

# City of Garland, Texas

## Comprehensive Annual Financial Report

### For the Fiscal Year Ended September 30, 2012



**GARLAND**  
TEXAS MADE HERE

**CITY OF GARLAND, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED SEPTEMBER 30, 2012**

**CITY COUNCIL**

Ronald Jones, Mayor  
Tim Campbell, District 1  
Anita Goebel, District 2  
Preston Edwards, Deputy Major Pro Tem, District 3  
B. J. Williams, District 4  
John Willis, Mayor Pro Tem, District 5  
Lori Barnett Dodson, District 6  
Rick Williams, District 7  
Jim Cahill, District 8

**CITY MANAGER**

William E. Dollar

**DIRECTOR OF FINANCIAL SERVICES**

David Schuler

**Prepared by**

Department of Finance  
Accounting Office

**CITY OF GARLAND, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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March 29, 2012

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, 2012 is hereby submitted. The report is published to provide detailed information concerning the financial condition of the City to our citizens and the financial community, as well as other interested parties. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

#### GENERAL INFORMATION – CITY OF GARLAND

The City of Garland is located in Dallas County, approximately 15 miles northeast of downtown Dallas. The City's population of 228,060 (as estimated by the City's Planning Department as of January 1, 2012) makes it the twelfth largest city in the state of Texas, and places it among the top 100 largest municipalities in the United States.

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

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

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

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

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

## ECONOMIC CONDITIONS AND OUTLOOK

While still far from reaching pre-recession levels, overall economic conditions began improving in 2012. This improvement is evident in the FY 2012-13 Adopted Budget which reflects material gains in sales tax and other revenue streams within the City's General Fund. These gains were partially offset, however, by continued declines in residential home values. Garland in many ways mirrors the national economy which has experienced modest growth but is still plagued by underlying concerns regarding housing prices and the long-term sustainability of the recovery. As a result of these concerns, it was assumed that it would be several more years before substantial growth in the property tax base, and therefore, all decisions were carefully weighted in light of their multi-year impact.

To address the 2013 economic forecast, the City implemented the following goals for the 2012-13 adopted budget:

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

## FINANCIAL INFORMATION

### Accounting and Budgetary Controls

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

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

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

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

Changes to approved expenditures are incorporated into the current year budget throughout the year in the form of budget amendments approved by Council. These amendments, as well as updated revenues and other

re-estimated expenses, become part of the Revised Budget that is presented to Council concurrent with the Proposed Budget.

During the course of the fiscal year, each department head monitors expenditure controls with overall review exercised by the Assistant City Manager and the City Manager. Monthly expenditure reports are distributed based on the automated accounting system that provide year-to-date expenditure totals for each line item compared to the amount expended at that point in time in the prior year.

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

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

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

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

### Long-Term Financial Planning

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

- A multi-year financial forecast is prepared projecting revenues and expenditures for all operating funds.

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

## OTHER INFORMATION

### Independent Audit

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

### Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Garland for its Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2011. The Certificate of Achievement is a prestigious national

award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

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

Acknowledgements

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

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

Sincerely,



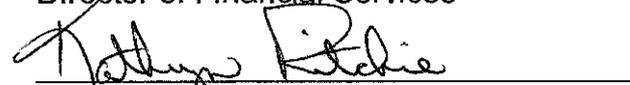
William E. Dollar  
City Manager



Bryan L. Bradford  
Assistant City Manager



David A. Schuler  
Director of Financial Services



Kathryn P. Ritchie  
Accounting Administrator

# 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, 2011

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.



*Christopher P. Moirice*

President

*Jeffrey R. Emer*

Executive Director

# CITIZENS OF GARLAND

## CITY COUNCIL

City Auditor  
Craig Hametner

City Secretary  
Lisa Palomba

City Attorney  
Brad Neighbor

City Manager  
William E. Dollar

Assistant City Manager  
Bryan L. Bradford

Deputy City Manager  
Martin E. Glenn

Public & Media Affairs

David Schuler  
Managing Director

Financial Services

Budget

Purchasing

Warehouse

Firewheel

Facilities Management

Transportation

Engineering

Street Services

Stormwater Management

Heliport

Emergency Management

Organizational Development (OD)

Office of Environmental Quality

Housing Agency

Senior Management Team

Richard Briley  
Managing Director

Mitch Bates  
Managing Director

Priscilla Wilson  
Sr. Managing Director

Jeff Janke  
Sr. Managing Director

Neil Montgomery  
Sr. Managing Director

John Baker  
Managing Director

Jim Stone  
Managing Director

Health

Animal Services

Public Health

Code Compliance

Raymond Knight  
Fire Chief

Fire

Police

SafeLight Garland

Kevin Slay  
Managing Director

Customer Service

Tax

Municipal Court

Human Resources

Risk Management

CityCare Clinic

Fleet Services

Fair Housing

Summer Nutrition

GP&L

Planning

Building Inspection

Comm. & Neigh. Dev.

Housing Grants Admin.

Water

Wastewater

Steve Niekamp  
Managing Director

Information Technology

IT Communications

Parks, Rec. & Cultural Arts

Granville Arts Center

Library

Community Relations

Conv. & Visitors Burea

Lonnie Banks  
Managing Director

EWS - Service Delivery

EWS - Disposal (Landfill)



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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Garland, Texas (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the City's financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling certain information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules listed in the foregoing table of contents are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Deloitte & Touche LLP

March 29, 2013

**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, 2012. 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 \$805,443,772. Ending net assets for governmental activities amount to \$144,064,130 and the ending net assets for the business type activities amount to \$661,379,642.
- Net Assets for the governmental activities decreased \$9,998,295 and the net assets for the business type activities increased \$42,076,226 for a total increase in the City's net assets of \$32,077,931. Contributing factors related to the decrease in governmental activities and the increase in business type activities 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 \$76,422,714. Of the combined ending fund balances, \$48,543,173 is restricted, \$6,574,464 is committed, \$4,730,000 is assigned, and \$16,575,077 is unassigned. GASB 54 was implemented in the 2011 fiscal year which defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

**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 or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, landfill, economic development, and culture and recreation. The business-type activities of the City include electric, water, sewer, golf, heliport, storm water, parks performance, and sanitation operations.

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

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

### **Fund financial statements**

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

## **Governmental funds**

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

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

The City maintains seventeen individual governmental funds. The General Fund, the Debt Service Fund, and the Capital Projects Fund, are considered to be major funds. Major funds are presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other 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 funds financial statements can be found on pages 26-29 of this report.

## **Proprietary funds**

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

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

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

### **Fiduciary funds**

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

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

### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-82 of this report.

### **Other information**

Required supplementary information concerning the General Fund schedule of revenues, expenditures, and changes in fund balances – budget and actual for the year ended September, 30, 2012, the City's progress in funding its obligation to provide Texas Municipal Retirement System pension benefits and Other Postemployment Benefits (OPEB) to its employees, are presented on pages 83-85 of this report.

### **Government-wide Financial Analysis**

Total assets at fiscal year-end amount to \$1,767,426,218. Current and other assets comprise 38.84% and capital assets comprise 61.16% of the total assets. Total assets increased \$20,390,598 during the fiscal year primarily as a result of the following.

- Capital assets decreased \$13,631,430 as a result of changes in construction in progress, land and systems. Significant additions to fixed asset and construction in progress are described in the capital asset section of this overview and analysis.
- Investments and cash/cash equivalents increased \$32,631,169 as a result of availability of additional funds to be invested.

Total liabilities at the end of the fiscal year amount to \$961,982,446. Long-term liabilities comprise 91.75% and other liabilities comprise 8.25% of the total liabilities. Total liabilities decreased \$11,687,333 during the fiscal year.

As mentioned 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 \$805,443,772 for the year ended September 30, 2012. The largest portion of the City's net assets (54.94 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 (25.50 percent) represents resources that are subject to external restrictions on how they may be used. These restrictions are detailed in revenue bond debt covenants, the City of Garland Charter, grant contracts and state law. The remaining balance of unrestricted net assets (19.56 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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

City of Garland, Texas  
Management's Discussion and Analysis (continued)  
September 30, 2012

**Condensed Statement of Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 147,794,711	\$ 148,984,259	\$ 538,657,044	\$ 503,445,468	\$ 686,451,755	\$ 652,429,727
Capital assets	385,780,405	403,360,714	695,194,058	691,245,179	1,080,974,463	1,094,605,893
Total assets	<u>533,575,116</u>	<u>552,344,973</u>	<u>1,233,851,102</u>	<u>1,194,690,647</u>	<u>1,767,426,218</u>	<u>1,747,035,620</u>
Long-term liabilities						
outstanding	341,663,779	310,754,609	540,921,155	556,613,094	882,584,934	867,367,703
Other liabilities	47,847,207	87,527,939	31,550,305	18,774,137	79,397,512	106,302,076
Total liabilities	<u>389,510,986</u>	<u>398,282,548</u>	<u>572,471,460</u>	<u>575,387,231</u>	<u>961,982,446</u>	<u>973,669,779</u>
Net assets:						
Invested in capital assets, net of related debt	95,930,730	109,150,600	346,557,013	343,566,237	442,487,743	452,716,837
Restricted for:						
Debt Service	2,206,544	4,856,364	2,518,448	1,294,835	4,724,992	6,151,199
Construction	5,188,023	4,807,453	-	-	5,188,023	4,807,453
Rate Mitigation	-	-	193,756,823	156,229,586	193,756,823	156,229,586
Housing Assistance	1,711,755	3,211,551	-	-	1,711,755	3,211,551
Unrestricted	<u>39,027,078</u>	<u>32,036,457</u>	<u>118,547,358</u>	<u>118,212,758</u>	<u>157,574,436</u>	<u>150,249,215</u>
Total net assets	<u>\$ 144,064,130</u>	<u>\$ 154,062,425</u>	<u>\$ 661,379,642</u>	<u>\$ 619,303,416</u>	<u>\$ 805,443,772</u>	<u>\$ 773,365,841</u>

City of Garland, Texas  
Management's Discussion and Analysis (continued)  
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The total net assets increased \$32,077,931 in the 2012 fiscal year. Business-type activities contributed \$42,076,226 of this increase while the governmental activities decreased this total by \$9,998,295. These increases and decreases are discussed in the governmental activities section and the business-type activities section of this overview and analysis.

**Schedule of Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 37,535,544	\$ 39,358,644	\$ 336,449,228	\$ 339,711,505	\$ 373,984,772	\$ 379,070,149
Operation grants and contributions	16,885,088	21,723,466	-	-	16,885,088	21,723,466
Capital grants and contributions	815,387	649,244	1,249,457	464,491	2,064,844	1,113,735
General Revenues:						
Property taxes	71,712,486	72,960,307	-	-	71,712,486	72,960,307
Sales taxes	22,684,164	21,609,756	-	-	22,684,164	21,609,756
Other taxes	9,003,805	9,306,683	-	-	9,003,805	9,306,683
Unrestricted interest earnings	648,009	512,142	1,703,509	1,045,332	2,351,518	1,557,474
Miscellaneous	85,561	89,257	2,092,995	2,152,898	2,178,556	2,242,155
Total Revenues	<u>159,370,044</u>	<u>166,209,499</u>	<u>341,495,189</u>	<u>343,374,226</u>	<u>500,865,233</u>	<u>509,583,725</u>
Expenses:						
General government	29,569,285	29,640,148	-	-	29,569,285	29,640,148
Public safety	90,755,164	90,653,595	-	-	90,755,164	90,653,595
Public works	41,666,670	42,540,513	-	-	41,666,670	42,540,513
Culture and recreation	20,805,012	21,566,920	-	-	20,805,012	21,566,920
Public health	4,018,652	3,881,311	-	-	4,018,652	3,881,311
Interest and fiscal charges	12,038,048	11,968,097	-	-	12,038,048	11,968,097
Electric	-	-	166,360,005	162,337,555	166,360,005	162,337,555
Water	-	-	40,702,500	38,600,806	40,702,500	38,600,806
Sewer	-	-	36,348,765	34,304,974	36,348,765	34,304,974
Golf	-	-	4,922,780	4,758,094	4,922,780	4,758,094
Heliport	-	-	85,480	30,292	85,480	30,292
Storm Water Management	-	-	3,519,113	3,669,785	3,519,113	3,669,785
Parks Performance	-	-	1,022,947	965,305	1,022,947	965,305
Sanitation	-	-	16,972,881	16,039,484	16,972,881	16,039,484
Total expenses	<u>198,852,831</u>	<u>200,250,584</u>	<u>269,934,471</u>	<u>260,706,295</u>	<u>468,787,302</u>	<u>460,956,879</u>
Increase in net assets before transfers and special items	(39,482,787)	(34,041,085)	71,560,718	82,667,931	32,077,931	48,626,846
Transfers	29,484,492	29,975,230	(29,484,492)	(29,975,230)	-	-
Increase (decrease) in net assets	(9,998,295)	(4,065,855)	42,076,226	52,692,701	32,077,931	48,626,846
Net assets - beginning	154,062,425	158,128,280	619,303,416	566,610,715	773,365,841	724,738,995
Net assets - ending	<u>\$ 144,064,130</u>	<u>\$ 154,062,425</u>	<u>\$ 661,379,642</u>	<u>\$ 619,303,416</u>	<u>\$ 805,443,772</u>	<u>\$ 773,365,841</u>

**Governmental activities**

Governmental activities decreased the City's net assets by \$9,998,295. Key factors that contributed to this decrease are discussed below.

**Revenues by Source – Governmental Activities**

Revenues by Source

	2012		2011		Amount Change	Percentage Change
	Amount	Percentage	Amount	Percentage		
Charges for services	\$ 37,535,544	23.55%	\$ 39,358,644	24.70%	\$ (1,823,100)	-4.63%
Operating grants and contributions	16,885,088	10.59%	21,723,466	13.63%	(4,838,378)	-22.27%
Capital grants and contributions	815,387	0.51%	649,244	0.41%	166,143	25.59%
Property taxes	71,712,486	45.00%	72,960,307	45.78%	(1,247,821)	-1.71%
Sales taxes	22,684,164	14.23%	21,609,756	13.56%	1,074,408	4.97%
Other taxes	9,003,805	5.65%	9,306,683	5.84%	(302,878)	-3.25%
Unrestricted interest earnings	648,009	0.41%	512,142	0.32%	135,867	26.53%
Miscellaneous	85,561	0.05%	89,257	0.06%	(3,696)	-4.14%
Total Revenues	<u>\$ 159,370,044</u>		<u>\$ 166,209,499</u>		<u>\$ (6,839,455)</u>	

Charges for services decreased \$1,823,100 as a result of the following:

- Regional Transportation Revenue agreement of \$3,539,272 for reimbursement of expenses in the prior fiscal year related to the Pleasant Valley Bridge.
- Interlocal Cooperative Agreement revenue of \$1,802,000 for reimbursement of expenses related to the transit oriented connectivity project in the prior fiscal year.
- Municipal Court and Red Light Enforcement revenues increased \$1,016,149 as a result of an increase in the number of citations and increased collection efforts.
- Landfill revenues increased \$1,371,097 as a result of the sudden upturn in construction activity.
- Building and miscellaneous permit revenue increased \$566,111 as a result of new construction within the City and an increase in the number of renewals of alarm permits.
- Reimbursement of expenses related to the paving project of Pleasant Valley/Elm Grove of \$174,600.

Operating grants and contributions decreased \$4,838,378 as a result of the following:

- The Community Development Block Grant fund (CDBG), grant revenue decreased \$682,477 due to grant activity associated with NSP and TX-NSP grant activity winding down.
- Housing Assistance grant revenues decreased \$2,788,438 as a result of HUD adjusting the amount of grant revenue related to rental assistance.
- The Northeast Texas Library System (NETLS) program decreased \$623,509 due to the elimination of the program during fiscal year 2012.
- The American Recovery & Reinvestment Act (ARRA) grant revenues decreased \$575,018 due to the completion of the grants.

## Expenses by Source

### Governmental Activities

Expense	Expenses by Source		
	2012	2011	Change
General government	\$ 29,569,285	\$ 29,640,148	\$ (70,863)
Public safety	90,755,164	90,653,595	101,569
Public works	41,666,670	42,540,513	(873,843)
Culture and recreation	20,805,012	21,566,920	(761,908)
Public health	4,018,652	3,881,311	137,341
Interest and fiscal charges	12,038,048	11,968,097	69,951
Total Expense	<u>\$ 198,852,831</u>	<u>\$ 200,250,584</u>	<u>\$ (1,397,753)</u>

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

Public works expenses decreased \$873,843. Contributing factors to this decrease are as follows:

- Depreciation expense decreased \$1,734,736 as a result of accelerated depreciation adjustments in the prior year.
- Long-term liability expense increased \$835,922 due to the landfill post closure expenses.
- Other Post Employment Benefit cost increased \$60,038 from the prior year.

Culture and recreation expenses decreased \$761,908 as a result of the following:

- NETLS expense decreased \$548,121 as a result of the termination of the NETLS program by the state due to budgetary reasons.

### **Business-type Activities**

Business-type activities increased the City's net assets by \$42,076,226. Key elements of this change are as follows:

- The electric utility generated a net income of \$39,285,499. The net income for the electric utility decreased \$3,256,696 from the prior fiscal year as a result of the following:
  - Demand charges decreased \$1,797,758 as a result of lower fixed cost at Texas Municipal Power Agency.
  - Fuel and energy purchase expense decreased \$1,539,967 as a result of low natural gas prices.
  - Interest earnings increased \$538,380 as a result of the current interest rate environment.
  - Interest expense decreased \$975,503 due primarily to an increase in capitalized interest for the electric utility.
- The water utility incurred a net income of \$2,352,951. The net income for the water utility was a decrease of \$5,601,292 over the net income from the prior year. Key elements to this change are as follows.
  - Charges for services decreased \$3,946,789 as a result of a decrease in consumption for residential customers.
  - Operating expenses increased \$1,954,086 as a result of increased expenses for water purchases due to rate increase, and maintenance, repairs, and supplies.
  - Interest earnings increased \$49,366 as a result of the current interest rate environment.
  - Interest expense increased \$528,316 due primarily to a decrease in capitalized interest for the water utility.
- The net income for the sewer utility amounted to \$885,324. The net income for the sewer utility decreased \$1,698,340 from the prior year as a result of the following:
  - Charges for services increased \$220,980 as a result of an increase in rates and system demands.
  - Operating expense increased \$2,188,263 as a result in increased expenses for maintenance repairs and supplies.
- The combined net income for non-major enterprise funds (golf, heliport, storm water management, parks performance and sanitation) amounted to \$240,995. The City continues to monitor these funds and implement programs and strategies to improve their financial condition.

**Revenues by Source – Business-type Activities**

	Charges for Service			Capital Grants and Contributions			Miscellaneous		
	2012	2011	Change Amount	2012	2011	Change Amount	2012	2011	Change Amount
Electric	\$ 222,228,397	\$ 222,638,789	\$ (410,392)	\$ 312,370	\$ 2,748,668	\$ (2,436,298)	\$ 1,472,387	\$ 866,189	\$ 606,198
Water	46,525,981	50,472,770	(3,946,789)	684,608	355,651	328,957	295,633	333,953	(38,320)
Sewer	42,172,904	41,809,811	363,093	202,479	108,840	93,639	64,454	206,567	(142,113)
Non-major Enterprise	25,521,946	24,790,135	731,811	50,000	-	50,000	260,521	227,052	33,469
<b>Total</b>	<b>\$ 336,449,228</b>	<b>\$ 339,711,505</b>	<b>\$ (3,262,277)</b>	<b>\$ 1,249,457</b>	<b>\$ 3,213,159</b>	<b>\$ (1,963,702)</b>	<b>\$ 2,092,995</b>	<b>\$ 1,633,761</b>	<b>\$ 459,234</b>

**Expenses by Source – Business-type Activities**

	2012	2011	Dollar Change	Percentage Change
Electric	\$166,360,005	\$ 164,547,930	\$ 1,812,075	1.10%
Water	40,702,500	38,602,207	2,100,293	5.44%
Sewer	36,348,765	34,307,982	2,040,783	5.95%
Non-Major	26,523,201	25,477,711	1,045,490	4.10%
	<u>\$269,934,471</u>	<u>\$ 262,935,830</u>	<u>\$ 6,998,641</u>	2.66%

**Fiduciary funds**

In the 2009 fiscal year the City established an Other Post Employment Benefit Trust Fund, which allows the City to capture long-term returns to make progress towards reducing the unfunded liability of post-employment health care. No additional contribution in excess of the pay-as-you-go costs was made to the trust fund during the 2012 fiscal year. The City will make future contributions to this trust fund as economic conditions permit.

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of the 2012 fiscal year, the City had \$1,080,974,463 invested in a broad range of capital assets including police and fire equipment, buildings, park facilities, roads, bridges, an electric system, a water system, and a sewer system. This amount represents a net decrease of \$13,631,430 or 1.25% decrease from the prior fiscal year. Key elements of this change are as follows:

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 80,495,198	\$ 79,506,485	\$ 20,082,357	\$ 18,660,107	\$ 100,577,555	\$ 98,166,592
Construction in Progress	17,705,232	22,501,937	42,353,304	54,801,907	60,058,536	77,303,844
Building, Improvements, equipment and systems	287,579,975	301,352,292	632,758,397	617,783,165	920,338,372	919,135,457
Total capital assets	<u>\$ 385,780,405</u>	<u>\$ 403,360,714</u>	<u>\$ 695,194,058</u>	<u>\$ 691,245,179</u>	<u>\$1,080,974,463</u>	<u>\$1,094,605,893</u>

City of Garland, Texas  
 Management's Discussion and Analysis (continued)  
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Major capital asset additions for the current fiscal year include (rounded to the nearest thousand):

Description	Amount
Apollo Northside Water Pump Station	\$ 5,614
GP&L Station Equipment Transmission	4,717
Row, Street, & Storm Drainage Improvements at Naaman Forest and Brand Rd	4,619
GP&L Transmission Poles Fixtures	3,763
GP&L Distribution UG Conductors and Devices	2,505
GP&L Newman Building Renovation	2,061
GP&L Distribution Poles , Towers, and Fixtures	1,916
GP&L Ercot Interface Software Upgrade	1,839
City Hall HVAC System	1,838
Wastewater Lines and Manholes At Anchor Point	1,776
GP&L Distribution UG Line Transformers	1,742
Police Shooting Range Renovation	1,434
GP&L Land Acquisitions	1,422
Water Radio Read Meters	1,409
GP&L Station Distribution Equipment	1,342
GP&L Generation Boiler Equipment	1,330
Traffic Signals and Railroad Crossing Bars at DGNO Crossings	1,218
Rowlett Transfer Station and Duck Creek Interceptor System	1,212
Traffic Signal System at 6th Street	1,166
Main Street Municipal Building Renovation	1,127

City of Garland, Texas  
Management's Discussion and Analysis (continued)  
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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 rounded to the nearest thousand):

<u>Description</u>	<u>Amount</u>
GP&L CREZ Transmission Line	\$ 5,342
Water Distribution Main up to 14 inch	4,296
Relocation of water mains	3,413
RC WWTP process improvements	2,943
Sewer cured in pipe lateral rehabilitation	2,475
Sewer infiltration correction	2,337
Relocation of sewer mains	2,082
Water distribution line replacement	1,979
Jupiter and Shiloh sewer lines Phase VI	1,850
Sewer collection mains	1,806
Sidewalk, curbs, & gutter participation	1,726
New sidewalks	1,294
Upgrade water mains	1,276
Water transmission mains 16 inch & above	1,160
Pump station equipment	1,110
DC WWTP process improvements	1,041

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

**Debt**

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

**Outstanding Debt, at Year-end**

	Governmental Activities		Business-type Activities		Total		Change
	2012	2011	2012	2011	2012	2011	
Long-Term:							
General obligation bonds	\$218,769,750	\$173,692,475	\$ 75,000,000	\$ 81,170,000	\$293,769,750	\$254,862,475	\$38,907,275
Certificates of obligation	65,310,000	83,830,000	130,665,000	131,930,000	195,975,000	215,760,000	(19,785,000)
Utility system revenue bonds	-	-	305,640,000	316,815,000	305,640,000	316,815,000	(11,175,000)
Total Long-Term	<u>284,079,750</u>	<u>257,522,475</u>	<u>511,305,000</u>	<u>529,915,000</u>	<u>795,384,750</u>	<u>787,437,475</u>	<u>7,947,275</u>
Short-Term:							
Commercial Paper	10,000,000	45,000,000	10,000,000	-	20,000,000	45,000,000	\$(25,000,000)
Tax Notes	-	5,440,000	-	-	-	5,440,000	(5,440,000)
Total Short-Term	<u>10,000,000</u>	<u>50,440,000</u>	<u>10,000,000</u>	<u>-</u>	<u>20,000,000</u>	<u>50,440,000</u>	<u>(30,440,000)</u>
Total outstanding debt	<u>\$294,079,750</u>	<u>\$307,962,475</u>	<u>\$521,305,000</u>	<u>\$529,915,000</u>	<u>\$815,384,750</u>	<u>\$837,877,475</u>	<u>\$(22,492,725)</u>

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

<b>Current fiscal year debt issues</b>		Bond Ratings	
Issue	Principal	Standard & Poor's	Fitch IBCA
Long-term			
Certificates of Obligation, Series 2012	\$ 6,755,000	AA+	AAA
General Obligation Refunding Bond, Series 2011A	17,995,000	AA+	AAA
General Obligation Refunding Bond, Series 2011B	41,360,000	AA+	AAA
Electric Utility System Revenue Refunding Bonds, Series 2011A	20,830,000	AA-	AA-
Water & Sewer System Revenue Refunding Bonds, Series 2011A	30,150,000	AA	AA+
Water & Sewer System Revenue Bonds, Series 2012	8,415,000	AA	AA+
Short-term			
GO Commercial Paper	10,000,000	A1+	F1+
Electric Commercial Paper	10,000,000	A-1	F1
Total debt financing	<u>\$145,505,000</u>		

The proceeds of the Certificates of Obligation, Series 2012 will be used for the following:

- Constructing, equipping, and improving various facilities in the City,
- Improving and equipping the golf course,
- Purchasing equipment for EWS, solid waste, and stormwater departments.

The proceeds of the General Obligation Refunding, Series 2011A were used to advance refund Certificates of Obligation, Series 2002, 2003, and 2004 at the call date. As a result of the refunding, the City decreased its total debt service payments.

The proceeds of the General Obligation Refunding, Series 2011B were used to take out \$45,000,000 of General Obligation commercial paper debt.

The proceeds of the Electric Utility System Revenue Refunding Bond, Series 2011A were used to advance refund Electric Utility System Revenue Bonds, Series 2003 and 2004 at the call date. As a result of the refunding, the Electric Fund decreased its total debt service payments.

The proceeds of the Water & Sewer System Revenue Refunding Bonds, Series 2011A were used to advance refund Water and Sewer System Revenue Bonds, Series 2003 and 2004B at the call date. As a result of the refunding, the Water and Sewer funds decreased their total debt service payments.

The proceeds of the Water and Sewer System Revenue Bond, Series 2012, will be used to pay for construction of improvements and extensions to the water and sewer systems.

In fiscal year 2010, the City along with other TMPA member cities elected to issue bonds based on the percentage of their annual net energy load and placed the proceeds with TMPA. Since the proceeds from the issuance of this debt will benefit the City over future years the City has elected to record an other asset and the corresponding bonds payable liability, reoffering premium, interest and sinking fund deposit, underwriters discount and issuance cost to record this transaction. The other asset of \$138,252,850 is being amortized using a straight-line method over a period of 20 years based on the life of the economic benefit that the City is receiving from this transaction. During the current fiscal year the City amortized \$6,912,643 of the asset resulting in a fiscal year-end balance in other asset of \$120,971,244. This other asset will be reviewed annually to determine if it has been impaired based on changes at TMPA and or changes in the electric industry.

The City's variable rate interest General Obligation Bonds, Series 2007B, are subject to an interest rate cap. The object of this interest rate cap is to provide a 3.8% ceiling on the interest rate paid on these bonds. Under the terms of this interest cap agreement, Bank of America is required to pay the City the amount of interest paid to the bond holders in excess of 3.8%. In addition, this agreement requires the City to pay Bank of America a quarterly fee for this interest rate cap. This interest rate cap agreement results in an interest swap that qualifies this debt instrument as a derivative instrument. To terminate this interest rate cap agreement the City would have to pay Bank of America \$809,524 based on the current interest rates and the net present value of the future fees to be paid to Bank of America. GASB 53 requires that the City record a liability and a deferred outflow of resources to reflect this potential liability. The City does not intend to terminate the interest rate swap with Bank of America before it is scheduled to end on August 15, 2015. Therefore, the City does not anticipate having to liquidate this liability with cash. Additional information related to this bond issue can be found in note IV.E. on pages 65-66 of this report.

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

In 2012, the City initiated a \$135 million tax-exempt commercial paper program for the Electric Fund. Proceeds from the sale of commercial paper notes will be used for improvements and extensions of the electric utility system. \$10 million Electric Utility System commercial paper notes were outstanding at fiscal year-end.

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 \$76,422,714, an increase of \$42,917,923 from the prior year. The increase in the net change in fund balance for the Capital Projects Fund of \$43,340,279 is attributable to general obligation bond proceeds recognized as revenue in fiscal year 2012 when the City issued general obligation refunding bonds to refund the outstanding commercial paper.

The General Fund ended the fiscal year with a fund balance of \$22,063,521, which was an increase of \$2,689,027 from the prior year. The original budget projected a decrease in fund balance of \$670,963 which was later revised to a decrease of \$1,256,865 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 exceeded final budgeted revenues by \$1,464,724 and actual expenditures were under the final budget amount by \$2,481,168. This favorable budget variance was a result of better than anticipated property tax revenues, franchise fees, licenses and permits, sale of capital assets and other operational expenditure savings across General Fund departments.

The Debt Service Fund ended the fiscal year with a fund balance of \$5,241,033 due to a net decrease in fund balance for the fiscal year of \$1,024,730. This decrease in fund balance was the result of increased principal and interest payments of \$546,371 and an increase in the transfer of funds.

## **General Fund Budgetary Highlights**

During the fiscal year ended September 30, 2012, the City Council amended the budget for the General Fund on several occasions. The amendments were made up of supplemental appropriations and adjusted budgets. Appropriations are adjusted annually for open purchase orders and various grant awards. Budgets are reviewed and adjusted during the fiscal year to address changing operational and/or economic situations. These supplemental appropriations and re-estimated allocations amounted to increasing appropriations by \$585,902.

## **Economic Factors and Next Year's Budgets and Rates**

The City's unemployment rate at September 30, 2012, was 7.8%, and the State of Texas unemployment rate was 6.3%. The City's estimated population of 228,060 (as estimated at January 1, 2012, by the City's Planning department) remained virtually unchanged from the prior year.

The primary focus of the 2012 Adopted Budget was to absorb the impact of a lingering recession without increasing the Operations and Maintenance (O&M) tax rate. The measures approved to eliminate the Fiscal Year 2012 projected deficit in the General Fund are as follows:

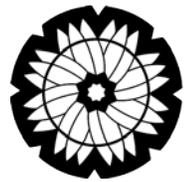
- Maintain property tax rate at 70.46 cents per \$100 of valuation.
- Maintain current service levels to the highest extent possible.
- Implement costs savings measures where efficiencies can be gained without materially impacting service levels.
- Delay enhancements in employee compensation and benefits (excluding public safety step increases) until a recovery in the tax base is evident.
- Adjust various fees to levels charged by other Dallas metroplex cities.

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

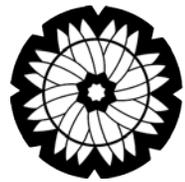
- Maintain property tax rate at 70.46 cents per \$100 of valuation.
- Maintain current service levels to the highest extent possible.
- Provide employee compensation increases to the extent funding will allow.

### **Contacting the City's Financial Management**

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



**GARLAND**  
TEXAS MADE HERE



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**City of Garland, Texas**  
**Statement of Net Assets**  
**September 30, 2012**

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 61,275,525	\$ 33,706,185	\$ 94,981,710	\$ 1,089,786
Investments	63,176,005	38,767,167	101,943,172	-
Accounts Receivable, net of allowance for uncollectibles	14,612,095	50,422,308	65,034,403	67,502
Due from other governments	2,369,329	-	2,369,329	-
Internal Balances	(11,975,282)	11,975,282	-	-
Inventories	5,896,592	4,639,850	10,536,442	-
Prepaid and other items	-	1,860,200	1,860,200	2,544
Restricted Assets:				
Cash and cash equivalents	5,093,981	92,344,881	97,438,862	-
Investments	2,972,318	177,218,918	180,191,236	-
Accrued interest	3,482	236,608	240,090	-
Deferred bond issuance costs	2,625,875	6,514,402	9,140,277	-
Assets held for resale	935,267	-	935,267	493,170
Capital Assets:				
Land	80,495,198	20,082,357	100,577,555	1,140,710
Construction in Progress	17,705,232	42,353,304	60,058,536	-
Buildings, Improvements, Equipment and System (net of accumulated depreciation)	287,579,975	632,758,397	920,338,372	-
Deferred outflows of resources	809,524	-	809,524	-
Other Assets	-	120,971,244	120,971,244	-
<b>Total assets</b>	<b>533,575,116</b>	<b>1,233,851,102</b>	<b>1,767,426,218</b>	<b>2,793,712</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	15,253,039	18,733,722	33,986,761	-
Escrow payable	132,984	-	132,984	-
Retainage payable	174,623	312,028	486,651	-
Accrued interest payable	3,034,489	2,504,328	5,538,817	-
Customer deposits	12,009,135	-	12,009,135	-
Commercial Paper	10,000,000	10,000,000	20,000,000	-
Interest rate cap	809,524	-	809,524	-
Due to other governments	571,145	227	571,372	-
Unearned revenue	5,862,268	-	5,862,268	1,215,250
Noncurrent Liabilities:				
Due within one year	31,922,278	27,599,480	59,521,758	-
Due in more than one year	309,741,501	513,321,675	823,063,176	-
<b>Total liabilities</b>	<b>389,510,986</b>	<b>572,471,460</b>	<b>961,982,446</b>	<b>1,215,250</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	95,930,730	346,557,013	442,487,743	1,140,710
Restricted for:				
Debt Service	2,206,544	2,518,448	4,724,992	-
Construction	5,188,023	-	5,188,023	-
Rate Mitigation	-	193,756,823	193,756,823	-
Housing	1,711,755	-	1,711,755	-
Unrestricted net assets	39,027,078	118,547,358	157,574,436	437,752
<b>Total net assets</b>	<b>\$ 144,064,130</b>	<b>\$ 661,379,642</b>	<b>\$ 805,443,772</b>	<b>\$ 1,578,462</b>

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, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Primary Government</b>								
<b>Governmental activities:</b>								
General government	\$ 29,569,285	\$ 6,761,126	\$ 14,218,663	\$ -	\$ (8,589,496)	\$ -	\$ (8,589,496)	\$ -
Public safety	90,755,164	14,130,333	2,070,273	-	(74,554,558)	-	(74,554,558)	-
Public works	41,666,670	14,710,176	-	815,387	(26,141,107)	-	(26,141,107)	-
Culture and recreation	20,805,012	1,523,989	133,741	-	(19,147,282)	-	(19,147,282)	-
Public health	4,018,652	409,920	462,411	-	(3,146,321)	-	(3,146,321)	-
Interest and fiscal charges	12,038,048	-	-	-	(12,038,048)	-	(12,038,048)	-
Total governmental activities	<u>198,852,831</u>	<u>37,535,544</u>	<u>16,885,088</u>	<u>815,387</u>	<u>(143,616,812)</u>	<u>-</u>	<u>(143,616,812)</u>	<u>-</u>
<b>Business type activities:</b>								
Electric	166,360,005	222,228,397	-	312,370	-	56,180,762	56,180,762	-
Water	40,702,500	46,525,981	-	684,608	-	6,508,089	6,508,089	-
Sewer	36,348,765	42,172,904	-	202,479	-	6,026,618	6,026,618	-
Golf	4,922,780	3,724,490	-	-	-	(1,198,290)	(1,198,290)	-
Heliport	85,480	6,713	-	50,000	-	(28,767)	(28,767)	-
Storm Water Management	3,519,113	3,840,350	-	-	-	321,237	321,237	-
Parks Performance	1,022,947	1,052,256	-	-	-	29,309	29,309	-
Sanitation	16,972,881	16,898,137	-	-	-	(74,744)	(74,744)	-
Total business-type activities	<u>269,934,471</u>	<u>336,449,228</u>	<u>-</u>	<u>1,249,457</u>	<u>-</u>	<u>67,764,214</u>	<u>67,764,214</u>	<u>-</u>
Total primary government	<u>\$ 468,787,302</u>	<u>\$ 373,984,772</u>	<u>\$ 16,885,088</u>	<u>\$ 2,064,844</u>	<u>(143,616,812)</u>	<u>67,764,214</u>	<u>(75,852,598)</u>	<u>-</u>
<b>Component units</b>								
Garland Housing Finance Corp.	\$ 95,223	\$ 51,064	\$ 34,500	-	-	-	-	(9,659)
Garland Health Facilities Development Corp.	45,254	25,000	-	-	-	-	-	(20,254)
Garland Economic Develop. Authority	254	-	-	-	-	-	-	(254)
	<u>\$ 140,731</u>	<u>\$ 76,064</u>	<u>\$ 34,500</u>	<u>\$ -</u>				
General revenues:								
Sales taxes					22,684,164	-	22,684,164	-
Franchise fees					7,887,388	-	7,887,388	-
Property taxes					71,712,486	-	71,712,486	-
Hotel/Motel taxes					773,753	-	773,753	-
Mixed drink taxes					238,486	-	238,486	-
Bingo taxes					104,178	-	104,178	-
Unrestricted investment earnings					648,009	1,703,509	2,351,518	22,406
Miscellaneous					85,561	2,092,995	2,178,556	-
Transfers					29,484,492	(29,484,492)	-	-
Total general revenues and transfers					<u>133,618,517</u>	<u>(25,687,988)</u>	<u>107,930,529</u>	<u>22,406</u>
Net change in net assets					(9,998,295)	42,076,226	32,077,931	(7,761)
Net assets-beginning					154,062,425	619,303,416	773,365,841	1,586,223
Net assets-ending					<u>\$ 144,064,130</u>	<u>\$ 661,379,642</u>	<u>\$ 805,443,772</u>	<u>\$ 1,578,462</u>

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

**City of Garland, Texas  
Governmental Funds  
Balance Sheet  
September 30, 2012**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,890,355	\$ 5,192,107	\$ 23,150,886	\$ 4,479,633	\$ 42,712,981
Investments	11,440,576	-	26,672,468	4,915,297	43,028,341
Receivables:					
Accounts, net	8,747,320	-	-	3,788,271	12,535,591
Taxes, net	588,157	463,659	-	-	1,051,816
Accrued interest	28,879	506	41,064	7,330	77,779
Assessments	17,287	-	-	-	17,287
Due from other funds	4,816,225	-	-	57,207	4,873,432
Due from other governments	185,192	-	-	2,184,137	2,369,329
Assets held for resale	-	-	-	935,267	935,267
Restricted assets:					
Cash and cash equivalents	-	-	-	2,466,605	2,466,605
<b>Total Assets</b>	<b>\$ 35,713,991</b>	<b>\$ 5,656,272</b>	<b>\$ 49,864,418</b>	<b>\$ 18,833,747</b>	<b>\$ 110,068,428</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 9,296,492	\$ -	\$ 1,030,578	\$ 512,219	\$ 10,839,289
Escrow payable	-	-	-	132,984	132,984
Due to other funds	122,085	25,218	163,630	1,726,017	2,036,950
Deferred revenues	4,228,506	390,021	182,502	5,097,244	9,898,273
Due to other governments	-	-	-	571,145	571,145
Retainage payable	3,387	-	163,686	-	167,073
Commercial paper	-	-	10,000,000	-	10,000,000
<b>Total Liabilities</b>	<b>13,650,470</b>	<b>415,239</b>	<b>11,540,396</b>	<b>8,039,609</b>	<b>33,645,714</b>
<b>FUND BALANCES</b>					
Fund balances:					
Restricted	758,444	5,241,033	38,324,022	4,219,674	48,543,173
Committed	-	-	-	6,574,464	6,574,464
Assigned	4,730,000	-	-	-	4,730,000
Unassigned	16,575,077	-	-	-	16,575,077
<b>Total Fund Balances</b>	<b>22,063,521</b>	<b>5,241,033</b>	<b>38,324,022</b>	<b>10,794,138</b>	<b>76,422,714</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 35,713,991</b>	<b>\$ 5,656,272</b>	<b>\$ 49,864,418</b>	<b>\$ 18,833,747</b>	<b>\$ 110,068,428</b>

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, 2012**

**Total fund balances - governmental funds** \$ 76,422,714

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. 329,614,732

Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds. 4,036,005

Bond interest is not accrued at the fund level. (2,847,885)

Deferred bond issuance costs are not reported at the fund level. 2,163,608

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	(250,559,750)
Landfill closure costs	(8,162,922)
Compensated absences	(18,661,934)
Unamortized premium, loss on refunding, and bond issue costs	(8,709,671)
Other Post Employment Benefits liability payable	(7,517,488)

Internal service funds net asset adjustment excluding assets and liabilities included in the adjustments listed above. Internal service funds are used by management to charge the costs of various services to individual funds. Certain assets and liabilities of the internal service funds are included with governmental activities in the statement of net assets. 28,286,721

**Total net assets - governmental activities** \$ 144,064,130

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, 2012**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 62,808,891	\$ 31,383,149	\$ -	\$ 1,343,279	\$ 95,535,319
Franchise fees	7,887,388	-	-	-	7,887,388
Service charges	20,411,968	-	-	-	20,411,968
Licenses and permits	3,751,589	-	-	-	3,751,589
Earnings on investments	240,654	12,326	188,786	40,801	482,567
Intergovernmental	1,073,364	-	-	14,499,683	15,573,047
Intragovernmental	8,010,474	-	-	-	8,010,474
Fines and forfeits	6,110,138	-	-	-	6,110,138
Rents and concessions	788,504	-	-	-	788,504
Assessments	-	-	61,182	-	61,182
Impact Fees	-	-	-	368,620	368,620
Contributions	-	-	31,881	-	31,881
Program income	-	-	-	376,059	376,059
Court awarded seizures	-	-	-	573,187	573,187
Miscellaneous and other	-	-	259,347	738,854	998,201
Total revenues	<u>111,082,970</u>	<u>31,395,475</u>	<u>541,196</u>	<u>17,940,483</u>	<u>160,960,124</u>
<b>EXPENDITURES</b>					
Current:					
General government	9,083,662	-	255,776	-	9,339,438
Public safety	77,639,802	-	-	-	77,639,802
Public works	18,457,911	-	-	-	18,457,911
Culture and recreation	12,794,896	-	-	-	12,794,896
Public health	3,364,592	-	-	-	3,364,592
Nondepartmental	19,086,070	-	-	-	19,086,070
Operations	-	-	-	16,978,956	16,978,956
Capital outlay	-	-	11,158,011	1,819,713	12,977,724
Debt service:					
Principal	-	17,922,725	-	-	17,922,725
Interest	-	8,991,405	-	-	8,991,405
Issue costs on issuance of debt	-	537,190	501,364	-	1,038,554
Other and fiscal expenditures	-	454,846	-	-	454,846
Total expenditures	<u>140,426,933</u>	<u>27,906,166</u>	<u>11,915,151</u>	<u>18,798,669</u>	<u>199,046,919</u>
Excess (deficiency) of revenues over (under) expenditures	(29,343,963)	3,489,309	(11,373,955)	(858,186)	(38,086,795)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	117,097	-	-	-	117,097
Transfers in	33,773,763	488,671	7,777,870	42,873	42,083,177
Transfers out	(1,857,870)	(6,041,443)	(3,505,000)	(1,271,340)	(12,675,653)
Proceeds from issuance of debt	-	515,000	46,245,000	-	46,760,000
Premium on issuance of debt	-	708,733	4,196,364	-	4,905,097
Issuance of refunding bonds	-	16,850,000	-	-	16,850,000
Payment to refunded bonds escrow agent	-	(17,035,000)	-	-	(17,035,000)
Total other financing sources (uses)	<u>32,032,990</u>	<u>(4,514,039)</u>	<u>54,714,234</u>	<u>(1,228,467)</u>	<u>81,004,718</u>
Net change in fund balance	2,689,027	(1,024,730)	43,340,279	(2,086,653)	42,917,923
Fund balances - beginning	19,374,494	6,265,763	(5,016,257)	12,880,791	33,504,791
Fund balances - ending	<u>\$ 22,063,521</u>	<u>\$ 5,241,033</u>	<u>\$ 38,324,022</u>	<u>\$ 10,794,138</u>	<u>\$ 76,422,714</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, 2012**

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

Net change in fund balances - total governmental funds	\$ 42,917,923
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.	(15,380,992)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(58,825)
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.	(32,548,344)
Other Post Employment Benefits liability is accrued in the government wide financial statements but not at the fund level.	(1,795,878)
Interest is accrued in the government wide financial statements but not at the fund level. This represents the change in the accrual during the period.	(1,629,708)
Internal service funds are used by management to charge the costs of vehicle services, building services, printing services, and insurance services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(1,502,471)</u>
Net change in net assets-total governmental activities	<u><u>\$ (9,998,295)</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, 2012

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 20,262,212	\$ 4,167,840	\$ 8,476,014	\$ 800,119	\$ 33,706,185	\$ 18,562,545
Investments	23,594,185	4,711,455	9,585,573	875,954	38,767,167	20,147,663
Receivable, net of allowance	37,331,368	6,535,179	4,239,870	2,253,610	50,360,027	903,814
Accrued interest	41,754	5,773	13,251	1,503	62,281	25,808
Due from other funds	343,774	127,801	42,892	28,186	542,653	-
Inventories	4,639,850	-	-	-	4,639,850	5,896,592
Prepaid Expense	1,835,251	-	-	24,949	1,860,200	-
Total current assets	<u>88,048,394</u>	<u>15,548,048</u>	<u>22,357,600</u>	<u>3,984,321</u>	<u>129,938,363</u>	<u>45,536,422</u>
<b>Noncurrent Assets:</b>						
<b>Restricted assets</b>						
Revenue bond retirement fund:						
Cash and cash equivalents	205,710	-	-	-	205,710	-
Total revenue bond retirement fund	<u>205,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,710</u>	<u>-</u>
Revenue bond reserve fund:						
Cash and cash equivalents	-	863,934	1,448,804	-	2,312,738	-
Total revenue bond reserve fund	<u>-</u>	<u>863,934</u>	<u>1,448,804</u>	<u>-</u>	<u>2,312,738</u>	<u>-</u>
Rate mitigation:						
Cash and cash equivalents	51,840,248	-	-	-	51,840,248	-
Investments	141,727,360	-	-	-	141,727,360	-
Accrued interest	189,215	-	-	-	189,215	-
Total rate mitigation	<u>193,756,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>193,756,823</u>	<u>-</u>
Construction funds:						
Cash and cash equivalents	12,739,310	7,906,601	16,360,532	979,742	37,986,185	2,627,376
Investments	6,938,199	8,942,151	18,503,145	1,108,063	35,491,558	2,972,318
Accrued interest	7,375	12,835	25,803	1,380	47,393	3,482
Total construction funds	<u>19,684,884</u>	<u>16,861,587</u>	<u>34,889,480</u>	<u>2,089,185</u>	<u>73,525,136</u>	<u>5,603,176</u>
<b>Capital Assets:</b>						
Land	5,065,576	1,491,430	2,338,807	11,186,544	20,082,357	-
Buildings, improvements, equipment and systems	417,549,738	226,109,084	412,943,598	31,511,960	1,088,114,380	102,429,880
Construction in progress	10,272,210	15,782,730	16,135,328	163,036	42,353,304	3,273,416
Less accumulated depreciation	<u>(162,225,886)</u>	<u>(90,864,932)</u>	<u>(183,892,276)</u>	<u>(18,372,889)</u>	<u>(455,355,983)</u>	<u>(49,537,623)</u>
Net capital assets	270,661,638	152,518,312	247,525,457	24,488,651	695,194,058	56,165,673
Unamortized bond issuance cost	3,304,726	1,270,033	1,872,528	67,115	6,514,402	462,267
Other Assets	120,971,244	-	-	-	120,971,244	-
Advance to other funds	3,909,727	-	-	-	3,909,727	-
Total noncurrent assets	<u>612,494,752</u>	<u>171,513,866</u>	<u>285,736,269</u>	<u>26,644,951</u>	<u>1,096,389,838</u>	<u>62,231,116</u>
<b>Total Assets</b>	<b>\$ 700,543,146</b>	<b>\$ 187,061,914</b>	<b>\$ 308,093,869</b>	<b>\$ 30,629,272</b>	<b>\$ 1,226,328,201</b>	<b>\$ 107,767,538</b>

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, 2012

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
<i>Payable from current assets</i>						
Accounts payable and accrued liabilities	\$ 12,075,849	\$ 2,041,884	\$ 788,704	\$ 491,476	\$ 15,397,913	\$ 4,350,418
Due to other funds	309,138	226	-	1,446,853	1,756,217	1,622,918
Insurance claims payable	-	-	-	-	-	4,304,617
Accrued interest payable:						
General obligation bonds	287,865	43,935	131,969	-	463,769	5,559
Certificates of obligation	799,823	-	-	23,935	823,758	181,046
Revenue bonds	375,750	379,552	461,499	-	1,216,801	-
Customer deposits	-	-	-	-	-	12,009,135
General obligation bonds	4,820,000	925,000	2,350,000	-	8,095,000	55,000
Certificates of obligation	45,000	-	-	1,195,000	1,240,000	2,170,000
Revenue bonds	5,985,000	3,780,000	6,585,000	-	16,350,000	-
Commercial paper	10,000,000	-	-	-	10,000,000	-
Capital lease-current portion	15,427	-	-	-	15,427	30,243
Compensated absences	1,100,114	208,264	303,146	287,529	1,899,053	630,138
Total current liabilities	<u>35,813,966</u>	<u>7,378,861</u>	<u>10,620,318</u>	<u>3,444,793</u>	<u>57,257,938</u>	<u>25,359,074</u>
<b>Long-term Liabilities:</b>						
<i>Payable from restricted assets</i>						
Accounts payable	1,218,386	740,285	1,178,350	198,788	3,335,809	63,332
Retainage payable	14,160	202,197	95,671	-	312,028	7,550
Due to other governments	-	-	-	227	227	-
Total payable from restricted assets	<u>1,232,546</u>	<u>942,482</u>	<u>1,274,021</u>	<u>199,015</u>	<u>3,648,064</u>	<u>70,882</u>
Advances from other funds	-	-	-	13,458	13,458	3,896,269
Revenue bonds payable (net of unamortized premium)	94,327,623	83,055,836	123,239,197	-	300,622,656	-
Certificates of obligation (net of unamortized premium)	137,518,637	-	-	2,676,047	140,194,684	31,178,720
General obligation bonds (net of unamortized premium and defeased bond costs)	41,769,201	6,932,658	20,195,145	-	68,897,004	885,087
Capital lease	160,813	-	-	-	160,813	65,099
Insurance claims payable	-	-	-	-	-	7,146,121
OPEB liability	1,461,420	367,313	586,319	834,535	3,249,587	1,495,322
Compensated absences	133,132	-	24,165	39,634	196,931	91,667
Total other liabilities	<u>275,370,826</u>	<u>90,355,807</u>	<u>144,044,826</u>	<u>3,563,674</u>	<u>513,335,133</u>	<u>44,758,285</u>
Total Liabilities	<u>312,417,338</u>	<u>98,677,150</u>	<u>155,939,165</u>	<u>7,207,482</u>	<u>574,241,135</u>	<u>70,188,241</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	121,533,515	73,743,923	128,771,574	22,508,001	346,557,013	27,409,160
Restricted for:						
Debt Service	205,710	863,934	1,448,804	-	2,518,448	-
Rate Mitigation	193,756,823	-	-	-	193,756,823	-
Unrestricted	<u>72,629,760</u>	<u>13,776,907</u>	<u>21,934,326</u>	<u>913,789</u>	<u>109,254,782</u>	<u>10,170,137</u>
Total net assets	<u>\$ 388,125,808</u>	<u>\$ 88,384,764</u>	<u>\$ 152,154,704</u>	<u>\$ 23,421,790</u>	<u>652,087,066</u>	<u>\$ 37,579,297</u>
Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.					<u>9,292,576</u>	
Net assets of business type activities					<u>\$ 661,379,642</u>	

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



**GARLAND**

TEXAS MADE HERE

City of Garland, Texas  
Proprietary Funds  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
For the Year Ended September 30, 2012

	Business-type Activities					Governmental Activities
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES:</b>						
Charges for services	\$ 222,228,397	\$ 46,525,981	\$ 42,172,904	\$ 25,521,946	\$ 336,449,228	\$ 43,037,795
Insurance premiums	-	-	-	-	-	23,670,278
Other	1,472,387	295,633	64,454	260,521	2,092,995	1,493,090
<b>Total Operating Revenues</b>	<b>223,700,784</b>	<b>46,821,614</b>	<b>42,237,358</b>	<b>25,782,467</b>	<b>338,542,223</b>	<b>68,201,163</b>
<b>OPERATING EXPENSES:</b>						
Salaries and benefits	22,885,920	4,281,517	6,731,754	9,630,186	43,529,377	16,168,614
Demand charges	22,951,019	-	-	-	22,951,019	-
Amortization of other assets	6,912,643	-	-	-	6,912,643	-
Energy and fuel purchases	59,878,679	-	-	-	59,878,679	-
Water purchases	-	19,890,333	-	-	19,890,333	-
Landfill fees	-	-	-	4,102,689	4,102,689	-
Maintenance, repairs, and supplies	15,082,597	4,355,968	9,483,044	7,762,817	36,684,426	19,054,394
Insurance and other expenses	2,128,070	227,814	383,066	575,630	3,314,580	-
General and administrative	11,190,776	3,957,131	3,864,732	1,930,883	20,943,522	5,626,747
Capitalized general and administrative	(516,092)	(342,615)	(561,236)	-	(1,419,943)	-
Premiums	-	-	-	-	-	6,679,297
Claims	338,416	91,003	137,926	197,647	764,992	13,589,048
Administrative services	-	-	-	-	-	1,032,380
Depreciation	12,568,490	5,761,045	11,988,917	2,159,489	32,477,941	7,338,195
<b>Total Operating Expenses</b>	<b>153,420,518</b>	<b>38,222,196</b>	<b>32,028,203</b>	<b>26,359,341</b>	<b>250,030,258</b>	<b>69,488,675</b>
<b>Total Operating Income (Loss)</b>	<b>\$ 70,280,266</b>	<b>\$ 8,599,418</b>	<b>\$ 10,209,155</b>	<b>\$ (576,874)</b>	<b>\$ 88,511,965</b>	<b>\$ (1,287,512)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ -
Gain (loss) on disposal of capital assets	(1,776,683)	24,305	5,200	4,380	(1,742,798)	314,966
Investment income	1,393,215	90,024	207,992	12,278	1,703,509	165,444
Interest expense	(10,739,376)	(2,400,707)	(4,232,223)	(100,566)	(17,472,872)	(1,460,880)
<b>Income (loss) before transfers and contributions</b>	<b>59,157,422</b>	<b>6,313,040</b>	<b>6,190,124</b>	<b>(610,782)</b>	<b>71,049,804</b>	<b>(2,267,982)</b>
Capital contributions	312,370	684,608	202,479	-	1,199,457	-
<b>TRANSFERS</b>						
Transfers in	-	-	-	1,716,000	1,716,000	672,968
Transfers out	(20,184,293)	(4,644,697)	(5,507,279)	(864,223)	(31,200,492)	(596,000)
<b>Net transfers</b>	<b>(20,184,293)</b>	<b>(4,644,697)</b>	<b>(5,507,279)</b>	<b>851,777</b>	<b>(29,484,492)</b>	<b>76,968</b>
<b>NET INCOME (LOSS)</b>	<b>39,285,499</b>	<b>2,352,951</b>	<b>885,324</b>	<b>240,995</b>	<b>42,764,769</b>	<b>(2,191,014)</b>
Net assets, beginning of year	348,840,309	86,031,813	151,269,380	23,180,795	609,322,297	39,770,311
<b>Net assets, end of year</b>	<b>\$ 388,125,808</b>	<b>\$ 88,384,764</b>	<b>\$ 152,154,704</b>	<b>\$ 23,421,790</b>	<b>652,087,066</b>	<b>\$ 37,579,297</b>

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

(688,543)

Change in net assets of business-type activities

\$ 42,076,226

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, 2012**

	Business-type Activities				Governmental Activities	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 217,537,011	\$ 47,216,152	\$ 42,418,811	\$ 25,284,896	\$ 332,456,870	\$ 66,738,937
Cash received for customer deposit	-	-	-	-	-	803,908
Cash paid to suppliers	(111,235,086)	(27,966,751)	(13,000,059)	(14,799,978)	(167,001,874)	(48,443,830)
Cash paid to employees for services	(23,017,316)	(4,304,938)	(6,741,815)	(9,674,184)	(43,738,253)	(16,140,429)
Other operating revenues	1,472,387	295,631	64,454	260,522	2,092,994	1,493,090
<b>Net cash provided by operations</b>	<b>84,756,996</b>	<b>15,240,094</b>	<b>22,741,391</b>	<b>1,071,256</b>	<b>123,809,737</b>	<b>4,451,676</b>
<b>Cash flows from noncapital financing activities:</b>						
Due to other funds increases (decreases)	309,138	(127,801)	(42,892)	62,840	201,285	1,622,918
Due from other funds decreases (increases)	(343,774)	226	-	-	(343,548)	-
Advance to other funds decrease	12,843	-	-	-	12,843	-
Due to other governments increases	-	-	-	227	227	-
Intergovernmental	-	-	-	50,000	50,000	-
Transfers in	-	-	-	1,716,000	1,716,000	689,418
Transfers out	(20,184,293)	(4,644,697)	(5,507,279)	(864,223)	(31,200,492)	(612,450)
<b>Net cash provided by (used for) noncapital financing activities</b>	<b>(20,206,086)</b>	<b>(4,772,272)</b>	<b>(5,550,171)</b>	<b>964,844</b>	<b>(29,563,685)</b>	<b>1,699,886</b>
<b>Cash flows from capital and related financing activities:</b>						
Proceeds from sales of:						
Certificates of obligation	-	-	-	1,295,000	1,295,000	60,000
Revenue bonds	20,830,000	12,925,000	25,640,000	-	59,395,000	-
General obligation bonds	-	355,000	740,000	-	1,095,000	50,000
Premium on issuance of debt	1,594,010	740,710	2,309,108	39,843	4,683,671	-
Commercial paper	10,000,000	-	-	-	10,000,000	-
Acquisition and construction of capital assets	(16,700,564)	(11,205,923)	(7,679,756)	(2,370,317)	(37,956,560)	(5,633,629)
Principal paid on:						
Revenue bonds	(5,735,000)	(3,242,080)	(6,307,920)	-	(15,285,000)	-
Certificates of obligation	-	(165,000)	(350,000)	(930,000)	(1,445,000)	(2,110,000)
General obligation bonds	(4,640,000)	(705,000)	(1,920,000)	-	(7,265,000)	(40,000)
Advance from other funds	-	-	-	(12,843)	(12,843)	-
Payment to escrow agent	(22,545,000)	(5,250,534)	(28,604,466)	-	(56,400,000)	(55,000)
Payment to capital lease	(15,050)	-	-	-	(15,050)	(28,803)
Interest paid on:						
Revenue bonds	(4,050,601)	(2,400,142)	(3,979,981)	-	(10,430,724)	-
Certificates of obligation	(5,593,943)	4,198	24,126	(99,507)	(5,665,126)	(1,448,365)
General obligation bonds	(2,132,469)	(227,629)	(780,680)	-	(3,140,778)	(47,652)
Advances from other funds	-	-	-	(1,261)	(1,261)	-
Capital lease	(4,781)	-	-	-	(4,781)	(6,207)
Bond issue expense	(48,570)	(165,544)	(61,887)	(22,351)	(298,352)	-
Contributions	312,375	684,608	202,479	-	1,199,462	-
Proceeds from sales of assets	29,589	24,305	-	4,380	58,274	318,418
<b>Net cash used for capital and related financing activities</b>	<b>(28,700,004)</b>	<b>(8,628,031)</b>	<b>(20,768,977)</b>	<b>(2,097,056)</b>	<b>(60,194,068)</b>	<b>(8,941,238)</b>

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, 2012

	Business-type Activities				Governmental Activities	
	Electric	Water	Sewer	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Cash flows from investing activities:</b>						
Purchase of investment securities	(273,041,847)	(21,980,829)	(43,519,586)	(3,407,518)	(341,949,780)	(23,111,176)
Proceeds from sale and maturities of investment securities	232,708,438	17,241,963	36,412,641	2,803,291	289,166,333	16,926,818
Interest received on investments	1,277,665	80,514	190,831	11,017	1,560,027	152,687
<b>Net cash used for investing activities</b>	<u>(39,055,744)</u>	<u>(4,658,352)</u>	<u>(6,916,114)</u>	<u>(593,210)</u>	<u>(51,223,420)</u>	<u>(6,031,671)</u>
<b>Net decrease in cash and cash equivalents</b>	(3,204,838)	(2,818,561)	(10,493,871)	(654,166)	(17,171,436)	(8,821,347)
<b>Cash and cash equivalents at beginning of the year</b>	88,252,318	15,756,936	36,779,221	2,434,027	143,222,502	30,011,268
<b>Cash and cash equivalents at end of the year</b>	<u>\$ 85,047,480</u>	<u>\$ 12,938,375</u>	<u>\$ 26,285,350</u>	<u>\$ 1,779,861</u>	<u>\$ 126,051,066</u>	<u>\$ 21,189,921</u>
<b>Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities</b>						
<b>Operating income (loss)</b>	\$ 70,280,266	\$ 8,599,418	\$ 10,209,155	\$ (576,874)	\$ 88,511,965	\$ (1,287,512)
<b>Adjustments:</b>						
Depreciation expense	12,568,490	5,761,045	11,988,917	2,159,489	32,477,941	7,338,195
Change in allowance for uncollectible accounts	(111,068)	(36,630)	15,815	(33,973)	(165,856)	-
Change in assets and liabilities						
(increase) decrease in accounts receivable	(4,580,319)	726,801	230,092	(203,077)	(3,826,503)	30,864
decrease in inventory	(1,792,755)	-	-	-	(1,792,755)	(988,758)
increase in other assets	6,912,643	-	-	-	6,912,643	-
(increase) in other prepaid expense	(1,745,315)	-	-	-	(1,745,315)	-
increase (decrease) in accounts payable	3,018,034	121,878	169,547	(427,958)	2,881,501	133,712
decrease in compensated absences	(131,396)	(23,421)	(10,061)	(43,998)	(208,876)	(21,582)
increase in customer deposits	-	-	-	-	-	803,908
increase in OPEB payable	338,416	91,003	137,926	197,647	764,992	358,323
decrease in insurance claims payable	-	-	-	-	-	(1,915,474)
<b>Total adjustments</b>	<u>14,476,730</u>	<u>6,640,676</u>	<u>12,532,236</u>	<u>1,648,130</u>	<u>35,297,772</u>	<u>5,739,188</u>
<b>Net cash provided by operating activities</b>	<u>\$ 84,756,996</u>	<u>\$ 15,240,094</u>	<u>\$ 22,741,391</u>	<u>\$ 1,071,256</u>	<u>\$ 123,809,737</u>	<u>\$ 4,451,676</u>
<b>Noncash investing, capital and financing activities:</b>						
Contributions from developers	312,370	310,891	107,396	-	730,657	-
Capitalized general & administrative expense	516,092	342,615	561,236	-	1,419,943	-
Capitalized Revenue Bond Interest	1,376,270	1,388,236	1,960,601	-	4,725,107	-
Capital lease	176,240	-	-	-	176,240	-

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

**City of Garland, Texas**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**September 30, 2012**

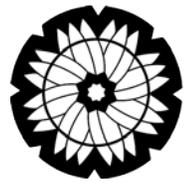
	Other Post Employment Benefits Trust Fund
<b>Assets</b>	
Investments:	
Equity mutual funds	\$ 298,552
Fixed income mutual funds	281,331
Money market fund	24,351
Total Investments	604,234
Total assets	\$ 604,234
 <b>NET ASSETS</b>	
Held in trust for other post employemnet benefits and other purposes	604,234 \$ 604,234

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

**City of Garland, Texas**  
**Fiduciary Funds**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For the Year Ended September 30, 2012**

	Other Post Employment Benefits Trust Fund
<b>Additions</b>	
Earnings from investments	\$ 94,379
Employer contributions	4,223,865
Retiree contributions	2,290,085
Total additions	6,608,329
 <b>Deductions</b>	
Administrative expenses	6,279
Payments to beneficiaries	6,513,950
Total deductions	6,520,229
Change in net assets	88,100
Net assets, beginning of year	516,134
Net assets, end of year	\$ 604,234

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



**GARLAND**  
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**City of Garland, Texas**  
**Notes to the Financial Statements**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

**Discretely Presented Component Units**

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

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

**Blended Component Unit**

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

**B. Government-wide and fund financial statements**

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund categories:

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

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

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

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

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.

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

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

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

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

**D. Assets, liabilities, and net assets or equity**

**1. *Deposits and investments***

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

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

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

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

**2. *Receivables and payables***

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

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

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

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

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

**3. *Inventories and prepaid items***

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

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

**4. *Restricted assets***

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

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

**5. Capital assets**

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capital value of the assets constructed. The total interest expense by the City during the current year was \$27,925,157. Of this amount, \$4,725,107 was included as part of the cost of capital assets under construction in connection with electric, water, and sewer construction projects.

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

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

**6. Compensated absences**

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

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

**7. Long-term obligations**

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

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

**8. Classifications of Fund balance**

Fund balances in the governmental funds classified as non-spendable are not in spendable form such as inventories and prepaid items. The restricted fund balances are funds for which restrictions are externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Committed fund balances are amounts that can only be used for specific purposes imposed by formal action of the City Council. Formal action of the City Council is required to remove the limitations on committed fund balances. Assigned fund balances are amounts that are constrained by the City's intent for specific purposes but are not restricted or committed. The intended use is established by the City Council and are established by City management based on City Council direction. Unassigned fund balance is the residual fund balance that has not been restricted, committed, or assigned in the General Fund.

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

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

Fund balances for governmental activities as of September 30, 2012 are:

<i>Fund Balance</i>	<i>General Fund</i>	<i>Debt Service</i>	<i>Capital Projects</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Nonspendable:					
Prepays	\$ -	\$ -	\$ -	\$ -	\$ -
Total Nonspendable	-	-	-	-	-
Restricted:					
General government	758,444	-	38,270,237	1,460,359	40,489,040
Debt service	-	5,241,033	-	-	5,241,033
Housing Assistance	-	-	-	1,774,748	1,774,748
Public Safety	-	-	-	984,567	984,567
Culture and recreation	-	-	53,785	-	53,785
Total Restricted	758,444	5,241,033	38,324,022	4,219,674	48,543,173
Committed:					
General government	-	-	-	332,670	332,670
Culture and recreation	-	-	-	1,615,772	1,615,772
Public works	-	-	-	4,626,022	4,626,022
Total Committed	-	-	-	6,574,464	6,574,464
Assigned:					
General government	4,730,000	-	-	-	4,730,000
Total Assigned	4,730,000	-	-	-	4,730,000
Unassigned	16,575,077	-	-	-	16,575,077
Total fund balance	\$ 22,063,521	\$ 5,241,033	\$ 38,324,022	\$ 10,794,138	\$ 76,422,714

**9. Fund net assets**

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

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

**10. New accounting principles**

The City implemented the following new GASB standards during the fiscal year ended September 30, 2012:

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

The GASB has issued Statement No. 64, *“Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53”* (“GASB 64”), which became effective in fiscal year 2012. The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue what swap counterparty, or swap counterparty’s credit support provider, is replaced. The adoption of this statement had no impact on the financial statements.

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

The GASB has issued Statement No. 60, *“Accounting and Financial Reporting for Service Concession Arrangement”* (“GASB 60”), which will be effective in fiscal year 2013. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The City has not yet evaluated the impact of the implementation of this standard.

The GASB has issued Statement No. 61, *“The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34”* (“GASB 61”), which will be effective in fiscal year 2013. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *“The Financial Reporting Entity”*, and the related financial report requirement of Statement No. 34, *“Basis Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. The City has not yet evaluated the impact of the implementation of this standard.

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

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

The GASB has issued Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" ("GASB 63"), which will be effective in fiscal year 2013. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The City has not yet evaluated the impact of the implementation of this standard.

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

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

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

The GASB has issued Statement No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" ("GASB 68"), which will be effective in fiscal year 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

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

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

**II. Reconciliation of government-wide and fund financial statements**

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide 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 \$250,559,750 difference is as follows:

General Obligation bonds – General Government portion	\$217,804,750
Certificates of Obligation – General Government portion	<u>32,755,000</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at net assets – governmental activities	<u>\$250,559,750</u>

The portion of Certificates of Obligation amounting to \$32,555,000 and a portion of General Obligation amounting to \$965,000 was issued for Internal Service fund projects.

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between *net changes in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$32,548,344 difference are as follows:

Debt issued or incurred:	
Issuance of certificates of obligation - Governmental Funds	\$ (5,400,000)
Issuance of general obligation bonds – Governmental Funds	(58,210,000)
Net premium and issue costs on issuance of CO bonds	(55,000)
Net premium and issue costs on issuance of GO bonds	(3,811,543)
Principal repayments:	
General obligation debt	13,142,725
Certificates of obligation	4,780,000
Refunded debt on certificate of obligation bonds	17,035,000
Amortization of bond issue costs	498,791
Change in landfill closure liability	(835,922)
Change in compensated absences liability	<u>307,605</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (32,548,344)</u>

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

Another element of that reconciliation states that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.” The details of this \$15,380,992 difference are as follows:

Capital outlays	\$ 12,977,724
Developers contributions	670,527
General Fund expense outlays	676,175
Depreciation expense	(28,598,045)
CIP expense outlays	(215,840)
Loss on disposals of assets	(891,533)
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>	\$(15,380,992)

**III. Stewardship, compliance, and accountability**

**Deficit fund equity**

The NETLS Fund deficit of \$89,363 will be eliminated through reimbursements for projects in the next fiscal year. The NETLS fund will be closed in FY 2013 after all reimbursements have been received. The NETLS program was terminated during FY 2012 due to the elimination of the grant by the Texas State Library and Archives Commission and the Institute of Museum & Library Services.

The Self-Insurance Fund deficit of \$3,556,287 will be eliminated by increasing charges to other operating funds in future years.

The Long-Term Disability Insurance Fund deficit of \$2,964,545 is the result of an accrual of claims incurred but not reported of \$3,885,997. This accrual was made on the basis of an actuarial analysis completed in 2012. This fund is managed and funded on a cash basis. Therefore, this fund will continue to report a deficit.

The Fleet Fund deficit of \$49,674 will be eliminated by increasing charges to other operating funds in future years.

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

**IV. Detailed notes on all funds**

**A. Deposits and investments**

As of September 30, 2012, the City had the following cash equivalents and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
Federal Home Loan Bank	\$ 33,040,473	\$ -	\$ 33,040,473
Federal National Mortgage Association	128,417,532	2,012,734	126,404,798
Federal Home Loan Mortgage Corp	40,739,103	-	40,739,103
Federal Farm Credit Bank	79,937,302	-	79,937,302
Investment Pools – Texpool & Texpool Prime	128,257,678	128,257,678	-
Investment Pools – Texstar	51,766,142	51,766,142	-
Investment Pools – Logic	5,934	5,934	-
Money Market Fund	11,579,244	11,579,244	-
Total investment fair value	<u>\$ 473,743,408</u>	<u>\$ 193,621,732</u>	<u>\$ 280,121,676</u>

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

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

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

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 30, 2012, the City held no direct investments in commercial paper. The City's investments in U. S. agencies were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service as of September 30, 2012. Due to the economic collapse and credit crisis, it was announced in August 2008 that US Agency debt would be explicitly backed by the US Treasury. The City's investments in Texpool and Texpool Prime were rated AAAM by Standard & Poor's. The City's investments in Texstar and LOGIC were rated AAAM by Standard & Poor's.

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

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

The City invests in Texpool, Texpool Prime, Texstar, and Logic to meet its daily liquidity needs. Texpool, Texpool Prime, Texstar, and Logic are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texpool, Texpool Prime, Texstar, and Logic are funds that allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. Texpool, Texpool Prime, Texstar, and Logic are all rated AAAM and must maintain a dollar weighted average maturity not to exceed a 60 day limit. As of September 30, 2012, Texpool, Texpool Prime, Texstar, and Logic had a weighted average maturity of 44 days, 34 days, 40 days, and 42 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, 2012, the carrying amount of the City’s deposits was \$811,572 and the bank balance was \$2,258,770. On September 30, 2012, the City’s bank balance was fully collateralized. Bank balances for the City’s discretely presented component units (Garland Housing Finance Corporation, Garland Health Facilities Development Corporation and Garland Economic Development Authority) were fully collateralized and the carrying value of the component unit’s deposits was \$190,949.

*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, 2012, the City’s investments in U. S. agencies are categorized as insured or registered, or securities held by the City or its agent in the City’s name.

As of September 30, 2012, the City had the following cash equivalents and investments held by the trust agency Public Agency Retirement Services (PARS) for the OPEB trust fund:

<u>Investment Type</u>	<u>Fair Value</u>
Equity Mutual Funds	\$ 298,552
Fixed Income Mutual Funds	281,331
Money Market Fund	<u>24,351</u>
 Total investment fair value	 <u>\$ 604,234</u>

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

As of September 30, 2012, the Discretely Presented Component Units of the City had the following cash equivalents:

<b><u>Garland Housing Finance Corp</u></b>	<b><u>Fair Value</u></b>
Money Market Fund	\$577,069
<b><u>Garland Economic Development Authority</u></b>	<b><u>Fair Value</u></b>
Money Market Fund	\$90,944
<b><u>Garland Health Facilities Development Corp</u></b>	<b><u>Fair Value</u></b>
Money Market Fund	\$90,944
Certificate of Deposits	\$139,880

**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	\$ 28,879	\$ 506	\$ 41,064	\$ 41,754	\$ 5,773	\$ 13,251	\$ 34,641	\$ 165,868
Taxes	1,245,233	981,648	-	-	-	-	-	2,226,881
Utility Accounts	212,426	-	-	23,993,647	5,997,493	3,615,026	3,463,289	37,281,881
Mowing Liens	1,274,361	-	-	-	-	-	-	1,274,361
EMS Accounts	5,163,546	-	-	-	-	-	-	5,163,546
Franchise Fee	1,418,949	-	-	-	-	-	-	1,418,949
Sales Tax	3,620,968	-	-	-	-	-	-	3,620,968
Wholesale & Other Accts	2,595,497	-	-	14,665,381	771,449	845,956	3,832,286	22,710,569
Assessments	17,287	-	-	-	-	-	-	17,287
Gross Receivables	15,577,146	982,154	41,064	38,700,782	6,774,715	4,474,233	7,330,216	73,880,310
Less: allowance for uncollectibles	(6,195,503)	(517,989)	-	(1,327,660)	(233,763)	(221,112)	(349,880)	(8,845,907)
Net total receivables	<u>\$9,381,643</u>	<u>\$ 464,165</u>	<u>\$ 41,064</u>	<u>\$ 37,373,122</u>	<u>\$ 6,540,952</u>	<u>\$ 4,253,121</u>	<u>\$ 6,980,336</u>	<u>\$65,034,403</u>

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

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

	Unavailable	Unearned
Delinquent property taxes receivable (general fund)	\$ 494,747	\$ -
Delinquent property taxes receivable (debt service fund)	390,021	-
Sales tax, mowing liens, EMS, & other receivables (general fund)	3,151,237	-
Parks service charges for future events	-	123,566
Faulkner receivable	-	458,955
Grant drawdowns prior to meeting all eligibility requirements	-	323,424
Homeowner assistance	-	4,742,305
Special assessments prior to meeting all eligibility requirements	-	214,018
	\$ 4,036,005	\$ 5,862,268

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

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2012, was as follows:

**Primary government**

	Balance at Oct. 1, 2011	Increases	Decreases	Balance at Sept. 30, 2012
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 79,506,485	\$ 1,007,044	\$ (18,331)	\$ 80,495,198
Construction in progress	19,069,116	12,692,733	(17,330,033)	14,431,816
Internal service construction in progress	3,432,821	1,347,438	(1,506,843)	3,273,416
Total capital assets, not being depreciated	<u>102,008,422</u>	<u>15,047,215</u>	<u>(18,855,207)</u>	<u>98,200,430</u>
Capital assets, being depreciated:				
Buildings	102,579,364	1,630,644	-	104,210,008
Improvements other than buildings	431,167,700	8,692,869	(2,061,378)	437,799,191
Machinery and equipment	93,885,150	7,415,332	(3,697,089)	97,603,393
Internal service buildings, improvements, and equipment	101,496,147	5,301,736	(4,368,003)	102,429,880
Total capital assets being depreciated	<u>729,128,361</u>	<u>23,040,581</u>	<u>(10,126,470)</u>	<u>742,042,472</u>
Less accumulated depreciation for:				
Buildings	(32,396,101)	(2,664,632)	-	(35,060,733)
Improvements other than buildings	(278,183,668)	(19,279,408)	1,213,940	(296,249,136)
Machinery, furniture, and equipment	(70,632,324)	(6,654,005)	3,671,324	(73,615,005)
Internal service buildings, improvements, and equipment	(46,563,976)	(7,338,195)	4,364,548	(49,537,623)
Total accumulated depreciation	<u>(427,776,069)</u>	<u>(35,936,240)</u>	<u>9,249,812</u>	<u>(454,462,497)</u>
Total capital assets, being depreciated, net	<u>301,352,292</u>	<u>(12,895,659)</u>	<u>(876,658)</u>	<u>287,579,975</u>
Governmental activities capital assets, net	<u>\$ 403,360,714</u>	<u>\$ 2,151,556</u>	<u>\$ (19,731,865)</u>	<u>\$385,780,405</u>

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

	Balance at Oct. 1, 2011	Increases	Decreases	Balance at Sept. 30, 2012
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 18,660,107	\$ 1,422,250	\$ -	\$ 20,082,357
Construction in progress	54,801,907	37,562,731	(50,011,334)	42,353,304
Total capital assets, not being depreciated	<u>73,462,014</u>	<u>38,984,981</u>	<u>(50,011,334)</u>	<u>62,435,661</u>
Capital assets, being depreciated:				
Utility buildings, improvements, and equipment	1,048,071,548	49,265,171	(9,222,338)	1,088,114,380
Total capital assets being depreciated	<u>1,048,071,547</u>	<u>49,265,171</u>	<u>(9,222,338)</u>	<u>1,088,114,380</u>
Less accumulated depreciation for:				
Utility buildings, improvements, and equipment	(430,288,382)	(32,477,941)	7,410,340	(455,355,983)
Total accumulated depreciation	<u>(430,288,382)</u>	<u>(32,477,941)</u>	<u>7,410,340</u>	<u>(455,355,983)</u>
Total capital assets, being depreciated, net	<u>617,783,165</u>	<u>16,787,230</u>	<u>(1,811,998)</u>	<u>632,758,397</u>
Business-type activities capital assets, net	<u>\$691,245,179</u>	<u>\$ 55,772,211</u>	<u>\$ (51,823,332)</u>	<u>\$695,194,058</u>

**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	\$ 946,277
Public safety	4,163,805
Public works	19,874,768
Culture and recreation	3,464,520
Public health	148,675
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	7,338,195
Total depreciation expense – governmental activities	\$ 35,936,240
Business-type activities:	
Electric	\$ 12,568,490
Water	5,761,045
Sewer	11,988,917
Other non-major business-type activities	2,159,489
Total depreciation expense – business-type activities	\$ 32,477,941

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

**Construction commitments**

The City has active construction projects as of September 30, 2012. At year-end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Electric System	\$ 149,841	\$ 32,275
Water System	7,206,245	6,843,074
Sewer System	2,134,171	3,701,168
Parks and Recreation	497,453	102,523
Streets and Drainage	76,843	52,623
Buildings	2,376,815	210,733
Total	\$ 12,441,368	\$ 10,942,396

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

**D. Capital Lease**

The following is a summary of capital leases of the City for the fiscal year ended September 30, 2012:

	Vehicle Replacement	Total Governmental	Electric	Total Business- Type Activities
Balance at Oct 1, 2011	\$ 124,145	\$ 124,145	\$ -	\$ -
Additions/adjustments	-	-	176,240	176,240
Payments	(28,803)	(28,803)	-	-
Balance at Sept 30, 2012	<u>\$ 95,342</u>	<u>\$ 95,342</u>	<u>\$ 176,240</u>	<u>\$ 176,240</u>

The City has entered into a lease agreement with Caterpillar Financial Services Corporation to finance the acquisition of a Caterpillar Medium Hydraulic Excavator. The lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The leased equipment meets the City's capitalization threshold of \$5,000 and is included in the capital assets at September 30, 2012. The details of this lease are:

	Governmental activities	Business-type activities	Total
Total Cost	\$ 151,576	\$ 191,290	\$ 342,866
Less: accumulated depreciation	(45,473)	(11,955)	(57,428)
	<u>\$ 106,103</u>	<u>\$ 179,335</u>	<u>\$ 285,438</u>

The following is a schedule of the lease payments required under the capital lease at September 30, 2012:

Fiscal year ending September 30,	Governmental activities	Business-type activities	Total
2013	\$ 35,010	\$ 19,833	\$ 54,843
2014	35,010	164,833	199,843
2015	35,010	-	35,010
Total minimum lease payments	105,030	184,666	289,696
Less: interest	(9,688)	(8,426)	(18,114)
Present value of minimum lease payments	<u>\$ 95,342</u>	<u>\$ 176,240</u>	<u>\$ 271,582</u>

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

**E. Interfund receivables, payables, and transfers**

The composition of interfund balances as of September 30, 2012, is as follows:

Interfund Payable	General	Electric	Water	Sewer	Non-major Business Funds	Special Revenue	Total
General Fund	\$ -	\$ 39,795	\$ 50,301	\$ -	\$ -	\$ 31,989	\$ 122,085
Capital Projects	163,630	-	-	-	-	-	163,630
Debt Service	-	-	-	-	-	25,218	25,218
Electric	309,138	-	-	-	-	-	309,138
Water	-	68	-	38	120	-	226
Non-Major Business-type	1,446,853	-	-	-	-	-	1,446,853
Internal Service Funds	1,170,587	303,911	77,500	42,854	28,066	-	1,622,918
Non-Major Governmental	1,726,017	-	-	-	-	-	1,726,017
	<u>\$ 4,816,225</u>	<u>\$ 343,774</u>	<u>\$ 127,801</u>	<u>\$ 42,892</u>	<u>\$ 28,186</u>	<u>\$ 57,207</u>	<u>\$ 5,416,085</u>

Interfund balances are created by short-term deficiencies in cash position in individual funds and it is anticipated that these balances will be repaid within one year or less.

The composition of advances to/from at September 30, 2012, is as follows:

Advance Payable	<u>Advance Receivable</u>	
	<u>Electric</u>	<u>Total</u>
Internal Service	\$ 3,896,269	\$ 3,896,269
Non-Major Business-type	13,458	13,458
	<u>\$ 3,909,727</u>	<u>\$ 3,909,727</u>

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

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

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

Transfers From:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Nonmajor Business-Type Funds	Internal Service Fund	Total Transfers
General Fund	\$ -	\$ -	\$ 1,317,870	\$ 40,000	\$ 500,000	\$ -	\$ 1,857,870
Debt Service Fund	-	-	5,440,000	-	515,000	86,443	6,041,443
Capital Project Fund	3,400,000	-	-	-	105,000	-	3,505,000
Non-major governmental	-	232,467	1,020,000	2,873	-	16,000	1,271,340
Electric	19,451,298	162,470	-	-	-	570,525	20,184,293
Water	4,613,453	31,244	-	-	-	-	4,644,697
Sewer	5,482,282	24,997	-	-	-	-	5,507,279
Non-major Business-type	826,730	37,493	-	-	-	-	864,223
Internal Service	-	-	-	-	596,000	-	596,000
	<u>\$33,773,763</u>	<u>\$ 488,671</u>	<u>\$ 7,777,870</u>	<u>\$ 42,873</u>	<u>\$ 1,716,000</u>	<u>\$ 672,968</u>	<u>\$ 44,472,145</u>

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

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

**F. Long-term liabilities**

A summary of long-term liabilities, including current portion, for the year ended September 30, 2012, is as follows:

	Balance at Oct. 1, 2011	Increased	Retired	Balance at Sept. 30, 2012	Due within one year
<b><u>Governmental activities:</u></b>					
General obligation bonds	\$ 173,692,475	\$ 58,260,000	\$ (13,182,725)	\$ 218,769,750	\$ 15,815,398
Certificates of obligation	83,830,000	5,460,000	(23,980,000)	65,310,000	4,635,000
Unamortized premium and defeased debt costs	5,843,240	4,570,515	(935,277)	9,478,478	-
Landfill post closure cost	7,327,000	835,922	-	8,162,922	-
Compensated absences	19,712,927	1,662,153	(1,991,341)	19,383,739	7,137,020
Capital lease payable	124,145	-	(28,803)	95,342	30,243
Insurance claims payable	13,366,212	15,669,311	(16,040,003)	12,995,520	5,849,399
OPEB liability	6,858,610	2,154,200	-	9,012,810	-
Governmental activities Long-term debt	\$ 310,754,609	\$ 88,612,101	\$ (56,158,149)	\$ 343,208,561	\$ 33,467,060
<b><u>Business-type activities:</u></b>					
Utility System revenue bonds	\$ 316,815,000	\$ 59,395,000	\$ (70,570,000)	\$ 305,640,000	\$ 16,350,000
General obligation bonds	81,170,000	1,095,000	(7,265,000)	75,000,000	8,095,000
Certificates of obligation	131,930,000	1,295,000	(2,560,000)	130,665,000	1,240,000
Unamortized premium and defeased debt costs	21,908,636	4,683,673	(2,497,965)	24,094,344	-
Compensated absences	2,304,860	321,147	(530,023)	2,095,984	1,899,053
Capital lease payable	-	191,290	(15,050)	176,240	15,427
OPEB liability	2,484,598	764,989	-	3,249,587	-
Business-type activities Long-term debt	\$ 556,613,094	\$ 67,746,099	\$ (83,438,038)	\$ 540,921,155	\$ 27,599,480

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 \$965,000 of general obligation bond debt, \$32,555,000 of certificates of obligation, \$721,805 of compensated absences, and \$1,495,322 of OPEB liabilities from the internal service funds are included in the governmental activities general obligation bonds, certificates of obligation, compensated absences and OPEB liabilities. Also, for the governmental activities, compensated absences and OPEB Claims Payable are generally liquidated by the general fund.

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

The proceeds of \$5,460,000 from the sale of certificates of obligation and \$58,260,000 of general obligation for governmental activities are reported as follows:

<b><u>Fund</u></b>	<b>Certificates of Obligation</b>	<b>General Obligation Bond</b>	<b>Total Bonded Debt</b>
Capital Project Fund – proceeds from issuance of debt	\$ 4,885,000	\$ 41,360,000	\$ 46,245,000
Internal Service Fund statement of cash flows – proceeds from sale	60,000	50,000	110,000
Debt Service Fund – proceeds from issuance of debt	515,000	-	515,000
Debt Service Fund – issuance of refunding bonds	-	16,850,000	16,850,000
Total	<u>\$ 5,460,000</u>	<u>\$ 58,260,000</u>	<u>\$ 63,720,000</u>

A summary of short-term debt transactions for the year ended September 30, 2012, is as follows:

	Balance at October 1, 2011	Increased	Retired	Balance at September 30, 2012
<b><u>Governmental activities:</u></b>				
Commercial Paper	45,000,000	10,000,000	(45,000,000)	10,000,000
Governmental activities short-term debt	\$ <u>45,000,000</u>	\$ <u>10,000,000</u>	\$ <u>(45,000,000)</u>	\$ <u>10,000,000</u>
<b><u>Business-type activities:</u></b>				
Commercial Paper	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000
Business-type activities short-term debt	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000

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

Long-term debt at September 30, 2012, includes the following individual issues (not including the unamortized discount, premium, and refunding costs of \$33,476,058):

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
General obligation bonds:						
2005A Refunding	3.5 – 5.25	4/19/2005	2/15/2020	\$ 70,615,000	\$ 13,940,000	\$ 56,675,000
2005B Refunding	3.00 – 5.25	4/19/2005	2/15/2022	23,675,000	7,035,000	16,640,000
2007A Refunding	4.00 – 5.00	2/15/2007	2/15/2025	67,385,000	3,320,000	64,065,000
2007B Refunding	Variable	2/20/2007	2/15/2025	23,745,000	705,250	23,039,750
2008 Refunding	3.35	4/22/2008	2/15/2019	43,025,000	26,685,000	16,340,000
2008A Refunding	4.00 – 5.00	6/15/2008	2/15/2025	57,760,000	8,000,000	49,760,000
2011 Refunding	2.00 -- 5.00	2/01/2011	2/15/2015	10,860,000	2,575,000	8,285,000
2011A Refunding	2.00 -- 4.00	11/01/2011	2/15/2024	17,995,000	390,000	17,605,000
2011B Refunding	2.00 -- 5.00	11/01/2011	2/15/2028	41,360,000	-	41,360,000
				<u>\$ 356,420,000</u>	<u>\$ 62,650,250</u>	<u>\$ 293,769,750</u>
Certificates of Obligation:						
1997B Golf course	5.50 – 5.50	8/15/1997	8/15/2027	\$ 600,000	\$ -	\$ 600,000
2005 Various purpose	3.00 – 5.25	4/19/2005	2/15/2025	20,275,000	15,245,000	5,030,000
2006 Various purpose	3.75 – 4.375	3/15/2006	2/15/2026	10,275,000	6,600,000	3,675,000
2007 Various purpose	4.00 – 5.625	5/15/2007	2/15/2022	16,975,000	2,565,000	14,410,000
2008 Various purpose	.3.00 – 4.75	6/15/2008	2/15/2028	15,965,000	4,465,000	11,500,000
2009 Various purpose	.3.00 – 5.25	5/15/2009	2/15/2029	22,985,000	2,435,000	20,550,000
2010 Electric utility	.2.00 – 5.00	3/01/2010	2/15/2030	126,885,000	-	126,885,000
2010 Various purpose	.2.00 – 4.50	4/15/2010	2/15/2030	3,205,000	510,000	2,695,000
2011 Various purpose	2.00 – 4.25	6/15/2011	2/15/2031	4,260,000	385,000	3,875,000
2012 Various purpose	2.00 – 3.375	6/01/2012	2/15/2032	6,755,000	-	6,755,000
				<u>\$ 228,180,000</u>	<u>\$ 32,205,000</u>	<u>\$ 195,975,000</u>

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

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Cumulative Retirement	Outstanding
Utility system revenue bonds:						
2004 Water & Sewer	2.00 – 5.00	5/25/2004	3/01/2024	\$ 38,485,000	\$ 10,590,000	\$ 27,895,000
2005 Electric Utility	2.75 – 5.25	4/19/2005	3/01/2025	18,935,000	5,070,000	13,865,000
2005 Water & Sewer	2.75 – 5.25	4/19/2005	3/01/2025	20,545,000	5,785,000	14,760,000
2006 Electric Utility	3.50 – 5.00	3/15/2006	3/01/2026	25,045,000	4,895,000	20,150,000
2006 Water & Sewer	4.00 – 4.50	3/15/2006	3/01/2026	16,180,000	3,620,000	12,560,000
2007 Electric Utility	4.00 – 5.625	5/15/2007	3/01/2027	21,050,000	3,105,000	17,945,000
2007 Water & Sewer	4.00 – 5.625	5/15/2007	3/01/2027	29,070,000	4,235,000	24,835,000
2008 Electric Utility	3.25 – 4.75	6/15/2008	3/01/2028	10,115,000	1,680,000	8,435,000
2008 Water & Sewer	3.00 – 5.00	6/15/2008	3/01/2028	39,900,000	5,160,000	34,740,000
2009 Electric Utility	3.25 – 5.25	5/15/2009	3/01/2029	11,760,000	3,365,000	8,395,000
2009 Water & Sewer	2.00 – 4.75	5/15/2009	3/01/2029	18,090,000	1,900,000	16,190,000
2010 Water & Sewer	2.00 – 4.75	4/15/2010	3/01/2030	21,270,000	1,185,000	20,085,000
2011 Electric Utility	2.00 – 5.00	6/15/2011	3/01/2031	7,185,000	-	7,185,000
2011 Water & Sewer	2.00 – 5.00	6/15/2011	3/01/2031	19,205,000	-	19,205,000
2011A Electric Utility	3.00 – 5.00	11/01/2011	3/01/2024	20,830,000	-	20,830,000
2011A Water & Sewer	3.00 – 5.00	11/01/2011	3/01/2024	30,150,000	-	30,150,000
2012 Water & Sewer	2.00 – 4.00	6/01/2012	3/01/2032	8,415,000	-	8,415,000
				<u>\$ 356,230,000</u>	<u>\$ 50,590,000</u>	<u>\$305,640,000</u>

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

Terms of the Interest Rate Cap commenced on May 15, 2007, the City shall be entitled to receive a payment from Bank of America on each February 15, May 15, August 15, and November 15. The amount of any such payment by Bank of America shall be based on: i) the amount that the LIBOR rate with a stated maturity of three months exceeds 3.80%; and ii) the currently outstanding notional balance of the Cap. The notional amount of the cap at September 30, 2012 was \$23,039,750. The Cap is scheduled to terminate on August 15, 2015.

The fair value of the Cap, if it were to be terminated, was a negative \$809,524 as of September 30, 2012. Caps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair value was determined based on the dollar offset of future cash flows.

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

As of September 30, 2012, 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, 2012, the City would pay Bank of America \$809,524 if the City elected to terminate the agreement.

Short-term debt at September 30, 2012, includes the following individual issues:

	Interest Rate (%)	Issue Date	Maturity Date	Original Issue	Net Retirement	Outstanding
Commercial Paper						
2012 GO Commercial Paper Issue	0.18	9/13/2012	11/17/2012	\$ 10,000,000	\$ -	\$ 10,000,000
2012 Electric Commercial Paper Issue	0.30	9/28/2012	10/01/2012	10,000,000	-	10,000,000
				<u>\$ 20,000,000</u>	<u>\$ -</u>	<u>\$ 20,000,000</u>

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

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

The annual requirements to amortize outstanding debt as of September 30, 2012, including interest payments of \$318,216,929 are summarized in the table below. Due to the nature of the obligation for compensated absences, annual requirements to amortize such obligations are not determinable, and have not been included in the following summary:

Governmental Activities				
Years Ending September 30,	General		Certificates	
	Obligation	GO Interest	Of Obligation	CO Interest
2013	\$ 15,815,398	\$ 11,195,461	\$ 4,635,000	\$ 2,695,655
2014	16,618,094	9,014,147	4,790,000	2,503,067
2015	15,280,813	8,311,071	5,135,000	2,309,058
2016	16,745,445	9,942,775	4,890,000	2,109,042
2017	16,355,000	9,001,174	4,715,000	1,908,961
2018-2022	85,800,000	29,596,349	17,175,000	7,268,048
2023-2027	47,805,000	7,483,176	18,605,000	3,542,542
2028-2032	4,350,000	108,750	5,365,000	285,553
Total	\$218,769,750	\$ 84,652,903	\$ 65,310,000	\$ 22,621,926

Business-type Activities						
Years Ending September 30,	Revenue		General		Certificates	
	Revenue	Interest	Obligation	GO Interest	Of Obligation	CO Interest
2013	\$ 16,350,000	\$ 13,352,613	\$ 8,095,000	\$ 3,455,574	\$ 1,240,000	\$ 6,349,259
2014	17,005,000	12,655,700	8,515,000	3,087,395	980,000	6,311,564
2015	16,230,000	11,978,541	9,650,000	2,693,083	2,115,000	6,252,761
2016	17,445,000	11,282,866	10,060,000	2,222,121	2,050,000	6,164,636
2017	18,665,000	10,541,433	9,340,000	1,730,084	1,925,000	6,094,868
2018-2022	106,480,000	39,349,682	29,340,000	2,567,666	25,900,000	28,317,844
2023-2027	91,750,000	14,404,916	-	-	55,710,000	17,392,072
2028-2032	21,715,000	1,613,803	-	-	40,745,000	3,123,619
Total	\$305,640,000	\$115,179,554	\$ 75,000,000	\$ 15,755,923	\$130,665,000	\$ 80,006,623

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

At September 30, 2012, the City has authorized but not issued general obligation bonds and general obligation commercial paper in the amount of \$135,134,506 as follows:

	Balance at Oct.1, 2011	General Obligation Bonds Issued	GO Commercial Paper Issued	Balance at Sept.30, 2012
Streets Improvements	\$ 111,762,287	\$ 21,537,781	\$ 4,760,000	\$ 85,464,506
Park Improvements	25,454,000	5,214,000	815,000	19,425,000
Drainage Improvements	27,376,026	12,226,026	1,650,000	13,500,000
Municipal Facilities	11,544,000	904,000	1,190,000	9,450,000
Library Improvements	6,043,813	3,338,813	1,350,000	1,355,000
Public Safety	4,534,380	1,779,380	235,000	2,520,000
Economic Development	3,420,000	-	-	3,420,000
	<u>\$ 190,134,506</u>	<u>\$ 45,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 135,134,506</u>

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

The City has pledged future Electric, Water and Sewer utility revenues, net of specified operating expenses, to repay \$132,671,305 in outstanding Electric Utility Revenue Bonds and \$288,148,249 in outstanding Water & Sewer Utility Revenue Bonds. Proceeds from the revenue bonds provided financing for the acquisition and or construction of various Electric, Water and Sewer assets. The bonds are payable solely from Electric, Water and Sewer customer net revenues and are payable through 2032. Principal paid and interest incurred for the current year was as follows:

Utility Revenue Bonds	Principal	Interest	Total	Pledged Revenue
Electric	\$ 5,735,000	\$ 4,556,124	\$ 10,291,124	\$ 82,715,517
Water & Sewer	9,550,000	8,992,872	18,542,872	36,295,149

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

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

Debt issues for the year are as follows:

Issue	Principal	Net Interest Cost	Purpose
Certificates of Obligation, Series 2012	\$ 6,755,000	2.446%	Constructing and improving various facilities in the City, improving and equipping the golf course, and purchasing equipment for EWS, solid waste, and stormwater departments.
General Obligation Refunding Bond, Series 2011A	17,995,000	2.647%	Bond refunding
General Obligation Refunding Bond, Series 2011B	41,360,000	3.889%	Bond refunding
Electric Utility System Revenue Refunding Bond, Series 2011A	20,830,000	3.188%	Bond refunding
Water & Sewer System Revenue Refunding Bond, Series 2011A	30,150,000	3.056%	Bond refunding
Water & Sewer System Revenue Bonds, Series 2012	8,415,000	3.074%	Construction of improvements and extension to the systems.
GO Commercial Paper	10,000,000	0.180%	Short term debt
Electric Commercial Paper	10,000,000	.0540%	Short term debt

On November 1, 2011, the City issued \$17,995,000 in General Obligation Refunding Bonds to advance refund \$18,205,000 of outstanding Certificates of Obligation, series 2002, 2003, and 2004 at the call date. An amount of \$18,615,558 was placed with an escrow agent to provide for debt service payments on the old bonds at the call date. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next twelve years by \$1,557,088 and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$1,457,263. The refunding resulted in a book loss (difference between amount placed in escrow and carrying amount of debt refunded) of \$410,558.

On November 1, 2011, the City issued \$41,360,000 in General Obligation Refunding Bonds to take out \$45,000,000 of General Obligation commercial paper debt.

On November 1, 2011, the City issued \$20,830,000 in Electric Utility System Revenue Refunding Bond, Series 2011A, to advance refund \$22,545,000 of outstanding Electric Utility System Revenue bond, Series 2003 and 2004 at the call date. An amount of \$23,080,903 was placed with an escrow agent to provide for debt service payments on the old bonds at the call date. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next twelve years by \$2,759,870 and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$2,273,743. The refunding resulted in a book loss (difference between amount placed in escrow and carrying amount of debt refunded) of \$458,587.

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

On November 1, 2011, the City issued \$30,150,000 in Revenue Refunding Bonds to advance refund \$32,740,000 of outstanding Water and Sewer System Revenue bonds, Series 2003 and 2004B. An amount of \$33,547,624 was placed with an escrow agent to provide for debt service payments on the old bonds at the call date. The refunded bonds are considered defeased and the liability for those bonds have been removed from the City's financial statements. As a result of the refunding, the City decreased its total debt service payments over the next twelve years by \$4,571,284 and obtained an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$3,816,076. The refunding resulted in a book gain (difference between amount placed in escrow and carrying amount of debt refunded) of \$68,892.

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, 2012, \$8,540,000 of General Obligation Bonds all of which are considered defeased, are still outstanding.

**G. Retirement Plans**

**Plan Description**

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

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

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

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

**Contributions**

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

The City's required contribution rate for FY12 was decreased from 17.42% in calendar 2011 to 12.07% in 2012.

The City's total payroll in fiscal year 2012 was \$150,418,244, and the City's contributions were based on a payroll of \$124,188,972. Both the City and the covered employees made the required contributions, amounting to \$16,792,548 for the City and \$8,693,228 (7 %) for the employees.

A summary of City and employee contributions for the fiscal year ended September 30, 2012, follows:

	Gross Earnings	Normal Rate	Normal Contribution	Unfunded Actuarial Liability Rate	Unfunded Actuarial Liability Contribution	Death and Disability Benefit Rate	Death and Disability Benefit Contribution	Total Rate	Total Contribution
<b>City Contribution:</b>									
Months in calendar year 2011	\$ 33,699,790	11.44%	\$ 3,855,256	5.75%	\$ 1,937,738	0.23%	\$ 77,509	17.42%	\$ 5,870,503
Months in calendar year 2012	90,489,182	10.25%	9,275,141	1.65%	1,493,072	0.17%	153,832	12.07%	10,922,045
Total Fiscal Year	<u>\$124,188,972</u>		<u>\$ 13,130,397</u>		<u>\$ 3,430,810</u>		<u>\$ 231,341</u>		<u>\$ 16,792,548</u>
<b>Employee Contribution:</b>									
Months in calendar year 2011	\$ 33,699,790	7.00%	\$ 2,358,985	-	-	-	-	7.00%	\$ 2,358,985
Months in calendar year 2012	90,489,182	7.00%	6,334,243	-	-	-	-	7.00%	6,334,243
Total Fiscal Year	<u>\$ 124,188,972</u>		<u>\$ 8,693,228</u>		<u>-</u>		<u>-</u>		<u>\$ 8,693,228</u>
<b>Total City and Employee Contributions</b>			<u><u>\$21,823,625</u></u>		<u><u>\$ 3,430,810</u></u>		<u><u>\$ 231,341</u></u>		<u><u>\$ 25,485,776</u></u>

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

**Three Year Trend Information**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$20,384,137	100%	--
2011	\$21,097,855	100%	--
2012	\$16,792,548	100%	--

**Actuarial Assumptions**

Actuarial Valuation Date	12/31/2011
Actuarial Cost Method	- Projected Unit Credit
Amortization Method	- Level Percent of Payroll
Remaining Amortization Period	- 25.9 Years - Closed Period
Asset Valuation Method	- 10-year Smoothed Market (to accurately reflect the requirements of GASB stmt., No. 27, paragraphs 36e and 138)
Investment Rate of Return	- 7.0%
Projected Salary Increases	- Varies by age and service
Includes Inflation At	- 3.0%
Cost-of-living Adjustments	- None

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

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

**Schedule of Funding Information**

Actuarial valuation date	12/31/2011
Actuarial value of assets	\$661,956,058
Actuarial accrued liability (AAL)	\$684,678,761
Unfunded actuarial accrued liability (UAAL)	\$22,722,703
Funded ratio	96.7%
Annual covered payroll (actuarial)	\$121,677,308
UAAL as % of covered payroll	18.7%

See required supplemental information for schedule of funding progress.

**H. Other postemployment benefits**

**Annual OPEB Cost and Net OPEB Obligation**

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Annual Required Contribution	\$ 5,473,215	\$ 5,692,690	\$ 7,129,941
Interest on Net OPEB Obligation	227,232	343,319	443,802
Adjustment to Annual Required Contribution	<u>(188,226)</u>	<u>(300,316)</u>	<u>(430,688)</u>
Annual OPEB Cost	5,512,221	5,735,693	7,143,055
Employer contribution to trust fund	(250,000)	-	-
Employer Contributions with interest	<u>(2,818,299)</u>	<u>(3,620,249)</u>	<u>(4,223,866)</u>
Increase in Net OPEB Obligation	2,443,922	2,115,444	2,919,189
Net OPEB Obligation beginning of year	<u>4,783,842</u>	<u>7,227,764</u>	<u>9,343,208</u>
Net OPEB Obligation end of year	<u><u>7,227,764</u></u>	<u><u>\$ 9,343,208</u></u>	<u><u>\$12,262,397</u></u>

In addition to the employer contribution, the retirees paid \$2,290,085 in the form of premiums which funded current medical claims.

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

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2010	\$ 5,512,221	\$ 3,068,299	55.7%	\$ 7,227,764
9/30/2011	\$ 5,735,693	\$ 3,620,249	63.1%	\$ 9,343,208
9/30/2012	\$ 7,143,055	\$ 4,223,866	59.1%	\$ 12,262,397

**Actuarial Assumptions**

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

**Schedule of Funding Information**

Actuarial valuation date	10/01/2011
Actuarial value of assets	\$604,234
Actuarial accrued liability (AAL)	\$82,778,660
Unfunded actuarial accrued liability (UAAL)	\$82,174,426
Funded ratio	0.7%
Annual covered payroll (actuarial)	\$125,400,000
UAAL as % of covered payroll	66%

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

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

**Supplemental Death Benefits Plan (SDBF)**

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

*Funding Requirements:* The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to SDBF for the years ended September 30, 2012, 2011, and 2010 were \$231,341, \$273,359, and \$256,308 respectively.

**I. Self Insurance**

Self-insurance for general and auto liability exposure and workers' compensation is maintained in the Self-Insurance Fund of the Internal Service Fund. A private insurance company administers workers' compensation claims and losses for the City. Self-insurance premiums of \$5,263,906 were collected from funds that participate in these. Claims settlement and loss expenses are accrued in the Self-Insurance Fund for the estimated settlement value of claims reported and incurred but not reported arising from incidents during the period. A liability, insurance claims payable, has been established. The reported liability includes actuarially determined present value projected losses for general, auto, and workers' compensation exposure. In determining projected losses, coverages with material incurred losses were compared to expected industry loss levels for prior periods. Based on this comparison, an experience modifier was selected and applied to current indicated industry premiums per exposure unit to obtain expected losses as of September 30, 2012, at the selected per occurrence limits. Based on a current independent actuarial analysis completed in December 2012 claims payable as of September 30, 2012 was estimated at \$6,721,727.

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

Group medical benefits are paid from the Group Health Fund, which has an annually negotiated stop loss provision. Revenues are recognized from payroll deductions for employee dependent coverage and from City contributions for employee coverage. At September 30, 2012 a short-term liability of \$843,014 was recognized for open claims and claims incurred but not reported. The claims incurred but not reported are calculated based on a monthly average for claims paid during the current fiscal year.

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

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

Changes in the self-insurance, long-term disability and group health insurance claims payable in fiscal years 2011 and 2012 were:

Internal Service Fund	Beginning of Fiscal Year Liability	Current Year Claims	Changes in Estimates	Claim Payments	Balance at Fiscal Year – End	Current Portion
Self Insurance – 2011	\$ 6,198,614	\$ 2,211,019	\$ -	\$ 2,211,019	\$ 6,198,614	\$ 3,236,536
Self Insurance – 2012	6,198,614	2,253,280	523,113	2,253,280	6,721,727	2,954,491
Long-Term Disability – 2011	3,891,025	299,355	-	299,355	3,891,025	916,478
Long-Term Disability – 2012	3,891,025	414,216	(5,028)	414,216	3,885,997	507,112
Group Health – 2011	2,350,065	15,383,339	926,508	15,383,339	3,276,573	3,276,573
Group Health – 2012	3,276,573	12,478,702	(2,433,559)	12,478,702	843,014	843,014

**J. Texas Municipal Power Agency**

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

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

The City pays TMPA a pro-rated monthly charge based on the City’s contractual portion of TMPA’s annual fixed operating costs and debt service payments. During 2012, the City paid TMPA \$22,951,019 for these charges for the year.

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

Total debt of TMPA at September 30, 2012, amounted to \$852,158,000 of which \$98,028,000 represented the current portion. TMPA's Revenue Bonds are payable from and secured by an irrevocable first lien on the TMPA's net revenues and certain other special funds created in the TMPA's Bond Resolution. The Cities are obligated to guarantee the payment of TMPA's Prior Lien Bonds (the "Debt Service Guarantee").

TMPA  
 Outstanding Debt Amounts  
 September 30, 2012  
 (reported in thousands)

	Long-Term	Current	Total
Revenue Bonds	\$ 275,528	\$ 32,300	\$ 307,828
Zero Coupon Interest Payable	265,602	65,728	331,330
Tax Exempt Commercial Paper	213,000	-	213,000
	\$ 754,130	\$ 98,028	\$ 852,158

On March 1, 2010, the City issued Electric Utility System Revenue Refunding Bonds, Series 2010 with a maturity of 20 years for the purpose of prepaying certain of these contractual obligations to TMPA.

The principal amount of the bonds was \$126,885,000 with a reoffering premium and other bond issuance costs of \$11,777,850 for a total of \$138,252,850. Since the proceeds of this debt issuance were placed with TMPA and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Assets in the amount of \$138,252,850. The City is amortizing the Other Asset over a period of 20 years with a half year convention. The City has recorded a total of \$17,281,606 of accrued amortization, leaving a balance in the Other Assets account of \$120,971,244 at September 30, 2012.

Financial statements for TMPA are available from the TMPA website [texasmpa.org](http://texasmpa.org) or through the City of Garland's Finance Department.

**K. Deferred Compensation Plan**

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

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

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

**L. Conduit Debt Information**

Each of the discrete component units was created to issue revenue bonds to provide financial assistance to qualified homeowners and businesses. Even though the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit bonds by component unit at September 30, 2012, is as follows:

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

**M. Landfill Closure and Postclosure Care Cost**

As of September 30, 2012, the total estimated landfill closure/postclosure cost for the City's Castle Drive landfill, Hinton landfill, and transfer station is \$2,694,842, \$33,085,408 and \$30,530 respectively. The \$8,162,922 reported as landfill closure and postclosure care liability represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the Castle landfill, 16.88% use of the Hinton landfill, 100% of the closure cost for the transfer station, less post closure expenditures to date of \$145,796. The City will recognize the remaining estimated closure and postclosure care costs of \$27,502,062 as the percentage of capacity depletion increases. These amounts are based on an engineering study performed in 1996 and updated in 2011, which estimated cost to perform all closure and postclosure care. In addition, the closure and postclosure care cost were adjusted for inflation annually based on the most recent Implicit Price Deflator for Gross National Product published by the United States Department of Commerce. Actual cost may differ from the estimate due to inflation, changes in technology, or regulatory changes. The Hinton landfill has an estimated remaining useful life of 50.52 years.

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

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

**N. Commitments and Contingent Liabilities**

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

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

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

On July 9, 1996, the Department Housing and Urban Development (HUD) conveyed title of the Villages of Eastgate apartment complex to the City through a Special Warranty Deed. According to the Deed the City is required to setup and maintain an escrow account (HAPP account) for a period of 20 years from the date of the Deed to account for the sale proceeds of the apartment complex plus earned interest. The funds in the HAPP account are to be used by the City only in the event that HUD is not able to provide housing assistance in the form of Section 8 to the City for the 89 Walker Participants. The HAPP account began the fiscal year with a balance of \$570,496, earned interest in the amount of \$649, and ended the fiscal year with a balance of \$571,145. There were no withdraws from this account during the fiscal year. The fiscal year-end balance of the HAPP account is reported on page 88 of this report as restricted cash and cash equivalents and due to other governments in Nonmajor Governmental Funds Balance Sheet for the Other Housing Assistance Governmental Fund.

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

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

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

**O. Derivative Instruments**

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

At September 30, 2012, the City had five outstanding contracts with wholesale customers to provide power supply and/or qualified scheduling entity services. The contract terms extend up to June 2016. For the power supply customers, the City charges an energy charge which is based on the quantity of power supplied multiplied by a fixed price, or multiplied by a fixed heat rate and a fuel index price. In order to hedge the City's risk, the City has entered into corresponding power supply agreements with counterparties to hedge against energy price or heat rate fluctuation in the market.

Congestion Revenue Rights

Pre-assigned Congestion Revenue Rights (PCRRs) and Congestion Revenue Rights (CRRs) function as financial hedges against the cost of resolving congestion in the Electric Reliability Council of Texas (ERCOT) market. These instruments allow the City to hedge expected future congestion that may arise during a certain period. CRRs are purchased at auction, annually and monthly at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at 10-20% of the cost of CRRs. These instruments exhibit all three of the characteristics of settlement, leverage, and net settlement to classify them as derivative instruments. At September 30, 2012, the City held CRRs with a cost of \$1,835,251 that the City expects to use in normal operations.

Risks

*Credit Risk.* The City's over-the-counter agreements for natural gas and energy expose the City to credit risk. In the event of default, the City's operations will not be materially affected. However, the City does not expect the counterparties to fail to meet their obligations. The City maintains contracts with contractual provisions under the ISDA (International Swaps and Derivatives Association), EEI (Edison Electric Institute), and NAESB (North American Energy Standards Board) agreements. As of September 30, 2012, the City had outstanding forward purchase contracts extending through December 31, 2014 that are expected to be settled through physical delivery.

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

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

*Basis Risk.* The City is exposed to basis risk on its fuel hedges because the expected commodity purchases being hedged will price based on a delivery point (WAHA/Katy/HSC) different than that at which the financial hedging contracts are expected to settle NYMEX (Henry Hub). The City had no fuel hedges outstanding at year end.

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

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

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

**P. GHFC Primrose at Crist Project**

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

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

On the closing date of the GHFC Variable Rate Multifamily Housing Revenue Bonds, the land for the project was purchased and titled to GHFC. The land and future improvement have been mortgaged to secure repayment to the lender of the GHFC Multifamily notes. In addition, the land was leased over the next 40 years for \$900,000. The remaining deferred revenue related to this transaction of \$731,250 will be amortized over the next 32.5 years as rent revenue.

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

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

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

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.

**Q. GHFC HomeTowne at Garland, LP project**

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

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

As of September 30, 2012, GHFC received cash of \$500,000 in up front lease payments that GHFC has recorded as deferred revenue. During FY2012, GHFC recognized revenue of \$28,917 according to the terms of the lease agreement.

**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, 2012**  
**(unaudited)**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 60,335,799	\$ 61,842,239	\$ 62,808,891	\$ 966,652
Franchise fees	7,864,059	7,410,594	7,887,388	476,794
Service charges	18,072,539	20,260,217	20,411,968	151,751
Licenses and permits	2,882,852	3,243,284	3,751,589	508,305
Earnings on investments	178,600	198,381	240,654	42,273
Intergovernmental	1,074,396	1,610,440	1,073,364	(537,076)
Intragovernmental	8,014,701	8,010,714	8,010,474	(240)
Fines and forfeits	5,061,631	6,209,522	6,110,138	(99,384)
Rents and concessions	761,824	774,803	788,504	13,701
Total revenues	<u>104,246,401</u>	<u>109,560,194</u>	<u>111,082,970</u>	<u>1,522,776</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	8,935,496	9,489,758	9,083,662	406,096
Public safety	76,103,499	76,449,643	77,639,802	(1,190,159)
Public works	18,343,979	19,163,507	18,457,911	705,596
Culture and recreation	13,018,937	13,342,065	12,794,896	547,169
Public health	3,270,230	4,164,797	3,364,592	800,205
Nondepartmental	17,853,482	20,298,331	19,086,070	1,212,261
Total expenditures	<u>137,525,623</u>	<u>142,908,101</u>	<u>140,426,933</u>	<u>2,481,168</u>
Excess of revenues over expenditures	<u>(33,279,222)</u>	<u>(33,347,907)</u>	<u>(29,343,963)</u>	<u>4,003,944</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	117,097	117,097
Transfer in	38,449,643	38,408,631	33,773,763	(4,634,868)
Transfers out	(5,841,384)	(6,317,589)	(1,857,870)	4,459,719
Total other financing sources (uses)	<u>32,608,259</u>	<u>32,091,042</u>	<u>32,032,990</u>	<u>(58,052)</u>
Net Change in fund balances	(670,963)	(1,256,865)	2,689,027	3,945,892
Fund balance, beginning of year	19,374,494	19,374,494	19,374,494	-
Fund balance, end of year	<u>\$ 18,703,531</u>	<u>\$ 18,117,629</u>	<u>\$ 22,063,521</u>	<u>\$ 3,945,892</u>

See notes to required supplementary information.

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2009	\$ 366,884,729	\$ 483,517,234	75.90%	\$ 116,632,505	\$ 125,891,786	92.30%
12/31/2010 *	621,330,352	656,017,662	94.70%	34,687,310	120,647,657	28.80%
12/31/2011	661,956,058	684,678,761	96.70%	22,722,703	121,677,308	18.70%

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
10/1/2009	\$ 260,541	\$ 69,463,991	0.40%	\$ 69,203,450	\$ 122,500,000	56.5%
10/1/2010	516,134	72,834,378	0.71%	72,318,244	127,400,000	56.8%
10/1/2011	604,234	82,778,660	0.73%	82,174,426	125,400,000	65.5%

\* Based on the 12/31/10 restructuring

## **City of Garland, Texas**

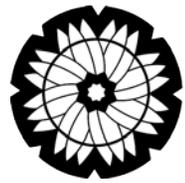
### **Notes to Required Supplementary Information**

#### **Budgets and Budgetary Accounting**

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

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

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



**GARLAND**  
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## City of Garland, Texas Nonmajor Governmental Funds

### Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

City of Garland, Texas  
 Nonmajor Governmental Funds  
 Balance Sheet  
 September 30, 2012

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Library Contributions	Other Housing Assistance	TIF's	ARRA Recovery Act	Total Other Governmental Funds
<b>Assets</b>															
Cash and cash equivalents	\$ -	\$ 130,566	\$ 150,887	\$ 759,830	\$ 1,394,152	\$ 92,143	\$ -	\$ 97,810	\$ 683,656	\$ 545,585	\$ 26	\$ 24,872	\$ 600,106	\$ -	\$ 4,479,633
Investments	-	147,056	170,055	859,343	1,577,384	104,216	-	110,610	773,211	466,536	29	28,171	678,686	-	4,915,297
Receivables:															
Accrued interest	-	1,048	203	1,198	2,020	84	-	175	1,047	513	(55)	-	1,097	-	7,330
Other	1,366,986	3,252	2,418,033	-	-	-	-	-	-	-	-	-	-	-	3,788,271
Due from other governments	1,620,222	-	332,110	-	-	-	-	231,031	-	-	-	-	-	774	2,184,137
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	57,207	-	57,207
Assets held for resale	935,267	-	-	-	-	-	-	-	-	-	-	-	-	-	935,267
<b>Total Current Assets</b>	<b>3,922,475</b>	<b>281,922</b>	<b>3,071,288</b>	<b>1,620,371</b>	<b>2,973,556</b>	<b>196,443</b>	<b>-</b>	<b>439,626</b>	<b>1,457,914</b>	<b>1,012,634</b>	<b>-</b>	<b>53,043</b>	<b>1,337,096</b>	<b>774</b>	<b>16,367,142</b>
Restricted assets:															
Cash and cash equivalents	-	1,592,537	-	-	-	-	-	-	-	-	-	571,145	-	302,923	2,466,605
<b>Total Restricted Assets</b>	<b>-</b>	<b>1,592,537</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>571,145</b>	<b>-</b>	<b>302,923</b>	<b>2,466,605</b>
<b>Total Assets</b>	<b>\$ 3,922,475</b>	<b>\$ 1,874,459</b>	<b>\$ 3,071,288</b>	<b>\$ 1,620,371</b>	<b>\$ 2,973,556</b>	<b>\$ 196,443</b>	<b>\$ -</b>	<b>\$ 439,626</b>	<b>\$ 1,457,914</b>	<b>\$ 1,012,634</b>	<b>\$ -</b>	<b>\$ 624,188</b>	<b>\$ 1,337,096</b>	<b>\$ 303,697</b>	<b>\$ 18,833,747</b>
<b>LIABILITIES</b>															
Current liabilities:															
Accounts payable and accrued liabilities	\$ 172,687	\$ 162,704	\$ 150,948	\$ 4,599	\$ 1,891	\$ -	\$ 2,051	\$ 9,463	\$ -	\$ 1,486	\$ -	\$ -	\$ -	\$ 6,390	\$ 512,219
Due to other funds	1,437,586	-	58,255	-	-	-	87,312	336	-	-	-	-	-	142,528	1,726,017
Escrow payable	-	-	-	-	-	-	-	-	-	132,984	-	-	-	-	132,984
Deferred revenues	2,302,252	-	2,440,052	-	-	-	-	323,424	-	-	-	-	-	31,516	5,097,244
Due to other governments	-	-	-	-	-	-	-	-	-	-	-	571,145	-	-	571,145
<b>Total Liabilities</b>	<b>3,912,525</b>	<b>162,704</b>	<b>2,649,255</b>	<b>4,599</b>	<b>1,891</b>	<b>-</b>	<b>89,363</b>	<b>333,223</b>	<b>-</b>	<b>134,470</b>	<b>-</b>	<b>571,145</b>	<b>-</b>	<b>180,434</b>	<b>8,039,609</b>
<b>FUND BALANCES (DEFICITS)</b>															
Fund balances:															
Restricted	9,950	1,711,755	-	-	-	-	-	106,403	-	878,164	-	53,043	1,337,096	123,263	4,219,674
Committed	-	-	422,033	1,615,772	2,971,665	196,443	(89,363)	-	1,457,914	-	-	-	-	-	6,574,464
<b>Total fund balances (deficits)</b>	<b>9,950</b>	<b>1,711,755</b>	<b>422,033</b>	<b>1,615,772</b>	<b>2,971,665</b>	<b>196,443</b>	<b>(89,363)</b>	<b>106,403</b>	<b>1,457,914</b>	<b>878,164</b>	<b>-</b>	<b>53,043</b>	<b>1,337,096</b>	<b>123,263</b>	<b>10,794,138</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,922,475</b>	<b>\$ 1,874,459</b>	<b>\$ 3,071,288</b>	<b>\$ 1,620,371</b>	<b>\$ 2,973,556</b>	<b>\$ 196,443</b>	<b>\$ -</b>	<b>\$ 439,626</b>	<b>\$ 1,457,914</b>	<b>\$ 1,012,634</b>	<b>\$ -</b>	<b>\$ 624,188</b>	<b>\$ 1,337,096</b>	<b>\$ 303,697</b>	<b>\$ 18,833,747</b>

City of Garland, Texas  
 Nonmajor Governmental Funds  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 For the Year Ended September 30, 2012

	CDBG	Housing Assistance	Neighborhood Services	Hotel/Motel Tax	Impact Fees	Landfill Closure	NETLS	Police Training	Substandard Perimeter Road	Narcotic Seizure	Library Contributions	Other Housing Assistance	TIF's	ARRA Recovery Act	Total Other Governmental Funds	
<b>REVENUES</b>																
Taxes	\$ -	\$ -	\$ -	\$ 773,753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 569,526	\$ -	\$ 1,343,279	
Earnings on investments	12	8,147	820	6,022	10,551	740	-	1,014	5,496	2,882	-	34	4,739	344	40,801	
Intergovernmental	2,039,791	9,252,388	1,125,868	-	-	-	133,741	812,298	-	-	-	-	-	1,135,597	14,499,683	
Impact Fees	-	-	-	-	368,620	-	-	-	-	-	-	-	-	-	368,620	
Program income	180,667	-	195,392	-	-	-	-	-	-	-	-	-	-	-	376,059	
Awards	-	-	-	-	-	-	-	-	-	573,187	-	-	-	-	573,187	
Miscellaneous and other	-	707,976	1,100	-	-	-	-	29,778	-	-	-	-	-	-	738,854	
<b>Total Revenues</b>	<b>2,220,470</b>	<b>9,968,511</b>	<b>1,323,180</b>	<b>779,775</b>	<b>379,171</b>	<b>740</b>	<b>133,741</b>	<b>843,090</b>	<b>5,496</b>	<b>576,069</b>	<b>-</b>	<b>34</b>	<b>574,265</b>	<b>1,135,941</b>	<b>17,940,483</b>	
<b>EXPENDITURES</b>																
Current:																
Operations	1,482,614	12,367,576	1,260,677	593,232	-	-	209,978	370,992	-	190,110	-	-	100,925	402,852	16,978,956	
Capital outlay	741,026	-	-	-	-	-	-	458,861	-	-	-	-	-	819,826	1,819,713	
<b>Total Expenditures</b>	<b>2,223,640</b>	<b>12,367,576</b>	<b>1,260,677</b>	<b>593,232</b>	<b>-</b>	<b>-</b>	<b>209,978</b>	<b>829,853</b>	<b>-</b>	<b>190,110</b>	<b>-</b>	<b>-</b>	<b>100,925</b>	<b>1,022,678</b>	<b>18,798,669</b>	
Excess (deficiency) of revenues over (under) expenditures	(3,170)	(2,399,065)	62,503	186,543	379,171	740	(76,237)	13,237	5,496	385,959	-	34	473,340	113,263	(858,186)	
<b>OTHER FINANCING SOURCES (USES)</b>																
Transfers in	-	-	42,873	-	-	-	-	-	-	-	-	-	-	-	42,873	
Transfers out	-	(2,873)	-	-	-	-	-	-	-	(720,000)	-	(300,000)	(232,467)	(16,000)	(1,271,340)	
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(2,873)</b>	<b>42,873</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(720,000)</b>	<b>-</b>	<b>(300,000)</b>	<b>(232,467)</b>	<b>(16,000)</b>	<b>(1,228,467)</b>	
Net change in fund balances (deficits)	(3,170)	(2,401,938)	105,376	186,543	379,171	740	(76,237)	13,237	5,496	(334,041)	-	(299,966)	240,873	97,263	(2,086,653)	
Fund balances (deficits) - beginning	13,120	4,113,693	316,657	1,429,229	2,592,494	195,703	(13,126)	93,166	1,452,418	1,212,205	-	353,009	1,096,223	26,000	12,880,791	
<b>Fund balances (deficits) - ending</b>	<b>\$ 9,950</b>	<b>\$ 1,711,755</b>	<b>\$ 422,033</b>	<b>\$ 1,615,772</b>	<b>\$ 2,971,665</b>	<b>\$ 196,443</b>	<b>\$ (89,363)</b>	<b>\$ 106,403</b>	<b>\$ 1,457,914</b>	<b>\$ 878,164</b>	<b>\$ -</b>	<b>\$ 53,043</b>	<b>\$ 1,337,096</b>	<b>\$ 123,263</b>	<b>\$ 10,794,138</b>	

**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, 2012**

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
Revenues:				
General property taxes	\$ 30,770,730	\$ 31,058,998	\$ 31,383,149	\$ 324,151
Earnings on investments	25,000	11,994	12,326	332
Miscellaneous and other	70,356	26,561	-	(26,561)
Total Revenues	<u>30,866,086</u>	<u>31,097,553</u>	<u>31,395,475</u>	<u>297,922</u>
Expenditures:				
Principal retirement	17,532,725	17,922,725	17,922,725	-
Interest	9,668,688	9,249,767	8,991,405	258,362
Issue costs on issuance of debt	-	-	537,190	(537,190)
Fiscal charges and other	472,000	472,000	454,846	17,154
Total Expenditures	<u>27,673,413</u>	<u>27,644,492</u>	<u>27,906,166</u>	<u>(261,674)</u>
Excess of revenues over expenditures	<u>3,192,673</u>	<u>3,453,061</u>	<u>3,489,309</u>	<u>36,248</u>
Other financing sources:				
Transfers in	493,277	511,865	488,671	(23,194)
Transfers out	(5,486,443)	(5,526,443)	(6,041,443)	(515,000)
Premium on issuance of debt	-	-	708,733	708,733
Issuance of refunding bonds	-	-	17,365,000	17,365,000
Payment to refunded bonds escrow agent	-	-	(17,035,000)	(17,035,000)
Total other financing sources	<u>(4,993,166)</u>	<u>(5,014,578)</u>	<u>(4,514,039)</u>	<u>500,539</u>
Net change in fund balances	(1,800,493)	(1,561,517)	(1,024,730)	536,787
Fund balance, beginning of year	<u>6,265,763</u>	<u>6,265,763</u>	<u>6,265,763</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,465,270</u>	<u>\$ 4,704,246</u>	<u>\$ 5,241,033</u>	<u>\$ 536,787</u>

**City of Garland, Texas**  
**Hotel/Motel and Narcotic Seizure Funds**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended September 30, 2012**

	<u>Hotel/Motel Tax</u>				<u>Narcotic Seizure</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:								
Occupancy taxes	\$ 584,256	\$ 562,254	\$ 773,753	\$ 211,499	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	6,022	6,022	-	-	2,881	2,881
Awards	-	-	-	-	-	-	573,187	573,187
Special event income	18,000	5,000	-	(5,000)	-	-	-	-
Total revenues	<u>602,256</u>	<u>567,254</u>	<u>779,775</u>	<u>212,521</u>	<u>-</u>	<u>-</u>	<u>576,068</u>	<u>576,068</u>
Expenditures:								
Current:								
Operations	<u>729,761</u>	<u>732,370</u>	<u>593,231</u>	<u>139,139</u>	<u>286,500</u>	<u>320,781</u>	<u>190,111</u>	<u>130,670</u>
Total expenditures	<u>729,761</u>	<u>732,370</u>	<u>593,231</u>	<u>139,139</u>	<u>286,500</u>	<u>320,781</u>	<u>190,111</u>	<u>130,670</u>
Excess (deficiency) of revenues over expenditures	<u>(127,505)</u>	<u>(165,116)</u>	<u>186,544</u>	<u>351,660</u>	<u>(286,500)</u>	<u>(320,781)</u>	<u>385,957</u>	<u>706,738</u>
Other financing sources:								
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(720,000)</u>	<u>(720,000)</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(720,000)</u>	<u>(720,000)</u>	<u>-</u>
Net change in fund balances	(127,505)	(165,116)	186,544	351,660	(286,500)	(1,040,781)	(334,043)	706,738
Fund balances, beginning of year	<u>1,429,228</u>	<u>1,429,228</u>	<u>1,429,228</u>	<u>-</u>	<u>1,212,206</u>	<u>1,212,206</u>	<u>1,212,206</u>	<u>-</u>
Fund balances end of year	<u>\$ 1,301,723</u>	<u>\$ 1,264,112</u>	<u>\$ 1,615,772</u>	<u>\$ 351,660</u>	<u>\$ 925,706</u>	<u>\$ 171,425</u>	<u>\$ 878,163</u>	<u>\$ 706,738</u>



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## City of Garland, Texas Nonmajor Enterprise Funds

### Nonmajor Enterprise Funds

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

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

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

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

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

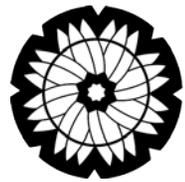
**Sanitation Fund** – This fund is used to account for the resources and expenses associated with the collection and recycling of residential and commercial waste.

City of Garland, Texas  
Nonmajor Enterprise Funds  
Statement of Net Assets  
September 30, 2012

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
<b>ASSETS</b>						
<b>Current assets</b>						
<i>Unrestricted</i>						
Cash and cash equivalents	\$ 25,327	\$ 68,359	\$ 424,281	\$ 98,746	\$ 183,406	\$ 800,119
Investments	-	77,313	479,824	111,676	207,141	875,954
Receivable, net of allowance	-	-	362,683	504	1,890,423	2,253,610
Accrued interest	-	105	768	103	527	1,503
Due from other funds	-	-	4,773	-	23,413	28,186
Prepaid Insurance	24,949	-	-	-	-	24,949
<b>Total current assets</b>	<b>50,276</b>	<b>145,777</b>	<b>1,272,329</b>	<b>211,029</b>	<b>2,304,910</b>	<b>3,984,321</b>
<b>Noncurrent assets</b>						
<i>Restricted assets</i>						
Construction funds:						
Cash and cash equivalents	294,828	-	72,812	-	612,102	979,742
Investments	333,538	-	82,361	-	692,164	1,108,063
Accrued interest	378	-	-	-	1,002	1,380
Total construction funds	628,744	-	155,173	-	1,305,268	2,089,185
<b>Capital Assets</b>						
Land	9,111,400	1,776,208	-	-	298,936	11,186,544
System	15,260,652	746,069	3,532,875	309,033	11,663,331	31,511,960
Construction in progress	60,006	-	-	-	103,030	163,036
Less accumulated depreciation	( 7,167,244)	( 672,499)	( 2,294,192)	( 231,826)	( 8,007,128)	( 18,372,889)
<b>Net capital assets</b>	17,264,814	1,849,778	1,238,683	77,207	4,058,169	24,488,651
Unamortized bond discount and issue cost	-	-	2,734	-	64,381	67,115
Total noncurrent assets	17,893,558	1,849,778	1,396,590	77,207	5,427,818	26,644,951
<b>Total assets</b>	<b>\$ 17,943,834</b>	<b>\$ 1,995,555</b>	<b>\$ 2,668,919</b>	<b>\$ 288,236</b>	<b>\$ 7,732,728</b>	<b>\$ 30,629,272</b>

City of Garland, Texas  
Nonmajor Enterprise Funds  
Statement of Net Assets  
September 30, 2012

	Business-Type Activities - Enterprise Funds					Total Other Enterprise Funds
	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
<i>Payable from current assets:</i>						
Accounts payable and accrued liabilities	\$ 127,079	\$ -	\$ 102,665	\$ 16,145	\$ 245,587	\$ 491,476
Accrued certificates of obligation interest	-	-	969	-	22,966	23,935
Certificates of obligation	-	-	15,000	-	1,180,000	1,195,000
Due to other funds	1,294,910	-	-	-	151,943	1,446,853
Compensated absences	50,597	-	61,099	-	175,833	287,529
<i>Total current liabilities</i>	<u>1,472,586</u>	<u>-</u>	<u>179,733</u>	<u>16,145</u>	<u>1,776,329</u>	<u>3,444,793</u>
<b>Long-term Liabilities</b>						
<i>Payable from restricted assets:</i>						
Accounts payable	17,845	-	-	-	180,943	198,788
Due to other governments	227	-	-	-	-	227
<i>Total payable from restricted assets</i>	<u>18,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,943</u>	<u>199,015</u>
Advance from other funds	13,458	-	-	-	-	13,458
Certificates of obligation (net of unamortized premium)	-	-	142,404	-	2,533,643	2,676,047
OPEB payable	166,890	-	146,461	-	521,184	834,535
Compensated absences	18,615	-	5,804	-	15,215	39,634
<b>Total long-term liabilities</b>	<u>198,963</u>	<u>-</u>	<u>294,669</u>	<u>-</u>	<u>3,070,042</u>	<u>3,563,674</u>
<b>Total Liabilities</b>	<u>1,689,621</u>	<u>-</u>	<u>474,402</u>	<u>16,145</u>	<u>5,027,314</u>	<u>7,207,482</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	17,875,713	1,849,778	1,236,452	77,207	1,468,851	22,508,001
Unrestricted (deficit)	( 1,621,500)	145,777	958,065	194,884	1,236,563	913,789
<b>Total net assets</b>	<u>\$ 16,254,213</u>	<u>\$ 1,995,555</u>	<u>\$ 2,194,517</u>	<u>\$ 272,091</u>	<u>\$ 2,705,414</u>	<u>\$ 23,421,790</u>



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**City of Garland  
Nonmajor Enterprise Funds  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
For the Year Ended September 30, 2012**

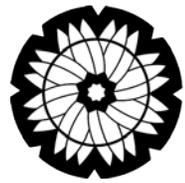
	<u>Business-Type Activities - Enterprise Funds</u>					<b>Total Other Enterprise Funds</b>
	<b>Golf</b>	<b>Heliport</b>	<b>Storm Water Management</b>	<b>Parks Performance</b>	<b>Sanitation</b>	
<b>OPERATING REVENUES</b>						
Charges for services	\$ 3,724,490	\$ 6,713	\$ 3,840,350	\$ 1,052,256	\$ 16,898,137	\$ 25,521,946
Other	52,660	-	-	94,988	112,873	260,521
<b>Total Operating Revenues</b>	<u>3,777,150</u>	<u>6,713</u>	<u>3,840,350</u>	<u>1,147,244</u>	<u>17,011,010</u>	<u>25,782,467</u>
<b>OPERATING EXPENSES</b>						
Salaries and benefits	2,721,725	-	1,860,281	135,957	4,912,223	9,630,186
Landfill fees	-	-	-	-	4,102,689	4,102,689
Maintenance, repairs, and supplies	1,320,551	55,024	1,045,877	844,873	4,496,492	7,762,817
Insurance and other expenses	96,995	-	75,933	-	402,702	575,630
General and administrative	12,858	-	311,510	14,265	1,592,250	1,930,883
Claims	39,814	-	34,126	-	123,707	197,647
Depreciation	721,387	30,237	181,440	25,242	1,201,183	2,159,489
<b>Total Operating Expenses</b>	<u>4,913,330</u>	<u>85,261</u>	<u>3,509,167</u>	<u>1,020,337</u>	<u>16,831,246</u>	<u>26,359,341</u>
<b>Total Operating Income (Loss)</b>	<u>( 1,136,180)</u>	<u>( 78,548)</u>	<u>331,183</u>	<u>126,907</u>	<u>179,764</u>	<u>( 576,874)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Intergovernmental	-	50,000	-	-	-	50,000
Gain (loss) on sale of capital assets	4,380	-	-	-	-	4,380
Investment income	1,081	569	3,519	501	6,608	12,278
Interest expense	( 1,261)	-	( 969)	-	( 98,336)	( 100,566)
<b>Income (loss) before transfers</b>	<u>( 1,131,980)</u>	<u>( 27,979)</u>	<u>333,733</u>	<u>127,408</u>	<u>88,036</u>	<u>( 610,782)</u>
<b>TRANSFERS</b>						
Transfers in	1,716,000	-	-	-	-	1,716,000
Transfers out	-	-	( 6,249)	( 125,000)	( 732,974)	( 864,223)
<b>Total transfers</b>	<u>1,716,000</u>	<u>-</u>	<u>( 6,249)</u>	<u>( 125,000)</u>	<u>( 732,974)</u>	<u>851,777</u>
<b>NET INCOME (LOSS)</b>	<u>584,020</u>	<u>(27,979)</u>	<u>327,484</u>	<u>2,408</u>	<u>(644,938)</u>	<u>240,995</u>
Net assets, beginning of year	15,670,193	2,023,534	1,867,033	269,683	3,350,352	23,180,795
<b>Net assets, end of year</b>	<u>\$ 16,254,213</u>	<u>\$ 1,995,555</u>	<u>\$ 2,194,517</u>	<u>\$ 272,091</u>	<u>\$ 2,705,414</u>	<u>\$ 23,421,790</u>

**City of Garland, Texas**  
**Nonmajor Enterprise Funds**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2012**

	Golf	Heliport	Storm Water Management	Parks Performance	Sanitation	Total Other Enterprise Funds
<b>Cash flows from operating activities:</b>						
Cash received from customers	\$ 3,753,604	\$ 6,713	\$ 3,810,733	\$ 1,052,232	\$ 16,661,614	\$ 25,284,896
Cash payments for goods and services	(1,510,651)	(55,024)	(1,620,748)	(898,098)	(10,715,457)	(14,799,978)
Cash payments to employees for services	(2,761,966)	-	(1,856,883)	(135,957)	(4,919,378)	(9,674,184)
Other operating revenues	52,661	-	-	94,988	112,873	260,522
<b>Net cash provided (used for) by operating activities</b>	<u>(466,352)</u>	<u>(48,311)</u>	<u>333,102</u>	<u>113,165</u>	<u>1,139,652</u>	<u>1,071,256</u>
<b>Cash flows from non-capital financing activities:</b>						
Due to other governments	227	-	-	-	-	227
Due to other funds - (increase) decreases	(60,917)	-	(4,773)	-	128,530	62,840
Intergovernmental	-	50,000	-	-	-	50,000
Transfers in	1,716,000	-	-	-	-	1,716,000
Transfers out	-	-	(6,249)	(125,000)	(732,974)	(864,223)
<b>Net cash provided by (used for) non-capital financing activities</b>	<u>1,655,310</u>	<u>50,000</u>	<u>(11,022)</u>	<u>(125,000)</u>	<u>(604,444)</u>	<u>964,844</u>
<b>Cash flows from capital and related financing activities:</b>						
Certificate of obligation issues	-	-	150,000	-	1,145,000	1,295,000
Premium on issuance of debt	-	-	7,404	-	32,439	39,843
Bond issue expense	-	-	(2,734)	-	(19,617)	(22,351)
Acquisition of capital assets	(585,882)	-	(165,690)	(8,124)	(1,610,621)	(2,370,317)
Principal paid on certificates of obligation	-	-	-	-	(930,000)	(930,000)
Decrease in advance from other funds	(12,843)	-	-	-	-	(12,843)
Interest paid on certificates of obligation	-	-	-	-	(99,507)	(99,507)
Interest paid on advances from other funds	(1,261)	-	-	-	-	(1,261)
Proceeds from sale of fixed assets	4,380	-	-	-	-	4,380
<b>Net cash used for capital and related financing activities</b>	<u>(595,606)</u>	<u>-</u>	<u>(11,020)</u>	<u>(8,124)</u>	<u>(1,482,306)</u>	<u>(2,097,056)</u>
<b>Cash flows from investing activities:</b>						
Purchase of investment securities	(754,521)	(122,203)	(998,171)	(169,292)	(1,363,331)	(3,407,518)
Proceeds from the sale and maturity of investment securities	421,030	97,621	709,877	142,125	1,432,638	2,803,291
Interest received on investments	726	518	2,973	457	6,343	11,017
<b>Net cash provided by (used for) investing activities</b>	<u>(332,765)</u>	<u>(24,064)</u>	<u>(285,321)</u>	<u>(26,710)</u>	<u>75,650</u>	<u>(593,210)</u>

**City of Garland, Texas**  
**Nonmajor Enterprise Funds**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2012**

	<b>Golf</b>	<b>Heliport</b>	<b>Storm Water Management</b>	<b>Parks Performance</b>	<b>Sanitation</b>	<b>Total Other Enterprise Funds</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	260,587	(22,375)	25,739	(46,669)	(871,448)	(654,166)
<b>Cash and cash equivalents at beginning of year</b>	59,568	90,734	471,354	145,415	1,666,955	2,434,026
<b>Cash and cash equivalents at end of year</b>	<u>\$ 320,155</u>	<u>\$ 68,359</u>	<u>\$ 497,093</u>	<u>\$ 98,746</u>	<u>\$ 795,507</u>	<u>\$ 1,779,860</u>
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b>						
<b>Operating income (loss)</b>	\$ (1,136,180)	\$ (78,548)	\$ 331,183	\$ 126,907	\$ 179,764	\$ (576,874)
<b>Adjustments:</b>						
Depreciation	721,387	30,237	181,440	25,242	1,201,183	2,159,489
Provision for uncollectible accounts	-	-	(3,685)	-	(30,288)	(33,973)
Change in assets and liabilities:						
Increase in accounts receivable	29,114	-	(25,932)	(24)	(206,235)	(203,077)
Decrease in accounts payable	(80,246)	-	(187,428)	(38,960)	(121,324)	(427,958)
Increase (decrease) in compensated absences	(40,241)	-	3,398	-	(7,155)	(43,998)
Increase in OPEB payable	39,814	-	34,126	-	123,707	197,647
Total adjustments	<u>669,828</u>	<u>30,237</u>	<u>1,919</u>	<u>(13,742)</u>	<u>959,888</u>	<u>1,648,130</u>
<b>Net cash provided by (used for) operating activities</b>	<u>\$ (466,352)</u>	<u>\$ (48,311)</u>	<u>\$ 333,102</u>	<u>\$ 113,165</u>	<u>\$ 1,139,652</u>	<u>\$ 1,071,256</u>



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## City of Garland, Texas Internal Service Funds

### Internal Service Funds

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

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

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

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

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

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

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

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

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

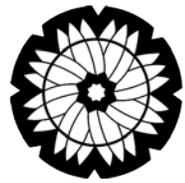
**Customer Service Fund** – This fund is used to account for activities related to establishing accounts, meter reading, billing and collection of revenue, and responding to customer inquiries from the day to day operations of City utilities.

City of Garland, Texas  
Internal Service Funds  
Statement of Net Assets  
September 30, 2012

	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
<b>ASSETS</b>										
<b>Current assets:</b>										
<i>Unrestricted</i>										
Cash and cash equivalents	\$ 779,687	\$ 1,721,919	\$ 455,992	\$ 262,875	\$ 4,730,591	\$ 3,775,025	\$ 226,072	\$ -	\$ 6,610,384	\$ 18,562,545
Investments	882,088	1,947,665	515,685	297,317	5,350,060	4,269,738	255,691	-	6,629,419	20,147,663
Accrued interest	651	1,964	702	360	7,214	5,574	351	14	8,978	25,808
Other Receivables	-	18,231	-	-	-	-	-	-	885,583	903,814
Inventories	-	-	-	387,311	-	-	-	5,509,281	-	5,896,592
<b>Total current assets</b>	<b>1,662,426</b>	<b>3,689,779</b>	<b>972,379</b>	<b>947,863</b>	<b>10,087,865</b>	<b>8,050,337</b>	<b>482,114</b>	<b>5,509,295</b>	<b>14,134,364</b>	<b>45,536,422</b>
<b>Noncurrent assets:</b>										
<i>Restricted</i>										
<i>Construction funds:</i>										
Cash and cash equivalents	-	-	-	184,972	-	453,254	-	2,613	1,986,537	2,627,376
Investments	-	-	-	209,205	-	512,990	-	2,955	2,247,168	2,972,318
Accrued interest	-	-	-	272	-	670	-	4	2,536	3,482
<b>Total construction funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>394,449</b>	<b>-</b>	<b>966,914</b>	<b>-</b>	<b>5,572</b>	<b>4,236,241</b>	<b>5,603,176</b>
<b>Capital assets</b>										
System	21,834	24,844	-	2,315,233	29,365,507	38,459,686	283,184	231,489	31,728,103	102,429,880
Construction in progress	-	-	-	662	-	2,715,922	-	-	556,832	3,273,416
Less accumulated depreciation	(20,469)	(24,844)	-	(1,600,249)	(21,785,992)	(22,145,663)	(283,184)	(109,368)	(3,567,854)	(49,537,623)
<b>Net capital assets</b>	<b>1,365</b>	<b>-</b>	<b>-</b>	<b>715,646</b>	<b>7,579,515</b>	<b>19,029,945</b>	<b>-</b>	<b>122,121</b>	<b>28,717,081</b>	<b>56,165,673</b>
Unamortized bond discount and issue cost	-	-	-	31,060	-	154,043	-	68	277,096	462,267
<b>Total noncurrent assets</b>	<b>1,365</b>	<b>-</b>	<b>-</b>	<b>1,141,155</b>	<b>7,579,515</b>	<b>20,150,902</b>	<b>-</b>	<b>122,189</b>	<b>33,230,418</b>	<b>62,231,116</b>
<b>Total assets</b>	<b>1,663,791</b>	<b>3,689,779</b>	<b>972,379</b>	<b>2,089,018</b>	<b>17,667,380</b>	<b>28,201,239</b>	<b>482,114</b>	<b>5,637,056</b>	<b>47,364,782</b>	<b>107,767,538</b>
<b>LIABILITIES</b>										
<b>Current Liabilities:</b>										
<i>Payable from current assets</i>										
Accounts payable and accrued liabilities	423,070	434,477	50,927	1,097,241	303,489	912,304	233,360	216,364	679,186	4,350,418
<i>Accrued interest payable:</i>										
General obligation bonds	-	-	-	416	-	430	-	243	4,470	5,559
Certificates of obligation	-	-	-	2,717	-	41,195	-	-	137,134	181,046
Customer deposits	-	-	-	-	-	-	-	-	12,009,135	12,009,135
Due to other funds	-	-	-	-	-	-	-	1,170,588	452,330	1,622,918
Compensated absences	14,048	28,296	-	85,491	-	205,778	90,415	17,097	189,013	630,138
Insurance claims payable	843,014	2,954,491	507,112	-	-	-	-	-	-	4,304,617
Capital lease	-	-	-	-	30,243	-	-	-	-	30,243
General obligation bonds	-	-	-	25,000	-	25,000	-	-	5,000	55,000
Certificates of obligation	-	-	-	15,000	-	1,045,000	-	-	1,110,000	2,170,000
<b>Total current liabilities</b>	<b>1,280,132</b>	<b>3,417,264</b>	<b>558,039</b>	<b>1,225,865</b>	<b>333,732</b>	<b>2,229,707</b>	<b>323,775</b>	<b>1,404,292</b>	<b>14,586,268</b>	<b>25,359,074</b>
<b>Long-term Liabilities:</b>										
<i>Payable from restricted assets</i>										
Accounts payable	-	-	-	-	-	-	-	-	63,332	63,332
Retainage payable	-	-	-	-	-	-	-	-	7,550	7,550
<b>Total payable from restricted assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70,882</b>	<b>70,882</b>
Advances from other funds	-	-	-	-	-	-	-	3,896,269	-	3,896,269
Certificates of obligation (net of amortized bond premium)	-	-	-	442,399	-	6,867,364	-	-	23,868,957	31,178,720
General obligation bonds (net of amortized bond premium and defeased debt cost)	-	-	-	56,094	-	66,425	-	40,308	722,260	885,087
Capital lease	-	-	-	-	65,099	-	-	-	-	65,099
Compensated absences	9,479	15,265	-	2,916	-	46,704	11,068	6,235	-	91,667
Insurance claims payable	-	3,767,236	3,378,885	-	-	-	-	-	-	7,146,121
OPEB payable	32,432	46,301	-	212,792	-	373,599	196,945	65,069	568,184	1,495,322
<b>Total Long-term Liabilities</b>	<b>41,911</b>	<b>3,828,802</b>	<b>3,378,885</b>	<b>714,201</b>	<b>65,099</b>	<b>7,354,092</b>	<b>208,013</b>	<b>4,007,881</b>	<b>25,159,401</b>	<b>44,758,285</b>
<b>Total Liabilities</b>	<b>1,322,043</b>	<b>7,246,066</b>	<b>3,936,924</b>	<b>1,940,066</b>	<b>398,831</b>	<b>9,583,799</b>	<b>531,788</b>	<b>5,412,173</b>	<b>39,816,551</b>	<b>70,188,241</b>
<b>NET ASSETS</b>										
Invested in capital assets, net of related debt	1,365	-	-	571,602	7,579,515	11,993,070	-	87,385	7,176,223	27,409,160
Unrestricted	340,383	(3,556,287)	(2,964,545)	(422,650)	9,689,034	6,624,370	(49,674)	137,498	372,008	10,170,137
<b>Total net assets</b>	<b>\$ 341,748</b>	<b>\$ (3,556,287)</b>	<b>\$ (2,964,545)</b>	<b>\$ 148,952</b>	<b>\$ 17,268,549</b>	<b>\$ 18,617,440</b>	<b>\$ (49,674)</b>	<b>\$ 224,883</b>	<b>\$ 7,548,231</b>	<b>\$ 37,579,297</b>

City of Garland, Texas  
Internal Service Funds  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
For the Year Ended September 30, 2012

	Group Health	Self Insurance	LTD Insurance	Fleet Services	Vehicle Replacement	Information Technology	Facilities Management	Warehouse	Customer Service	Total Internal Service Funds
<b>OPERATING REVENUES:</b>										
Charges for services	\$ -	\$ -	\$ -	\$ 7,372,066	\$ 3,080,159	\$ 15,375,907	\$ 5,736,297	\$ 948,009	\$ 10,525,357	\$ 43,037,795
Premiums	17,944,877	5,263,906	461,495	-	-	-	-	-	-	23,670,278
Other	784,583	31,681	-	358,520	-	73,327	-	19,972	225,007	1,493,090
<b>Total Operating Revenues</b>	<b>18,729,460</b>	<b>5,295,587</b>	<b>461,495</b>	<b>7,730,586</b>	<b>3,080,159</b>	<b>15,449,234</b>	<b>5,736,297</b>	<b>967,981</b>	<b>10,750,364</b>	<b>68,201,163</b>
<b>OPERATING EXPENSES:</b>										
Salaries and benefits	599,131	846,097	-	2,040,762	-	5,169,128	1,772,722	510,263	5,230,511	16,168,614
Maintenance, repairs, and supplies	251,914	737,360	-	5,280,133	-	6,436,187	4,506,903	145,869	1,696,028	19,054,394
Premiums	5,595,969	1,083,328	-	-	-	-	-	-	-	6,679,297
Claims	10,056,520	2,787,768	409,188	49,767	-	88,159	46,923	15,641	135,082	13,589,048
Administrative services	950,421	81,959	-	-	-	-	-	-	-	1,032,380
General and administrative	99,429	120,784	-	598,465	99,360	1,198,783	422,236	185,229	2,902,461	5,626,747
Depreciation	2,729	-	-	101,049	2,781,287	3,148,996	-	17,111	1,287,023	7,338,195
<b>Total Operating Expenses</b>	<b>17,556,113</b>	<b>5,657,296</b>	<b>409,188</b>	<b>8,070,176</b>	<b>2,880,647</b>	<b>16,041,253</b>	<b>6,748,784</b>	<b>874,113</b>	<b>11,251,105</b>	<b>69,488,675</b>
<b>Total Operating Income (Loss)</b>	<b>1,173,347</b>	<b>(361,709)</b>	<b>52,307</b>	<b>(339,590)</b>	<b>199,512</b>	<b>(592,019)</b>	<b>(1,012,487)</b>	<b>93,868</b>	<b>(500,741)</b>	<b>(1,287,512)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>										
Investment income	7,118	12,017	3,541	3,569	38,155	33,926	3,383	357	63,378	165,444
Interest expense	-	-	-	(19,477)	(6,207)	(344,837)	-	(1,792)	(1,088,567)	(1,460,880)
Gain (loss) on sale of capital assets	-	-	-	-	-	292,992	-	-	-	314,966
<b>Total nonoperating revenues (expenses)</b>	<b>7,118</b>	<b>12,017</b>	<b>3,541</b>	<b>(15,908)</b>	<b>324,940</b>	<b>(288,937)</b>	<b>3,383</b>	<b>(1,435)</b>	<b>(1,025,189)</b>	<b>(980,470)</b>
<b>Income (loss) before transfers</b>	<b>1,180,465</b>	<b>(349,692)</b>	<b>55,848</b>	<b>(355,498)</b>	<b>524,452</b>	<b>(880,956)</b>	<b>(1,009,104)</b>	<b>92,433</b>	<b>(1,525,930)</b>	<b>(2,267,982)</b>
<b>TRANSFERS</b>										
Transfers in	-	-	-	-	16,000	-	-	-	656,968	672,968
Transfers out	-	-	-	16,450	(16,450)	-	-	-	(596,000)	(596,000)
<b>Net transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,450</b>	<b>(450)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,968</b>	<b>76,968</b>
<b>NET INCOME (LOSS)</b>	<b>1,180,465</b>	<b>(349,692)</b>	<b>55,848</b>	<b>(339,048)</b>	<b>524,002</b>	<b>(880,956)</b>	<b>(1,009,104)</b>	<b>92,433</b>	<b>(1,464,962)</b>	<b>(2,191,014)</b>
Net assets, beginning of year	(838,717)	(3,206,595)	(3,020,393)	488,000	16,744,547	19,498,396	959,430	132,450	9,013,193	39,770,311
<b>Net assets, end of year</b>	<b>\$ 341,748</b>	<b>\$ (3,556,287)</b>	<b>\$ (2,964,545)</b>	<b>\$ 148,952</b>	<b>\$ 17,268,549</b>	<b>\$ 18,617,440</b>	<b>\$ (49,674)</b>	<b>\$ 224,883</b>	<b>\$ 7,548,231</b>	<b>\$ 37,579,297</b>



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**City of Garland, Texas  
Internal Service Funds  
Statement of Cash Flows  
For the Year Ended September 30, 2012**

	<b>Group Health</b>	<b>Self Insurance</b>	<b>LTD Insurance</b>	<b>Fleet Services</b>	<b>Vehicle Replacement</b>	<b>Information Technology</b>	<b>Facilities Management</b>	<b>Warehouse</b>	<b>Customer Service</b>	<b>Total Internal Service Funds</b>
<b>Cash flows from operating activities:</b>										
Cash received from customers	\$ 17,944,877	\$ 5,245,675	\$ 461,495	\$ 7,372,066	\$ 3,080,159	\$ 15,378,317	\$ 5,736,297	\$ 948,009	\$10,572,042	\$ 66,738,937
Cash received for customer deposits	-	-	-	-	-	-	-	-	803,908	803,908
Cash payments for goods and services	(19,544,619)	(4,504,636)	(383,176)	(5,623,871)	162,949	(7,431,728)	(4,951,740)	(1,545,045)	(4,621,964)	(48,443,830)
Cash payments to employees for services	(587,034)	(850,966)	-	(1,990,661)	-	(5,181,522)	(1,784,341)	(516,918)	(5,228,987)	(16,140,429)
Other operating revenues	784,583	31,681	-	358,520	-	73,327	-	19,972	225,007	1,493,090
<b>Net cash provided by (used for) operating activities</b>	<b>(1,402,193)</b>	<b>(78,246)</b>	<b>78,319</b>	<b>116,054</b>	<b>3,243,108</b>	<b>2,838,394</b>	<b>(999,784)</b>	<b>(1,093,982)</b>	<b>1,750,006</b>	<b>4,451,676</b>
<b>Cash flows from non-capital financing activities:</b>										
Due to other funds - decrease	-	-	-	-	-	-	-	1,170,588	452,330	1,622,918
Transfers in	-	-	-	16,450	16,000	-	-	-	656,968	689,418
Transfers out	-	-	-	-	(16,450)	-	-	-	(596,000)	(612,450)
<b>Net cash provided by (used for) non-capital financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,450</b>	<b>(450)</b>	<b>-</b>	<b>-</b>	<b>1,170,588</b>	<b>513,298</b>	<b>1,699,886</b>
<b>Cash flows from capital and financing activities:</b>										
Certificate of obligation issues	-	-	-	60,000	-	-	-	-	-	60,000
General obligation issues	-	-	-	-	-	50,000	-	-	-	50,000
Acquisition of capital assets	-	(2,410)	-	(53,954)	(3,237,981)	(1,984,751)	-	(70,436)	(284,097)	(5,633,629)
Principal paid on certificates of obligation	-	-	-	(10,000)	-	(1,035,000)	-	-	(1,065,000)	(2,110,000)
Principal paid on general obligation bonds	-	-	-	(20,000)	-	-	-	(5,000)	(15,000)	(40,000)
Decrease in capital lease	-	-	-	-	(28,803)	-	-	-	-	(28,803)
Interest paid on certificates of obligation	-	-	-	(15,503)	-	(344,809)	-	-	(1,088,053)	(1,448,365)
Interest paid on general obligations	-	-	-	(3,648)	-	(3,742)	-	(1,799)	(38,463)	(47,652)
Interest paid on capital lease	-	-	-	-	(6,207)	-	-	-	-	(6,207)
Payment to escrow agent	-	-	-	-	-	(55,000)	-	-	-	(55,000)
Proceeds from sale of assets	-	-	-	-	296,444	21,974	-	-	-	318,418
<b>Net cash used for financing activities</b>	<b>-</b>	<b>(2,410)</b>	<b>-</b>	<b>(43,105)</b>	<b>(2,976,547)</b>	<b>(3,351,328)</b>	<b>-</b>	<b>(77,235)</b>	<b>(2,490,613)</b>	<b>(8,941,238)</b>
<b>Cash flows from investing activities:</b>										
Purchase of investment securities	(881,937)	(1,947,736)	(515,792)	(506,579)	(5,350,978)	(4,772,895)	(255,720)	(2,952)	(8,876,587)	(23,111,176)
Proceeds from the sale and maturity of investment securities	1,123,539	1,374,580	327,270	316,702	3,595,494	3,485,908	543,328	2,040	6,157,957	16,926,818
Interest received on investments	7,423	11,001	3,182	3,292	34,533	31,292	3,545	644	57,775	152,687
<b>Net cash provided by (used for) investing activities</b>	<b>249,025</b>	<b>(562,155)</b>	<b>(185,340)</b>	<b>(186,585)</b>	<b>(1,720,951)</b>	<b>(1,255,695)</b>	<b>291,153</b>	<b>(268)</b>	<b>(2,660,855)</b>	<b>(6,031,671)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(1,153,168)</b>	<b>(642,811)</b>	<b>(107,021)</b>	<b>(97,186)</b>	<b>(1,454,840)</b>	<b>(1,768,629)</b>	<b>(708,631)</b>	<b>(897)</b>	<b>(2,888,164)</b>	<b>(8,821,347)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,932,855</b>	<b>2,364,730</b>	<b>563,013</b>	<b>545,033</b>	<b>6,185,431</b>	<b>5,996,908</b>	<b>934,703</b>	<b>3,510</b>	<b>11,485,085</b>	<b>30,011,268</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 779,687</b>	<b>\$ 1,721,919</b>	<b>\$ 455,992</b>	<b>\$ 447,847</b>	<b>\$ 4,730,591</b>	<b>\$ 4,228,279</b>	<b>\$ 226,072</b>	<b>\$ 2,613</b>	<b>\$ 8,596,921</b>	<b>\$ 21,189,921</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>										
<b>Operating income (loss)</b>	<b>\$ 1,173,347</b>	<b>\$ (361,709)</b>	<b>\$ 52,307</b>	<b>\$ (339,590)</b>	<b>\$ 199,512</b>	<b>\$ (592,019)</b>	<b>\$ (1,012,487)</b>	<b>\$ 93,868</b>	<b>\$ (500,741)</b>	<b>\$ (1,287,512)</b>
<b>Adjustments:</b>										
Depreciation	2,729	-	-	101,049	2,781,287	3,148,996	-	17,111	1,287,023	7,338,195
Change in assets and liabilities:										
Decrease in inventory	-	-	-	(48,407)	-	-	-	(940,351)	-	(988,758)
Decrease in accounts receivable	-	(18,231)	-	-	-	2,410	-	-	46,685	30,864
Increase (decrease) in accounts payable	(168,184)	(227,925)	31,040	352,901	262,309	203,242	(22,601)	(273,596)	(23,474)	133,712
Increase in customer deposits	-	-	-	-	-	-	-	-	803,908	803,908
Increase (decrease) in compensated absences	12,097	(4,869)	-	334	-	(12,394)	(11,619)	(6,655)	1,524	(21,582)
Increase in OPEB payable	11,376	11,376	-	49,767	-	88,159	46,923	15,641	135,081	358,323
Increase (decrease) in insurance claims payable	(2,433,558)	523,112	(5,028)	-	-	-	-	-	-	(1,915,474)
Total adjustments	(2,575,540)	283,463	26,012	455,644	3,043,596	3,430,413	12,703	(1,187,850)	2,250,747	5,739,188
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (1,402,193)</b>	<b>\$ (78,246)</b>	<b>\$ 78,319</b>	<b>\$ 116,054</b>	<b>\$ 3,243,108</b>	<b>\$ 2,838,394</b>	<b>\$ (999,784)</b>	<b>\$ (1,093,982)</b>	<b>\$ 1,750,006</b>	<b>\$ 4,451,676</b>



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## **City of Garland, Texas Discretely Presented Component Units**

### **Component Units**

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

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

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

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

**Component Units  
Combining Statement of Net Assets  
September 30, 2012**

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 623,355	\$ 342,271	\$ 124,160	\$ 1,089,786
Accounts receivable, net of allowance for uncollectibles	-	25,000	-	25,000
Accrued interest receivable	26,931	-	-	26,931
Prepaid expense	-	1,272	1,272	2,544
Loans receivable	15,571	-	-	15,571
Asset held for sale	493,170	-	-	493,170
Total current assets:	<u>1,159,027</u>	<u>368,543</u>	<u>125,432</u>	<u>1,653,002</u>
Noncurrent assets:				
Land	1,140,710	-	-	1,140,710
Total noncurrent assets:	<u>1,140,710</u>	<u>-</u>	<u>-</u>	<u>1,140,710</u>
Total assets	<u>2,299,737</u>	<u>368,543</u>	<u>125,432</u>	<u>2,793,712</u>
<b>LIABILITIES</b>				
Noncurrent liabilities:				
Deferred Revenue	1,215,250	-	-	1,215,250
Total liabilities	<u>1,215,250</u>	<u>-</u>	<u>-</u>	<u>1,215,250</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,140,710	-	-	1,140,710
Unrestricted	(56,223)	368,543	125,432	437,752
Total net assets	<u>\$ 1,084,487</u>	<u>\$ 368,543</u>	<u>\$ 125,432</u>	<u>\$ 1,578,462</u>

**Component Units**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For the Year Ended September 30, 2012**

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
<b>PROGRAM REVENUES</b>				
Charges for services	\$ 51,064	\$ 25,000	\$ -	\$ 76,064
Operating grants and contributions	34,500	-	-	34,500
Total operating revenues	<u>85,564</u>	<u>25,000</u>	<u>-</u>	<u>110,564</u>
<b>EXPENSES</b>				
Operations	<u>95,223</u>	<u>45,254</u>	<u>254</u>	<u>140,731</u>
Total operating expenses	<u>95,223</u>	<u>45,254</u>	<u>254</u>	<u>140,731</u>
Operating loss	<u>(9,659)</u>	<u>(20,254)</u>	<u>(254)</u>	<u>(30,167)</u>
General revenues:				
Unrestricted investment earnings	<u>20,540</u>	<u>1,491</u>	<u>375</u>	<u>22,406</u>
Total net non-operating income	<u>20,540</u>	<u>1,491</u>	<u>375</u>	<u>22,406</u>
Change in net assets	10,881	(18,763)	121	(7,761)
Net assets, beginning of year	1,073,606	387,306	125,311	1,586,223
Net assets, end of year	<u>\$ 1,084,487</u>	<u>\$ 368,543</u>	<u>\$ 125,432</u>	<u>\$ 1,578,462</u>

**Component Units**  
**Combining Statement of Cash Flows**  
**For the Year Ended September 30, 2012**

	Garland Housing Finance Corporation	Garland Health Facilities Development Corporation	Garland Economic Development Authority	Total
Cash flows from operating activities:				
Cash received from customers	\$ 51,064	\$ 25,000	\$ -	\$ 76,064
Cash paid for salaries and related activities	(21,841)	-	-	(21,841)
Cash paid to suppliers for goods and services	(73,382)	(46,526)	(1,526)	(121,434)
Net cash provided (used) by operating activities	<u>(44,159)</u>	<u>(21,526)</u>	<u>(1,526)</u>	<u>(67,211)</u>
Cash flows from noncapital financing activities:				
Cash received from loans receivable	1,028	-	-	1,028
Cash paid on assets held for sale	(4,442)	-	-	(4,442)
Net cash provided (used) for noncapital financing activities	<u>(3,414)</u>	<u>-</u>	<u>-</u>	<u>(3,414)</u>
Cash flows from investing activities:				
Earnings on investments	3,623	1,491	375	5,489
Net cash provided by investing activities	<u>3,623</u>	<u>1,491</u>	<u>375</u>	<u>5,489</u>
Net decrease in cash and cash equivalents	(43,950)	(20,035)	(1,151)	(65,136)
Cash and cash equivalents at beginning of year	667,305	362,306	125,311	1,154,922
Cash and cash equivalents at end of year	<u>\$ 623,355</u>	<u>\$ 342,271</u>	<u>\$ 124,160</u>	<u>\$ 1,089,786</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (9,659)	\$ (20,254)	\$ (254)	\$ (30,167)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Land lease rental	(34,500)	-	-	(34,500)
Change in assets and liabilities:				
Increase in prepaid expense	-	(1,272)	(1,272)	(2,544)
Total adjustments	<u>(34,500)</u>	<u>(1,272)</u>	<u>(1,272)</u>	<u>(37,044)</u>
Net cash provided (used) by operating activities	<u>\$ (44,159)</u>	<u>\$ (21,526)</u>	<u>\$ (1,526)</u>	<u>\$ (67,211)</u>

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>113</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	<b>119</b>
<b>Debt Capacity</b> 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.	<b>123</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	<b>128</b>
<b>Operating Information</b> 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.	<b>130</b>

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



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

Table 1

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 159,562,356	\$ 154,170,896	\$ 152,244,746	\$ 150,638,419	\$ 146,152,849	\$ 152,134,216	\$ 151,311,862	\$ 119,059,830	\$ 109,150,600	\$ 95,930,730
Restricted	9,915,653	1,921,608	9,332,603	11,148,268	16,539,955	24,872,761	18,134,847	13,646,512	12,875,368	9,106,322
Unrestricted	3,773,762	3,439,609	(5,114,118)	3,205,798	3,861,767	(8,120,300)	(6,063,639)	25,421,938	32,036,457	39,027,078
<b>Total governmental activities net assets</b>	<b>\$ 173,251,771</b>	<b>\$ 159,532,113</b>	<b>\$ 156,463,231</b>	<b>\$ 164,992,485</b>	<b>\$ 166,554,571</b>	<b>\$ 168,886,677</b>	<b>\$ 163,383,070</b>	<b>\$ 158,128,280</b>	<b>\$ 154,062,425</b>	<b>\$ 144,064,130</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 319,873,430	\$ 317,711,532	\$ 316,840,492	\$ 321,262,146	\$ 357,951,642	\$ 355,663,983	\$ 337,930,445	\$ 334,698,641	\$ 343,566,237	\$ 346,557,013
Restricted	69,675,800	70,686,549	72,202,545	73,218,539	77,356,305	80,549,836	82,525,231	116,110,801	157,524,421	196,275,271
Unrestricted	48,296,779	38,559,211	35,223,599	85,484,980	64,523,017	71,341,607	121,136,206	115,801,273	118,212,758	118,547,358
<b>Total business-type activities net assets</b>	<b>\$ 437,846,009</b>	<b>\$ 426,957,292</b>	<b>\$ 424,266,636</b>	<b>\$ 479,965,665</b>	<b>\$ 499,830,964</b>	<b>\$ 507,555,426</b>	<b>\$ 541,591,882</b>	<b>\$ 566,610,715</b>	<b>\$ 619,303,416</b>	<b>\$ 661,379,642</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 479,435,786	\$ 471,882,428	\$ 469,085,238	\$ 471,900,565	\$ 504,104,491	\$ 507,798,199	\$ 489,242,307	\$ 453,758,471	\$ 452,716,837	\$ 442,487,743
Restricted	79,591,453	72,608,157	81,535,148	84,366,807	93,896,260	105,422,597	100,660,078	129,757,313	170,399,789	205,381,593
Unrestricted	52,070,541	41,998,820	30,109,481	88,690,778	68,384,784	63,221,307	115,072,567	141,223,211	150,249,215	157,574,436
<b>Total primary government activities net assets</b>	<b>\$ 611,097,780</b>	<b>\$ 586,489,405</b>	<b>\$ 580,729,867</b>	<b>\$ 644,958,150</b>	<b>\$ 666,385,535</b>	<b>\$ 676,442,103</b>	<b>\$ 704,974,952</b>	<b>\$ 724,738,995</b>	<b>\$ 773,365,841</b>	<b>\$ 805,443,772</b>

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

Table 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 25,448,260	\$ 35,270,124	\$ 32,392,426	\$ 30,790,105	\$ 37,623,390	\$ 31,821,475	\$ 31,153,948	\$ 32,846,193	\$ 29,640,148	\$ 29,569,285
Public safety	62,999,309	69,028,367	71,669,173	80,537,648	82,379,317	85,948,538	88,837,476	86,168,466	90,653,595	90,755,164
Public works	30,529,070	32,081,450	33,252,736	35,936,678	39,645,423	41,491,649	40,530,087	41,358,430	42,540,513	41,666,670
Culture and recreation	17,091,792	18,117,717	18,188,655	19,160,660	19,159,881	19,925,775	19,849,963	19,505,793	21,566,920	20,805,012
Public health	2,525,006	2,795,918	2,581,301	2,771,112	3,085,931	3,346,806	3,455,498	3,604,317	3,881,311	4,018,652
Interest and fiscal charges	8,117,822	8,342,311	9,222,475	10,348,493	10,686,236	10,476,757	12,888,091	12,713,773	11,968,097	12,038,048
Tri-City Academy	73,957	74,091	12,721	-	-	-	-	-	-	-
Total governmental activities expenses	<u>146,785,216</u>	<u>165,709,978</u>	<u>167,319,487</u>	<u>179,544,696</u>	<u>192,580,178</u>	<u>193,011,000</u>	<u>196,715,063</u>	<u>196,196,972</u>	<u>200,250,584</u>	<u>198,852,831</u>
<b>Business-type activities:</b>										
Electric	190,479,543	209,650,788	222,883,550	222,703,702	212,231,176	255,025,955	183,527,066	191,187,490	164,547,930	166,360,005
Water	23,212,750	25,800,512	25,806,273	25,540,630	28,221,876	29,979,447	33,000,743	34,274,026	38,602,207	40,702,500
Sewer	21,483,043	22,865,652	22,685,980	24,768,707	26,661,625	29,021,769	30,838,009	33,643,084	34,307,982	36,348,765
Golf	3,548,906	3,607,795	2,796,283	2,953,267	2,844,792	2,827,100	2,801,539	3,636,869	4,766,551	4,922,780
Heliport	30,526	34,457	28,576	76,842	28,007	27,335	27,482	39,590	30,292	85,480
Storm water management	3,022,324	2,953,322	2,961,292	3,535,492	3,227,420	3,192,094	3,176,002	3,598,351	3,669,785	3,519,113
Parks performance	614,297	721,368	749,667	773,516	718,131	702,176	818,781	778,409	965,305	1,022,947
Sanitation	12,717,666	13,565,161	13,301,942	13,399,591	14,741,829	15,618,088	15,558,875	15,943,590	16,045,778	16,972,881
Total business-type activities expenses	<u>255,109,055</u>	<u>279,199,055</u>	<u>291,213,563</u>	<u>293,751,747</u>	<u>288,674,856</u>	<u>336,393,964</u>	<u>269,748,497</u>	<u>283,101,409</u>	<u>262,935,830</u>	<u>269,934,471</u>
Total primary government expenses	<u>\$ 401,894,271</u>	<u>\$ 444,909,033</u>	<u>\$ 458,533,050</u>	<u>\$ 473,296,443</u>	<u>\$ 481,255,034</u>	<u>\$ 529,404,964</u>	<u>\$ 466,463,560</u>	<u>\$ 479,298,381</u>	<u>\$ 463,186,414</u>	<u>\$ 468,787,302</u>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$ 5,812,636	\$ 7,318,626	\$ 6,676,910	\$ 6,858,486	\$ 6,611,850	\$ 6,687,922	\$ 6,010,639	\$ 6,086,998	6,403,716	6,761,126
Public safety	9,076,549	8,579,287	10,202,599	10,803,372	10,568,258	9,335,039	12,015,983	11,904,259	12,685,675	14,130,333
Public works	10,129,500	10,571,408	11,200,394	12,990,004	13,651,673	12,565,983	13,317,251	12,326,162	18,311,836	14,710,176
Culture and recreation	1,503,405	1,622,913	1,745,890	1,615,310	1,530,098	1,655,630	1,871,402	1,701,121	1,673,984	1,523,989
Public health	191,342	189,935	179,789	177,835	331,128	321,296	314,819	501,507	283,433	409,920
Operating grants and contributions	18,385,284	18,516,283	19,713,353	21,863,489	22,852,488	21,055,526	17,351,640	21,420,963	21,723,466	16,885,088
Capital grants and contributions	5,236,706	5,686,588	3,556,983	8,445,411	3,811,318	6,398,010	2,082,015	974,984	649,244	815,387
Total governmental activities program revenues	<u>50,335,422</u>	<u>52,485,040</u>	<u>53,275,918</u>	<u>62,753,907</u>	<u>59,356,813</u>	<u>58,019,406</u>	<u>52,963,749</u>	<u>54,915,994</u>	<u>61,731,354</u>	<u>55,236,019</u>
<b>Business-type activities:</b>										
Charges for services:										
Electric	180,508,844	199,926,505	224,884,115	271,751,654	233,626,927	270,716,085	229,710,285	231,758,075	222,638,789	222,228,397
Water	24,366,846	22,966,885	28,235,537	35,641,398	26,528,327	30,974,200	34,236,560	40,688,647	50,472,770	46,525,981
Sewer	22,638,954	24,328,999	26,719,862	34,668,202	33,628,914	35,436,808	38,396,280	40,316,535	41,809,811	42,172,904
Golf	2,221,772	2,193,048	2,133,498	2,224,318	2,070,839	2,069,842	1,996,599	2,163,761	3,596,869	3,724,490
Heliport	6,500	6,000	6,000	5,556	6,098	6,299	6,451	6,528	6,523	6,713
Storm water management	3,068,703	3,105,222	3,088,386	3,140,224	3,116,627	3,160,313	3,137,707	3,455,484	3,775,995	3,840,350
Parks performance	594,613	778,364	838,064	745,186	666,131	744,918	831,481	694,108	1,004,106	1,052,256
Sanitation	12,943,652	13,229,144	13,159,315	13,331,142	15,054,605	15,574,619	16,191,391	15,750,835	16,406,642	16,898,137
Capital grants and contributions	2,780,713	2,275,432	1,890,046	3,103,011	2,853,227	4,226,700	3,679,673	878,483	3,213,159	1,249,457
Total business-type activities program revenues	<u>249,130,597</u>	<u>268,809,599</u>	<u>300,954,823</u>	<u>364,610,691</u>	<u>317,551,695</u>	<u>362,909,784</u>	<u>328,186,427</u>	<u>335,712,456</u>	<u>342,924,664</u>	<u>337,698,685</u>
Total primary government program revenues	<u>\$ 299,466,019</u>	<u>\$ 321,294,639</u>	<u>\$ 354,230,741</u>	<u>\$ 427,364,598</u>	<u>\$ 376,908,508</u>	<u>\$ 420,929,190</u>	<u>\$ 381,150,176</u>	<u>\$ 390,628,450</u>	<u>\$ 404,656,018</u>	<u>\$ 392,934,704</u>

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

Table 2

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense)/revenue										
Governmental activities	\$ (96,449,794)	\$ (113,224,938)	\$ (114,043,569)	\$ (116,790,789)	\$ (133,223,365)	\$ (134,991,594)	\$ (143,751,314)	\$ (141,280,978)	\$ (138,519,230)	\$ (143,616,812)
Business-type activities	(5,978,458)	(10,389,456)	9,741,260	70,858,944	28,876,839	26,515,820	58,437,930	52,611,047	79,988,834	67,764,214
Total primary government net expense	<u>\$ (102,428,252)</u>	<u>\$ (123,614,394)</u>	<u>\$ (104,302,309)</u>	<u>\$ (45,931,845)</u>	<u>\$ (104,346,526)</u>	<u>\$ (108,475,774)</u>	<u>\$ (85,313,384)</u>	<u>\$ (88,669,931)</u>	<u>\$ (58,530,396)</u>	<u>\$ (75,852,598)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 59,697,133	\$ 59,700,363	\$ 61,816,669	\$ 66,825,355	\$ 70,205,635	\$ 74,677,018	\$ 77,869,371	\$ 75,675,105	72,960,307	71,712,486
Sales taxes	18,181,431	18,454,380	19,368,101	22,517,489	23,278,730	23,694,596	22,041,066	21,648,693	21,609,756	22,684,164
Franchise taxes	7,781,687	7,146,208	7,268,396	7,883,149	8,028,128	8,372,409	7,935,599	8,352,056	8,255,818	7,887,388
Hotel/motel taxes	408,539	415,767	417,034	464,905	488,123	469,185	483,639	562,590	687,233	773,753
Mixed drink taxes	109,474	110,443	121,644	135,586	167,372	216,527	233,290	263,272	262,941	238,486
Bingo taxes	81,597	89,543	88,918	101,189	97,866	87,133	105,488	99,634	100,691	104,178
Unrestricted investment earnings	2,676,584	1,677,257	1,875,018	3,883,272	5,061,009	3,486,049	2,771,407	730,796	512,142	648,009
Miscellaneous	114,718	208,727	700,956	140,242	850,982	46,672	(58,601)	28,089	89,257	85,561
Special item-apartment complex transfer	-	4,250,070	-	-	-	-	-	-	-	-
Transfers	16,077,933	7,452,522	19,317,950	23,368,856	26,607,606	26,274,111	26,866,448	28,665,953	29,975,230	29,484,492
Total governmental activities	<u>105,129,096</u>	<u>99,505,280</u>	<u>110,974,686</u>	<u>125,320,043</u>	<u>134,785,451</u>	<u>137,323,700</u>	<u>138,247,707</u>	<u>136,026,188</u>	<u>134,453,375</u>	<u>133,618,517</u>
Business-type activities:										
Unrestricted investment earnings	3,876,683	2,322,731	4,166,933	8,932,791	13,001,111	7,794,879	5,031,184	1,426,960	1,045,332	1,703,509
Miscellaneous	3,933,343	4,630,530	2,719,099	3,595,093	4,594,955	3,235,856	(2,566,210)	1,176,711	1,633,765	2,092,995
Loss on sale of capital assets	-	-	-	-	-	-	-	(1,529,932)	-	-
Special item-impairment of electric assets	-	-	-	-	-	(3,547,982)	-	-	-	-
Transfers	(16,077,933)	(7,452,522)	(19,317,950)	(23,368,856)	(26,607,606)	(26,274,111)	(26,866,448)	(28,665,953)	(29,975,230)	(29,484,492)
Total business-type activities	<u>(8,267,907)</u>	<u>(499,261)</u>	<u>(12,431,918)</u>	<u>(10,840,972)</u>	<u>(9,011,540)</u>	<u>(18,791,358)</u>	<u>(24,401,474)</u>	<u>(27,592,214)</u>	<u>(27,296,133)</u>	<u>(25,687,988)</u>
Total primary government	<u>\$ 96,861,189</u>	<u>\$ 99,006,019</u>	<u>\$ 98,542,768</u>	<u>\$ 114,479,071</u>	<u>\$ 125,773,911</u>	<u>\$ 118,532,342</u>	<u>\$ 113,846,233</u>	<u>\$ 108,433,974</u>	<u>\$ 107,157,242</u>	<u>\$ 107,930,529</u>
<b>Change in Net Assets</b>										
Governmental activities	\$ 8,679,302	\$ (13,719,658)	\$ (3,068,883)	\$ 8,529,254	\$ 1,562,086	\$ 2,332,106	\$ (5,503,607)	\$ (5,254,790)	(4,065,855)	(9,998,295)
Business-type activities	(14,246,365)	(10,888,717)	(2,690,658)	60,017,972	19,865,299	7,724,462	34,036,456	25,018,833	52,692,701	42,076,226
Cumulative effect of change in acctg principle	5,498,067	-	-	(4,318,943)	-	-	-	-	-	-
Total primary government	<u>\$ (68,996)</u>	<u>\$ (24,608,375)</u>	<u>\$ (5,759,541)</u>	<u>\$ 64,228,283</u>	<u>\$ 21,427,385</u>	<u>\$ 10,056,568</u>	<u>\$ 28,532,849</u>	<u>\$ 19,764,043</u>	<u>\$ 48,626,846</u>	<u>\$ 32,077,931</u>

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

Table 3

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Hotel/Motel Tax	Mixed Drink Tax	Bingo Tax	Total
2003	\$ 59,697,133	\$ 18,181,431	\$ 7,781,687	\$ 408,539	\$ 109,474	\$ 81,597	\$ 86,259,861
2004	59,700,363	18,454,380	7,146,208	415,767	110,443	89,543	85,916,704
2005	61,816,669	19,368,101	7,268,396	417,034	121,644	88,918	89,080,762
2006	66,825,355	22,517,489	7,883,149	464,905	135,586	101,189	97,927,673
2007	70,205,635	23,278,730	8,028,128	488,123	167,372	97,866	102,265,854
2008	74,677,018	23,694,596	8,598,552	469,185	216,527	87,133	107,743,011
2009	77,869,371	22,041,066	7,935,599	483,639	233,290	105,488	108,668,453
2010	75,591,153	21,573,549	8,352,056	562,590	263,272	99,634	106,442,254
2011	72,960,307	21,609,756	8,255,818	687,233	262,941	100,691	103,876,746
2012	71,712,486	22,684,164	7,887,388	773,753	238,486	104,178	103,400,455

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved for other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,850	\$ 394,642	\$ 564,849	\$ -	\$ -
Restricted for construction									762,541	758,444
Assigned									4,730,000	4,730,000
Unreserved	13,779,636	11,030,482	13,190,208	20,888,141	17,308,504	17,050,423	18,480,293	19,639,675	-	-
Unassigned									13,881,953	16,575,077
Total general fund	<u>\$ 13,779,636</u>	<u>\$ 11,030,482</u>	<u>\$ 13,190,208</u>	<u>\$ 20,888,141</u>	<u>\$ 17,308,504</u>	<u>\$ 17,282,273</u>	<u>\$ 18,874,935</u>	<u>\$ 20,204,524</u>	<u>\$ 19,374,494</u>	<u>\$ 22,063,521</u>
All other government funds										
Reserved for:										
Debt service	\$ 712,233	\$ 1,314,659	\$ 2,745,794	\$ 3,210,136	\$ 3,643,875	\$ 5,285,612	\$ 6,140,162	\$ 6,051,447	\$ -	\$ -
Capital project funds	22,707,556	606,949	31,249,119	(10,079,482)	-	5,166,823	-	-	-	-
Special revenue funds	9,203,420	-	6,586,809	7,938,132	12,896,080	14,188,476	14,329,972	9,411,927	-	-
Unreserved, reported in:										
Special revenue funds	4,968,076	13,545,029	5,753,428	4,596,233	7,293,957	8,678,081	3,721,683	4,624,832	-	-
Capital project funds	-	-	-	-	(26,178,715)	5,649,541	1,727,367	(3,467,032)	-	-
Non spendable:										
Prepaid	-	-	-	-	-	-	-	-	902,142	-
Restricted for:										
General government	-	-	-	-	-	-	-	-	1,122,223	39,730,596
Debt service	-	-	-	-	-	-	-	-	6,265,763	5,241,033
Housing assistance	-	-	-	-	-	-	-	-	3,577,680	1,774,748
Public safety	-	-	-	-	-	-	-	-	1,305,371	984,567
Culture & recreation	-	-	-	-	-	-	-	-	-	53,785
Committed for:										
General government	-	-	-	-	-	-	-	-	303,531	332,670
Culture & recreation	-	-	-	-	-	-	-	-	1,429,229	1,615,772
Public works	-	-	-	-	-	-	-	-	4,240,615	4,626,022
Unassigned										
Capital project funds	-	-	-	-	-	-	-	-	(5,016,257)	-
Total all other governmental funds	<u>\$ 37,591,285</u>	<u>\$ 15,466,637</u>	<u>\$ 46,335,150</u>	<u>\$ 5,665,019</u>	<u>\$ (2,344,803)</u>	<u>\$ 38,968,533</u>	<u>\$ 25,919,184</u>	<u>\$ 16,621,174</u>	<u>\$ 14,130,297</u>	<u>\$ 54,359,193</u>

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

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

Table 5

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes	\$ 77,604,482	\$ 78,671,897	\$ 81,838,275	\$ 89,864,990	\$ 94,277,497	\$ 99,567,491	\$ 100,620,433	\$ 98,370,888	\$ 95,523,675	\$ 95,535,319
Franchise fees	7,781,687	7,146,208	7,268,396	7,883,149	8,028,128	8,372,409	7,935,599	8,352,056	8,255,818	7,887,388
Service charges	13,048,766	14,026,350	14,600,925	16,382,249	17,224,499	17,268,733	17,537,722	16,929,426	18,102,510	20,411,968
Licenses and permits	2,138,200	2,151,482	2,701,470	3,104,974	3,056,687	2,632,116	2,566,182	3,085,185	2,893,000	3,751,589
Investment earnings	2,035,328	1,343,658	1,875,021	3,883,271	5,061,009	3,486,049	1,739,575	501,419	384,119	482,567
Intergovernmental	17,115,642	16,797,896	17,835,272	19,092,728	20,938,438	19,709,837	16,786,683	19,995,862	20,304,725	15,573,047
Intragovernmental	5,835,277	6,065,514	5,790,632	5,803,231	6,068,356	6,727,768	7,324,102	7,430,975	7,871,534	8,010,474
Fines and forfeits	4,488,485	5,194,326	6,073,988	5,915,617	5,324,440	5,195,729	6,064,644	5,627,058	5,097,867	6,110,138
Rents and concessions	582,969	1,634,362	770,684	946,539	959,214	1,066,932	1,089,898	947,961	762,914	788,504
Assessments	104,538	122,600	56,039	43,908	54,207	37,546	32,609	49,455	34,223	61,182
Impact fees	878,040	589,283	558,677	1,043,145	1,215,941	728,946	140,278	252,767	289,553	368,220
Contributions	2,205,047	194,029	582,969	1,789,346	378,732	8,173	418,424	619,197	5,219,595	31,881
Program income	422,702	232,812	531,270	580,242	197,794	251,679	135,695	163,681	193,209	376,059
Special event income	399,826	488,207	434,879	79,439	1,623	-	-	-	174,578	-
Miscellaneous	1,568,925	2,448,424	2,314,668	2,727,545	1,737,656	1,174,425	1,998,868	1,124,216	2,248,086	998,201
Awards	347,055	197,821	93,334	498,287	445,701	347,993	374,145	665,163	467,831	573,187
<b>Total Revenues</b>	<b>136,556,969</b>	<b>137,304,869</b>	<b>143,326,499</b>	<b>159,638,660</b>	<b>164,969,922</b>	<b>166,575,626</b>	<b>164,764,857</b>	<b>164,115,309</b>	<b>167,823,237</b>	<b>160,960,124</b>
<b>Expenditures</b>										
General government	8,265,797	13,547,721	9,846,252	8,399,455	16,162,770	9,035,894	10,183,430	9,817,583	9,415,810	9,339,438
Public safety	56,389,366	59,878,602	62,364,342	67,979,184	71,923,692	75,115,520	75,268,367	74,890,153	77,463,425	77,639,802
Public works	6,912,917	7,306,230	7,080,641	8,087,824	9,765,312	9,659,895	8,931,181	8,709,794	19,151,977	18,457,911
Culture and recreation	11,084,087	11,306,781	11,072,061	11,487,982	12,401,080	13,209,936	12,550,200	12,641,150	13,245,845	12,794,896
Public health	2,201,729	2,429,705	2,136,542	2,275,483	2,721,376	2,965,945	2,893,506	3,189,738	3,174,073	3,364,592
Nondepartmental	11,702,099	13,949,955	12,826,489	14,498,714	16,258,263	17,075,180	16,941,189	17,315,649	18,695,922	19,086,070
Operations	22,841,120	26,923,692	26,842,657	26,199,922	25,113,864	29,652,263	28,925,801	28,602,430	17,392,687	16,978,956
Capital Outlay	46,481,607	41,594,043	43,223,875	55,132,525	31,349,700	28,377,230	16,664,598	18,721,222	19,475,793	12,977,724
Debt service										
Principal	13,350,239	10,622,833	12,018,720	12,973,186	14,015,396	15,317,098	16,637,994	17,476,637	16,165,582	17,922,725
Interest	7,798,522	7,795,875	8,385,551	12,418,459	12,282,296	11,353,053	12,767,629	10,879,254	10,215,634	8,991,405
Issue costs on issuance of debt	-	-	-	-	133,969	720,789	35,000	70,000	107,306	1,038,554
Tri City Academy	73,957	74,091	12,721	-	-	-	-	-	-	-
Other charges	454,223	515,609	519,353	146,905	120,590	162,728	475,849	617,619	758,265	454,846
<b>Total expenditures</b>	<b>187,555,663</b>	<b>195,945,137</b>	<b>196,329,204</b>	<b>219,599,639</b>	<b>212,248,308</b>	<b>212,645,531</b>	<b>202,274,744</b>	<b>202,931,229</b>	<b>205,262,319</b>	<b>199,046,919</b>
Excess of revenues over (under) expenditures	(50,998,694)	(58,640,268)	(53,002,705)	(59,960,979)	(47,278,386)	(46,069,705)	(37,509,887)	(38,815,920)	(37,439,082)	(38,086,795)
<b>Other financing sources (uses)</b>										
Sale of capital assets	-	-	-	-	417,045	2,204,592	363,244	112,389	25,747	117,097
Transfers in	29,407,407	31,726,983	28,899,080	32,423,803	38,353,344	40,925,950	40,823,290	49,485,628	47,439,233	42,083,177
Transfers out	(13,441,661)	(14,118,676)	(9,657,539)	(9,550,022)	(17,040,435)	(17,903,902)	(15,483,332)	(20,970,518)	(16,395,360)	(12,675,653)
Issuance of debt	18,580,000	12,058,728	65,895,000	4,115,000	13,825,000	59,830,000	350,000	2,220,000	2,545,000	46,245,000
Premium on issuance of debt	-	-	3,392,524	-	1,493,762	2,761,825	-	-	280,745	4,905,097
Refunding proceeds	-	-	28,305,000	-	39,200,000	26,940,000	-	-	4,655,000	17,365,000
Payment to bond refunding agent	-	-	(30,803,121)	-	(40,559,793)	(27,401,656)	-	-	(4,432,030)	(17,035,000)
<b>Total other financing sources (uses)</b>	<b>34,545,746</b>	<b>29,667,035</b>	<b>86,030,944</b>	<b>26,988,781</b>	<b>35,688,923</b>	<b>87,356,809</b>	<b>26,053,202</b>	<b>30,847,499</b>	<b>34,118,335</b>	<b>81,004,718</b>
Change in fund balance	(16,452,948)	(28,973,233)	33,028,239	(32,972,198)	(11,589,463)	41,287,104	(11,456,685)	(7,968,421)	(3,320,747)	42,917,923
Cumulative effect of change in accounting principle	5,498,067	-	-	-	-	-	-	-	-	-
Special item-apartment complex sale	-	4,099,431	-	-	-	-	-	-	-	-
<b>Net change in fund balances</b>	<b>\$ (10,954,881)</b>	<b>\$ (24,873,802)</b>	<b>\$ 33,028,239</b>	<b>\$ (32,972,198)</b>	<b>\$ (11,589,463)</b>	<b>\$ 41,287,104</b>	<b>\$ (11,456,685)</b>	<b>\$ (7,968,421)</b>	<b>\$ (3,320,747)</b>	<b>\$ 42,917,923</b>
Debt service as a percentage of noncapital expenditures	14.99%	11.93%	13.33%	15.44%	14.54%	14.47%	15.84%	15.39%	14.20%	14.46%

**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
2003	\$ 6,426,672,230	\$ 3,263,895,460	\$ 656,509,700	\$ 1,168,754,111	\$ 9,178,323,279	0.6411
2004	6,795,954,000	3,295,142,390	624,699,750	1,483,946,215	9,231,849,925	0.6411
2005	7,077,522,770	3,326,226,180	568,356,980	1,429,095,701	9,543,010,229	0.6411
2006	7,229,465,100	3,500,737,880	664,641,720	1,578,751,415	9,816,093,285	0.6661
2007	8,397,628,690	3,017,766,630	838,155,930	1,836,648,950	10,416,902,300	0.6786
2008	8,523,853,140	3,517,203,860	775,413,890	1,933,972,589	10,882,498,301	0.6886
2009	8,663,790,930	3,721,257,230	864,829,660	2,128,083,759	11,121,794,061	0.6996
2010	8,409,174,740	3,617,980,940	889,829,860	2,198,702,169	10,718,283,371	0.7046
2011	8,182,727,940	3,466,044,330	865,690,790	2,162,392,225	10,352,070,835	0.7046
2012	8,131,575,400	3,427,051,790	854,385,970	2,292,980,261	10,120,032,899	0.7046

**Source:** City of Garland, Texas - Tax Office

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

Table 7

Fiscal Year	City Direct Rates			Overlapping Rates*										
	General Fund	Debt Service Fund	Total Direct	Garland Independent School District	Dallas County	Dallas County Hospital District	Dallas County Community College District	Dallas Independent School District	Richardson Independent School District	Mesquite Independent School District	Collin County	Collin County Community College District	Plano Independent School District	
2003	\$ 0.3740	\$ 0.2671	\$ 0.6411	\$ 1.4586	\$ 0.1960	\$ 0.2540	\$ 0.0600	\$ 1.5875	\$ 1.8081	\$ 1.6200	\$ -	\$ -	\$ -	
2004	0.3740	0.2671	0.6411	1.5585	0.2039	0.2540	0.0778	1.6395	1.8200	1.6700	-	-	-	
2005	0.3740	0.2671	0.6411	1.6214	0.2039	0.2540	0.0803	1.6694	1.8200	1.7600	-	-	-	
2006	0.3890	0.2771	0.6661	1.6701	0.2139	0.2540	0.0816	1.6884	1.8200	1.7624	-	-	-	
2007	0.3890	0.2896	0.6786	1.6701	0.2139	0.2540	0.0816	1.6884	1.6301	1.6680	-	-	-	
2008	0.3890	0.2996	0.6886	1.2533	0.2281	0.2540	0.0804	1.5026	1.3401	1.3767	-	-	-	
2009	0.3890	0.3106	0.6996	1.2533	0.2281	0.2540	0.0894	1.1834	1.3401	1.4000	-	-	-	
2010	0.3890	0.3156	0.7046	1.2533	0.2281	0.2740	0.0949	1.2713	1.3401	1.4200	0.2425	0.0863	1.3284	
2011	0.3940	0.3106	0.7046	1.2533	0.2431	0.2710	0.0992	1.2378	1.3401	1.4200	0.2400	0.0863	1.3534	
2012	0.3940	0.3106	0.7046	1.2533	0.2531	0.2710	0.0997	1.2903	1.3401	1.4200	0.2400	0.0863	1.3734	

**Source:** City of Garland, Texas - Tax Office

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

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

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

Table 8

<u>Taxpayer</u>	<u>2012</u>			<u>2003</u>		
	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total City Taxable Assessed Value</u>
Walmart/Sam's Club	\$ 98,978,610	1	0.98%	\$ 71,168,520	2	0.78%
Simon Property Group	87,740,860	2	0.87%	-	-	-
Plastipak Packaging	69,557,943	3	0.69%	-	-	-
Verizon	58,905,920	4	0.58%	66,182,470	3	0.72%
Sears, Roebuck and Co.	48,399,482	5	0.48%	72,351,994	1	0.79%
SST Truck Company LLC	48,260,308	6	0.48%	-	-	-
Valspar Engineered Polymer	43,917,878	7	0.43%	47,558,993	10	0.52%
Kraft Foods, Inc	38,990,719	8	0.39%	46,801,320	5	0.51%
Daisy Brand Inc.	33,059,313	9	0.33%	-	-	-
Advenir @ Town Centre LLC	31,680,000	10	0.31%	-	-	-
Eckerd Drugs, Inc.	-	-	-	57,071,489	4	0.62%
Raytheon/E-Systems	-	-	-	43,315,980	6	0.47%
Fleming Foods of Texas	-	-	-	37,443,915	7	0.41%
Prestige Ford	-	-	-	30,065,340	9	0.33%
Tom Thumb/Randalls Foods	-	-	-	30,752,580	8	0.34%
	<u>\$ 559,491,033</u>		<u>5.53%</u>	<u>\$ 502,712,601</u>		<u>5.48%</u>

Source: City of Garland, Texas - Tax Office

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

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collections within Fiscal Year of the Levy		Collections & Adjustments in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 58,730,715	\$ 57,863,914	98.52%	\$ 823,673	\$ 58,687,586	99.93%
2004	59,188,532	58,234,780	98.39%	914,867	59,149,647	99.93%
2005	61,180,242	60,323,475	98.60%	812,963	61,136,438	99.93%
2006	65,446,028	64,291,109	98.24%	1,086,304	65,377,414	99.90%
2007	69,481,794	68,346,908	98.37%	1,046,334	69,393,242	99.87%
2008	74,759,668	73,764,627	98.67%	896,879	74,661,506	99.87%
2009	77,977,700	76,842,208	98.54%	865,138	77,707,346	99.65%
2010	75,678,090	74,800,032	98.84%	624,592	75,424,624	99.67%
2011	73,103,186	72,238,056	98.82%	514,939	72,752,995	99.52%
2012	71,301,935	70,589,967	99.00%	-	70,589,967	99.00%

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

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

Table 10

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Tax Anticipation Note	Other Obligations	Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Other Obligations			
2003	\$ 102,993,844	\$ 62,156,303	\$ 5,490,000	\$ -	\$ 27,490,000	\$ 17,916,154	\$ 137,208,697	\$ -	\$ 353,254,998	8.75%	1,587
2004	98,738,384	82,005,151	4,000,000	-	118,135,000	15,346,616	122,004,505	-	440,229,656	10.80%	1,980
2005	148,032,971	86,936,889	3,640,000	-	154,895,000	55,582,029	72,188,318	-	521,275,207	12.66%	2,352
2006	140,958,212	88,835,115	5,373,000	-	191,935,000	53,411,788	67,864,920	-	548,378,035	12.71%	2,465
2007	152,557,291	76,814,236	4,240,000	-	235,485,000	75,067,709	38,550,764	-	582,715,000	10.87%	2,590
2008	205,520,000	80,360,204	3,185,000	-	277,435,000	84,685,000	22,789,796	-	673,975,000	12.51%	2,980
2009	194,650,000	95,934,063	5,530,000	-	296,575,000	82,285,000	17,920,937	-	692,895,000	10.66%	3,068
2010	183,442,550	89,971,568	5,050,000	-	304,765,000	79,785,000	140,758,432	-	803,772,550	12.31%	3,542
2011	173,692,475	83,830,000	5,440,000	124,145	316,815,000	81,170,000	131,930,000	-	793,001,620	12.11%	3,482
2012	218,769,750	65,310,000	-	95,342	305,640,000	75,000,000	130,665,000	179,335	795,659,427	15.87%	3,489

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

See the Schedule of Demographic and Economic Statistics on page 128 for personal income and population data.

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

Table 11

Fiscal Year	General Obligation Debt	Certificates of Obligation	Tax Anticipation Note	Total	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property*	Per Capita**
2003	\$ 120,910,000	\$ 199,365,000	\$ 5,490,000	\$ 325,765,000	\$ 712,233	\$ 325,052,767	3.54%	1,460
2004	114,085,000	204,009,656	4,000,000	322,094,656	1,314,659	320,779,997	3.47%	1,443
2005	203,615,000	159,125,207	3,640,000	366,380,207	2,745,794	363,634,413	3.81%	1,641
2006	194,370,000	156,700,035	5,373,000	356,443,035	3,210,136	353,232,899	3.60%	1,588
2007	227,625,000	115,365,000	4,240,000	347,230,000	3,643,875	343,586,125	3.30%	1,527
2008	290,205,000	103,150,000	3,185,000	396,540,000	5,285,612	391,254,388	3.60%	1,730
2009	276,935,000	113,855,000	6,170,000	396,960,000	6,140,162	390,819,838	3.51%	1,730
2010	263,227,550	230,730,000	5,050,000	499,007,550	6,051,447	492,956,103	4.60%	2,172
2011	254,862,475	215,760,000	5,440,000	476,062,475	6,265,763	469,796,712	4.54%	2,063
2012	293,769,750	195,975,000	-	489,744,750	5,241,033	484,503,717	4.79%	2,124

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

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

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

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

**City of Garland**  
**Estimated Direct and Overlapping Governmental Activities Debt**  
**As of September 30, 2012**  
**(unaudited)**

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Garland Independent School District	\$ 392,079,638	70.31%	\$ 275,671,193
Collin County	361,530,000	0.03%	108,459
Collin County Community College District	42,830,000	0.03%	12,849
Dallas County	139,062,642	6.14%	8,538,446
Dallas County Community College District	374,265,000	6.14%	22,979,871
Dallas County Hospital District	705,000,000	6.14%	43,287,000
Dallas County Schools	26,750,000	6.14%	1,642,450
Dallas Independent School District	2,568,295,000	0.19%	4,879,761
Richardson Independent School District	390,244,988	3.30%	12,878,085
Plano Independent School District	966,485,527	0.07%	676,540
Mesquite Independent School District	425,595,979	1.84%	<u>7,830,966</u>
Subtotal, overlapping debt			378,505,620
<b>City direct debt</b>			<u>284,079,750</u>
<b>Total estimated direct and overlapping debt</b>			<u><u>\$ 662,585,370</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, 2012**  
**(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 FY12 is \$.7046 per \$100.00 assessed value.

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

Table 14

Fiscal Year	Electric Revenue Bonds						Water & Sewer Revenue Bonds					
	Charges for Services	Less: Operating Expenses	Net Available Revenue	Average Annual Debt Service		Coverage	Charges for Services	Less: Operating Expenses	Net Available Revenue	Average Annual Debt Service		Coverage
				Principal	Interest					Principal	Interest	
2003	\$ 186,618,401	\$ 176,481,523	\$ 10,136,878	\$ 436,726	\$ 10,206	22.68	\$ 47,210,067	\$ 30,787,260	\$ 16,422,807	\$ 7,453,274	\$ 249,099	2.13
2004	205,509,317	193,344,158	12,165,159	1,565,238	857,676	5.02	47,531,877	34,060,885	13,470,992	4,081,190	2,069,573	2.19
2005	228,947,259	207,006,704	21,940,555	2,465,952	1,343,233	5.76	55,278,540	34,521,360	20,757,180	5,039,524	2,587,796	2.72
2006	278,495,241	207,677,043	70,818,198	3,610,238	1,937,279	12.77	70,938,017	36,061,645	34,876,372	5,728,810	2,747,140	4.11
2007	244,179,434	195,648,649	48,530,785	4,523,333	2,411,386	7.00	61,219,697	38,218,281	23,001,416	7,003,095	3,362,221	2.22
2008	278,688,019	238,988,738	39,699,281	4,756,190	2,240,833	5.67	67,608,735	40,565,444	27,043,291	8,877,750	4,052,695	2.09
2009	234,046,619	167,009,741	67,036,878	5,385,500	2,351,999	8.66	73,238,821	43,211,675	30,027,146	9,443,250	4,067,502	2.22
2010	232,689,990	169,922,518	62,767,472	5,399,211	2,207,117	8.25	81,075,657	46,002,329	35,073,328	10,109,000	4,243,081	2.44
2011	223,439,359	138,663,012	84,776,347	5,212,750	2,082,419	11.62	92,330,704	49,155,966	43,174,738	10,628,000	4,374,209	2.88
2012	223,567,545	140,852,028	82,715,517	5,095,000	1,887,700	11.85	88,795,586	52,500,437	36,295,149	10,441,750	3,965,662	2.52

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

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

Table 15

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (amt expressed in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Education Level in Years of Formal Schooling</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2003	222,651	\$ 4,453,020	\$ 20,000	31.7	12.9	54,868	5.3%
2004	222,350	4,447,000	20,000	31.7	12.9	56,568	5.0%
2005	221,588	5,280,220	23,829	32.0	12.9	57,265	5.4%
2006	222,432	5,300,332	23,829	32.0	12.9	56,593	4.7%
2007	224,988	5,361,239	23,829	32.7	12.9	56,579	4.2%
2008	226,144	5,388,785	23,829	32.7	12.9	56,579	5.8%
2009	225,865	6,497,458	28,767	32.7	12.9	56,579	8.3%
2010	226,915	6,527,664	28,767	34.6	12.9	57,405	8.6%
2011	227,726	6,550,994	28,767	33.2	12.9	57,833	7.8%
2012	228,060	5,012,075	21,977	33.7	12.9	58,151	6.3%

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

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

Table 16

<u>Employer</u>	<u>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Raytheon E-Systems	3,500	1	3.47%	2,750	1	2.95%
Walmart Super Centers	1,250	2	1.24%	1,500	2	1.61%
International/SST Truck	800	3	0.79%	-	-	-
Kingsley Tools (Danaher)	550	4	0.54%	-	-	-
US Food Service	500	5	0.50%	-	-	-
Atlas Copco	420	6	0.42%	-	-	-
Hatco (Risistol)	386	7	0.38%	-	-	-
Home Depot	339	8	0.34%	-	-	-
General Dynamics	325	9	0.32%	-	-	-
L-3 Communications EOS	300	10	0.30%	-	-	-
Sears Industrial Park	-	-	-	1,250	3	1.34%
Baylor Medical Center	-	-	-	1,205	4	1.29%
Software Spectrum	-	-	-	1,200	5	1.29%
Kraft Foods	-	-	-	450	6	0.48%
KARLEE, Inc	-	-	-	443	7	0.47%
Garland Community Hospital	-	-	-	405	8	0.43%
Northrup Grumman	-	-	-	400	9	0.43%
Varo, LLC	-	-	-	400	10	0.43%
	<u>8,370</u>		<u>8.29%</u>	<u>10,003</u>		<u>10.73%</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

	<b>Full-time Equivalent Employees as of December 31</b>									
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Function</b>										
General Government	301	307	292	291	290	297	284	282	350	344
Police										
Sworn (civil service)	301	314	314	326	327	328	324	323	323	323
Non-Sworn (non-civil service)	133	133	133	133	138	135	134	133	133	132
Fire										
Sworn (civil service)	238	246	246	254	255	255	251	249	249	255
Non-Sworn (non-civil service)	11	11	9	9	7	7	7	7	7	7
Culture and Recreation	168	168	162	162	162	162	152	151	157	158
Internal Services	247	252	246	197	201	255	252	251	254	252
Electric	228	237	236	236	247	256	252	252	238	238
Water	54	54	54	54	57	61	61	62	62	64
Sewer	103	102	102	102	102	101	100	99	99	97
Solid Waste	89	89	88	88	88	88	88	88	90	87
Stormwater Management	25	25	25	25	25	25	25	25	25	24
Golf	36	36	36	36	36	29	28	28	28	28
Special Revenue	127	128	117	162	169	117	113	115	44	44
<b>Total FTE Employees</b>	<b>2,061</b>	<b>2,102</b>	<b>2,060</b>	<b>2,075</b>	<b>2,104</b>	<b>2,116</b>	<b>2,071</b>	<b>2,065</b>	<b>2,059</b>	<b>2,053</b>

Source: City of Garland Budget Office

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

Table 18

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Police</b>										
Physical arrests	14,737	15,418	15,933	16,166	15,440	14,019	13,902	11,803	11,431	11,284
Citations issued	65,525	50,482	59,461	61,143	60,226	60,298	56,982	53,666	53,613	61,591
<b>Fire</b>										
Number of calls answered	18,413	18,082	19,442	20,024	19,085	20,464	19,770	20,047	20,670	21,146
Business Inspections	6,343	7,489	6,774	7,785	7,964	5,354	5,575	5,188	4,116	2,506
<b>Highways and streets</b>										
Street resurfacing (miles)	21	18	26	20	14	19	17	14	15	23
Service maintenance requests	1,509	1,717	1,923	1,396	1,607	1,538	1,463	1,794	1,550	1,719
<b>Parks and recreation</b>										
Performing arts center attendance	125,700	161,681	170,939	152,508	180,000	170,000	158,103	153,450	150,496	158,500
Recreation center attendance	708,165	773,498	820,497	856,663	820,000	813,000	970,966	722,462	1,004,064	1,104,143
<b>Library</b>										
Volumes, items, or physical units	496,804	506,522	521,952	491,220	460,774	433,938	436,783	409,378	377,736	344,842
Number of Library circulation transactions	1,179,398	1,208,774	1,190,882	1,178,165	1,383,490	1,438,442	1,736,304	1,857,317	1,783,536	1,549,358
<b>Electric</b>										
Number of accounts	67,175	67,968	67,761	68,048	68,671	67,899	67,956	68,001	68,034	68,396
Average daily usage (KWH)	5,543,664	5,431,222	5,532,836	5,712,121	5,413,698	5,640,434	5,381,022	5,614,012	5,707,569	5,370,791
<b>Water</b>										
New connections	711	505	223	337	467	519	188	9	20	103
Water main breaks	236	213	401	507	398	247	303	393	479	400
Average daily consumption (thousands of gallons)	30,951	30,042	29,966	33,882	25,792	28,537	32,716	32,041	34,812	29,498
<b>Wastewater</b>										
Average daily sewage treatment (millions of gallons)	36	38	33	31	36	34	35	41	34	34

Sources: Various City departments

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

Table 19

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Function</b>										
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	N/A	N/A	N/A	65	66	78	78	81	81	81
Fire Stations	8	9	10	10	11	11	11	11	11	11
Highways and streets										
Streets (miles)	671.60	671.60	687.60	687.60	690.77	690.77	690.77	697.05	697.00	697.00
Streetlights	11,228	11,228	11,228	11,228	11,228	11,376	15,107	13,662	14,068	14,062
Traffic signals	170	171	181	182	182	181	181	182	185	185
Parks and recreation										
Parks acreage	2,698	2,865	2,865	2,865	2,428	2,428	2,428	2,880	2,880	2,880
Parks	68	68	68	68	68	68	68	63	63	63
Swimming pools	4	4	4	4	4	4	4	4	4	4
Tennis courts	35	35	35	35	35	35	35	35	35	35
Recreation centers	6	6	6	6	6	6	6	6	6	6
Electric										
Substations	19	20	22	22	22	23	23	23	23	23
Miles of service lines	897	1,946	2,007	2,140	2,142	2,140	2,140	1,012	1,073	1,082
Maximum daily capacity (MWH)	598.8	598.8	576.8	576.8	576.8	576.8	574.1	408.0	408.0	408.0
Water										
Water mains (miles)	1,081	1,083	1,085	1,085	1,097	1,107	1,111	1,111	1,113	1,114
Fire Hydrants	7,042	7,062	7,095	7,160	7,270	7,391	7,442	7,456	8,244	8,271
Maximum daily capacity (millions of gallons)	230	230	230	230	230	230	227	221	221	221
Sewer										
Sanitary sewers (miles)	981	982	983	990	995	999	1,000	1,001	1,001	1,001
Maximum daily treatment capacity (millions of gallons)	54	54	54	64	64	64	64	64	64	110

Sources: Various City departments

**Texas Municipal Power Agency  
Condensed Financial Information  
As of September 30, 2012  
(reported in thousands)**

	Amount in (000's)
Total assets	\$ <u>1,157,572</u>
Total liabilities	1,105,714
Total net assets	<u>51,858</u>
Total liabilities and net assets	\$ <u>1,157,572</u>
Total operating revenues	\$ 162,491
Total operating expenses	<u>116,368</u>
Income from operations	46,123
Total other income(expenses)	3,312
Total interest charges	(45,542)
Deferred revenue	34,949
Deferred cost	(19,187)
Refunds to member Cities	<u>(19,276)</u>
Change in net assets	379
Net assets - beginning balance	51,479
Net assets - ending balance	\$ <u>51,858</u>

*Source: TMPA Comprehensive Annual Financial Report*

City of Garland  
Schedule of Insurance in Force  
As of 9/30/12  
(unaudited)

<u>Insurance Company</u>	<u>Policy Number</u>	<u>From</u>	<u>To</u>	<u>Decription</u>	<u>Deductible</u>	<u>Limits</u>
Evanston Insurance Company	SM879012	4/2/12	4/2/13	Medical ProfessionalLiability	\$2,500	\$3,000,000
Federal Insurance Company	6801-8884	12/3/11	12/3/12	Crime Coverage	\$100,000	\$750,000
Great American Insurance Company	IMP523230104	10/1/11	10/1/12	Contractors Equip &Fleet Catastrophe	\$100,000	\$25,000,000
Lexington Insurance Company	21469073	10/1/11	10/1/12	Property Coverage	\$250,000	\$500,000,000
Nationwide Mutual Insurance Company	6BFWC0000005121200	10/15/11	10/15/12	General Liability-Special Events	\$0	\$5,000,000
Star Insurance Company	CP0641917	10/1/11	10/1/12	Excess LiabilityPackage Policy	\$500,000	\$18,000,000
Travelers Indemnity Company	BM21303D3252-TCT-11	10/1/11	10/1/12	Boiler/Machinery/Transformers	\$250,000	\$25,000,000

Sources: *City of Garland Risk Management Department*