</u>	<u>\$ 580,729,867</u>	<u>\$ 644,958,150</u>	<u>\$ 666,385,535</u>

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

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses						
Governmental activities:						
General government	\$ 24,202,192	\$ 25,448,260	\$ 35,270,124	\$ 32,392,426	\$ 30,790,105	\$ 37,623,390
Public safety	60,351,565	62,999,309	69,028,367	71,669,173	80,537,648	82,379,317
Public works	32,738,057	30,529,070	32,081,450	33,252,736	35,936,678	39,645,423
Culture and recreation	18,079,673	17,091,792	18,117,717	18,188,655	19,160,660	19,159,881
Public health	2,463,345	2,525,006	2,795,918	2,581,301	2,771,112	3,085,931
Interest and fiscal charges	8,571,287	8,117,822	8,342,311	9,222,475	10,348,493	10,686,236
Tri-City Academy	74,061	73,957	74,091	12,721	-	-
Total governmental activities expenses	<u>146,480,180</u>	<u>146,785,216</u>	<u>165,709,978</u>	<u>167,319,487</u>	<u>179,544,696</u>	<u>192,580,178</u>
Business-type activities:						
Electric	163,654,263	190,479,543	209,650,788	222,883,550	222,703,702	212,231,176
Water	21,687,201	23,212,750	25,800,512	25,806,273	25,540,630	28,221,876
Sewer	20,249,731	21,483,043	22,865,652	22,685,980	24,768,707	26,661,625
Golf	3,102,011	3,548,906	3,607,795	2,796,283	2,953,267	2,844,792
Heliport	40,068	30,526	34,457	28,576	76,842	28,007
Storm water management	2,872,805	3,022,324	2,953,322	2,961,292	3,535,492	3,227,420
Parks performance	584,615	614,297	721,368	749,667	773,516	718,131
Sanitation	12,607,400	12,717,666	13,565,161	13,301,942	13,399,591	14,741,829
Total business-type activities expenses	<u>224,798,094</u>	<u>255,109,055</u>	<u>279,199,055</u>	<u>291,213,563</u>	<u>293,751,747</u>	<u>288,674,856</u>
Total primary government expenses	<u>\$ 371,278,274</u>	<u>\$ 401,894,271</u>	<u>\$ 444,909,033</u>	<u>\$ 458,533,050</u>	<u>\$ 473,296,443</u>	<u>\$ 481,255,034</u>
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
Public safety	8,778,000	9,076,549	8,579,287	10,202,599	10,803,372	10,568,258
Public works	11,843,394	10,129,500	10,571,408	11,200,394	12,990,004	13,651,673
Culture and recreation	2,114,703	1,503,405	1,622,913	1,745,890	1,615,310	1,530,098
Public health	170,077	191,342	189,935	179,789	177,835	331,128
Operating grants and contributions	16,191,085	18,385,284	18,516,283	19,713,353	21,863,489	22,852,488
Capital grants and contributions	7,153,603	5,236,706	5,686,588	3,556,983	8,445,411	3,811,318
Total governmental activities program revenues	<u>53,648,243</u>	<u>50,335,422</u>	<u>52,485,040</u>	<u>53,275,918</u>	<u>62,753,907</u>	<u>59,356,813</u>
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
Water	20,472,979	24,366,846	22,966,885	28,235,537	35,641,398	26,528,327
Sewer	22,401,028	22,638,954	24,328,999	26,719,862	34,668,202	33,628,914
Golf	2,086,288	2,221,772	2,193,048	2,133,498	2,224,318	2,070,839
Heliport	5,499	6,500	6,000	6,000	5,556	6,098
Storm water management	3,027,510	3,068,703	3,105,222	3,088,386	3,140,224	3,116,627
Parks performance	569,396	594,613	778,364	838,064	745,186	666,131
Sanitation	12,002,268	12,943,652	13,229,144	13,159,315	13,331,142	15,054,605
Capital grants and contributions	3,055,431	2,780,713	2,275,432	1,890,046	3,103,011	2,853,227
Total business-type activities program revenues	<u>232,184,475</u>	<u>249,130,597</u>	<u>268,809,599</u>	<u>300,954,823</u>	<u>364,610,691</u>	<u>317,551,695</u>
Total primary government program revenues	<u>\$ 285,832,718</u>	<u>\$ 299,466,019</u>	<u>\$ 321,294,639</u>	<u>\$ 354,230,741</u>	<u>\$ 427,364,598</u>	<u>\$ 376,908,508</u>

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

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net (expense)/revenue						
Governmental activities	\$ (92,831,937)	\$ (96,449,794)	\$ (113,224,938)	\$ (114,043,569)	\$ (116,790,789)	\$ (133,223,365)
Business-type activities	7,386,381	(5,978,458)	(10,389,456)	9,741,260	70,858,944	28,876,839
Total primary government net expense	<u>\$ (85,445,556)</u>	<u>\$ (102,428,252)</u>	<u>\$ (123,614,394)</u>	<u>\$ (104,302,309)</u>	<u>\$ (45,931,845)</u>	<u>\$ (104,346,526)</u>
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
Sales taxes	18,248,669	18,181,431	18,454,380	19,368,101	22,517,489	23,278,730
Franchise taxes	7,876,575	7,781,687	7,146,208	7,268,396	7,883,149	8,028,128
Hotel/motel taxes	458,478	408,539	415,767	417,034	464,905	488,123
Mixed drink taxes	110,445	109,474	110,443	121,644	135,586	167,372
Bingo taxes	72,911	81,597	89,543	88,918	101,189	97,866
Unrestricted investment earnings	5,742,752	2,676,584	1,677,257	1,875,018	3,883,272	5,061,009
Miscellaneous	96,678	114,718	208,727	700,956	140,242	850,982
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
Total governmental activities	<u>105,167,443</u>	<u>105,129,096</u>	<u>99,505,280</u>	<u>110,974,686</u>	<u>125,320,043</u>	<u>134,785,451</u>
Business-type activities:						
Unrestricted investment earnings	8,382,853	3,876,683	2,322,731	4,166,933	8,932,791	13,001,111
Miscellaneous	1,060,891	3,933,343	4,630,530	2,719,099	3,595,093	4,594,955
Transfers	(16,191,522)	(16,077,933)	(7,452,522)	(19,317,950)	(23,368,856)	(26,607,606)
Total business-type activities	<u>(6,747,778)</u>	<u>(8,267,907)</u>	<u>(499,261)</u>	<u>(12,431,918)</u>	<u>(10,840,972)</u>	<u>(9,011,540)</u>
Total primary government	<u>\$ 98,419,665</u>	<u>\$ 96,861,189</u>	<u>\$ 99,006,019</u>	<u>\$ 98,542,768</u>	<u>\$ 114,479,071</u>	<u>\$ 125,773,911</u>
Change in Net Assets						
Governmental activities	\$ 12,335,506	\$ 8,679,302	\$ (13,719,658)	\$ (3,068,883)	\$ 8,529,254	\$ 1,562,086
Business-type activities	638,603	(14,246,365)	(10,888,717)	(2,690,658)	60,017,972	19,865,299
Cumulative effect of change in acctg principle	-	5,498,067	-	-	(4,318,943)	-
Total primary government	<u>\$ 12,974,109</u>	<u>\$ (68,996)</u>	<u>\$ (24,608,375)</u>	<u>\$ (5,759,541)</u>	<u>\$ 64,228,283</u>	<u>\$ 21,427,385</u>

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

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

Table 3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Hotel/Motel Tax</u>	<u>Mixed Drink Tax</u>	<u>Bingo Tax</u>	<u>Total</u>
1998	\$ 42,055,412	\$ 16,574,252	\$ 5,596,099	\$ 532,838	\$ 84,478	\$ 69,473	\$ 64,912,552
1999	44,244,627	16,787,163	6,150,311	510,721	86,482	66,836	67,846,140
2000	46,233,392	18,263,423	648,115	477,944	101,691	69,994	65,794,559
2001	50,130,626	18,273,744	7,671,616	480,836	104,578	78,090	76,739,490
2002	56,369,413	18,248,669	7,876,575	458,478	110,445	72,911	83,136,491
2003	59,697,133	18,181,431	7,781,687	408,539	109,474	81,597	86,259,861
2004	59,700,363	18,454,380	7,146,208	415,767	110,443	89,543	85,916,704
2005	61,816,669	19,368,101	7,268,396	417,034	121,644	88,918	89,080,762
2006	66,825,355	22,517,489	7,883,149	464,905	135,586	101,189	97,927,673
2007	70,205,635	23,278,730	8,028,128	488,123	167,372	97,866	102,265,854

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

Table 4

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Unreserved	\$ 15,005,226	\$ 14,154,239	\$ 14,831,853	\$ 13,583,072	\$ 13,122,317	\$ 13,779,636	\$ 11,030,482	\$ 13,190,208	\$ 20,888,141	\$ 17,308,504
Total general fund	<u>\$ 15,005,226</u>	<u>\$ 14,154,239</u>	<u>\$ 14,831,853</u>	<u>\$ 13,583,072</u>	<u>\$ 13,122,317</u>	<u>\$ 13,779,636</u>	<u>\$ 11,030,482</u>	<u>\$ 13,190,208</u>	<u>\$ 20,888,141</u>	<u>\$ 17,308,504</u>
All other government funds										
Reserved	\$ 37,371,707	\$ 50,423,046	\$ 51,993,971	\$ 57,724,530	\$ 44,081,650	\$ 32,623,209	\$ 1,921,608	\$ 40,581,722	\$ 1,068,786	\$ 16,539,955
Unreserved, reported in:										
Special revenue funds	2,780,799	3,583,636	5,311,657	6,456,162	5,121,834	4,968,076	13,545,029	5,753,428	4,596,233	7,293,957
Capital project funds	-	-	-	-	-	-	-	-	-	(26,178,715)
Total all other governmental funds	<u>\$ 40,152,506</u>	<u>\$ 54,006,682</u>	<u>\$ 57,305,628</u>	<u>\$ 64,180,692</u>	<u>\$ 49,203,484</u>	<u>\$ 37,591,285</u>	<u>\$ 15,466,637</u>	<u>\$ 46,335,150</u>	<u>\$ 5,665,019</u>	<u>\$ (2,344,803)</u>

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$ 59,316,453	\$ 61,695,829	\$ 65,146,444	\$ 69,097,874	\$ 74,275,259	\$ 77,604,482	\$ 78,671,897	\$ 81,838,275	\$ 89,864,990	\$ 94,277,497
Franchise fees	5,596,099	6,150,311	6,248,115	7,671,616	7,876,575	7,781,687	7,146,208	7,268,396	7,883,149	8,028,128
Service charges	10,903,390	11,961,917	11,207,515	11,494,440	13,790,894	13,048,766	14,026,350	14,600,925	16,382,249	17,224,499
Licenses and permits	1,363,638	1,603,990	1,510,857	1,769,018	1,787,051	2,138,200	2,151,482	2,701,470	3,104,974	3,056,687
Investment earnings	4,625,891	4,222,342	6,126,853	8,820,760	4,745,090	2,035,328	1,343,658	1,875,021	3,883,271	5,061,009
Intergovernmental	9,755,941	10,272,965	11,616,479	12,715,988	14,787,976	17,115,642	16,797,896	17,835,272	19,092,728	20,938,438
Intragovernmental	16,821,824	17,190,353	19,174,705	20,012,800	5,618,359	5,835,277	6,065,514	5,790,632	5,803,231	6,068,356
Fines and forfeits	3,924,364	3,765,551	4,036,751	4,168,074	4,290,574	4,488,485	5,194,326	6,073,988	5,915,617	5,324,440
Rents and concessions	523,026	500,003	544,290	626,360	533,773	582,969	1,634,362	770,684	946,539	959,214
Assessments	31,255	58,343	49,962	51,879	134,341	104,538	122,600	56,039	43,908	54,207
Impact fees	-	380,000	-	14,981	1,946,127	878,040	589,283	558,677	1,043,145	1,215,941
Contributions	-	1,902	1,832,135	1,275,822	2,321,702	2,205,047	194,029	582,969	1,789,346	378,732
Program income	497,470	481,154	222,549	355,456	855,348	422,702	232,812	531,270	580,242	197,794
Special event income	434,225	634,099	956,352	695,189	927,277	399,826	488,207	434,879	79,439	1,623
Miscellaneous	784,398	1,525,369	1,412,698	1,451,016	1,828,377	1,568,925	2,448,424	2,314,668	2,727,545	1,737,656
Awards	119,320	214,706	150,295	123,901	116,161	347,055	197,821	93,334	498,287	445,701
Total Revenues	114,697,294	120,658,834	130,236,000	140,345,174	135,834,884	136,556,969	137,304,869	143,326,499	159,638,660	164,969,922
Expenditures										
General government	6,131,216	6,779,219	7,011,395	7,468,670	7,771,073	8,265,797	13,547,721	9,846,252	8,399,455	16,162,770
Public safety	42,356,996	46,142,166	48,246,794	50,676,933	52,504,755	56,389,366	59,878,602	62,364,342	67,979,184	71,923,692
Public works	5,512,871	5,756,813	5,848,079	6,131,095	6,584,672	6,912,917	7,306,230	7,080,641	8,087,824	9,765,312
Culture and recreation	8,254,917	9,264,169	9,619,379	10,332,719	10,644,306	11,084,087	11,306,781	11,072,061	11,487,982	12,401,080
Public health	1,664,745	1,898,471	2,076,463	2,088,095	2,061,934	2,201,729	2,429,705	2,136,542	2,275,483	2,721,376
Nondepartmental	8,142,153	9,594,409	10,741,459	11,396,820	12,959,772	11,702,099	13,949,955	12,826,489	14,498,714	16,258,263
Operations	15,951,982	17,338,134	21,924,791	27,233,002	26,875,871	22,841,120	26,923,692	26,842,657	26,199,922	25,113,864
Capital Outlay	13,458,254	14,812,714	19,672,810	33,474,956	37,694,712	46,481,607	41,594,043	43,223,875	55,132,525	31,349,700
Debt service										
Principal	12,027,874	11,434,315	11,983,282	11,869,987	14,606,500	13,350,239	10,622,833	12,018,720	12,973,186	14,015,396
Interest	7,171,540	6,877,532	8,333,063	9,782,351	8,004,673	7,798,522	7,795,875	8,385,551	12,418,459	12,282,296
Issue costs on issuance of debt	-	-	-	-	243,458	-	-	-	-	133,969
Tri City Academy	74,269	75,129	74,077	74,175	74,061	73,957	74,091	12,721	-	-
Other charges	309,266	398,681	445,512	335,859	343,646	454,223	515,609	519,353	146,905	120,590
Total expenditures	121,056,083	130,371,752	145,977,104	170,864,662	180,369,433	187,555,663	195,945,137	196,329,204	219,599,639	212,248,308
Excess of revenues over (under) expenditures	(6,358,789)	(9,712,918)	(15,741,104)	(30,519,488)	(44,534,549)	(50,998,694)	(58,640,268)	(53,002,705)	(59,960,979)	(47,278,386)
Other financing sources (uses)										
Sale of capital assets	-	-	-	-	-	-	-	-	-	417,045
Transfers in	7,398,175	7,209,053	10,785,378	22,997,020	29,280,489	29,407,407	31,726,983	28,899,080	32,423,803	38,353,344
Transfers out	(6,841,104)	(7,917,726)	(6,525,874)	(10,360,953)	(16,394,518)	(13,441,661)	(14,118,676)	(9,657,539)	(9,550,022)	(17,040,435)
Issuance of debt	22,720,000	23,560,000	15,649,936	23,678,068	21,792,772	18,580,000	12,058,728	65,895,000	4,115,000	13,825,000
Premium on issuance of debt	-	-	-	-	-	-	-	3,392,524	-	1,493,762
Refunding proceeds	-	-	-	-	-	-	-	28,305,000	-	39,200,000
Payment to bond refunding agent	-	-	-	-	(8,027,772)	-	-	(30,803,121)	-	(40,559,793)
Total other financing sources (uses)	23,277,071	22,851,327	19,909,440	36,314,135	26,650,971	34,545,746	29,667,035	86,030,944	26,988,781	35,688,923
Change in fund balance	16,918,282	13,138,409	4,168,336	5,794,647	(17,883,578)	(16,452,948)	(28,973,233)	33,028,239	(32,972,198)	(11,589,463)
Cummulative effect of change in accounting principle	-	-	-	-	-	5,498,067	-	-	-	-
Special item-apartment complex sale	-	-	-	-	-	-	4,099,431	-	-	-
Net change in fund balances	\$ 16,918,282	\$ 13,138,409	\$ 4,168,336	\$ 5,794,647	\$ (17,883,578)	\$ (10,954,881)	\$ (24,873,802)	\$ 33,028,239	\$ (32,972,198)	\$ (11,589,463)
Debt service as a percentage of noncapital expenditures	17.84%	15.85%	16.09%	15.76%	15.85%	14.99%	11.93%	13.33%	15.44%	14.54%

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

Table 6

Fiscal Year Ended September 30,	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
1998	\$ 4,816,051,218	\$ 1,811,436,730	\$ 583,591,480	\$ 628,025,910	\$ 6,583,053,518	0.6336
1999	5,108,587,795	1,944,027,680	596,768,140	686,600,368	6,962,783,247	0.6336
2000	5,430,448,647	2,121,247,230	626,101,620	704,223,019	7,473,574,478	0.6136
2001	5,855,804,270	2,237,297,210	656,341,750	821,963,564	7,927,479,666	0.6336
2002	5,768,607,851	3,155,723,180	578,069,500	898,430,636	8,603,969,895	0.6411
2003	6,426,672,230	3,263,895,460	656,509,700	1,168,754,111	9,178,323,279	0.6411
2004	6,795,954,000	3,295,142,390	624,699,750	1,483,946,215	9,231,849,925	0.6411
2005	7,077,522,770	3,326,226,180	568,356,980	1,429,095,701	9,543,010,229	0.6411
2006	7,229,465,100	3,500,737,880	664,641,720	1,578,751,415	9,816,093,285	0.6661
2007	7,426,307,290	3,806,114,620	696,914,380	1,712,946,205	10,216,390,085	0.6786

Source: City of Garland, Texas - Tax Office

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

Fiscal Year	City Direct Rates			Overlapping Rates*						
	General Fund	Debt Service Fund	Total Direct	Garland Independent School District	Dallas County	Dallas County Hospital District	Dallas County Community College District	Dallas Independent School District	Richardson Independent School District	Mesquite Independent School District
1998	0.3628	0.2708	0.6336	1.5445	0.20317	0.1799	0.0500	1.46053	1.6257	1.5800
1999	0.3790	0.2546	0.6336	1.5445	0.19720	0.1799	0.0500	1.46050	1.6257	1.5800
2000	0.3690	0.2446	0.6136	1.4784	0.19600	0.1960	0.0500	1.46050	1.6486	1.5800
2001	0.3740	0.2596	0.6336	1.4053	0.19600	0.2540	0.0500	1.54750	1.6683	1.5800
2002	0.3740	0.2671	0.6411	1.4717	0.19600	0.2540	0.0600	1.54750	1.7993	1.5800
2003	0.3740	0.2671	0.6411	1.4586	0.19600	0.2540	0.0600	1.58750	1.8081	1.6200
2004	0.3740	0.2671	0.6411	1.5585	0.20390	0.2540	0.0778	1.63950	1.8200	1.6700
2005	0.3740	0.2671	0.6411	1.6214	0.20390	0.2540	0.0803	1.66940	1.8200	1.7600
2006	0.3890	0.2771	0.6661	1.6701	0.21390	0.2540	0.0816	1.68840	1.8200	1.7624
2007	0.3890	0.2896	0.6786	1.6701	0.21390	0.2540	0.0816	1.68840	1.6301	1.6680

Source: City of Garland, Texas - Tax Office

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

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

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

Table 8

<u>Taxpayer</u>	<u>2007</u>			<u>1998</u>		
	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total City Taxable Assessed Value</u>
Wal-Mart	\$ 104,207,580	1	1.02%	\$ 38,803,880	7	0.59%
Firewheel PT Multi Family	76,288,230	2	0.75%	-	-	-
Plastipak Packaging	66,741,845	3	0.65%	-	-	-
Kraft Foods, Inc	62,030,830	4	0.61%	74,890,310	3	1.14%
Sears Roebuck & Company	51,436,926	5	0.50%	102,687,800	1	1.56%
Verizon	47,577,930	6	0.47%	-	-	-
Simpson Financing LTD	42,378,830	7	0.41%	-	-	-
Valspar/Engineered Polymar	38,706,581	8	0.38%	36,333,380	8	0.55%
SST Truck Company LLC	35,477,387	9	0.35%	-	-	-
Wachovia Commercial Lsg	34,677,870	10	0.34%	-	-	-
General Telephone Company	-	-	-	84,728,390	2	1.29%
E-Systems	-	-	-	55,413,950	4	0.84%
Fleming Foods of Texas	-	-	-	45,501,840	5	0.69%
Blockbuster Videos, Inc.	-	-	-	44,892,410	6	0.68%
Eckerd Drugs, Inc.	-	-	-	35,812,230	9	0.54%
Ingersoll Rand	-	-	-	25,933,250	10	0.39%
	<u>\$ 559,524,009</u>		<u>5.48%</u>	<u>\$ 544,997,440</u>		<u>8.27%</u>

Source: City of Garland, Texas - Tax Office

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

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collections within Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 41,710,227	\$ 41,216,156	98.82%	\$ 466,015	\$ 41,682,171	99.93%
1999	44,116,195	43,678,152	99.01%	415,411	44,093,563	99.95%
2000	45,857,853	45,422,322	99.05%	409,892	45,832,214	99.94%
2001	50,228,511	49,773,440	99.09%	420,241	50,193,681	99.93%
2002	55,160,051	54,785,537	99.32%	339,683	55,125,220	99.94%
2003	58,730,715	57,863,914	98.52%	799,275	58,663,188	99.89%
2004	59,188,532	58,234,780	98.39%	761,353	58,996,133	99.67%
2005	61,180,242	60,323,475	98.60%	664,117	60,987,592	99.69%
2006	65,446,028	64,291,109	98.24%	786,330	65,077,439	99.44%
2007	69,481,794	68,346,908	98.37%	-	68,346,908	98.37%

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

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

Table 10

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

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 112 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**
1998	\$ 128,920,878	\$ 3,076,198	125,844,680	1.91%	624
1999	141,831,563	2,787,011	139,044,552	2.00%	682
2000	145,744,029	1,205,296	144,538,733	1.93%	702
2001	157,552,111	299,996	157,252,115	1.98%	729
2002	163,250,145	4,547,009	158,703,136	1.84%	718
2003	170,640,147	712,233	169,927,914	1.85%	763
2004	184,743,535	1,314,659	183,428,876	1.99%	825
2005	238,609,860	2,745,794	235,864,066	2.47%	1,064
2006	235,166,327	3,210,136	231,956,191	2.36%	1,043
2007	233,611,527	3,643,875	229,967,652	2.25%	1,022

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 103 for property value data.

** Population data can be found in the Schedule of Demographic and Economic Statistics on page 112.

City of Garland
Estimated Direct and Overlapping Governmental Activities Debt
As of September 30, 2006
(unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Garland Independent School District	\$ 411,505,741	73.04%	\$ 300,563,793
Collin County	200,735,000	0.04%	80,294
Dallas County	186,401,552	6.62%	12,339,783
Dallas County Community College District	93,485,000	6.62%	6,188,707
Dallas Independent School District	1,471,980,000	0.20%	2,943,960
Richardson Independent School District	430,699,988	3.47%	14,945,290
Mesquite Independent School District	467,582,789	1.88%	<u>8,790,556</u>
Subtotal, overlapping debt			345,852,383
City direct debt			<u>229,967,652</u>
Total estimated direct and overlapping debt			<u><u>\$ 575,820,035</u></u>

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

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

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

City of Garland
Legal Debt Margin Information
September 30, 2007
(unaudited)

Table 13

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

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

The City tax rate limitation is \$2.50 per \$100 assessed value. The tax rate for FY07 is \$.6786 per \$100.00 assessed value.

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

Table 14

Fiscal Year	Electric Revenue Bonds						Water & Sewer Revenue Bonds					
	Charges for Services	Less: Operating Expenses	Net Available Revenue	Average Annual Debt Service		Coverage	Charges for Services	Less: Operating Expenses	Net Available Revenue	Average Annual Debt Service		Coverage
		Principal		Interest	Principal			Interest				
1998	\$ 160,682,194	\$ 137,467,251	\$ 23,214,943	\$ 1,928,452	\$ 473,257	9.67	\$ 44,840,644	\$ 25,827,002	\$ 19,013,642	\$ 5,416,548	\$ 1,914,750	2.59
1999	164,345,704	140,117,135	24,228,569	1,970,294	352,998	10.43	41,602,583	27,518,854	14,083,729	5,584,706	1,481,749	1.99
2000	187,113,788	160,674,825	26,438,963	1,718,054	235,853	13.53	45,123,999	28,425,772	16,698,227	5,681,946	1,183,623	2.43
2001	195,658,099	181,759,174	13,898,925	1,560,735	129,388	8.22	44,084,434	31,277,034	12,807,400	5,733,265	846,968	1.95
2002	173,936,639	152,013,544	21,923,095	815,765	52,773	25.24	44,057,121	28,228,146	15,828,975	5,449,227	516,288	2.65
2003	186,618,401	176,481,523	10,136,878	436,726	10,206	22.68	47,210,067	30,787,260	16,422,807	7,453,274	249,099	2.13
2004	205,509,317	193,344,158	12,165,159	1,565,238	857,676	5.02	47,531,877	34,060,885	13,470,992	4,081,190	2,069,573	2.19
2005	228,947,259	207,006,704	21,940,555	2,465,952	1,343,233	5.76	55,278,540	34,521,360	20,757,180	5,039,524	2,587,796	2.72
2006	278,495,241	207,677,043	70,818,198	3,610,238	1,937,279	12.77	70,938,017	36,061,645	34,876,372	5,728,810	2,747,140	4.11
2007	244,179,434	195,648,649	48,530,785	4,523,333	2,411,386	7.00	61,219,697	38,218,281	23,001,416	7,003,095	3,362,221	2.22

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

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

Table 15

Fiscal Year	Population	Personal Income (amt expressed in thousands)	Per Capita Personal Income	Median Age	Education Level in Years of Formal Schooling	School Enrollment	Unemployment Rate
1998	201,824	\$ 4,036,480	\$ 20,000	30.2	12.9	48,139	2.8%
1999	203,883	4,077,660	20,000	33.0	12.9	49,154	2.7%
2000	205,869	4,117,380	20,000	33.0	12.9	50,250	2.6%
2001	215,768	4,315,360	20,000	31.7	12.9	51,884	4.7%
2002	220,946	4,418,920	20,000	31.7	12.9	53,612	5.9%
2003	222,651	4,453,020	20,000	31.7	12.9	54,868	5.3%
2004	222,350	4,447,000	20,000	31.7	12.9	56,568	5.0%
2005	221,588	5,280,220	23,829	32.0	12.9	57,265	5.4%
2006	222,432	5,300,332	23,829	32.0	12.9	56,593	4.7%
2007	224,988	5,361,239	23,829	32.7	12.9	56,579	4.2%

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

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

Table 16

<u>Employer</u>	<u>2007</u>			<u>1998</u>		
	<u>Employee</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employee</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Raytheon E-Systems	2,000	1	1.95%	-		-
Sears Industrial Park	1,300	2	1.27%	1,155	2	1.24%
Atlas Copco	700	3	0.68%	-		-
International/SST Truck	700	3	0.68%	-		-
Kingsley Tools (Danaher)	650	5	0.63%	-		-
General Dynamics	550	6	0.54%	-		-
Kraft Foods	500	7	0.49%	473	6	0.51%
US Food Service	490	8	0.48%	-		-
Northrup Grumman	450	9	0.44%	-		-
Interceramic	400	10	0.39%	-		-
E-Systems	-		-	3,300	1	3.54%
Software Spectrum	-		-	868	3	0.93%
Walmart Super Centers	-		-	618	5	0.66%
Cuplex, Inc.	-		-	620	4	0.66%
Eckerd Drug Company	-		-	450	7	0.48%
Hat Brands, Inc.	-		-	430	8	0.46%
Ingersoll Rand	-		-	300	10	0.32%
Intercontinental Manufacturing Co.	-		-	325	9	0.35%
	<u>7,740</u>		<u>7.54%</u>	<u>8,539</u>		<u>9.16%</u>

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

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

Table 17

	Full-time Equivalent Employees as of December 31									
Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government	262	275	286	293	294	301	307	292	291	290
Police										
Sworn (civil service)	278	280	280	290	290	301	314	314	326	327
Non-Sworn (non-civil service)	123	122	131	133	133	133	133	133	133	138
Fire										
Sworn (civil service)	225	226	230	230	230	238	246	246	254	255
Non-Sworn (non-civil service)	9	9	9	10	10	11	11	9	9	7
Culture and Recreation	138	145	158	168	167	168	168	162	162	162
Internal Services	215	218	228	236	244	247	252	246	197	201
Electric	178	183	194	200	204	228	237	236	236	247
Water	52	51	53	53	54	54	54	54	54	57
Sewer	107	106	103	103	103	103	102	102	102	102
Solid Waste	72	75	75	79	89	89	89	88	88	88
Stormwater Management	22	22	23	23	25	25	25	25	25	25
Golf	24	30	36	36	36	36	36	36	36	36
Special Revenue	113	127	128	129	129	127	128	117	162	169
Total FTE Employees	1,818	1,869	1,934	1,983	2,008	2,061	2,102	2,060	2,075	2,104

Source: City of Garland Budget Office

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

Table 18

Function	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police						
Physical arrests	12,719	14,737	15,418	15,933	16,166	15,440
Citations issued	64,143	65,525	50,482	59,461	61,143	60,226
Fire						
Number of calls answered	18,933	18,413	18,082	19,442	20,024	19,085
Business Inspections	5,196	6,343	7,489	6,774	7,785	7,964
Highways and streets						
Street resurfacing (miles)	31	21	18	26	20	14
Service maintenance requests	1,560	1,509	1,717	1,923	1,396	1,607
Parks and recreation						
Performing arts center admissions	101,040	125,700	161,681	170,939	152,508	180,000
Community center admissions	773,719	708,165	773,498	820,497	856,663	820,000
Library						
Volumes in collection	446,775	496,804	506,522	521,952	491,220	460,774
Total volumes borrowed	1,179,398	1,179,398	1,208,774	1,190,882	1,178,165	1,317,956
Electric						
Number of accounts	66,456	67,175	67,968	67,761	68,048	68,671
Average daily usage (KWH)	5,340,425	5,543,664	5,431,222	5,532,836	5,712,121	5,413,698
Water						
New connections	726	711	505	223	337	467
Water main breaks	228	236	213	401	507	398
Average daily consumption (thousands of gallons)	28,599	30,951	30,042	29,966	33,882	25,792
Wastewater						
Average daily sewage treatment (millions of gallons)	37	36	38	33	31	36

Sources: Various City departments

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

Table 19

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

Sources: Various City departments

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

Description	Amount in (000's)
Total assets	\$ <u>1,203,288</u>
Total liabilities	1,165,858
Total net assets	<u>37,430</u>
Total liabilities and net assets	\$ <u><u>1,203,288</u></u>
Total operating revenues	\$ 248,977
Total operating expenses	<u>112,916</u>
Income from operations	136,061
Total other income(expenses)	9,361
Total interest charges	(74,024)
Deferred cost	(36,492)
Refunds to member Cities	<u>(33,035)</u>
Change in net assets	1,871
Net assets - beginning balance	<u>35,559</u>
Net assets - ending balance	\$ <u><u>37,430</u></u>

Source: TMPA Comprehensive Annual Financial Report

GARLAND