

OFFICIAL STATEMENT

Dated November 4, 2014

Ratings:
S&P: "AAA"
Fitch: "AA+"
(see "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

THE CERTIFICATES HAVE NOT BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$26,125,000
CITY OF GRAND PRAIRIE, TEXAS
(Dallas, Tarrant and Ellis Counties)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2014

Dated Date: November 15, 2014

Due: February 15, as shown on page 2 hereof

Interest to accrue from Delivery Date

PAYMENT TERMS. . . Interest on the \$26,125,000 City of Grand Prairie, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2014 (the "Certificates") will accrue from the "Delivery Date", estimated to be December 2, 2014, will be payable August 15 and February 15 of each year commencing August 15, 2015 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a stated maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City of Grand Prairie, Texas (the "City"), and (ii) a limited pledge of \$2,500 of the net revenues of the City's water and wastewater system, as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance") (see "THE CERTIFICATES - Authority for Issuance of the Certificates").

PURPOSE. . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) acquiring, constructing, improving and equipping public safety facilities and library facilities, (ii) acquiring vehicles for the public safety department (iii) constructing, improving and equipping existing municipal facilities, (iv) constructing street improvements, including drainage, landscaping, curbs, gutters, sidewalks, signage, traffic signalization and street noise abatement incidental thereto and the acquisition of land and rights-of-way therefor and (v) professional services rendered in connection therewith.

CUSIP PREFIX: 386138

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

LEGALITY. . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser of the Certificates and subject to the approving opinion of the Attorney General of Texas and the opinion of Fulbright & Jaworski LLP, Dallas, Texas, a member of Norton Rose Fulbright, Bond Counsel (see Appendix C, "Form of Bond Counsel's Opinion").

DELIVERY. . . It is expected that the Certificates will be available for delivery through DTC on December 2, 2014.

MATURITY SCHEDULE

CUSIP Prefix: 386138⁽¹⁾

Principal Amount	Maturity Date	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 1,660,000	2/15/2016	5.000%	0.400%	NM9
1,740,000	2/15/2017	5.000%	0.650%	NN7
1,835,000	2/15/2018	5.000%	0.900%	NP2
1,925,000	2/15/2019	5.000%	1.150%	NQ0
2,025,000	2/15/2020	5.000%	1.450%	NR8
2,125,000	2/15/2021	5.000%	1.800%	NS6
2,230,000	2/15/2022	5.000%	2.100%	NT4
2,350,000	2/15/2023	5.000%	2.300%	NU1
2,445,000	2/15/2024	3.000%	2.450%	NV9
680,000	2/15/2025	3.000%	2.650%	NW7
695,000	2/15/2026	3.000%	2.850%	NX5
***	***	***	***	***
760,000	2/15/2029	3.000%	3.100%	PA3
790,000	2/15/2030	3.125%	3.200%	PB1
810,000	2/15/2031	3.200%	3.250%	PC9
835,000	2/15/2032	3.250%	3.300%	PD7
865,000	2/15/2033	3.250%	3.350%	PE5
895,000	2/15/2034	3.375%	3.400%	PF2

\$1,460,000 3.000% Term Certificates due February 15, 2028 at a Price of 100.00% to Yield 3.000%⁽²⁾ - CUSIP No. ⁽¹⁾NZ0

(Interest to accrue from delivery date.)

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The City, the Financial Advisor and the Initial Purchaser take no responsibility for the accuracy of such numbers.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption of the Certificates").

MANDATORY SINKING FUND REDEMPTION. . . The Certificate maturing on February 15, 2028 is subject to mandatory redemption in part prior to maturity at a price of par plus accrued interest to the redemption date as described under "THE CERTIFICATES – Mandatory Sinking Fund Redemption."

(THE REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY)

This Official Statement, which includes the cover page, and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Initial Purchaser.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Initial Purchaser. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The Certificates are exempt from registration with the United States Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Certificates in accordance with applicable securities law provisions of the jurisdiction in which the Certificates have been registered, qualified, or exempted should not be regarded as a recommendation thereof.

Neither the City, its Financial Advisor, nor the Initial Purchaser make any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its Book-Entry-Only System.

In connection with the offering of the Certificates, the Initial Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the City’s undertaking to provide certain information on a continuing basis.

The cover pages contain certain information for general reference only and are not intended as a summary of this offering. Investors should read the entire Official Statement, including the Schedule and all Appendices attached hereto, to obtain information essential to making an informed investment decision.

This Official Statement contains “Forward-Looking” Statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance, and achievements expressed or implied by such Forward-Looking Statements. Investors are cautioned that the actual results could differ materially from those set forth in the Forward-Looking Statements.

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The cover pages hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY..... The City of Grand Prairie, Texas (the “City”) is a political subdivision and home rule municipal corporation of the State of Texas, located in Dallas, Tarrant and Ellis Counties, Texas. The City covers approximately 80 square miles (see “INTRODUCTION - Description of the City”).

THE CERTIFICATES..... The Certificates are issued as \$26,125,000 Combination Tax and Revenue Certificates of Obligation, Series 2014. The Certificates are issued as serial certificates maturing on February 15 in each of the years 2016 through 2026 and 2029 through 2034, and as a term certificate maturing February 15, 2028, unless redeemed in accordance with the provisions described herein (see “THE CERTIFICATES – Description of the Certificates”, “THE CERTIFICATES – Optional Redemption of the Certificates” and “THE CERTIFICATES – Mandatory Sinking Fund Redemption”).

PAYMENT OF INTEREST Interest on the Certificates accrues from the Delivery Date, estimated to be December 2, 2014, and is payable August 15, 2015, and each February 15 and August 15 thereafter until maturity or prior redemption (see “THE CERTIFICATES - Description of the Certificates” and “THE CERTIFICATES - Optional Redemption of the Certificates”).

AUTHORITY FOR ISSUANCE FOR THE CERTIFICATES The Certificates are authorized and issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Certificate Ordinance passed by the City Council of the City (see “THE CERTIFICATES – Authority for Issuance of the Certificates”).

SECURITY FOR THE CERTIFICATES The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City and (ii) a limited pledge of \$2,500 of the net revenues of the City’s water and wastewater system, as provided in the Certificate Ordinance (see “THE CERTIFICATES – Security and Source of Payment for the Certificates”).

REDEMPTION OF THE CERTIFICATES The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2024 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES - Optional Redemption of the Certificates”).

TAX EXEMPTION..... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “TAX MATTERS” herein, including the alternative minimum tax on corporations.

USE OF PROCEEDS FOR THE CERTIFICATES Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) acquiring, constructing, improving and equipping public safety facilities and library facilities, (ii) acquiring vehicles for the public safety department (iii) constructing, improving and equipping existing municipal facilities, (iv) constructing street improvements, including drainage, landscaping, curbs, gutters, sidewalks, signage, traffic signalization and street noise abatement incidental thereto and the acquisition of land and rights-of-way therefor and (v) professional services rendered in connection therewith.

RATINGS The Certificates have been rated “AAA” with a stable outlook by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “AA+” with a stable outlook by Fitch Ratings, Inc. (“Fitch”) (see “OTHER INFORMATION – Ratings”).

BOOK-ENTRY-ONLY

SYSTEM The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES - Book-Entry-Only System”).

PAYMENT RECORD The City has not defaulted on its general obligation bonds since 1939 when defaults were corrected without refunding and has never defaulted on its revenue bonds.

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SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Net General Obligation (G.O.) Tax Debt ⁽³⁾	Net G.O. Tax Debt Per Capita	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation
2010	175,396	\$ 9,577,719,656 ⁽⁴⁾	54,606	\$ 158,366,260	\$ 903	1.65%
2011	175,960	9,288,255,529 ⁽⁵⁾	52,786	155,711,000	885	1.68%
2012	179,476	9,442,941,551 ⁽⁶⁾	52,614	142,260,000	793	1.51%
2013	181,303	9,373,823,177 ⁽⁷⁾	51,703	144,634,000	798	1.54%
2014	181,230	9,842,362,530 ⁽⁸⁾	54,309	148,553,000	820	1.51%
2015	181,230	10,558,457,782 ⁽⁹⁾	58,260	161,857,000 ⁽¹⁰⁾	893	1.53%

(1) Source: City Staff.

(2) As reported by the Dallas Central Appraisal District, Tarrant Appraisal District, and Ellis Central Appraisal District on the City's Annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Projected. Excludes revenue supported general obligation debt.

(4) Includes taxable incremental value of approximately \$875,095,331 that is not available for the City's general use.

(5) Includes taxable incremental value of approximately \$850,473,176 that is not available for the City's general use.

(6) Includes taxable incremental value of approximately \$898,821,002 that is not available for the City's general use.

(7) Includes taxable incremental value of approximately \$352,024,122 that is not available for the City's general use.

(8) Includes taxable incremental value of approximately \$487,063,500 that is not available for the City's general use.

(9) Includes taxable incremental value of approximately \$528,935,423 that is not available for the City's general use.

(10) Projected, subject to change.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
Beginning Balance	\$ 27,913,756	\$ 30,594,003	\$ 30,833,573 ⁽¹⁾	\$ 30,346,057	\$ 24,286,735
Total Revenue	102,321,843	98,196,707	92,741,014	92,633,990	95,707,181
Total Expenditures	90,270,195	86,813,646	83,386,527	82,479,815	82,944,445
Net Transfers	(11,732,539)	(14,063,308)	(9,594,057)	(10,398,717)	(6,703,414)
Sale of Capital Assets	583,943	-	-	-	-
Net Funds Available	903,052	(2,680,247)	(239,570)	(244,542)	6,059,322
Ending Balance	<u>\$ 28,816,808</u>	<u>\$ 27,913,756</u>	<u>\$ 30,594,003</u>	<u>\$ 30,101,515</u>	<u>\$ 30,346,057</u>

(1) Restated.

For additional information regarding the City, please contact:

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 Chief Financial Officer
 City of Grand Prairie
 326 W. Main Street
 Grand Prairie, Texas 75050
 (972) 237-8090

or

Jim S. Sabonis
jim.sabonis@firstsw.com
 Managing Director
 First Southwest Company
 325 N. St. Paul Street, Suite 800
 Dallas, Texas 75201
 (214) 953-4195

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Length of Service	Term Expires	Occupation
Ron Jensen Mayor - At Large	10 Years	May 2016	President and Owner, Control Products
Jorja Jackson Clemson Place 1 - District 1	1 Year	May 2017	President, Store Service Inc.
Jim Swafford Place 2 - District 2	15 Years	May 2016	Retired Bank President
Lila Thorn Place 3 - District 3	1 Year	May 2017	Real Estate Agent
Richard Fregoe Place 4 - District 4 Deputy Mayor Pro-Tem	19 Years	May 2016	Retired Senior Executive U.S. Army/Air Force Exchange Service
Tony Shotwell Place 5 - District 5	18 Years	May 2015	Machinist Programmer, Rheaco, Inc
Jeff Wooldridge Place 6 - District 6	1 Year	May 2015	Self Employed
Jeff Copeland Place 7 - At Large	1 Year	May 2017	President, Federal Title, Inc.
Greg Giessner Place 8 - At Large	5 Years	May 2015	Agent, Farmers Insurance

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service In Grand Prairie	Total Municipal Government Experience
Tom Hart	City Manager	14 Years	38 Years
Anna Doll	Deputy City Manager	30 Years	31 Years
Tom Cox	Deputy City Manager	12 Years	22 Years
Andrew White	Assistant to City Manager	9 Years	13 Years
Don Postell	City Attorney	15 Years	28 Years
Cathy Dimaggio	City Secretary	13 Years	26 Years
Diana Ortiz, RTA	Chief Financial Officer	8 Years	28 Years
Kathleen Mercer	Budget Director	13 Years	15 Years
Ron McCuller	Public Works Director	16 Years	40 Years
Cathy Patrick, CPA, CIA	Internal Auditor	15 Years	20 Years
Tannie Camarata, CTP	Cash/Debt Manager	23 Years	23 Years
Li Jen Lee, CPA, CIA	Controller	6 Years	25 Years

CONSULTANTS AND ADVISORS

Auditors	Weaver, L.L.P. Dallas, Texas
Bond Counsel	Fulbright & Jaworski LLP a member of Norton Rose Fulbright Dallas, Texas
Financial Advisor.....	First Southwest Company Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

\$26,125,000

CITY OF GRAND PRAIRIE, TEXAS

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2014

INTRODUCTION

This Official Statement which includes the Appendices hereto, provides certain information regarding the issuance of \$26,125,000 City of Grand Prairie, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2014 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of sale of the Certificates which will authorize the issuance of the Certificates, except as otherwise indicated herein (the "Ordinance" or the "Certificate Ordinance").

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City of Grand Prairie, Texas (the "City") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, Dallas, Texas.

DESCRIPTION OF THE CITY. . . The City is a political subdivision and home rule municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City first adopted its Home Rule Charter in 1948. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and eight Council members who are elected for staggered three-year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), streets, water and sanitary sewer utilities, environmental health services, parks and recreation, public transportation, public facilities, planning and zoning, and general administrative services. The 1970 Census population for the City was 71,462 while the 2010 population was 175,396. The estimated population for 2015 is 181,230. The City covers approximately 80 square miles.

PLAN OF FINANCING

PURPOSE. . . The Certificates are being issued for the purpose of paying contractual obligations to be incurred (i) acquiring, constructing, improving and equipping public safety facilities and library facilities, (ii) acquiring vehicles for the public safety department (iii) constructing, improving and equipping existing municipal facilities, (iv) constructing street improvements, including drainage, landscaping, curbs, gutters, sidewalks, signage, traffic signalization and street noise abatement incidental thereto and the acquisition of land and rights-of-way therefor and (v) professional services rendered in connection therewith.

USE OF CERTIFICATE PROCEEDS. . . Proceeds from the sale of the Certificates are expected to be expended as follows:

SOURCES OF FUNDS:	
Par Amount of Certificates	\$ 26,125,000.00
Net Premium	<u>2,286,124.11</u>
TOTAL SOURCES:	<u><u>\$ 28,411,124.11</u></u>
 USES OF FUNDS:	
Deposit to Project Fund	\$ 28,260,000.00
Costs of Issuance	<u>151,124.11</u>
TOTAL USES:	<u><u>\$ 28,411,124.11</u></u>

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES. . . The Certificates are dated November 15, 2014, and are scheduled to mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the Delivery Date, estimated to December 2, 2014, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on each August 15 and February 15 until maturity or prior redemption, commencing August 15, 2015. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See “THE CERTIFICATES - Book-Entry-Only System” herein.

Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity or upon earlier redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under “THE CERTIFICATES - Book-Entry-Only System” herein. If the date for any payment on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES. . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Certificate Ordinance.

SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES. . . The Certificates are payable from a combination of (i) a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property within the City and (ii) a limited pledge of \$2,500 of the net revenues of the City’s water and wastewater system, as provided in the Certificate Ordinance.

TAX RATE LIMITATION. . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per each \$100 of Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per each \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt, based on a 90% tax collection rate as calculated at the time of issuance.

OPTIONAL REDEMPTION OF THE CERTIFICATES. . . The City reserves the right, at its option, to redeem Obligations having stated maturities on and after February 15, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2024, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of the Certificates to be redeemed. If less than all of the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If an Obligation (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Obligation (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION. . . The Certificates maturing on February 15, 2028 (the “Term Certificates”) are subject to mandatory sinking fund redemption in the amounts and at the price of par plus accrued interest to the redemption date on February 15 in the following year:

<u>Term Certificates Due February 15, 2028</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>
February 15, 2027	\$720,000
February 15, 2028 (maturity)	\$740,000

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Certificates, the Paying Agent/Registrar shall select by the lot the numbers of the Term Certificates to be redeemed on the next following September 1 from moneys set aside for that purpose in the Certificate Fund (as defined in the Certificate Ordinance). Any Term Certificate not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of Term Certificates required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION. . . Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of each registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH OBLIGATION OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Obligations and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

DEFEASANCE. . . The Ordinance provides for the defeasance of the Certificates, as the case may be, when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds or the Certificates, as the case may be. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under applicable laws of the State of Texas. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

Upon such deposit as described above, the applicable Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS. . . The City may, without the consent of or notice to any Holders of the Certificates, from time to time and at any time, amend the Certificate Ordinance in any manner not detrimental to the interests of the Holders of the Certificates, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of Holders of a majority in aggregate principal amount of the Certificates, then Outstanding, amend, add to, or rescind any of the provisions of the Certificate Ordinance; provided that, without the consent of all Holders of Outstanding Certificates, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, respectively, or (3) reduce the aggregate principal amount of Certificates, as applicable, required to be held by Holders for consent to any such amendment, addition, or rescission.

BOOK-ENTRY-ONLY SYSTEM. . . This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Certificates under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct or Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. **Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system described herein is discontinued.**

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates, unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date (hereinafter defined). The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to one or both series of the Certificates at any time by giving reasonable notice to the City or Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Certificates will be printed and delivered.

Effect of Termination of Book-Entry-Only System... In the event that the Book-Entry-Only System is discontinued, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - Transfer, Exchange and Registration" herein.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor or the Initial Purchaser.

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION. . . In the event the Book-Entry-Only System should be discontinued with respect to the Certificates, printed Certificates, will be delivered to the registered owners thereof, and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar, and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying

Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See “THE CERTIFICATES - Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

RECORD DATE FOR INTEREST PAYMENT. . . The record date (“Record Date”) for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

OBLIGATIONHOLDERS’ REMEDIES. . . If the City defaults in the payment of principal, interest or redemption price, as applicable, on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinances, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the Certificates or the covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

TAX INFORMATION

AD VALOREM TAX LAW. . . The appraisal of property within the City is the responsibility of the Dallas Central Appraisal District, the Tarrant Appraisal District and the Ellis County Appraisal District (collectively the “Appraisal District”). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Texas Tax Code, Title 1, as amended (the “Property Tax Code”), to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Effective January 1, 2010, State law requires the appraised value of a residence homestead to be based solely on the property’s value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law

further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the property's market value for the most recent tax year in which the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, plus (b) the property's appraised value for the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board within each Appraisal District, consisting of members appointed by the Board of Directors of each respective Appraisal District. Each respective Appraisal District is required to review the value of property within each respective Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the appropriate Appraisal Review Board.

Reference is made to the Property Tax Code for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces. The exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 a maximum of \$12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Furthermore, subject to the approval by the voters at the November 8, 2011 election of Senate Joint Resolution 14, effective January 1, 2012, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Under Article VIII and State law, the governing body of a county, municipality, or junior college district may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality, or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Sections 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for “freeport property” to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for “goods-in-transit,” which are defined as personal property acquired or imported into the State and transported to another location inside or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption, but not both, for items of personal property.

A city or a county may utilize tax increment financing (“TIF”), pursuant to the Tax Increment Financing Act, Texas Tax Code, Chapter 311, to encourage development and redevelopment within a designated reinvestment zone. Taxes collected from increases in valuation above the base value (the “captured appraised value”) by each taxing unit that levies ad valorem taxes on real property in the reinvestment zone may be used to pay costs of infrastructure or other public improvements in the reinvestment zone and to supplement or act as a catalyst for private development in the defined area of the reinvestment zone. The tax increment base value for a taxing unit is the total appraised value of all real property taxable by the taxing unit and located in the reinvestment zone as of January 1 of the year in which the city created the reinvestment zone. Each taxing unit can choose to dedicate all, any portion or none of its taxes collected from the captured appraised value to the costs of improvements in the reinvestment zone. The amount of a taxing unit’s tax increment for a year is the amount of property taxes levied by the taxing unit for that year on the captured appraised value of real property taxable by the taxing unit and located in the reinvestment zone, multiplied by the taxing unit’s percentage level of participation.

The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

The City is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended (“Chapter 380”), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE. . . . By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per \$100 taxable value for the current year. The City Council will be required to adopt the annual tax rate for the City before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such required date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its “effective tax rate” and “rollback tax rate”. A tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearings (including the requirement that notice be posted on the City’s website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

“Effective tax rate” means the rate that will produce last year’s total tax levy (adjusted) from this year’s total taxable values (adjusted). “Adjusted” means lost values are not included in the calculation of last year’s taxes and new values are not included in this year’s taxable values.

“Rollback tax rate” means the rate that will produce last year’s maintenance and operation tax levy (adjusted) from this year’s values (adjusted) multiplied by 1.08 plus a rate that will produce this year’s debt service from this year’s values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT. . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST. . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest ⁽¹⁾	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	32 ⁽²⁾	6	38

(1) Interest continues to accrue after July 1 at the rate of 1% per month until paid.

(2) Includes an amount of up to 20% which may be assessed after July 1 to defray attorney expenses. Since 1987, the City has employed an outside attorney to collect its delinquent ad valorem taxes.

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney’s collection fee of up to 20% may be added to the total tax, penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City’s lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

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CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$45,000; the disabled are also granted an exemption of \$30,000.

The City has granted an additional exemption of 1% of the market value of residence homesteads; minimum exemption of \$5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and Dallas County collects taxes for the City by contract.

The City does permit split payments, and discounts are not allowed.

The City does not tax freeport property.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has adopted partial tax abatement guidelines. The City granted partial tax abatements to eleven companies.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2014/2015 Market Valuation Established by Dallas, Tarrant, and Ellis Appraisal Districts		\$12,896,159,169
Less Exemptions/Reductions		
Homestead	\$ 153,633,360	
Over 65 & Disabled	311,303,844	
Disabled Veterans	42,334,389	
Agricultural Use Reductions	65,984,254	
Non-Taxable/Totally Exempt	713,970,115	
Tax Abatements	45,048,660	
Freeport Property	870,411,375	
Pollution Control	3,836,702	
Under \$500	343,500	
Com HSE DEV	17,117,341	
Foreign Trade Zone	80,807,068	
Capped Value Loss	32,910,779	<u>\$ 2,337,701,387</u>
2014/2015 Taxable Assessed Valuation		\$ 10,558,457,782
Outstanding General Obligation Debt as of October 15, 2014 ⁽¹⁾	\$ 206,195,000	
The Certificates	<u>26,125,000</u>	
Total Outstanding General Obligation Debt as of October 15, 2014		\$ 232,320,000
Less Self-Supporting General Obligation Debt		
Airport	\$ 1,575,000	
Tax Increment Financing Districts ⁽²⁾	21,442,000	
Public Improvement Districts	1,245,000	
Crime Control Prevention District	<u>35,405,000</u>	
Total General Obligation Self-Supporting Debt		\$ 59,667,000
Net Funded Debt Payable from Property Taxes		\$ 172,653,000
Interest and Sinking Fund Property Taxes as of 9/1/2014		\$ 10,074,611
Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation		1.64%
	2015 Estimated Population -	181,230
	Per Capita Taxable Assessed Valuation -	\$58,260
	Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes -	\$953

(1) Excludes a portion of: the Combination Tax and Revenue Certificates of Obligation, Series 2006-A (\$795,000); the General Obligation Refunding and Improvement Bonds, Series 2007 (\$960,000); the Combination Tax and Revenue Certificates of Obligation, Series 2010 (\$855,000); the General Obligation Refunding and Improvement Bonds, Series 2011 (\$1,875,000); the General Obligation Refunding and Improvement Bonds, Series 2011A (\$2,150,000); the General Obligation Refunding Bonds, Series 2012 (\$1,005,000); and the General Obligation Refunding and Improvement Bonds, Series 2013 (\$220,000). The City will defease the portions of such obligations described above on December 2, 2014 (the Delivery Date of the Certificates) with cash on hand.

(2) Excludes a portion of: the Combination Tax and Revenue Certificates of Obligation, Series 2006-A (\$795,000); the Combination Tax and Revenue Certificates of Obligation, Series 2010 (\$855,000); the General Obligation Refunding and Improvement Bonds, Series 2011 (\$1,875,000); the General Obligation Refunding and Improvement Bonds, Series 2011A (\$1,210,000); the General Obligation Refunding Bonds, Series 2012 (\$880,000); and the General Obligation Refunding and Improvement Bonds, Series 2013 (\$220,000). The City will defease the portions of such obligations described above on December 2, 2014 (the Delivery Date of the Certificates) with cash on hand.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2015		2014		2013	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$5,319,162,404	41.25%	\$4,959,066,530	41.33%	\$4,907,374,219	42.99%
Real, Residential, Multi-Family	\$882,407,234	6.84%	\$768,015,496	6.40%	\$687,729,927	6.02%
Real, Vacant Platted Lots/Tracts	\$259,563,575	2.01%	\$175,107,479	1.46%	\$166,995,243	1.46%
Real, Acreage (Land Only)	\$62,144,638	0.48%	\$106,024,206	0.88%	\$109,970,398	0.96%
Real, Farm and Ranch Improvements	\$0	0.00%	\$0	0.00%	\$0	0.00%
Real, Commercial and Industrial	\$2,275,465,703	17.64%	\$2,256,987,746	18.81%	\$2,056,760,918	18.02%
Oil, Gas Mineral Reserves	\$62,497,001	0.48%	\$30,663,548	0.26%	\$40,126,590	0.35%
Real and Tangible Personal, Utilities	\$168,878,236	1.31%	\$157,487,124	1.31%	\$153,338,958	1.34%
Tangible Personal, Business	\$2,985,380,646	23.15%	\$2,558,054,941	21.32%	\$2,285,159,453	20.02%
Tangible Personal, Other	\$44,023,318	0.34%	\$57,065,856	0.48%	\$54,256,543	0.48%
Special Inventory	\$27,041,920	0.21%	\$25,693,160	0.21%	\$21,681,820	0.19%
Certified values in dispute	\$95,624,379	0.74%	\$281,892,593	2.35%	\$245,527,693	2.15%
Non-Taxable Property	\$713,970,115	5.54%	\$621,939,681	5.18%	\$686,428,709	6.01%
Total Appraised Value Before Exemptions	\$12,896,159,169	100.00%	\$11,997,998,360	100.00%	\$11,415,350,471	100.00%
Less Exemptions:						
Homestead	\$153,633,360		\$153,084,410		\$154,657,325	
Over 65 & Disabled	\$311,303,844		\$299,724,652		\$288,301,948	
Disabled Veterans	\$42,334,389		\$33,294,780		\$28,993,759	
Agricultural/Open Spaces	\$65,984,254		\$78,656,313		\$78,606,107	
Non-Taxable	\$713,970,115		\$621,939,681		\$686,428,709	
Tax Abatements	\$45,048,660		\$26,940,829		\$35,688,958	
Freeport Property	\$870,411,375		\$821,872,664		\$671,326,982	
Pollution Control	\$3,836,702		\$4,294,225		\$1,223,060	
Under \$500	\$343,500		\$144,389		\$40,369	
Com HSE DEV	\$17,117,341		\$15,587,062		\$22,181,850	
Foreign Trade Zone	\$80,807,068		\$93,743,929		\$71,668,749	
Capped Value Loss	\$32,910,779		\$6,352,896		\$2,409,478	
Taxable Assessed Value	\$10,558,457,782		\$9,842,362,530		\$9,373,823,177	

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2012		2011		2010	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$4,914,418,257	43.03%	\$4,901,533,132	43.99%	\$4,937,670,046	43.19%
Real, Residential, Multi-Family	\$664,974,745	5.82%	\$630,524,235	5.66%	\$665,413,011	5.82%
Real, Vacant Platted Lots/Tracts	\$182,455,984	1.60%	\$193,059,178	1.73%	\$187,328,468	1.64%
Real, Acreage (Land Only)	\$113,445,291	0.99%	\$115,446,546	1.04%	\$130,934,415	1.15%
Real, Farm and Ranch Improvements	\$0	0.00%	\$0	0.00%	\$0	0.00%
Real, Commercial and Industrial	\$2,006,919,886	17.57%	\$1,981,084,770	17.78%	\$2,112,486,209	18.48%
Oil, Gas Mineral Reserves	\$107,657,967	0.94%	\$49,254,590	0.44%	\$0	0.00%
Real and Tangible Personal, Utilities	\$158,662,109	1.39%	\$148,331,951	1.33%	\$116,528,337	1.02%
Tangible Personal, Business	\$2,320,251,917	20.31%	\$2,197,744,995	19.72%	\$2,163,448,490	18.93%
Tangible Personal, Other	\$52,815,713	0.46%	\$48,310,087	0.43%	\$70,153,691	0.61%
Special Inventory	\$19,733,380	0.17%	\$34,623,600	0.31%	\$45,730,230	0.40%
Certified values in dispute	\$199,170,855	1.74%	\$157,535,940	1.41%	\$402,245,019	3.52%
Non-Taxable Property	\$681,350,546	5.97%	\$684,901,800	6.15%	\$599,565,933	5.24%
Total Appraised Value Before Exemptions	\$11,421,856,650	100.00%	\$11,142,350,824	100.00%	\$11,431,503,849	100.00%
Less Exemptions:						
Homestead	\$156,016,489		\$155,289,202		\$150,554,618	
Over 65 & Disabled	\$275,716,360		\$267,439,636		\$255,709,113	
Disabled Veterans	\$26,511,146		\$23,037,958		\$11,127,788	
Agricultural/Open Spaces	\$80,695,791		\$85,652,550		\$81,163,367	
Non-Taxable	\$681,350,546		\$684,901,800		\$599,565,933	
Tax Abatements	\$28,670,461		\$20,692,425		\$27,160,150	
Freeport Property	\$641,412,998		\$515,732,084		\$625,313,388	
Pollution Control	\$3,348,122		\$3,729,761		\$952,143	
Under \$500	\$31,160		\$31,440		\$30,330	
Com HSE DEV	\$17,261,197		\$24,495,344		\$16,058,905	
Foreign Trade Zone	\$64,653,280		\$69,514,820		\$81,056,189	
Capped Value Loss	\$3,247,549		\$3,598,275		\$5,092,360	
Taxable Assessed Value	\$9,442,941,551		\$9,288,235,529		\$9,577,719,565	

NOTE: Valuations shown are certified taxable assessed values reported by the Dallas, Tarrant and Ellis County Appraisal Districts to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Net General Obligation (G.O.) Tax Debt ⁽³⁾	Net G.O. Tax Debt Per Capita	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation
2010	175,396	\$ 9,577,719,656	⁽⁴⁾ 54,606	\$ 158,366,260	\$ 903	1.65%
2011	175,960	9,288,255,529	⁽⁵⁾ 52,786	155,711,000	885	1.68%
2012	179,476	9,442,941,551	⁽⁶⁾ 52,614	142,260,000	793	1.51%
2013	181,303	9,373,823,177	⁽⁷⁾ 51,703	144,634,000	798	1.54%
2014	181,230	9,842,362,530	⁽⁸⁾ 54,309	148,553,000	820	1.51%
2015	181,230	10,558,457,782	⁽⁹⁾ 58,260	161,857,000 ⁽¹⁰⁾	893	1.53%

(1) Source: City Staff.

(2) As reported by the Dallas Central Appraisal District, Tarrant Appraisal District, and Ellis Central Appraisal District on the City's Annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Projected. Excludes revenue supported general obligation debt.

(4) Includes taxable incremental value of approximately \$875,095,331 that is not available for the City's general use.

(5) Includes taxable incremental value of approximately \$850,473,176 that is not available for the City's general use.

(6) Includes taxable incremental value of approximately \$898,821,002 that is not available for the City's general use.

(7) Includes taxable incremental value of approximately \$352,024,122 that is not available for the City's general use.

(8) Includes taxable incremental value of approximately \$487,063,500 that is not available for the City's general use.

(9) Includes taxable incremental value of approximately \$528,935,423 that is not available for the City's general use.

(10) Projected, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2010	\$ 0.669998	\$ 0.484892	\$ 0.185106	\$ 64,170,530	99.71%	100.21%
2011	0.669998	0.484892	0.185106	62,231,126	98.30%	98.30%
2012	0.669998	0.484892	0.185106	63,267,520	98.78%	99.85%
2013	0.669998	0.484892	0.185106	62,804,428	99.07%	99.07%
2014	0.669998	0.484892	0.185106	65,943,632	99.18% ⁽¹⁾	99.29% ⁽¹⁾
2015	0.669998	0.484892	0.185106	70,741,456	NA	NA

(1) Collections through 9/30/2014, unaudited.

TABLE 5 - TEN LARGEST TAXPAYERS⁽¹⁾

Name of Taxpayer	Nature of Property	2014/2015	% of Total
		Taxable Assessed Valuation	Taxable Assessed Valuation
Grand Prairie Outlets LLC	Outlet Mall	\$142,000,000	1.34%
Bell Helicopter-Textron	Helicopter Transmissions	115,818,026	1.10%
Poly America LP	Manufacturing	111,073,320	1.05%
Republic Beverage	Beverage Distribution	92,734,017	0.88%
Oncor Electric Delivery Co.	Electric Utility	85,175,256	0.81%
Lockheed Martin	Defense Industry	68,418,900	0.65%
Duke Realty LTD PS	Real Estate	67,804,090	0.64%
Prologis	Real Estate	60,796,069	0.58%
Triumph Group Vaught Aircraft	Manufacturing	48,712,818	0.46%
Cardinal Health 414 LLC	Healthcare	44,118,132	0.42%
		<u>\$ 836,650,628</u>	<u>7.92%</u>

(1) Source: Dallas Central Appraisal District, Tarrant Appraisal District and the Ellis Central Appraisal District.

GENERAL OBLIGATION DEBT LIMITATION. . . No general obligation debt limitation is imposed on the City under current State law or the City’s Home Rule Charter (see “THE CERTIFICATES – Tax Rate Limitation”).

TABLE 6 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt (“Tax Debt”) 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 Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Body	2014/2015	2014/2015	G.O. Debt as of 9/1/2014	Estimated % Overlapping	Overlapping G.O. Debt
	Taxable Assessed Valuation				
Arlington Independent School District	\$ 21,398,119,339	\$ 1.3010	\$ 579,644,720	18.57%	\$ 107,640,025
Cedar Hill Independent School District	2,703,886,732	1.5250	129,194,737	3.32%	4,289,265
Dallas County	175,072,563,521	0.2531	111,350,000	2.77%	3,084,395
Dallas County Community College District	182,822,509,060	0.1248	339,035,000	2.77%	9,391,270
Dallas County Flood Control District #1	344,410,803	2.9000	28,565,000	1.63%	465,610
Dallas County Hospital District	165,425,088,192	0.2860	736,235,000	2.77%	20,393,710
Dallas County Schools	164,158,531,709	0.0100	67,265,000	2.77%	1,863,241
Ellis County	11,135,359,902	0.3801	49,516,262	0.16%	79,226
Grand Prairie Independent School District	5,231,038,054	1.4650	462,964,392	91.05%	421,529,079
Irving Independent School District	10,011,037,928	1.4350	516,550,635	0.78%	4,029,095
Mansfield Independent School District	9,509,834,804	1.5271	719,518,374	10.21%	73,462,826
Midlothian Independent School District	3,040,090,679	1.5400	243,304,663	1.04%	2,530,368
Tarrant County	132,971,955,288	0.2640	317,820,000	3.94%	12,522,108
Tarrant County Community College District	133,754,637,419	0.1495	7,935,000	3.94%	312,639
Tarrant County Hospital District	133,230,920,130	0.2279	24,425,000	3.90%	952,575
			<u>\$ 4,333,323,783</u>		<u>\$ 662,545,430</u>
City of Grand Prairie	\$ 10,558,457,782	\$ 0.6699	\$ 172,653,000 ⁽¹⁾	100.00%	\$ 172,653,000
Total Direct and Overlapping Debt.....					\$ 835,198,430
Total Direct and Overlapping Debt to City's Taxable Assessed Value.....					7.91%

(1) Excludes self-supporting debt, includes the Certificates.

DEBT INFORMATION

TABLE 7 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service ⁽¹⁾			The Certificates			Total General Obligation Debt Service	Less: Self- Supporting Debt Service	Net General Obligation Debt Service	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total D/S				
	2015	\$ 16,920,000	\$ 12,929,512	\$ 29,849,512	\$ -	\$ 781,323	\$ 781,323	\$ 30,630,835	\$ 13,540,971	\$ 17,089,864
2016	17,565,000	11,856,969	29,421,969	1,660,000	1,070,264	2,730,264	32,152,232	13,312,940	18,839,292	
2017	18,315,000	10,672,827	28,987,827	1,740,000	985,264	2,725,264	31,713,091	13,019,149	18,693,941	
2018	18,730,000	9,403,266	28,133,266	1,835,000	895,889	2,730,889	30,864,155	12,541,490	18,322,664	
2019	19,445,000	8,056,141	27,501,141	1,925,000	801,889	2,726,889	30,228,030	12,188,621	18,039,409	42.24%
2020	19,040,000	6,632,248	25,672,248	2,025,000	703,139	2,728,139	28,400,386	11,632,831	16,767,556	
2021	18,840,000	5,126,403	23,966,403	2,125,000	599,389	2,724,389	26,690,792	10,432,169	16,258,623	
2022	17,230,000	3,604,801	20,834,801	2,230,000	490,514	2,720,514	23,555,315	7,999,685	15,555,630	
2023	9,200,000	2,295,494	11,495,494	2,350,000	376,014	2,726,014	14,221,508	199,375	14,022,133	
2024	8,945,000	1,931,078	10,876,078	2,445,000	280,589	2,725,589	13,601,667	199,875	13,401,792	78.58%
2025	7,880,000	1,597,828	9,477,828	680,000	233,714	913,714	10,391,541	-	10,391,541	
2026	7,615,000	1,283,128	8,898,128	695,000	213,089	908,089	9,806,217	-	9,806,217	
2027	7,180,000	965,623	8,145,623	720,000	191,864	911,864	9,057,486	-	9,057,486	
2028	4,545,000	704,878	5,249,878	740,000	169,964	909,964	6,159,841	-	6,159,841	
2029	4,535,000	501,020	5,036,020	760,000	147,464	907,464	5,943,484	-	5,943,484	93.80%
2030	3,010,000	338,436	3,348,436	790,000	123,720	913,720	4,262,156	-	4,262,156	
2031	2,700,000	224,211	2,924,211	810,000	98,416	908,416	3,832,627	-	3,832,627	
2032	1,715,000	138,948	1,853,948	835,000	71,888	906,888	2,760,835	-	2,760,835	
2033	1,780,000	74,603	1,854,603	865,000	44,263	909,263	2,763,866	-	2,763,866	
2034	1,005,000	20,728	1,025,728	895,000	15,103	910,103	1,935,831	-	1,935,831	100.00%
	<u>\$ 206,195,000</u>	<u>\$ 78,358,140</u>	<u>\$ 284,553,140</u>	<u>\$ 26,125,000</u>	<u>\$ 8,293,755</u>	<u>\$ 34,418,755</u>	<u>\$ 318,971,895</u>	<u>\$ 95,067,107</u>	<u>\$ 223,904,788</u>	

(1) Interest on the Combination Tax & Tax Increment Revenue Certificates of Obligation, Series 2001; the Combination Tax & Revenue Certificates of Obligation, Series 2007A; and the Combination Tax & Revenue Certificates of Obligation, Series 2008 calculated at the maximum rate of 15%.

Excludes a portion of: the Combination Tax and Revenue Certificates of Obligation, Series 2006-A (\$795,000); the General Obligation Refunding and Improvement Bonds, Series 2007 (\$960,000); the Combination Tax and Revenue Certificates of Obligation, Series 2010 (\$855,000); the General Obligation Refunding and Improvement Bonds, Series 2011 (\$1,875,000); the General Obligation Refunding and Improvement Bonds, Series 2011A (\$2,150,000); the General Obligation Refunding Bonds, Series 2012 (\$1,005,000); and the General Obligation Refunding and Improvement Bonds, Series 2013 (\$220,000). The City will defease the portions of such obligations described above on December 2, 2014 (the Delivery Date of the Certificates) with cash on hand.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION ⁽¹⁾

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2015		\$ 20,814,458
Estimated Interest and Sinking Fund, 9/30/2014	\$ 10,074,611	
Budgeted 2015 Interest and Sinking Fund Tax Levy @ 98% Collection	18,921,421	
Transfer from Section 8/Cemetery	165,000	
Interest Earnings	<u>300</u>	
Total Available		<u>\$ 29,161,332</u>
Estimated Balance, Fiscal Year Ending 9/30/15		\$ 8,346,874

(1) Data provided by the City.

TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT

	Airport Fund	TIF #1	TIF #2	Crime Control District	PID15	PID 1
Net Revenues Available for Debt Service from Systems Operations, Fiscal Year Ended 9/30/2013	\$ 1,475,581	\$ 1,782,032	\$ 8,122,910	\$ 6,089,780	\$ 165,091	\$ 300,215
Less: Revenue Bond Requirements, Fiscal Year Ended 9/30/13	-	-	-	-	-	-
Balance Available for Other Purposes	\$ 1,475,581	\$ 1,782,032	\$ 8,122,910	\$ 6,089,780	\$ 165,091	\$ 300,215
General Obligation Bonds, Certificates of Obligation and Water Contract Bond Requirements, Fiscal Year Ended 9/30/13	204,789	1,839,172	1,222,583	3,194,840	149,500	187,869
Balance	\$ 1,270,792	\$ (57,140)	\$ 6,900,327	\$ 2,894,940	\$ 15,591	\$ 112,346
Percentage of System General Obligation Bonds and Certificates of Obligation Self-Supporting	100.00%	96.89%	100.00%	100.00%	100.00%	100.00%

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Authorized but Unissued
Solid Waste	12/8/1990	\$ 180,000	\$ 75,000	\$ -	\$ 105,000
Streets/Signal	11/6/2001	56,000,000	55,959,773	-	40,227
Storm Drainage	11/6/2001	8,200,000	6,576,573	-	1,623,427
Public Safety	11/6/2001	11,800,000	11,534,750	-	-
		<u>\$ 76,180,000</u>	<u>\$ 74,146,096</u>	<u>\$ -</u>	<u>\$ 1,768,654</u>

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT. . . . The City does not anticipate issuing any additional tax supported debt within the next twelve months.

CASH DEFEASANCE . . . Concurrently with the issuance of the Certificates, the City expects to defease portions of its (i) Combination Tax and Revenue Certificates of Obligation, Series 2006-A," dated September 15, 2006, maturing on February 15 in each of the years 2015 through 2020 (the "Series 2006-A Certificates"), (ii) General Obligation Refunding and Improvement Bonds, Series 2007," dated October 1, 2007, maturing on February 15 in each of the years 2015 through 2019 (the "Series 2007 Bonds"), (iii) Combination Tax and Revenue Certificates of Obligation, Series 2010," dated February 1, 2010, maturing on February 15 in each of the years 2015 through 2025 (the "Series 2010 Certificates"), (iv) General Obligation Refunding and Improvement Bonds, Series 2011," dated February 1, 2011, maturing on February 15 in each of the years 2015 through 2020 (the "Series 2011 Bonds"), (v) General Obligation Refunding and Improvement Bonds, Series 2011A," dated November 1, 2011, maturing on February 15 in each of the years 2015 through 2024 (the "Series 2011A Bonds"), (vi) General Obligation Refunding Bonds, Series 2012," dated

December 15, 2012, maturing on February 15 in each of the years 2015 through 2026 (the “Series 2012 Bonds”) and (vii) General Obligation Refunding and Improvement Bonds, Series 2013,” dated April 1, 2013, maturing on February 15 in each of the years 2015 through 2020 (the “Series 2013 Bonds”) pursuant to a Special Escrow Agreement, dated as of November 4, 2014 (the “Defeasance Escrow Agreement”), by and between the City and The Bank of New York Mellon Trust Company, N.A. (the “Defeasance Escrow Agent”).

The portions of the Series 2006-A Certificates scheduled to mature on February 15 in the years 2015 and 2016 and aggregating in principal amount \$240,000, the portions of the Series 2007 Bonds scheduled to mature on February 15 in the years 2015 through 2017 and aggregating in principal amount \$550,000, the portions of the Series 2010 Certificates scheduled to mature on February 15 in the years 2015 through 2019 and aggregating in principal amount \$700,000, the portions of the Series 2011A Bonds scheduled to mature on February 15 in the years 2015 through 2020 and aggregating in principal amount \$1,720,000, the Series 2011 Bonds, the Series 2012 Bonds and the Series 2013 Bonds will be defeased, paid and discharged by the deposit of money to the Defeasance Escrow Agreement in an amount sufficient to pay such obligations on their respective maturity dates.

From funds deposited to the Defeasance Escrow Agreement, the portions of the Series 2006-A Certificates scheduled to mature on February 15 in the years 2017 through 2020 and aggregating in principal amount of \$555,000, will be redeemed on February 15, 2016, the portions of the Series 2007 Bonds scheduled to mature on February 15 in the years 2018 and 2019 and aggregating in principal amount of \$410,000, will be redeemed on February 15, 2017, a portion of the Series 2010 Certificates scheduled to mature on February 15, 2025 and aggregating in principal amount of \$155,000, will be redeemed on February 15, 2019 and portions of the Series 2011A Bonds scheduled to mature on February 15 in the years 2021 through 2024, and aggregating in principal amount of \$430,000, will be redeemed on February 15, 2020.

OTHER OBLIGATIONS . . . The City has no other tax supported debt outstanding as of the date of this Official Statement except as described herein.

RETIREMENT PLAN . . . All eligible employees of the City are members of the Texas Municipal Retirement System (“TMRS”). Members can retire at ages 60 and above with 5 or more years of service or with 25 years of service regardless of age. The Plan also provides death and disability benefits. A member is vested after 5 years, but he must leave his accumulated contributions in the Plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he 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 actual constraints also in the statutes.

The contribution rate for the employees is 7%, and the City matching percent is currently 200% of employee contributions, or 14%, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. For the December 31, 2012 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advanced funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year “open” to a 25-year “closed” period. The projected unit credit method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2012, valuation is effective for rates beginning January 1, 2013).

The book value of assets is amortized cost for bonds and original cost for short-term securities and stocks. The actuarial assumptions used to compute the actuarially determined City contribution rate are the same as those used to compute the pension benefit obligation. The numbers below reflect the adoption of changes in the Plan since the previous actuarial valuation.

Fiscal Year	Net Assets Available for Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll
2008	\$ 184,115,536	\$ 270,661,623	68.00%	\$ 86,546,087	\$ 67,018,137	129.14%
2009	195,807,917	283,654,428	69.00%	87,846,511	66,030,734	133.00%
2010	299,459,271	365,426,666	81.90%	65,967,395	65,426,278	100.83%
2011	323,972,818	385,345,197	84.10%	61,372,379	64,693,060	94.87%
2012	349,460,132	405,074,405	86.30%	55,614,273	66,435,664	83.70%
2013	376,082,419	450,523,220	83.50%	74,440,801	68,769,035	108.25%

OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits through the Texas Municipal Retirement System, the City has opted to provide eligible retired employees with the following post-employment benefits:

Eligible retirees may purchase health insurance from the City's healthcare provider. The cost of insurance varies based on date retired, plan selected, and years of Grand Prairie service. The cost of coverage is shared between the City and the retiree in varying increments based on the above factors.

Eligible retirees may purchase health insurance from the City's healthcare provider at the City's cost to cover current employees for dependents if the dependents were covered consecutively during the past two years prior to the retirement date. The cost of insurance varies based on date retired, plan selected, and years of Grand Prairie service. The cost of coverage is shared between the City and the retiree in varying increments based on the above factors.

The City recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. The appropriation for the fiscal year ending September 30, 2013 was \$1,442,328.

In fiscal 2007, the City implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." The City has performed an actuarial valuation of its post-retirement benefit liability. It has engaged an independent actuarial firm to prepare a valuation. The City reviewed the study and plans to comply with legal requirements to perform additional studies in the future at the required intervals. The actuarial liability is estimated at \$32,048,413 at September 30, 2013.

For more information concerning the City's post-employment benefits, see the financial statements of the City, and the notes thereto.

TABLE 11 - CHANGE IN NET ASSETS

Revenues	Fiscal Year Ending, September 30,				
	2013	2012	2011	2010	2009
Program Revenues:					
Charges for Services	\$ 35,828,489	\$ 32,877,033	\$ 39,243,610	\$ 35,277,584	\$ 35,205,336
Operating Grants and Contributions	33,339,115	31,329,503	37,588,585	31,232,753	28,333,421
Capital Grants and Contributions	5,242,216	6,290,285	2,664,489	9,112,664	5,795,714
General Revenues:					
Property Taxes	\$ 71,785,225	\$ 70,153,052	\$ 71,554,937	\$ 75,091,425	\$ 76,687,029
Sales Taxes	47,155,704	45,457,902	41,713,795	39,891,881	40,376,226
Other Taxes and Assessments	1,488,871	1,332,259	1,332,984	1,232,928	1,231,899
Franchise Fees	12,811,696	12,902,516	13,492,977	12,060,211	12,531,556
Investment Income	437,770	1,004,777	1,341,476	1,844,371	6,688,474
Other	-	-	-	367,154	-
Total Revenues	\$ 208,089,086	\$ 201,347,327	\$ 208,932,853	\$ 206,110,971	\$ 206,849,655
Expenses					
Support Services	\$ 18,633,541	\$ 17,928,238	\$ 19,100,748	\$ 17,278,851	\$ 17,647,031
Public Safety	76,382,993	72,934,513	88,336,343	81,872,640	70,728,042
Recreation and Leisure	24,830,027	24,071,732	22,368,768	21,517,961	24,302,491
Development and Other Services	79,001,166	84,171,972	74,251,224	58,153,994	56,491,002
Interest on Long-Term Debt	8,125,389	9,227,798	9,817,549	10,618,864	12,141,929
	\$ 206,973,116	\$ 208,334,253	\$ 213,874,632	\$ 189,442,310	\$ 181,310,495
Increase in Net Assets Before Transfers	\$ 1,115,970	\$ (6,986,926)	\$ (4,941,779)	\$ 16,668,661	\$ 25,539,160
Transfers, Net	5,390,831	3,288,547	5,625,851	(1,542,012)	(1,112,837)
Increase (Decrease) in Net Assets	\$ 6,506,801	\$ (3,698,379)	\$ 684,072	\$ 15,126,649	\$ 24,426,323
Prior Period Adjustments	(2,400,226)	-	(338,226)	-	-
Net Assets - Beginning	422,209,582	425,907,961	425,562,115	410,435,466	386,009,143
Net Assets - Ending	\$ 426,316,157	\$ 422,209,582	\$ 425,907,961	\$ 425,562,115	\$ 410,435,466

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TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2013	2012	2011	2010	2009
Revenues:					
Property Taxes	\$44,109,200	\$42,719,247	\$40,552,706	\$42,598,742	\$ 43,417,147
Sales Taxes	24,499,912	22,544,649	20,651,345	19,844,420	20,011,334
Franchise Fees	12,761,696	12,902,516	13,041,940	12,060,211	12,473,798
Charges for Services	5,107,012	4,488,395	4,876,764	4,688,438	4,531,231
Fines and Forfeitures	6,935,918	5,961,650	5,112,430	5,569,652	5,554,341
Licenses and Permits	2,613,439	2,316,295	2,258,224	2,228,316	1,879,236
Interest	426,338	991,537	232,135	248,021	1,471,102
Other	5,868,328	6,272,418	6,015,470	5,396,190	6,368,992
Total Revenues	\$ 102,321,843	\$ 98,196,707	\$ 92,741,014	\$ 92,633,990	\$ 95,707,181
Expenditures:					
Administrative Services	\$12,020,318	\$11,555,552	\$10,405,522	\$9,932,982	\$ 10,333,344
Public Safety Services	63,614,878	61,169,275	59,400,698	58,308,024	57,385,178
Development Service and Other	11,815,802	11,500,744	11,324,201	11,633,268	12,425,883
Recreation and Leisure Services	1,785,968	1,682,121	1,650,855	1,946,463	2,058,771
Capital Outlays	1,033,229	905,954	605,251	659,078	741,269
Total Expenditures	\$ 90,270,195	\$ 86,813,646	\$ 83,386,527	\$ 82,479,815	\$ 82,944,445
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 12,051,648	\$ 11,383,061	\$ 9,354,487	\$ 10,154,175	\$ 12,762,736
Transfer in (Out) Net	(11,732,539)	(14,063,308)	(9,594,057)	(10,398,717)	(6,703,414)
Proceeds for sale of capital assets	583,943	-	-	-	-
Prior Period Adjustment	-	-	732,058	-	-
Beginning Fund Balance	27,913,756	30,594,003	30,101,515	30,346,057	24,286,735
Ending Fund Balance	\$ 28,816,808	\$ 27,913,756	\$ 30,594,003	\$ 30,101,515	\$ 30,346,057

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TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended	City Financial Statements							City Equivalent of Total Ad Valorem Tax Rate
	Parks and Recreation		Baseball Stadium		Senior Center	Crime Control	Total	
	City	Streets						
2010	\$19,844,420	\$5,136,774	\$5,136,774	\$2,568,387	\$2,568,387	\$4,637,138	\$39,891,880	\$0.2075
2011	20,651,345	5,313,584	5,313,584	2,656,792	2,656,793	5,121,697	41,713,795	0.2223
2012	22,544,649	5,762,747	5,762,748	2,881,375	2,881,375	5,625,008	45,457,902	0.2387
2013	24,499,912	6,223,346	6,223,345	3,111,672	3,111,672	6,089,780	49,259,727	0.2614
2014 ⁽¹⁾	25,162,422	6,391,061	6,391,061	3,195,530	3,195,530	6,350,585	50,686,189	0.2557

(1) Collections through November 7, 2014 on an accrual basis.

SALES TAX ELECTION

The voters approved a one-half cent ($\frac{1}{2}\%$) local sales and use tax at an election held on January 18, 1992 under Section 4B of the Development Corporation Act of 1979. The additional sales tax receipts were used exclusively for costs associated with a horse racetrack. The City began collecting the tax in April 1993. The sales tax authorized by the January 18, 1992 election is not pledged to or available for payment on the Certificates. The bonds payable from said sales tax were paid off September 15, 2007 and the sales tax was stopped on September 30, 2007.

The voters approved a one-fourth cent ($\frac{1}{4}\%$) local sales and use tax rate at an election held on November 2, 1999 under Section 334.021 of Chapter 334, Local Government Code. The additional sales tax receipts will be used exclusively for costs associated with the municipal parks and recreation system as defined in Section 334.001(4)(D). The City began collecting the tax in April 2000. The sales tax authorized by the November 2, 1999 election is not pledged to or available for payment on the Certificates.

The voters approved a one-fourth cent ($\frac{1}{4}\%$) local sales and use tax rate at an election held on November 6, 2001 under Chapter 327 Subtitle C, Title 3, Tax Code. The additional sales tax receipts will be used exclusively for street repair maintenance. The $\frac{1}{4}$ cent sales tax has a life of 4 years unless re-approved by the voters. The sales tax authorized by the November 6, 2001 election is not pledged to or available for payment of the Certificates. The sales tax was reauthorized in May 2013.

On May 12, 2007 voters approved three new uses for the half cent sales tax previously used by the Grand Prairie Sports Facilities Development Corporation. The new projects and tax information are as follows:

- A one-fourth cent ($\frac{1}{4}$ cent) local sales and use tax under Section 363.054 of Chapter 363, Local Government Code for Crime Control and Prevention District to fund a new Police Center.
- A one-eighth cent ($\frac{1}{8}$ cent) local sales and use tax under Section 334.021 of Chapter 334, Local Government Code for a new Senior Center.
- A one eighth cent ($\frac{1}{8}$ cent) local sales and use tax under Section 334.021 of Chapter 334, Local Government Code for a minor league baseball stadium.

The additional sales tax receipts will be exclusively for costs associated with each of the projects. The City began collecting the tax on October 1, 2007.

DEVELOPMENT FEES

The new impact fees will be used for water improvements and wastewater improvements and are not pledged to the payment of the debt service requirements of the Certificates. Impact fees for roadway improvements were eliminated in 2001. Each of the two types of fees are developed separately based upon excess capacity of existing infrastructure and projected construction of capital improvements over the next 10 years. Revenues generated by impact fees can only be used to finance the improvements identified in an adopted Capital Improvements Plan. The City must update land use assumptions and capital improvements plans every three years.

FYE	Impact Fee	
	Water	Wastewater
2008	\$ 1,799,483	\$ 492,364
2009	838,401	235,288
2010	913,598	261,095
2011	791,558	226,221
2012	888,838	195,667
2013	1,067,815	326,805
2014 ⁽¹⁾	1,270,404	347,478

(1) Through August 31, 2014

The City created a storm water utility under the Texas Municipal Drainage Utility Systems Act. Such Act provides for the creation of a storm water utility to provide storm water services including planning, operations, maintenance, and capital improvements for storm water runoff. Such Act also provides for collection of user fees based on storm water runoff volumes.

COMPENSATED ABSENCES

The City's accrued unfunded compensated absences liability is approximately \$13,906,501 as of September 30, 2012.

RISK MANAGEMENT

Property, liability, safety, workers' compensation and health and wellness insurance are accounted for in the Risk Management Fund, an internal service fund. Expenses of these programs in 2012/13 were \$2,567,847 for property, liability and workers' compensation and \$16,059,740 for employee health and wellness insurance.

Beginning October 1, 1991, the City placed all of its property, liability and workers' compensation coverage with Texas Municipal League Intergovernmental Risk Pool. The limits of liability and retention vary according to type of coverage provided.

The operating funds are charged premiums for property, liability, workers' compensation and employee health coverage by the Risk Management Fund. Employees pay for dependent health coverage independently. The incurred but unreported claims for these programs as of September 30, 2012 were \$2,728,668.

The City allows retired employees to continue participating in its group health insurance program after retirement with all premiums paid by the retirees.

FINANCIAL MANAGEMENT POLICIES

The City Council and staff make financial decisions throughout the year based upon financial guidelines. The Financial Management Policies (FMP) provides a framework, or master plan, within which to make operating and capital budget decisions, as well as other financial decisions. The primary objective of the FMP is to enable the City to achieve a long-term stable and positive financial condition.

The policies which were originally approved by City Council resolution on February 9, 1988 and are updated annually address the following subjects: accounting, auditing and financial reporting, internal controls, operating budget, capital budget and program, revenue management, expenditure control, asset management, financial condition and reserves, debt management, and staffing and training. Significant issues addressed by the policies include the following:

BASIS OF ACCOUNTING . . . The City policy is to adhere to the accounting principles established by the Governmental Accounting Standards Board, as amended.

GENERAL FUND BALANCE . . . The City's goal is to maintain between 50 and 60 days of expenditures of the General Fund expenditures budget in the General Fund resources balance.

DEBT SERVICE FUND BALANCE . . . The City policy is to maintain balances of no greater than one month of principal and interest requirements except that the City's revenue bond policy and bond ordinance requirement are to maintain revenue supported debt service reserves at the level of the average annual debt service plus an amount accrued for the debt service payment.

USE OF BOND PROCEEDS, GRANTS, ETC . . . The City policy is to use bond proceeds only for major assets with expected lives which equal or exceed the average life of the debt issue.

BUDGETARY PROCEDURES . . . The City policy is to pay for current expenditures with certain revenues and to utilize reserves only for emergencies. The annual operating budget shall provide for operation and maintenance of capital plant.

FUND INVESTMENTS . . . The City policy is to invest its cash with three objectives in mind listed in order of priority: safety, liquidity and yield. Unrestricted idle cash is pooled for short-term investment in government securities, money market mutual funds and local government investment pools. The mix and term of investments is determined based on the City's liquidity needs and the yield curve.

TAX ABATEMENT . . . The City policy is to grant tax abatement for the development of new facilities or the expansion of existing facilities for which the life of the facility exceeds the life of the abatement. For properties not in an enterprise zone, total investment must exceed \$5,000,000, total job creation must exceed 25 permanent positions, the abatement period may not exceed 10 years and the abatement percentage may not exceed 75%.

INVESTMENTS

The City invests its investable funds in investments authorized by State law in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

LEGAL INVESTMENTS. . . Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit, (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256 of the Texas Government Code, as amended (the "PFIA")) (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) that are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the PFIA; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A- 1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pay no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bear no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES. . . Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio; and (6) yield.

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS. . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio and requires an interpretation of subjective investment standards) and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

The City Manager designated the Chief Financial Officer as the City's investment officer. The Chief Financial Officer is responsible for the City's comprehensive cash management program, including the administration of the City's investment policies. The Chief Financial Officer is also responsible for considering the quality and capability of staff involved in investment management and procedures. In addition, the Chief Financial Officer is responsible for authorizing investments and the cash/debt manager shall account for investments and pledged collateral in order to maintain appropriate internal controls. The accounting manager shall be responsible for recording investments on the accounting records. The internal audit staff shall review and audit the accounting records for compliance with these policies.

INVESTMENT COMMITTEE

An Investment Committee consisting of the cash and debt analyst, cash/debt manager, Controller, Chief Financial Officer, and Deputy City Manager shall meet as frequently as necessary to review the City's investment portfolio. The Committee shall also meet as necessary to add or delete a financial institution or broker/dealer from the list of institutions with which the City may do business or to conduct other business. The committee shall also meet to review prospectuses, financial statements and other performance data on money market mutual funds and shall formulate recommendations on the advisability of investing in specific funds for the consideration of the City Council.

Any three of the five Investment Committee members constitute a quorum. The cash/ debt manager shall serve as chairman of the committee, and written record of Investment Committee meetings shall be maintained.

A. Authorized Investments

The City may invest in:

1. Obligations of the United States or its agencies and instrumentalities (except for mortgage pass-through securities).
2. Repurchase agreements whose underlying collateral consists of U.S. Treasury Bills or Notes with a remaining maturity of three years or less.
3. Municipal Securities (State, city, county, school and road district general obligation or revenue bonds) (out-of-state bonds shall only be general obligation bonds) with a remaining maturity of three years or less which have received a rating by at least two nationally recognized credit rating agencies, of at least A or its equivalent.
4. Public Funds Investment Pool consisting of the above securities plus the following securities created under the Interlocal Cooperation Act which has entered into a contract approved (by resolution) by the City Council to provide investment services to the City.
 - a. Commercial paper with a stated maturity of 90 days or less from the date of its issuance that either:
 - is rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies, or
 - is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof.
 - b. Prime domestic bankers' acceptances meaning a bankers' acceptance with a stated maturity of 270 days or less from the date of its issuance that will be, in accordance with its terms, liquidated in full at maturity, that is eligible for collateral for borrowing from a Federal Reserve Bank, and that is accepted by a bank organized and existing under the laws of the United States or any state the short-term obligation of which (or of a bank holding company of which the bank is the largest subsidiary) is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency.
5. An SEC-registered, no-load money market mutual fund approved (by resolution) by the City Council with a dollar-weighted average portfolio maturity of 90 days or less whose assets consist exclusively of the Certificates that are described in section 1-3 plus 4a and 4b and whose investment objectives include seeking to maintain a stable net asset value of \$1 per share. By State law, the City is not authorized to invest in the aggregate more than 80% of its monthly average fund balance, excluding bond proceeds, in money market mutual funds described in this subsection or to invest its funds or funds under its control, excluding bond proceeds, in any one money market mutual fund in an amount that exceeds 20% of the total assets of the money market mutual funds.
6. Collateralized or insured certificates of deposit and other evidences of deposit at federally insured banks in the State.

The investment maturity schedule shall correspond with the City's projected cash flow needs. Remaining maturities on investments purchased shall be no longer than three years, except in the case of revenue bond reserve accounts which may be invested for longer terms with specific City Council approval by resolution. An average remaining maturity of 365 days or less shall be maintained on bond proceeds subject to arbitrage rebate restriction, and the total portfolio average remaining maturity shall not exceed one year.

B. Diversification

Investments shall be diversified to reduce the risk of loss resulting from over-concentration of investments in a specific maturity, a specific issue, or a specific class of securities.

The asset mix of the City's portfolio is expressed in terms of maximum commitment so as to allow flexibility to take advantage of market conditions.

The asset mix requirements are as follows:

	<u>% Maximum</u>
1. U.S. Treasury Bills and Notes	100
2. U.S. Agency or Instrumentality Obligations (each type)	25 *
3. Repurchase Agreements	20
4. Municipal Securities (total)	40
5. Municipal Securities (out-of-state)	20
6. Certificates of Deposit (per institution)	20
7. Money Market Mutual Fund	50 **
8. Public Funds Investment Pool	50

* Total Agency investments limited to no more than 100% of the total portfolio.

** Limited by State law to 80% of monthly average fund balance, excluding bond proceeds.

C. Qualifying Institutions

Financial institutions (Federally insured banks) with and through which the City invests in certificates of deposit shall be located in the State of Texas. Broker/dealers through whom the City purchases U.S. Government securities may include only those dealers reporting to the Market Reports Division of the Federal Reserve Bank of New York, also known as the "primary government securities dealers" and First Southwest Company except that repurchase agreements shall not be executed through First Southwest Company. In addition, other regional brokers/dealers may be considered by the Investment Committee.

D. Collateral Securities for Certificates of Deposit and Demand Accounts

The City will accept as collateral for its certificates of deposit and demand accounts and other evidences of deposit the following securities:

- FDIC Coverage
- U.S. Treasury Bills
- U.S. Treasury Notes and Bonds
- State, city, county, school, or road district general obligation or revenue bonds*, except that out-of-state bonds shall be limited to general obligation bonds
- City of Grand Prairie revenue bonds or general obligation bonds, time warrants, and certificates of obligation
- U.S. Government Agency and Instrumentality obligations (except for mortgage pass-through securities).

*The securities must be rated at least "A" by one of the nationally recognized rating services. Collateral consisting of out-of-state bonds shall be limited to 10% of the total collateral pledged by a financial institution.

Collateral securities shall have a remaining life of no more than five years. The securities shall be marked-to-market no less frequently than monthly, and the ratio of collateral market value to amount invested plus accrued interest shall be no less than 105%.

TABLE 14 - CURRENT INVESTMENTS

As of October 31, 2014, the City's investable funds were invested in the following categories:

<u>Type of Investment</u>	<u>Percentage</u>	<u>Total Cost</u>
Local Government Pool and Money Market Funds	46.21%	\$ 109,547,521
Federal Agency and Instrumentality Notes	53.79%	127,511,690
	<u>100.00%</u>	<u>\$ 237,059,211</u>

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The form of Bond Counsel's opinion relating to the Certificates is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on the Certificates owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES. . . . The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Certificates (the "Premium Certificates") may be greater than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the registered and beneficial owners of each series of the Certificates. The City is required to observe the agreements for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS. . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 14 and in Appendix B. The City will update and provide this information within six months after the end of each fiscal year ending in or after 2014.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial information of the general type described in the preceding paragraph by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS. . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports”.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

AVAILABILITY OF INFORMATION. . . The City has agreed to provide the foregoing financial and operating information only as described above. Investors may access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS. . . The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although the registered and beneficial owners of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreements from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the City, if (i) the agreement, as amended, would have permitted an Initial Purchaser to purchase or sell Obligations in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the registered and beneficial owners of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Certificates. The City may also amend or repeal the provisions of its continuing disclosure agreements if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an Initial Purchaser from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the continuing disclosure agreements, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

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OTHER INFORMATION

RATINGS

The Certificates have been rated “AAA” with a Stable outlook by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “AA+” with a Stable outlook by Fitch Ratings, Inc. (“Fitch”) without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Certificates.

LITIGATION

City staff believes there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Texas Government Code, Chapter 1201, as amended) provides that the Certificates are negotiable instruments, investment securities governed by Texas Business and Commerce Code, Chapter 8, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Texas., Government Code, Chapter 2256, as amended, requires that the Certificates be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION – Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states. No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

The City made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes.

LEGAL OPINIONS AND NO LITIGATION CERTIFICATE

The City will furnish the Initial Purchaser complete transcripts of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City and, based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on corporations. The customary closing papers, including a certificate of the City as described under “OTHER INFORMATION - Certification of the Official Statement” will also be furnished to the Initial Purchaser. Though it represents the Financial Advisor and investment banking firms such as the Initial Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken

independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinances. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER OF THE CERTIFICATES

After requesting competitive bids for the Certificates, the City accepted the bid of Robert W. Baird & Co., Inc. (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of 108.750714% of par. The Initial Purchaser of the Certificates can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser of the Certificates. The City has no control over the price at which the Certificates are subsequently sold and the initial yields at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser of the Certificates.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish the Purchaser a certificate, executed by an authorized representative of the City, acting in such person's representative capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the Certificates and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect; (c) insofar

as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

The Ordinance authorized the issuance of the Certificates and also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorizes its further use in the reoffering of the Certificates by the Purchaser.

Ron Jensen
Mayor
City of Grand Prairie, Texas

ATTEST:

Cathy Dimaggio
City Secretary
City of Grand Prairie, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION

The City of Grand Prairie, Texas (the “City”), is centrally located amid the estimated 6 million people in the Dallas/Fort Worth Area. The community, with an estimated population of 175,396 (Census 2010), stretches 28 miles long by about eight miles at its widest point. The City covers about 80 square miles.

TRANSPORTATION

The City has access to four major interstate highway systems - I-20, I-30, I-35 & I-45 - five state highway systems - SH 360, SH 180, SH 303, Loop 12 and FM 1382 - and U.S. 287 run through the City, or are within 15-30 minutes of the City’s boundaries.

- IH 20: an eight-lane east-west expressway that passes through south of the City, linking the City to Dallas and Fort Worth. West of Fort Worth, IH 20 leads to Abilene and Odessa. Eastward destinations on IH 20 are Tyler, Longview and Shreveport, La.
- IH 30: a six-lane east-west expressway that passes through north of the City and also links the City to Dallas and Fort Worth. IH 30 links to IH 20 in west Fort Worth. Eastward destinations on IH 30 are Greenville, Texarkana and Arkansas.
- SH 360: a six-lane north-south expressway running along the western edge of the city, a key route to Dallas-Fort Worth International Airport.
- SH 161: a four and six-lane north-south tollway to run 10.5 miles through Grand Prairie from the northern City limits to I-20.

The City’s Municipal Airport serves small piston planes to large business turboprop aircraft and helicopters. The airport has a 4,000-foot-long, 75-foot-wide lighted, concrete runway, repair service and cargo handling, a helipad, dining facilities, and support facilities for training, private aviation and business flying activities. The airport is designated in the FAA National Plan of Integrated Airport System and the Texas Aeronautical Facilities Plan. Hangar space is available for nearly 233 aircraft, with tie-down space and FBO services available.

The Dallas/Fort Worth International Airport, the 3rd largest airport in the world in terms of operations (8th in terms of passengers), lies about five miles north of the City’s northern border. It serves 57 million passengers and provides nonstop service to 191 domestic and international destinations (www.dfwairport.com).

POPULATION

The estimated population for 2014 is 181,230. From the 1990 Census to the 2010 Census, the City's population increased 38 percent.

DEMOGRAPHICS

2010 Census estimates of the City Non-Hispanic population breakdown were 29.1 percent white, 19.6 percent black, 6.5 percent Asian and Pacific Islander, 0.4 percent American Indian, 1.7 percent other, Hispanic of any race comprises 42.7% of the population.

About 42.7 percent of the population was estimated to be of Hispanic origin in 2010.

In the 2000 Census, the composition was 47.2 percent white, 13.3 percent black, 0.53 percent American Indian, 4.4 percent Asian or Pacific Islander and 1.57 percent other race, 33 percent were of Hispanic origin.

Age distribution estimates of residents, according to the 2010 Census, are 64.7 percent ages 21 and older, 6.9 percent older than 65, and 30.9 percent younger than 18.

The 2010 median household income was estimated to be \$51,368 (*American Community Survey Census*).

INDUSTRIAL BASE

Wholesale trade (distribution), manufacturing and retail trade companies are the largest industrial sectors in the City.

INDUSTRY PROFILE, 2014

<u>Industry</u>	<u>Percent of Total gross sales</u>
Construction	9.7%
Finance, Insurance	0.1%
Manufacturing	25.4%
Retail	24.2%
Other Services (Ex Public Administration)	2.5%
Transportation, Warehousing	0.3%
Wholesale Trade	23.0%
Ag, forestry, fishing	0.0%
Other	0.0%
Mining	0.0%
Utilities	0.0%
Information	0.2%
Real Estate, Rental, Leasing	1.6%
Professional, Scientific, Tech Svcs	1.2%
Management of Companies, Enterprises	0.1%
Administrative, Support, Waste Mgmt, Remediation Svcs	1.5%
Educational Services	0.2%
Health Care, Social Assistance	0.8%
Arts, Entertainment, Recreation	0.8%
Accommodation, Food Services	8.4%

Source: Texas Comptroller.

LABOR FORCE

The City's Employment Annual Averages

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2010	87,796	80,443	7,353	8.4%
2011	88,814	81,889	6,925	7.8%
2012	89,847	83,690	6,157	6.9%
2013	91,404	85,605	5,799	6.3%
2014 ⁽¹⁾	93,550	88,788	4,762	5.1%

Source: Texas Workforce Commission.

(1) 2014 based on average through September 2014.

EMPLOYERS

Company	Product-Service	Estimated Employees
Grand Prairie ISD	Administration of Education Programs	3,300
Lockheed Martin Missiles and Fire Control	Research & Development in the Physical, Engineering & Sciences	3,000
Poly-America Inc	Unsupported Plastics Packaging Firm and Sheet Manufacturing	1,800
Bell Helicopter-Textron	Aircraft Manufacturing	1,300
Lone Star Park at Grand Prairie	Racetracks	1,100
City of Grand Prairie	Public Administration	1,200
Triumph Aero Structures - Vought	Aircraft Engine and Engine Parts Manufacturing	700
Siemens Energy & Automation	Switchgear and Switchboard Apparatus Manufacturing	500
American Eurocopter	Aircraft Manufacturing	500
Hanson Pipe & Products	Concrete Pipe Manufacturing	400
Wal-Mart	Warehouse, Clubs and Superstores	400
Office Depot	Retail	400

RECREATION

Recreational facilities include the 7,500-acre Joe Pool Lake, championship-level Tangle Ridge Golf Club, Lone Star Park at Grand Prairie and more than 52 public parks on 4,900 acres.

Parks and Recreation facilities include an extreme skate park, two multipurpose recreation centers, an active adult center, a senior center, indoor pool, three outdoor pools, five softball and baseball complexes, two golf courses, 32 tennis courts, a soccer complex, a central park and the recently acquired lake parks on Joe Pool Lake.

Ripley's Believe It Or Not, The Palace of Wax and Trader's Village in the City are popular entertainment and shopping locations. Nearby are Six Flags over Texas in Arlington and zoos, art museums, symphonies and ballet in Dallas and Fort Worth.

- One of three Class 1 horse-racing tracks in Texas, Lone Star Park at Grand Prairie opened for live races in April 1997. The track's simulcast pavilion opened in mid-1996.
- Professional Sports: the Dallas Cowboys of the National Football League, the Texas Rangers of Major League Baseball, the Dallas Mavericks of the National Basketball Association, the Dallas Stars of the National Hockey League, the FC Dallas of Major League Soccer and the Grand Prairie Air Hogs of the American Associate of Independent Baseball. All have home games within 5-25 minutes of the City.
- NCAA-event schools: Southern Methodist University and Texas Christian University in Dallas and Fort Worth.

Cedar Hill State Park, just east of south of the City, offers 355, mostly wooded campsites in the Dallas-Fort Worth hill country. Among park facilities are two lighted fishing jetties and boat access to Joe Pool Lake.

EDUCATION

Seven public universities and eight independent universities, including health related education facilities, in the region totaled enrollment of 139,860 in 2010 (Texas Higher Education Coordinating Board). The universities, among them University of Texas campuses (Arlington and Dallas), offer programs from engineering to business and degrees from bachelor's to medical doctorates.

The Dallas and Tarrant counties public community colleges - the nearest of them Mountain View in Dallas, North Lake in Irving, Cedar Valley in Lancaster, the Southeast campus of Tarrant County College in Arlington, and El Centro in Dallas - counted over 140,000 students in 2010 (Texas Higher Education Coordinating Board). Additionally, three technically oriented post-secondary schools are within 30 minutes of the City.

In addition to their degree programs, many of these colleges and universities offer business consulting, employee training specific to a company's skill demands, community health care services, economic and land development research, computer and information services and library facilities open to the community.

Grand Prairie Independent School District (the "GPISD") and the Arlington Independent School District (the "AISD") predominate among the six school districts with boundaries in the City.

GPISD comprises 24 elementary schools, seven middle schools, two ninth grade centers, four senior high schools, one alternative education school and one early childhood center. Students whose residences are on the Dallas County side of the City attend GPISD.

Students who reside in Tarrant County and Grand Prairie attend AISD, which comprises of nine high schools, 13 junior high schools, and 52 elementary schools (six in the City). AISD has no junior high schools or high schools in the City.

APPENDIX B

EXCERPTS FROM THE
CITY OF GRAND PRAIRIE, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2013

The information contained in this Appendix consists of excerpts from the City of Grand Prairie, Texas Annual Financial Report for the Year Ended September 30, 2013, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Council
City of Grand Prairie, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component unit financial statements for the Grand Prairie Housing Finance Corporation (a discretely presented component unit). Those financial statements were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Grand Prairie Housing Finance Corporation is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in government auditing standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As described in Note 7 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-16, budget to actual schedules for the General Fund and Section 8 Fund on pages 91 and 92 respectively, Texas Municipal Retirement System – Schedule of Funding Progress on page 93, and Other Post Employment Benefits – Schedule of Funding Progress on page 94 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

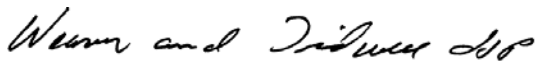
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 3, 2014



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MANAGEMENT'S DISCUSSION & ANALYSIS



**CITY OF GRAND PRAIRIE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
(Unaudited)**

As management of the City of Grand Prairie, Texas ("the City"), we offer to readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. Also, unless otherwise indicated, all amounts presented are for the City's primary government and exclude any component unit.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities (net position) at September 30, 2013, by \$639,416,320. Of this amount, \$107,104,640 may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net position).
- The City's net position increased by \$5,087,708 for the fiscal year ended September 30, 2013.
- The City's governmental funds reported combined ending fund balances of \$139,114,748 at September 30, 2013, an increase of \$14,474,048 in comparison with the prior year fund balances. Of the governmental funds reported combined fund balances, \$27,346,027 or 19.7% is available for spending within City guidelines (unassigned fund balance).
- The City's unassigned fund balance for the general fund was \$27,346,027 at year end or 30.3% of total general fund expenditures for the reported fiscal year.
- The City's total long-term liabilities of \$349,401,448 increased by \$3,149,176 or 0.9% during the reported fiscal year. In fiscal year 2013, the City issued general obligation, certificates of obligation, water and wastewater revenue, a combined \$59,050,000.

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 of 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. Such supplementary information is unaudited and is presented to provide the reader with additional information for further analysis.

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 that of a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government 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 public safety, recreation and leisure, development services, and the general government support services. Development services include, among other services, the City's planning, public works, transportation, housing, and community development activities. The business-type activities of the City include water and wastewater system, a solid waste sanitary landfill, a storm water drainage utility system, a municipal airport, and municipal golf courses.

The government-wide financial statements include not only the City itself (known as the primary government), but also the Grand Prairie Sports Facilities Development Corporation, Inc. (the "Sports Corporation") and the Grand Prairie Housing Finance Corporation ("HFC") as component units. Both are legally, financially, and administratively autonomous separate corporations. HFC issues tax exempt revenue bonds to supply mortgage financing for low income home buyers and multi-family developments, and engages in other affordable housing activities. The Sports Corporation oversees the Lone Star Park at Grand Prairie horse track facility.

The Crime Control and Prevention District is a legally separate entity that is financially accountable to the City. A blended presentation has been used to report the financial information of this component unit.

The government-wide financial statements can be found on pages 17-19 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 funds. The City does not have any funds that are used to account for resources held for the benefit of parties outside the government (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 government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on 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 the information presented for governmental funds with similar information presented for governmental activities in 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 governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City has four major governmental funds: General Fund, Section 8 Fund, Street Improvements Fund and Debt Service Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of the major governmental funds. Data from the other 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 appropriating budget for its General Fund and certain other governmental funds of significance to governance. Budgetary comparison schedules have been provided for the General Fund and Section 8 Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary funds. The City maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities of the government-wide financial statements. The City uses enterprise funds to account for its respective water and wastewater system, solid waste sanitary landfill, storm water utility, municipal airport, and municipal golf courses operating, investing, and financing activities. 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 vehicle and equipment maintenance and the premiums, deductibles, and claims for all insurance programs (e.g. employee health, workers compensation, general liability, etc.). Because these services benefit both governmental and business-type functions, they have been allocated to both activities in the government-wide financial statements in proportion to services received.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City has five enterprise funds of which one is a major enterprise fund, the Water Wastewater Fund. Data from the other enterprise funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report. The City's two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the City's internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 24-26 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 27-90 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 91-94 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 95-128 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$639,416,320 at year end. The City had total assets at year-end of \$1,015,100,748. The City's pooled cash and investments totaling \$232,388,897 and capital assets (e.g., land, buildings, equipment, infrastructure, and construction in progress), net of accumulated depreciation totaling \$757,649,344 represented 22.9% and 74.6%, respectively, of total government assets.

The City's investment in capital assets, less any related debt used to acquire those assets that is still outstanding, totaled \$458,534,963 and represented 71.7% of the City's total net position at year end. The City uses its 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 must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Table 1 below is a summary of the City's net position at year end compared to the prior year.

Table 1

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2012	9/30/2013	9/30/2012	9/30/2013	9/30/2012	9/30/2013
Cash & investments	\$ 136,086,846	\$ 151,488,999	\$ 82,544,201	\$ 80,899,898	\$ 218,631,047	\$ 232,388,897
Other assets	21,056,830	17,333,606	9,407,882	7,728,901	30,464,712	25,062,507
Capital assets, net	558,512,637	553,818,748	204,049,497	203,830,596	762,562,134	757,649,344
Total assets	<u>715,656,313</u>	<u>722,641,353</u>	<u>296,001,580</u>	<u>292,459,395</u>	<u>1,011,657,893</u>	<u>1,015,100,748</u>
Deferred outflows of resources	1,227,506	1,277,211	141,594	148,417	1,369,100	1,425,628
Current liabilities	21,272,463	19,718,505	7,719,638	7,990,103	28,992,101	27,708,608
Long-term bonded debt	256,021,378	252,966,775	66,835,908	65,114,503	322,857,286	318,081,278
Other noncurrent liabilities	17,380,396	24,917,127	6,014,590	6,403,043	23,394,986	31,320,170
Total liabilities	<u>294,674,237</u>	<u>297,602,407</u>	<u>80,570,136</u>	<u>79,507,649</u>	<u>375,244,373</u>	<u>377,110,056</u>
Net position:						
Net investment in capital assets	311,048,653	316,856,535	139,042,561	141,678,428	450,091,214	458,534,963
Restricted	63,267,418	69,081,215	4,601,419	4,695,502	67,868,837	73,776,717
Unrestricted	47,893,511	40,378,407	71,929,058	66,726,233	119,822,569	107,104,640
Total net position	<u>\$ 422,209,582</u>	<u>\$ 426,316,157</u>	<u>\$ 215,573,038</u>	<u>\$ 213,100,163</u>	<u>\$ 637,782,620</u>	<u>\$ 639,416,320</u>

A portion of the City's net position totaling \$73,776,717 or 11.5% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizen's and creditors.

At the fiscal year end, the City is able to report positive balances in all three categories of net position, for both governmental and business-type activities.

The City's net position increased by \$5,087,708 in fiscal year 2013. As previously mentioned, \$379,642 or 7.5% of the increase is attributable to the revenue recognition of private developer

capital contributions for improvements to the City's infrastructure. The remaining increase represents the degree to which revenues have exceeded expenses. The fiscal year 2013 compared to fiscal 2012 changes in the City's net position were as follows:

Table 2

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2012	9/30/2013	9/30/2012	9/30/2013	9/30/2012	9/30/2013
Revenues:						
Program revenues:						
Charges for services	\$ 32,877,033	\$ 35,828,489	\$ 78,757,138	\$ 79,598,224	\$ 111,634,171	\$ 115,426,713
Operating grants and contributions	31,329,503	33,339,115	-	-	31,329,503	33,339,115
Capital grants and contributions	6,290,285	5,242,216	2,465,951	2,589,677	8,756,236	7,831,893
General revenues:						
Property tax	70,153,052	71,785,225	-	-	70,153,052	71,785,225
Sales tax	45,457,902	47,155,704	-	-	45,457,902	47,155,704
Other tax	1,332,259	1,488,871	-	-	1,332,259	1,488,871
Franchise fees	12,902,516	12,811,696	-	-	12,902,516	12,811,696
Investment income	1,004,777	437,770	5,579	4,242	1,010,356	442,012
Total revenues	<u>201,347,327</u>	<u>208,089,086</u>	<u>81,228,668</u>	<u>82,192,143</u>	<u>282,575,995</u>	<u>290,281,229</u>
Expenses:						
Support services	17,928,238	18,633,541	-	-	17,928,238	18,633,541
Public safety services	72,934,512	76,382,993	-	-	72,934,512	76,382,993
Recreation and leisure services	24,071,731	24,830,027	-	-	24,071,731	24,830,027
Development services	84,171,971	79,001,166	-	-	84,171,971	79,001,166
Interest on long-term debt	9,227,801	8,125,389	-	-	9,227,801	8,125,389
Water and wastewater	-	-	55,186,501	60,180,052	55,186,501	60,180,052
Municipal airport	-	-	2,650,503	2,789,279	2,650,503	2,789,279
Municipal golf course	-	-	3,527,637	3,487,758	3,527,637	3,487,758
Storm water	-	-	1,617,905	1,924,420	1,617,905	1,924,420
Solid waste	-	-	9,485,700	9,838,896	9,485,700	9,838,896
Total expenses	<u>208,334,253</u>	<u>206,973,116</u>	<u>72,468,246</u>	<u>78,220,405</u>	<u>280,802,499</u>	<u>285,193,521</u>
Increase (decrease) in net position before transfers	(6,986,926)	1,115,970	8,760,422	3,971,738	1,773,496	5,087,708
Transfers	3,167,893	5,390,831	(3,167,893)	(5,390,831)	-	-
Capital assets' reassignments	120,654	-	(120,654)	-	-	-
Change in net position	(3,698,379)	6,506,801	5,471,875	(1,419,093)	1,773,496	5,087,708
Net position - beginning of year - as previously stated	425,907,961	422,209,582	210,101,163	215,573,038	636,009,124	637,782,620
Cumulative effect of change in accounting principle	-	(2,400,226)	-	(1,053,782)	-	(3,454,008)
Net position - end of year	<u>\$ 422,209,582</u>	<u>\$ 426,316,157</u>	<u>\$ 215,573,038</u>	<u>\$ 213,100,163</u>	<u>\$ 637,782,620</u>	<u>\$ 639,416,320</u>

The changes in the City's general revenues from prior year excluding contributions and transfers were as follows:

Table 3

General Revenue Comparison
for the Year End

	Fiscal Year 9/30/2012	Fiscal Year 9/30/2013	Increase (Decrease)
Governmental activities:			
Property taxes	\$ 70,153,052	\$ 71,785,225	\$ 1,632,173
Sales taxes	45,457,902	47,155,704	1,697,802
Other taxes	1,332,259	1,488,871	156,612
Franchise fees	12,902,516	12,811,696	(90,820)
Investment income	1,004,777	437,770	(567,007)
Total governmental activities	130,850,506	133,679,266	2,828,760
Business-type activities:			
Investment income	5,579	4,242	(1,337)
Total business-type activities	5,579	4,242	(1,337)
Total general revenues	\$ 130,856,085	\$ 133,683,508	\$ 2,827,423

Governmental activities. As a part of the State of Texas, specifically the Dallas/Fort Worth (“DFW”) metroplex, the City of Grand Prairie benefits from its economic strengths. In addition, the City maintains financial management practices that adhere to strong institutionalized policies for sustainable results. There was an increase in net position of \$6,506,801 in comparison with beginning net position. Total revenue for governmental activities (excluding transfers from business-type activities) increased from the previous year by \$6,741,759. General Revenue which is primarily made up of property taxes, sales taxes, and franchise fees had a net increase of \$2,828,760. Property tax revenue increased by \$1,632,173 primarily due to the termination of part of a Tax Increment Financing District and but also experienced a slight decrease of net property tax values of 0.73%. Sales tax collections increased by \$1,697,802 due to a mixture of growth and new businesses opening, with the increase mainly being attributed to the Premium Outlet Mall. Franchise fee revenue decreased \$90,820 as a result of lower gross revenues realized in the seasonally sensitive, utility industry. In addition, investment income continued to decrease by \$567,007 primarily due to the very low, market interest rates.

Net position of governmental operations accounts for 66.7% of total net position. Program revenues of the City include charges for service, operating grants and contributions, and capital grants and contributions. Two revenue categories, charges for services and operating grants and contributions, experienced a healthy increase from prior year totaling \$4,961,068.

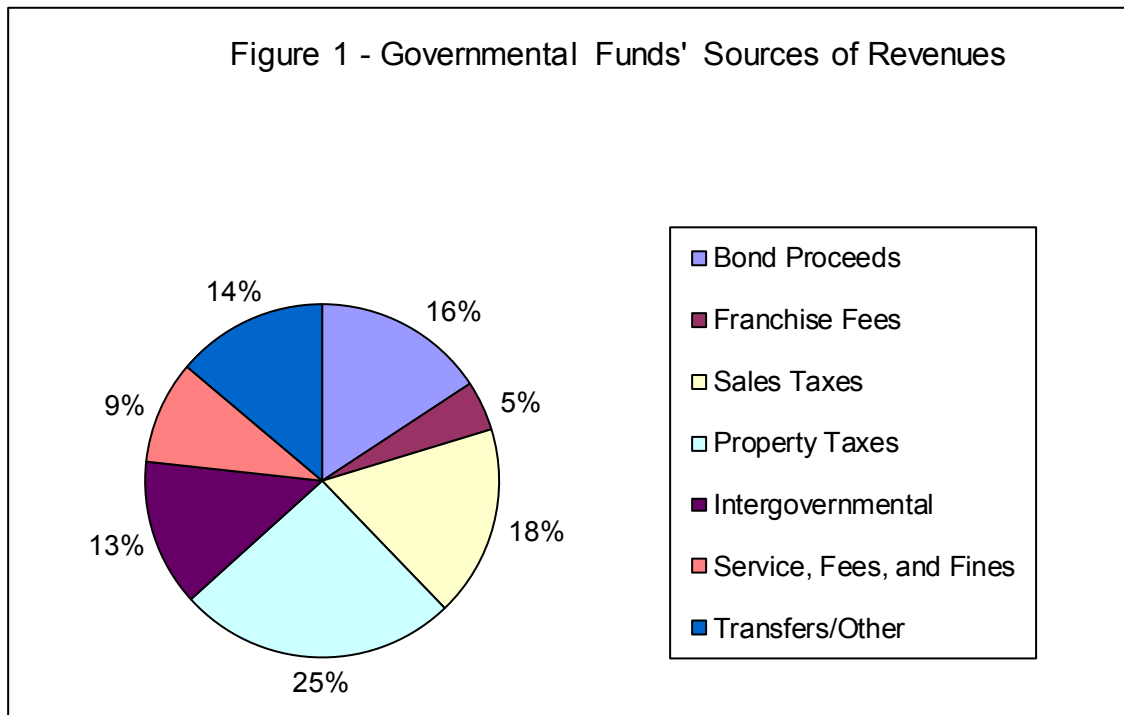
Business-type activities. Business-type activities decreased the City's net position by \$1,419,093 in comparison with beginning net position. Total revenue for the business-type activities increased from the previous year by \$963,475 due to sound fiscal management, increased user rates and a harsh, drought year. This increase provided for a healthy, positive change in net position before transfers. Of the increase, impact fees by private developers to the City's water and wastewater system infrastructure totaled \$1,394,620. Net position for business type activities represents 33.3% of total primary government net position. Table 2 summarizes the changes in business-type activities net position.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

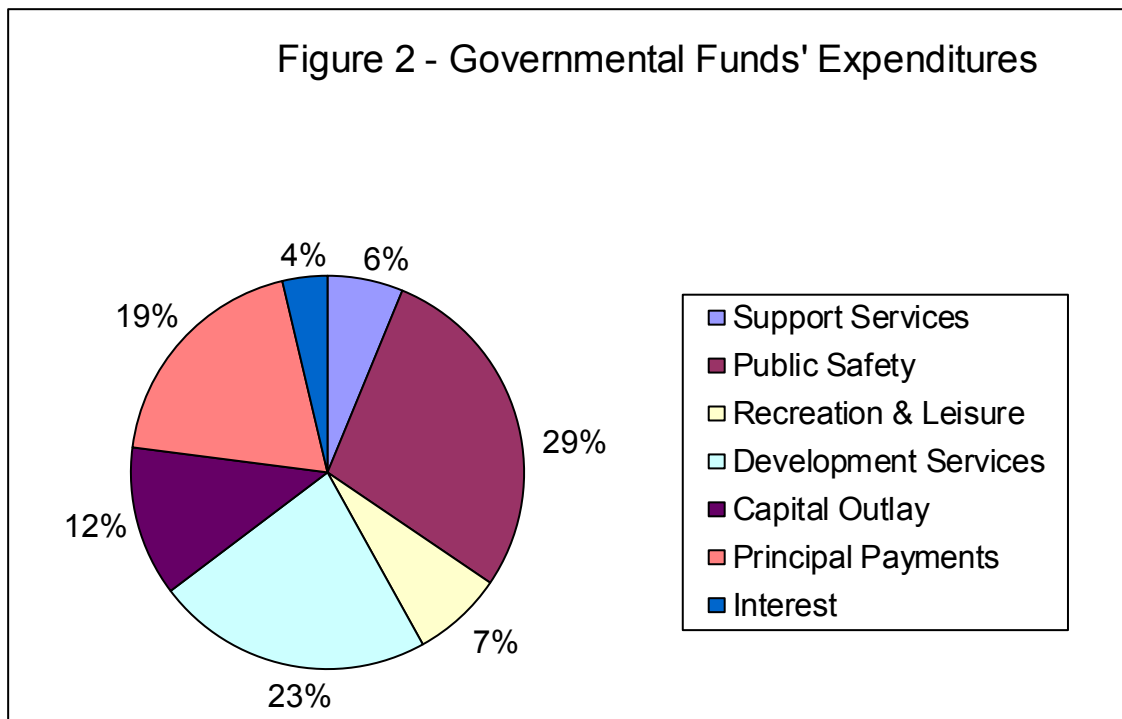
Governmental funds. The focus of City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At fiscal year-end 2013, the City's governmental funds (excluding internal service funds) reported combined ending fund balances of \$139,114,748, an increase of \$14,474,048 in comparison with the prior year. The unassigned fund balance portion is 19.7% and is available for spending at the government's discretion. The remainder is restricted for specific purposes and is not available for new spending. Specific purposes include non-spendable inventories (\$44,648); restricted amounts by statutory, bond covenants or granting agency (\$81,264,054) either for debt service payments, grant-related use, special taxing districts, or for capital projects. In addition, committed funds (\$29,123,023) require formal action by City Council. Finally, funds may be assigned (\$1,336,996) by City Manager with the City Councils' delegated authority. Figures 1 and 2 that follow show the distribution of governmental funds' sources of revenues and expenditures, \$281,043,139 and \$266,569,091, respectively, for fiscal year 2013.



Other sources of revenues include General Fund general and administrative charges, transfers, gain on sale of capital assets, and other operating revenues.

Figure 2 - Governmental Funds' Expenditures



The General Fund is the chief operating fund of the City. At fiscal year-end, unassigned fund balance of the General Fund was \$27,346,027, while total fund balance was \$28,816,808. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 30.3% of total general fund operating expenditures, while total fund balance represents 31.9% of that same amount. General Fund's fund balance increased slightly in the amount of \$903,052 from the prior fiscal year.

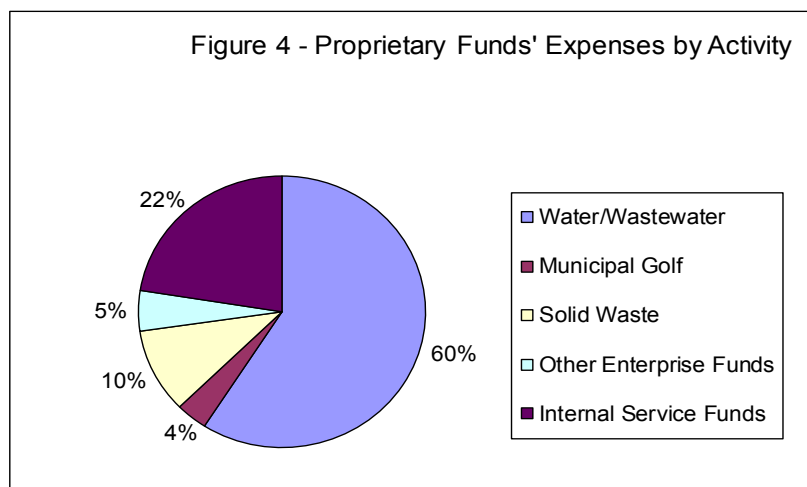
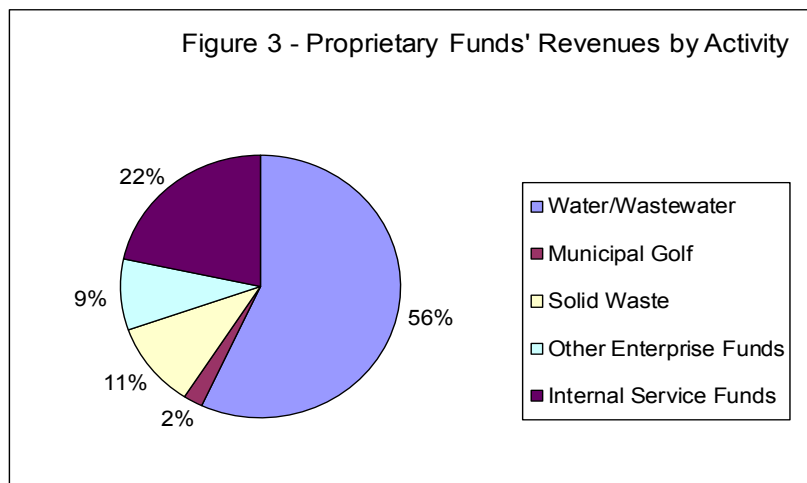
Fund balances of several other governmental funds changed significantly. Debt Service Fund balance increased by \$1,472,883 due to a combination of bond defeasance and refunding which reduced debt requirements. The fund balance total for other non-major governmental funds increased by \$10,288,543. This increase to fund balance is comprised of special revenues' and capital projects' activities totaling \$5,263,928 and \$5,024,615, respectively.

Special revenue funds with significant changes to fund balance are the Senior Center (Summit), Park Venue and Crime Tax Funds. Surplus sales tax receipts accumulated in these funds in anticipation of making early debt service payments. Thus the time frame for paying off their respective debt would be shortened.

Capital project funds also experienced significant positive changes to some of the projects' fund balances including Fire, Drainage, Municipal Facilities, Capital Lending and Others. These changes are primarily a result of the timing of receipts and use from bond proceeds for projects' completion.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net position of the City's enterprise funds and internal service funds were \$211,503,160 and \$10,047,761, respectively, at September 30, 2013. The enterprise funds' net investment in capital assets represented 67% of total enterprise fund's net position. The internal service funds' net investment in capital assets represented 9.8% of total internal service funds' net position. The enterprise funds' unrestricted net position was 30.8% of their total net position, and, internal service funds' unrestricted net position was 90.2% of their total funds' net position. The City's enterprise funds reported a moderate income before contributions and transfers of \$1,423,951 while the internal service funds reported a loss of \$45,093. The loss was primarily attributable to the Risk Management and Employee Insurance funds that managed premiums but incurred large claims towards fiscal year end. However, the City continues to maintain a fund balance level that meets the City's financial policy targets. Other factors concerning the finances of the proprietary funds have already been addressed in the discussion of the government-wide financial statements and business-type activities. The following Figures 3 and 4 show the proprietary funds' revenues of \$101,577,583 and expenses of \$100,198,725 (excluding transfers and capital contributions) by activity.



General Fund Budgetary Highlights

For the reported fiscal year, revenues exceeded budgetary estimates by \$4,236,440. Expenditures were under budgetary estimates by \$2,347,663 resulting from continued city-wide efforts in cost containment and reductions in expenditures as the sluggish economy continued. These measures served the city well as the fund realized a nominal increase in fund balance of \$903,052. The City traditionally budgets revenue conservatively and this practice frequently results in positive budgetary variances.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities at fiscal year-end amounted to \$757,649,344. This investment includes land, buildings, improvements other than buildings (includes infrastructure), machinery and equipment, and construction in progress. The City's capital assets decreased from prior year by \$4,912,790 primarily due to equipment disposals and other adjustments.

Major capital asset events occurring during the fiscal year included the following:

- Opening of all SH 161 access and frontage roads for I-30 and I-20;
- Opening the new Dallas County Sub-Courthouse;
- Launching Phase II for the Main Street façade renovation project;
- Ground breaking for a new Fire Station 1;
- Began renovation of the Dalworth Recreation center.

The City's capital assets, net of accumulated depreciation, at fiscal year-end was as follows:

Table 4
Capital Assets*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2012	9/30/2013	9/30/2012	9/30/2013	9/30/2012	9/30/2013
Land	\$ 35,824,385	\$ 40,112,883	\$ 4,156,706	\$ 4,161,706	\$ 39,981,091	\$ 44,274,589
Construction in progress	51,821,889	58,019,820	12,359,914	22,024,631	64,181,803	80,044,451
Depreciable capital assets	773,101,322	795,064,684	351,769,149	358,621,326	1,124,870,471	1,153,686,010
Accumulated depreciation	<u>(302,234,959)</u>	<u>(339,378,639)</u>	<u>(164,236,272)</u>	<u>(180,977,067)</u>	<u>(466,471,231)</u>	<u>(520,355,706)</u>
Total capital assets, net	<u>\$ 558,512,637</u>	<u>\$ 553,818,748</u>	<u>\$ 204,049,497</u>	<u>\$ 203,830,596</u>	<u>\$ 762,562,134</u>	<u>\$ 757,649,344</u>

*See note 3.a.2. for more detailed information on the City's capital assets.

Long-term debt. At September 30, 2013, the City had the following long-term liabilities:

Table 5

Long-Term Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2012	9/30/2013	9/30/2012	9/30/2013	9/30/2012	9/30/2013
Bonded debt	\$254,793,872	\$252,966,775	\$ 66,694,315	\$ 65,114,503	\$321,488,187	\$318,081,278
Accrued compensated absences	13,508,230	14,112,100	398,351	409,347	13,906,581	14,521,447
Other Post Employment Benefits	3,709,278	4,701,004	-	-	3,709,278	4,701,004
Pollution liability	162,888	-	-	-	162,888	-
Closure and post closure liability	-	-	5,616,238	5,993,696	5,616,238	5,993,696
Other liabilities	-	6,104,023	-	-	-	6,104,023
Total long-term debt	\$272,174,268	\$277,883,902	\$ 72,708,904	\$ 71,517,546	\$344,883,172	\$349,401,448
Long-term debt to net position percentage	64%	65%	34%	34%	54%	55%

Of the total bonded debt, \$216,620,000 or 68.1% is debt backed by the full faith and credit of the government with a property tax pledge.

During this fiscal year, the City issued \$59,050,000 in new bonded debt, and retired/refunded principal on bonds totaling \$65,860,000. In addition, the City's interest expense for its bonded debt was \$10,908,384.

Additional information is detailed in the Notes to Basic Financial Statements, section 3. c. 3., pages 52-64.

The City's bond ratings by Fitch, and Standard & Poor's are currently as follows:

	Fitch	Standard & Poor's
General obligation bonds	AA+	AAA
Sales tax revenue bonds	AA	AA-
Water and wastewater revenue bonds	AA+	AAA

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rates and fees that will be charged for the business-type activities. One of the biggest factors continued to be the national economy. Building and development growth rates remained sluggish in the residential sector while commercial type permitting increased. Although the City is largely built out and mature, there are still several areas available mainly in higher end, residential growth including a 1,000 acre peninsula on Joe Pool Lake. The City population as of January 1, 2013 is 178,290 which is a 0.7% increase over prior year. Grand Prairie's population continues to increase annually with even more growth expected as a result of continued development along the I-20 corridor, SH161 expansion, and around the Tangle Ridge and Lake Ridge areas, which has placed additional demands on the City to maintain or expand services.

These indicators are taken into account when adopting the Budget for fiscal year 2014:

- An increase over prior year of 5% in property tax assessed values resulting in more property tax revenues. This revenue was reflected in the budgeted revenues with an increase of \$2.2M in the General Fund and \$850K in the General Obligation Debt Fund as compared to prior fiscal year. The City has maintained a stable property tax rate and did not change it from 0.669998 per \$100 valuation for fiscal year 2013.
- A 9.1% increase in budgeted sales tax revenues as compared to prior fiscal year budget due to stronger than expected collections. There is no change in the City's sales tax rate.
- The City's very strong financial position, favorable bond ratings, and continued low interest expense rates.

The City expects a slight increase in other general revenues of governmental activities overall. Investment income is expected to continue a decline from fiscal year 2013 due to lower interest rates earned on new investments of surplus cash compared to the higher rates on maturing securities and the completion of major capital projects.

The City's total approved operating appropriations and reserves for fiscal year 2014 is \$236,390,830, an increase of \$14,106,529 or 6% as compared to prior fiscal year original budget. The General Fund approved appropriations for fiscal year 2014 is \$111,439,962, an increase of \$7,939,962 or 7.7% from prior year. The remaining change in total budgeted operating appropriations and reserves includes an increase of \$4,815,062 in the Water Wastewater Fund, \$306,696 in the Cable Fund, \$344,699 in the Park Venue Fund, \$420,072 in the Solid Waste Fund, \$221,439 in the Storm Water Fund and \$252,327 in the Prairie Lights Fund

The City's total approved planned capital projects for fiscal year 2014 includes \$51,875,452 in appropriation requests. The fiscal year 2014 planned capital projects includes \$19,954,545 for water and wastewater improvements, \$14,496,063 in street and signal improvements, \$2,027,500 in parks improvements and \$3,080,000 in storm drainage improvements

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Controller, City of Grand Prairie, Texas, 317 College Street, P.O. Box 534045, Grand Prairie, Texas, 75053-4045.

BASIC FINANCIAL STATEMENTS



**CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

	Primary Government			GRAND PRAIRIE SPORTS FACILITIES DEVELOPMENT	GRAND PRAIRIE HOUSING FINANCE CORPORATION
	Governmental Activities	Business-Type Activities	Total		
ASSETS					
Cash and cash equivalents	\$ 73,625,826	\$ 22,109,561	\$ 95,735,387	\$ 7,066,064	\$ 629,389
Investments	77,686,227	43,257,890	120,944,117	7,994,693	146,760
Receivables (net of allowance for uncollectibles):					
Property tax	1,667,207	-	1,667,207	-	-
Franchise fees	2,579,342	-	2,579,342	-	-
Sales tax	8,539,669	-	8,539,669	-	-
Accounts receivables	-	5,600,377	5,600,377	-	-
Lease payments receivable	-	-	-	462,759	-
Other receivables	3,588,244	-	3,588,244	22,266	-
Due from other governments	2,321,525	31,148	2,352,673	-	-
Internal balances	(1,597,003)	1,597,003	-	-	-
Inventories and supplies	167,891	500,373	668,264	-	-
Prepays	66,731	-	66,731	-	19,322
Deferred charges	-	-	-	-	302,539
Restricted assets:					
Cash and cash equivalents	176,946	7,534,191	7,711,137	-	1,284,046
Investments	-	7,998,256	7,998,256	-	-
Lease payments receivable	-	-	-	14,111,784	-
Estimated unguaranteed residual value	-	-	-	48,787,324	-
Capital assets:					
Land	40,112,883	4,161,706	44,274,589	-	1,612,851
Buildings	182,308,148	11,940,153	194,248,301	-	19,808,852
Equipment	87,438,086	27,855,111	115,293,197	310,078	-
Infrastructure	525,318,450	318,826,062	844,144,512	-	-
Construction in progress	58,019,820	22,024,631	80,044,451	-	-
Less: accumulated depreciation	(339,378,639)	(180,977,067)	(520,355,706)	(310,078)	(6,523,831)
Total capital assets	553,818,748	203,830,596	757,649,344	-	14,897,872
Total assets	722,641,353	292,459,395	1,015,100,748	78,444,890	17,279,928
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	1,277,211	148,417	1,425,628	-	-
Total deferred outflows of resources	1,277,211	148,417	1,425,628	-	-
LIABILITIES					
Current liabilities:					
Accounts payable	6,600,817	2,948,298	9,549,115	5,675	126,751
Accrued liabilities	9,998,408	1,271,301	11,269,709	-	496,988
Customer deposits	31,500	3,207,926	3,239,426	-	65,569
Unearned revenue	3,087,780	562,578	3,650,358	-	-
Noncurrent liabilities:					
Due within one year:					
Accrued compensated absences	5,011,248	390,857	5,402,105	-	-
Current portion of long-term debt	20,405,848	4,264,152	24,670,000	-	327,527
Other liabilities	1,160,776	-	1,160,776	-	-
Due in more than one year:					
Accrued compensated absences	9,100,852	18,490	9,119,342	-	-
OPEB liability	4,701,004	-	4,701,004	-	-
Closure and postclosure liability	-	5,993,696	5,993,696	-	-
Other liabilities	4,943,247	-	4,943,247	-	-
Long-term debt	232,560,927	60,850,351	293,411,278	-	16,115,590
Total liabilities	297,602,407	79,507,649	377,110,056	5,675	17,132,425
NET POSITION					
Net investment in capital assets	316,856,535	141,678,428	458,534,963	-	(306,944)
Restricted for:					
Debt service	12,030,171	4,695,502	16,725,673	-	-
Special revenue purposes	43,312,871	-	43,312,871	-	-
Capital projects purposes	13,738,173	-	13,738,173	-	-
Facility lease	-	-	-	63,361,867	-
Replacement reserve	-	-	-	-	98,988
Unrestricted	40,378,407	66,726,233	107,104,640	15,077,348	355,459
Total net position	\$ 426,316,157	\$ 213,100,163	\$ 639,416,320	\$ 78,439,215	\$ 147,503

See accompanying notes to basic financial statements.

**CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

FUNCTIONS/ACTIVITY	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Support services	\$ 18,633,541	\$ 4,932,252	\$ 350,344	\$ -
Public safety services	76,382,993	15,552,663	2,524,228	-
Recreation and leisure services	24,830,027	9,672,833	332,998	-
Development services and other	79,001,166	5,670,741	30,131,545	5,242,216
Interest on long-term debt	8,125,389	-	-	-
Total governmental activities	<u>206,973,116</u>	<u>35,828,489</u>	<u>33,339,115</u>	<u>5,242,216</u>
Business-type activities:				
Water and wastewater	60,180,052	57,819,042	-	2,589,677
Municipal airport	2,789,279	3,500,048	-	-
Municipal golf course	3,487,758	2,262,430	-	-
Storm water	1,924,420	5,382,452	-	-
Solid waste	9,838,896	10,634,252	-	-
Total business-type activities	<u>78,220,405</u>	<u>79,598,224</u>	<u>-</u>	<u>2,589,677</u>
Total primary government	<u>\$ 285,193,521</u>	<u>\$ 115,426,713</u>	<u>\$ 33,339,115</u>	<u>\$ 7,831,893</u>
Component units:				
Grand Prairie Sports Facilities Development	4,836,492	1,448,377	-	39,578
Grand Prairie Housing Finance Corporation	5,560,426	5,484,700	-	-
Total component units:	<u>\$ 10,396,918</u>	<u>\$ 6,933,077</u>	<u>\$ -</u>	<u>\$ 39,578</u>

General revenues:
Taxes:
 Property tax
 Sales tax
 Hotel/motel tax and other taxes
 Franchise fees based on gross receipt
 Investment income
Transfers
Total general revenues and transfers

Change in net position

Net position - beginning of year (as
previously stated)
Cumulative effect of change in accounting
principle

Net position - end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position Primary Government			GRAND PRAIRIE SPORTS FACILITIES DEVELOPMENT	GRAND PRAIRIE HOUSING FINANCE CORPORATION
Governmental Activities	Business-Type Activities	Total		
\$ (13,350,945)	\$ -	\$ (13,350,945)	\$ -	\$ -
(58,306,102)	-	(58,306,102)	-	-
(14,824,196)	-	(14,824,196)	-	-
(37,956,664)	-	(37,956,664)	-	-
(8,125,389)	-	(8,125,389)	-	-
<u>(132,563,296)</u>	<u>-</u>	<u>(132,563,296)</u>	<u>-</u>	<u>-</u>
-	228,667	228,667	-	-
-	710,769	710,769	-	-
-	(1,225,328)	(1,225,328)	-	-
-	3,458,032	3,458,032	-	-
-	795,356	795,356	-	-
<u>-</u>	<u>3,967,496</u>	<u>3,967,496</u>	<u>-</u>	<u>-</u>
<u>(132,563,296)</u>	<u>3,967,496</u>	<u>(128,595,800)</u>	<u>-</u>	<u>-</u>
			(3,348,537)	-
			-	(75,726)
			<u>(3,348,537)</u>	<u>(75,726)</u>
71,785,225	-	71,785,225	-	-
47,155,704	-	47,155,704	-	-
1,488,871	-	1,488,871	-	-
12,811,696	-	12,811,696	-	-
437,770	4,242	442,012	23,999	3,814
5,390,831	(5,390,831)	-	-	-
<u>139,070,097</u>	<u>(5,386,589)</u>	<u>133,683,508</u>	<u>23,999</u>	<u>3,814</u>
6,506,801	(1,419,093)	5,087,708	(3,324,538)	(71,912)
422,209,582	215,573,038	637,782,620	81,763,753	219,415
(2,400,226)	(1,053,782)	(3,454,008)	-	-
<u>\$ 426,316,157</u>	<u>\$ 213,100,163</u>	<u>\$ 639,416,320</u>	<u>\$ 78,439,215</u>	<u>\$ 147,503</u>

**CITY OF GRAND PRAIRIE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	General	Section 8	Street Improvements	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 13,512,697	\$ 1,633,474	\$ 19,399,779	\$ 6,416,664	\$ 26,176,025	\$ 67,138,639
Investments	14,302,915	1,783,109	3,040,829	2,608,761	49,189,989	70,925,603
Property tax receivable	1,206,846	-	-	460,361	-	1,667,207
Sales tax receivable	4,278,578	-	-	-	4,261,091	8,539,669
Franchise fees receivable	2,511,168	-	-	-	68,174	2,579,342
Other receivables	2,560,643	-	-	2,920	994,092	3,557,655
Due from other governments	-	-	-	-	2,321,525	2,321,525
Due from other funds	200,000	-	-	-	-	200,000
Prepays	3,545	-	-	-	41,103	44,648
Total assets	\$ 38,576,392	\$ 3,416,583	\$ 22,440,608	\$ 9,488,706	\$ 83,051,999	\$ 156,974,288
LIABILITIES						
Accounts payable	\$ 2,454,144	\$ 32,181	\$ 623,225	\$ -	\$ 3,433,957	\$ 6,543,507
Accrued liabilities	3,266,988	38,966	270,373	-	1,002,546	4,578,873
Customer deposits	-	-	-	-	31,500	31,500
Due to other funds	-	-	-	-	100,000	100,000
Unearned revenue	957,923	-	269,013	-	1,860,844	3,087,780
Total liabilities	6,679,055	71,147	1,162,611	-	6,428,847	14,341,660
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	3,080,529	-	-	437,351	-	3,517,880
Total deferred inflows of resources	3,080,529	-	-	437,351	-	3,517,880
FUND BALANCES						
Nonspendable	3,545	-	-	-	41,103	44,648
Restricted	-	3,345,436	21,277,997	9,051,355	47,589,266	81,264,054
Committed	130,240	-	-	-	28,992,783	29,123,023
Assigned	1,336,996	-	-	-	-	1,336,996
Unassigned	27,346,027	-	-	-	-	27,346,027
Total fund balances	28,816,808	3,345,436	21,277,997	9,051,355	76,623,152	139,114,748
Total liabilities, deferred inflows of resources and fund balances	\$ 38,576,392	\$ 3,416,583	\$ 22,440,608	\$ 9,488,706	\$ 83,051,999	\$ 156,974,288

See accompanying notes to basic financial statements.

**CITY OF GRAND PRAIRIE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

Total fund balance - total governmental funds \$ 139,114,748

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet. This is the amount of governmental capital assets excluding internal service capital assets of \$982,218. 552,836,530

Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds. 3,517,880

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet. (1,032,764)

Internal service funds are used by management to charge cost of certain activities, such as employee health insurance, risk management insurance, and fleet maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net position (net of amount allocated to business-type activities of \$1,597,003). 8,450,758

Noncurrent liabilities and the current portion of general long-term debt and other liabilities are not reported as liabilities in the governmental fund balance sheet. This amount represents total noncurrent liabilities related to governmental activities. These noncurrent liabilities are as follows:

General obligation bonds	\$ (96,708,283)	
Certificates of obligation	(77,655,000)	
Sales tax revenue bonds	(23,550,000)	
Sales tax venue revenue bonds	(12,480,000)	
Sales tax venue certificates of obligation	(38,295,000)	
Unamortized bond premium/discount, net	(4,278,492)	
Unamortized loss of refunding	1,277,211	
Compensated absences (excludes Internal service fund total of \$35,696)	(14,076,404)	
Other post employment benefits	(4,701,004)	
Other liabilities	(6,104,023)	<u>(276,570,995)</u>

Net position of governmental activities \$ 426,316,157

See accompanying notes to basic financial statements.

**CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	General	Section 8	Street Improvements	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property tax	\$44,109,200	\$ -	\$ -	\$ 16,841,515	\$ 10,661,590	\$ 71,612,305
Sales tax	24,499,912	-	-	-	24,759,815	49,259,727
Other taxes	215,234	-	-	-	1,273,637	1,488,871
Franchise fees	12,761,696	-	-	-	50,000	12,811,696
Charges for goods and services	5,107,012	78,849	-	-	8,433,293	13,619,154
Licenses and permits	2,613,439	193,451	-	-	180,748	2,987,638
Fines and forfeitures	6,935,918	-	-	-	2,983,050	9,918,968
Intergovernment	560,986	24,156,289	2,634,693	-	10,410,922	37,762,890
General and administrative	4,071,376	-	-	-	-	4,071,376
Rents and royalties	327,695	-	-	-	2,850,281	3,177,976
Investment income	426,338	10,000	-	292	1,140	437,770
Contributions	-	10,250	-	-	1,098,086	1,108,336
Other	693,037	97,025	-	-	593,778	1,383,840
Total revenues	<u>102,321,843</u>	<u>24,545,864</u>	<u>2,634,693</u>	<u>16,841,807</u>	<u>63,296,340</u>	<u>209,640,547</u>
EXPENDITURES						
Current operations:						
Support services	12,020,318	-	-	-	3,178,500	15,198,818
Public safety services	63,614,878	-	-	-	5,442,407	69,057,285
Recreation and leisure services	1,785,968	-	-	-	16,436,102	18,222,070
Development services and other	11,815,802	25,412,652	1,949,866	-	16,451,699	55,630,019
Capital outlay	1,033,229	-	8,156,546	-	20,931,617	30,121,392
Debt service:						
Principal retirement	-	-	-	9,698,175	9,239,000	18,937,175
Interest charges	-	-	43,315	5,936,294	3,046,131	9,025,740
Total expenditures	<u>90,270,195</u>	<u>25,412,652</u>	<u>10,149,727</u>	<u>15,634,469</u>	<u>74,725,456</u>	<u>216,192,499</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,051,648</u>	<u>(866,788)</u>	<u>(7,515,034)</u>	<u>1,207,338</u>	<u>(11,429,116)</u>	<u>(6,551,952)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	17,500	6,187,894	155,000	20,250,990	26,611,384
Transfers out	(11,732,539)	(50,000)	(18,436)	(301,732)	(10,117,846)	(22,220,553)
Premium on bonds issued	-	-	-	737,761	889,504	1,627,265
Bonds issued	-	-	4,054,434	-	11,230,566	15,285,000
Refunding bond issued	-	-	-	15,080,000	12,215,000	27,295,000
Payment to refunded bond escrow agent	-	-	-	(15,405,484)	(12,750,555)	(28,156,039)
Proceeds from sale of capital assets	583,943	-	-	-	-	583,943
Total other financing sources (uses)	<u>(11,148,596)</u>	<u>(32,500)</u>	<u>10,223,892</u>	<u>265,545</u>	<u>21,717,659</u>	<u>21,026,000</u>
Net change in fund balances	903,052	(899,288)	2,708,858	1,472,883	10,288,543	14,474,048
Fund balances - beginning of year	27,913,756	4,244,724	18,569,139	7,578,472	66,334,609	124,640,700
Fund balances - end of year	<u>\$28,816,808</u>	<u>\$ 3,345,436</u>	<u>\$ 21,277,997</u>	<u>\$ 9,051,355</u>	<u>\$ 76,623,152</u>	<u>\$ 139,114,748</u>

See accompanying notes to basic financial statements.

**CITY OF GRAND PRAIRIE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Net change in fund balances - total governmental funds \$ 14,474,048

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount of capital assets recorded in the current period. 30,121,392

The net effect of various transactions involving capital assets (i.e., disposals, sales, and trade-ins) is a decrease to net position. (511,573)

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. This is the amount of governmental depreciation excluding internal service funds depreciation \$51,336. (38,744,911)

Governmental funds do not report developers' contributions (\$379,642) or incentive obligation to developers (\$4,000,000) as revenues, whereas these amounts are reports in the statement of activities as contributions or long term obligations as applicable. 4,379,642

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the 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.

Bonds issued, plus premium on issuance	(44,207,265)	
Bond principal retirement	47,093,214	
Amortization bond related cost (premium/discount, deferred loss)	218,359	3,104,308

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	(607,646)	
Change in accrued interest	54,685	
Change in Other Post Employment Benefits	(991,726)	
Change in Pollution Remediation Obligation	162,888	
Change in Other Liabilities	(6,104,023)	(7,485,822)

Some property tax and intergovernmental revenues will not be collected for several months after the City's fiscal year end. These are not considered "available" revenues in the governmental funds until received. Change in amount deferred on fund statements. 172,920

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The net loss of the internal service funds is reported with governmental activities net of the amount allocated to business-type activities (\$41,890). 996,797

Change in net position of governmental activities \$ 6,506,801

See accompanying notes to basic financial statements.

**CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013**

	Business-Type Activities-Enterprise Funds			Governmental
	Water	Other	Total	Activities
	Wastewater	Nonmajor		Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 19,735,885	\$ 2,373,676	\$ 22,109,561	\$ 6,487,187
Investments	27,133,705	16,124,185	43,257,890	6,760,624
Accounts receivable, net	4,574,287	1,026,090	5,600,377	-
Other receivables	-	-	-	30,589
Prepays	-	-	-	22,083
Due from other governments	-	31,148	31,148	-
Inventories and supplies	427,962	72,411	500,373	167,891
Current restricted assets:				
Cash and cash equivalents	7,337,263	196,928	7,534,191	176,946
Investments	7,742,509	255,747	7,998,256	-
Total current assets	66,951,611	20,080,185	87,031,796	13,645,320
Capital assets:				
Land	1,653,621	2,508,085	4,161,706	737,566
Buildings	2,361,045	9,579,108	11,940,153	1,477,875
Equipment	19,303,457	8,551,654	27,855,111	1,691,811
Infrastructure	285,615,797	33,210,265	318,826,062	16,672
Construction in progress	20,720,063	1,304,568	22,024,631	-
Less: accumulated depreciation	(155,047,175)	(25,929,892)	(180,977,067)	(2,941,706)
Total capital assets	174,606,808	29,223,788	203,830,596	982,218
Total assets	241,558,419	49,303,973	290,862,392	14,627,538
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	148,417	-	148,417	-
Total deferred outflows of resources	148,417	-	148,417	-
LIABILITIES				
Current liabilities:				
Accounts payable	2,321,679	626,619	2,948,298	57,310
Accrued liabilities	622,348	196,916	819,264	4,386,771
Due to other funds	-	-	-	100,000
Accrued compensated absences	249,542	141,315	390,857	33,781
Unearned revenue	361,431	201,147	562,578	-
Current liabilities payable from restricted assets:				
Customer deposits	3,141,090	66,836	3,207,926	-
Accrued liabilities	430,350	21,687	452,037	-
Current portion of long-term debt	3,900,000	364,152	4,264,152	-
Total current liabilities	11,026,440	1,618,672	12,645,112	4,577,862
Noncurrent liabilities:				
Accrued compensated absences	-	18,490	18,490	1,915
Closure and postclosure liability	-	5,993,696	5,993,696	-
Long-term debt	57,151,208	3,699,143	60,850,351	-
Total noncurrent liabilities	57,151,208	9,711,329	66,862,537	1,915
Total liabilities	68,177,648	11,330,001	79,507,649	4,579,777
NET POSITION				
Net investment in capital assets	116,517,935	25,160,493	141,678,428	982,220
Restricted for debt service	4,695,502	-	4,695,502	-
Unrestricted	52,315,751	12,813,479	65,129,230	9,065,541
Total net position	\$ 173,529,188	\$ 37,973,972	\$ 211,503,160	\$ 10,047,761
Reconciliation to government-wide Statement of Net Position:				
Adjustments to reflect the consolidations of internal service funds activities related to enterprise funds			1,597,003	
Net position of business-type activities			\$ 213,100,163	

See accompanying notes to basic financial statements.

CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-Type Activities-Enterprise Funds			Governmental
	Water	Other	Total	Activities
	Wastewater	Nonmajor		Internal Service Funds
OPERATING REVENUES				
Sales to customers	\$ 33,686,226	\$ 19,903,119	\$ 53,589,345	\$ 4,758,357
Wastewater charges to customers	21,384,096	-	21,384,096	-
Water and wastewater fees	1,709,556	-	1,709,556	-
Wastewater surcharges	684,472	-	684,472	-
Intergovernmental revenue	-	530,291	530,291	-
Insurance premiums	-	-	-	17,078,312
Miscellaneous	354,692	1,345,772	1,700,464	28,914
Total operating revenue	<u>57,819,042</u>	<u>21,779,182</u>	<u>79,598,224</u>	<u>21,865,583</u>
OPERATING EXPENSES				
Salaries and benefits	6,529,641	3,974,635	10,504,276	1,179,922
Supplies and miscellaneous purchases	1,068,906	2,336,706	3,405,612	3,321,807
Purchased services	4,609,048	7,122,035	11,731,083	1,006,924
Insurance costs	-	-	-	16,299,723
Water purchases	10,924,656	-	10,924,656	-
Wastewater treatment	11,790,989	-	11,790,989	-
Miscellaneous	615,328	693,137	1,308,465	160,498
Depreciation	14,681,552	2,638,526	17,320,078	51,336
Franchise fees	2,193,657	528,681	2,722,338	-
General and administrative costs	3,114,517	459,541	3,574,058	-
Total operating expense	<u>55,528,294</u>	<u>17,753,261</u>	<u>73,281,555</u>	<u>22,020,210</u>
Net operating income (loss)	<u>2,290,748</u>	<u>4,025,921</u>	<u>6,316,669</u>	<u>(154,627)</u>
NONOPERATING REVENUES				
(EXPENSES)				
Investment income	4,242	-	4,242	-
Gain (loss) on property disposition	3,954	(86,341)	(82,387)	109,534
Bond issuance costs	(258,297)	(1,961)	(260,258)	-
Interest expense	(2,346,060)	(176,104)	(2,522,164)	-
Contribution to other government	(2,032,151)	-	(2,032,151)	-
Total nonoperating revenues (expenses)	<u>(4,628,312)</u>	<u>(264,406)</u>	<u>(4,892,718)</u>	<u>109,534</u>
Income (loss) before contributions and transfers	(2,337,564)	3,761,515	1,423,951	(45,093)
Capital contributions-impact fees	1,394,620	-	1,394,620	-
Capital contributions	1,195,057	-	1,195,057	-
Transfers in	1,373,000	699,012	2,072,012	1,000,000
Transfers out	(2,755,369)	(4,707,474)	(7,462,843)	-
Change in net position	<u>(1,130,256)</u>	<u>(246,947)</u>	<u>(1,377,203)</u>	<u>954,907</u>
Net position - beginning of year as previously stated	175,686,105	38,248,040	213,934,145	9,092,854
Cumulative effect of change in accounting principle	(1,026,661)	(27,121)	(1,053,782)	-
Restated Net Position -beginning of year	<u>174,659,444</u>	<u>38,220,919</u>	<u>212,880,363</u>	<u>9,092,854</u>
Net position - end of year	<u>\$ 173,529,188</u>	<u>\$ 37,973,972</u>	<u>\$ 211,503,160</u>	<u>\$ 10,047,761</u>
Reconciliation to government-wide Statement of Activities:				
Change in net position of enterprise funds			(1,377,203)	
Adjustments to reflect the consolidations of internal service funds activities related to enterprise funds			(41,890)	
Change in net position of business-type activities			<u>(1,419,093)</u>	

See accompanying notes to basic financial statements.

**CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Business-Type Activities-Enterprise Funds			Governmental Activities
	Water	Other	Total	Internal Service Funds
	Wastewater	Nonmajor		
Cash flows from operating activities:				
Cash received from customers	\$ 58,505,052	\$ 21,327,117	\$ 79,832,169	\$ 22,214,332
Cash received from intergovernmental	-	512,805	512,805	-
Cash payments to suppliers for goods and services	(28,209,697)	(9,641,254)	(37,850,951)	(20,405,964)
Cash payments to employees for services	(6,480,743)	(3,974,624)	(10,455,367)	(1,179,437)
Cash payments to other funds for services	(5,746,597)	(1,265,606)	(7,012,203)	(158,301)
Other operating cash payments	6,829	(446,914)	(440,085)	(21,441)
Net cash provided by operating activities	<u>18,074,844</u>	<u>6,511,524</u>	<u>24,586,368</u>	<u>449,189</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	1,373,000	699,012	2,072,012	1,000,000
Transfers to other funds	(2,755,369)	(4,707,474)	(7,462,843)	-
Contribution to other government	(2,032,151)	-	(2,032,151)	-
Net cash provided by (used in) noncapital financing activities	<u>(3,414,520)</u>	<u>(4,008,462)</u>	<u>(7,422,982)</u>	<u>1,000,000</u>
Cash flows from capital and related financing activities:				
Capital outlays	(14,613,441)	(2,232,157)	(16,845,598)	(112,898)
Capital grant	361,431	-	361,431	-
Proceeds from capital assets disposals	3,954	129,838	133,792	109,534
Loss from capital assets disposals	-	-	-	-
Interest paid on bonds	(2,372,412)	(184,237)	(2,556,649)	-
Interest paid on line of credit	-	-	-	-
Repayment of principal on bonds	(4,010,000)	(437,825)	(4,447,825)	-
Impact fees received	1,394,620	-	1,394,620	-
Proceeds from issuance of bonds	2,300,000	125,000	2,425,000	-
Contributions	723,298	-	723,298	-
Net cash used in capital and related financing activities	<u>(16,212,550)</u>	<u>(2,599,381)</u>	<u>(18,811,931)</u>	<u>(3,364)</u>
Cash flows from investing activities:				
Investment earnings received on cash and investments	4,242	-	4,242	-
Sale of investments	33,356,552	4,673,945	38,030,497	5,413,575
Purchase of investments	(33,073,924)	(4,673,945)	(37,747,869)	(6,413,575)
Net cash provided by (used in) investing activities	<u>286,870</u>	<u>-</u>	<u>286,870</u>	<u>(1,000,000)</u>
Net increase (decrease) in cash and equivalents	(1,265,356)	(96,319)	(1,361,675)	445,825
Cash and cash equivalents - beginning of year	<u>28,338,504</u>	<u>2,666,923</u>	<u>31,005,427</u>	<u>6,218,308</u>
Cash and cash equivalents - end of year	<u>\$ 27,073,148</u>	<u>\$ 2,570,604</u>	<u>\$ 29,643,752</u>	<u>\$ 6,664,133</u>
Reconciliation of income (loss) from operations to net cash provided by (used in) operating activities:				
Net operating income (loss)	\$ 2,290,748	\$ 4,025,921	\$ 6,316,669	\$ (154,627)
Adjustments to net operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	14,681,552	2,638,526	17,320,078	51,336
Provision for non-collectibles receivables	186,518	80,461	266,979	-
Changes in assets and liabilities:				
Decrease (Increase) in accounts receivable	209,089	(13,589)	195,500	348,749
Decrease (Increase) in inventories and supplies	118,285	(9,017)	109,268	(10,722)
Decrease in prepaids	-	11,562	11,562	-
Increase (Decrease) in accounts payable	183,902	(396,960)	(213,058)	(147,072)
Increase in accrued liabilities	86,509	197,594	284,103	365,301
Increase in customer deposits	290,403	4,810	295,213	-
Decrease in unearned revenue	-	(10,942)	(10,942)	-
Increase (Decrease) in accrued compensated absences	27,838	(16,842)	10,996	(3,776)
Net cash provided by operating activities	<u>\$ 18,074,844</u>	<u>\$ 6,511,524</u>	<u>\$ 24,586,368</u>	<u>\$ 449,189</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets from developers	\$ 471,759	-	-	-
Unrestricted cash and cash equivalents-end of year	<u>\$ 19,735,885</u>	<u>\$ 2,373,676</u>	<u>\$ 22,109,561</u>	<u>\$ 6,487,187</u>
Restricted cash and cashequivalents-end of year	<u>7,337,263</u>	<u>196,928</u>	<u>7,534,191</u>	<u>176,946</u>
Total cash and cash equivalents -end of year	<u>\$ 27,073,148</u>	<u>\$ 2,570,604</u>	<u>\$ 29,643,752</u>	<u>\$ 6,664,133</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS



CITY OF GRAND PRAIRIE, TEXAS
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**CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Introduction

The City of Grand Prairie ("City") is one of the Mid-Cities in the Dallas-Fort Worth Metroplex, 12 miles west of downtown Dallas, 18 miles east of downtown Fort Worth and 6 miles south of DFW International Airport. The City was incorporated in 1909, and adopted the Council-Manager form of government in 1948.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable (GAAP) to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the City are described below.

b. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

Knowledge of the definitions for the following terms is important to the reader's understanding of the Notes:

Reporting Entity – The primary government and all related component units are combined to constitute the financial reporting entity.

Primary Government – The core or nucleus of the financial reporting entity. The City's services include primarily the traditional local government responsibilities of public safety, streets and transportation, water and wastewater, solid waste collection and disposal, environmental health, leisure services and general aviation airport.

- 1) Blended Component Units – A legally separate governmental unit that is an extension of the primary government whereby the component unit's governing body is substantively the same as the primary government, provides services almost

entirely to the primary government, and almost exclusively benefits the primary government.

Component Unit – Grand Prairie Crime Control and Prevention District

The Grand Prairie Crime Control and Prevention District (“District”) is used to account for the accumulation and use of quarter-cent sales tax proceeds dedicated to fund a new Public Safety Facility. The District is reported as a special revenue fund of the primary government. The Board of Directors of the District is substantively the same as the City Council. There are seven directors on this board, and, all of them are council members constituting a voting majority of the City Council. Upon dissolution of the District, the entity’s assets will be distributed to the City. This unit provides all its services to the City. Financial information for this unit may be obtained from the City.

- 2) Discretely Presented Component Units – A legally separate governmental unit or organization for which the elected officials of the primary government are financially accountable, and which is reported in a column separate from the primary government within the basic financial statements.

Component Unit – Sports Corporation

Although the Sports Corporation is legally, financially and administratively autonomous, its Board of Directors is appointed by the Grand Prairie City Council. Additionally, four of the seven Sports Corporation board members are members of the Grand Prairie City Council. Therefore, the Sports Corporation should be included within the financial reporting entity of the City; as such, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component unit. The component unit column is reported as a separate column in the combined financial statements to emphasize it as a legally separate entity from the City.

The Sports Corporation was incorporated on June 10, 1992, under the provisions of the Development Corporation Act of 1979, as amended, Article 5190.6, Texas Revised Civil Statutes Annotated, as amended (“Act”) by Resolution No. 2841 of the Grand Prairie City Council. The purpose of the Sports Corporation is to promote economic development within the City in order to reduce unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City by developing, implementing, providing and financing projects authorized under the Act.

The Act provides that the City may levy a one-half cent sales and use tax for the benefit of the Sports Corporation if the tax is authorized by a majority of the qualified voters in an election. On January 18, 1992, a majority of the voters approved a proposition to levy and collect an additional one-half cent sales and use

CITY OF GRAND PRAIRIE, TEXAS
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tax for the purpose of constructing a horse racetrack. The one-half cent sales and use tax increase became effective April 1, 1993 to cover the costs of the project or the principal, interest and other costs relating to any bonds or obligations issued to pay the costs of the project or to refund bonds or obligations issued to pay the cost of the project. All bonds were redeemed on September 15, 2007. The sales tax was discontinued on September 30, 2007.

The activities of the Sports Corporation are similar to those of proprietary funds, and, therefore, are reported as an enterprise fund. The activities of the Sports Corporation are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the Sports Corporation are included in a single fund. Transactions are accounted for using the accrual basis of accounting.

Complete September 30, 2013 financial statements for the Sports Corporation may be obtained at its administrative office.

Component Unit – Housing Finance Corporation

The Grand Prairie Housing Finance Corporation (HFC) was created to issue tax-exempt revenue bonds to supply mortgage financing for low income home buyers and multi-family development. While the entity is legally, financially and administratively autonomous, the governing body of the City of Grand Prairie may, at its sole discretion, and at any time, amend HFC's Articles of Incorporation, and alter or change its structure, programs or activities, or terminate or dissolve it. Additionally, members of the Board of Directors are appointed by and may be removed by the City Council. The city is not financially obligated for any debt of the HFC. The financial information for HFC is included in the statements for its fiscal year ended December 31, 2012. Complete separate December 31, 2012 financial statements for HFC year-end may be obtained from the City.

- 3) Related Autonomous Entities - Related autonomous entities are those entities whose boards of directors are appointed by the City Council, but over which the City is not financially accountable, and are therefore excluded from the reporting entity. These include:
- Grand Prairie Health Facilities Development Authority – created to issue tax-exempt revenue bonds to finance medical facilities. The Authority's bonds have been defeased, and the Authority only exists to make decisions from time to time regarding the defeased bonds. The City exercises no control over the Authority or its budget.
 - Grand Prairie Industrial Development Authority – created to issue tax-exempt industrial revenue bonds to assist in the City's economic development and to

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evaluate tax abatement applications. The City exercises no control over the Authority's management, budget or operations.

c. Government-Wide Financial Statements and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on the activities of the primary government and its component unit. Activity for the primary government and its component unit are reported separately in the government-wide financial statements. The effect of interfund activity between governmental activities and business-type activities has been eliminated in these statements except that business-type activities include charges for administrative overhead services provided by the governmental activities.

Governmental activities are supported in part by property taxes, sales taxes, franchise fees, and grant revenues from the federal government and the State of Texas. Governmental activities are reported separately from *business-type activities*, which rely to a large extent on fees and charges for support. Significant revenues generated from business-type activities include: charges to customers for water and wastewater services, golf course fees, airport user charges, wastewater tap fees and reconnection fees.

The statement of activities reports the change in the City's net position from October 1, 2012 to September 30, 2013. This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Specifically, the City has identified the following functions of government: support services, public safety services, recreation and leisure services, development services, water sales, wastewater services, solid waste services, storm water services, airport operations, and golf course operations. *Direct expenses* are those that are clearly identifiable with a specific function of City government. *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* in the statement of activities.

In addition to the government-wide financial statements, the City also reports separate financial statements for major governmental funds and proprietary funds; these statements are classified as *fund financial statements*. The fund financial statements are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds

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NOTES TO BASIC FINANCIAL STATEMENTS
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are ordered into two distinct categories: governmental and proprietary. Information in the fund financial statements is reported on a major fund basis. The calculation of major funds is conducted by the City each year under the methods outlined in GASB Statement No. 34 or any fund that management considers as major. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The major funds at September 30, 2013, are as follows: general fund, section 8 fund, street improvement fund, a debt service fund, and water/wastewater fund. Non-major funds are reported in the aggregate as "Other Funds." The various funds are summarized by type in the fund financial statements.

Major governmental funds include the following:

General Fund: The General Fund is the primary operating fund of the City. This fund is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Section 8 Fund: The fund accounts for grants received from the federal government for providing housing assistance to low income families.

Street Improvements Fund: This fund accounts for the costs of street improvements in the City financed through general obligation bond proceeds, and other dedicated sources.

Debt Service Fund: The City's Debt Service Fund accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation (property tax supported) debt.

Major enterprise fund includes the following:

Water/Wastewater Fund: This fund accounts for water and wastewater system services provided for residents of the City, including administration, operations, maintenance, debt service, billing and collection. The City has no treatment facilities for water or wastewater. Treated water is purchased from the Dallas Water Utilities ("DWU") and Trinity River Authority ("TRA"), and water is pumped from City-owned wells. The City owns the wastewater collection system and all of the wastewater treatment is provided by the TRA. The contracts with DWU and TRA are discussed elsewhere in the Notes.

d. Measurement Focus and Basis of Accounting

1) Governmental Funds

The City uses the modified accrual basis of accounting and the flow of current financial resources measurement focus for all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when both

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
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“measurable and available.” Measurable means knowing, or being capable of calculating or estimating the amount to be received. Available means collectible within the current period or soon enough thereafter to pay current liabilities (generally 60 days). Also, under the modified accrual basis of accounting, expenditures (including capital outlay) are recorded in the period when the related fund liability is incurred, except for general obligation bond principal and interest which is recorded when due rather than when incurred.

Major revenue sources susceptible to accrual in the governmental funds include:

- Sales taxes are collected by the State and remitted to the City monthly 60 days in arrears. The City recognizes sales taxes revenues using the modified accrual basis. Additional amounts estimated to be collectible in time to be a resource payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with General Accepted Accounting Principles have been recognized as revenue. The City allocates its sales taxes revenues to the General Fund, Street Maintenance Fund, Baseball Stadium, Summit Venue, and Park Venue Fund pursuant to City ordinances. The Crime Control and Prevention District receives monthly sales taxes revenues from the State separate from the City.
- Franchise fees are remitted regularly by franchise owners for gas, electric, telephone and cable utilities. Franchise fees are also paid by the City’s Water and Wastewater Fund, Solid Waste Fund and Storm Water Utility Fund. The fees are not taxes, but compensate the City for the use of public right-of-way by the utilities. Amounts earned but not collected at fiscal year-end are recorded as accounts receivable. Amounts earned at fiscal year-end and collected within 60 days are recorded as revenue.
- Property taxes are billed and collected by the Dallas County Tax Assessor based on assessed taxable values each January 1 as determined by the Dallas Central Appraisal District using exemptions approved by the City. Taxes are levied and due on the next October 1 and are past due after February 1 of the following year. Tax liens are automatic on January 1 for each year of tax levy. Property tax receivables are recorded on October 1 when taxes are assessed with a reserve estimate for un-collectibles. Property tax revenues are recorded as the taxes are collected. Delinquent tax payments are recognized as revenue when both measurable and available. Additional amounts estimated to be collectible in time to be a resource payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with General Accepted Accounting Principles have been recognized as revenue (amounts received within 60 days of year-end).

CITY OF GRAND PRAIRIE, TEXAS
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- Intergovernmental grant revenues are recognized when available and the qualifying expenditures have been incurred and all other grant requirements have been met for expenditure-driven grants.
- Interest revenues are recognized as earned as they are measurable and available.
- Interfund services provided and/or used by other funds are reported as “general and administrative revenue/expenses” and represent direct charges/payments for services provided to one or more other funds. Allocations of indirect costs are included in transfers in/out between funds and not reported as revenues or expenditures.

2) Proprietary Funds

The accrual basis of accounting and flow of economic resources measurement focus are used in all proprietary fund types. Under the accrual basis of accounting, revenues are recognized when earned, and expenses (including depreciation) are recorded when the liability is incurred. The accounting objectives for proprietary funds are the determination of net income, financial position and cash flows. Proprietary fund equity is segregated into (1) invested in capital assets, net of related debt; (2) restricted net position, and (3) unrestricted net position.

Proprietary funds distinguish operating revenues and expenses from the non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds and the City’s internal service funds are charges to customers for water sales, utility charges, and municipal golf course fees. 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.

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City Council is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the City Council has decided that periodic determination of revenues earned, expenses incurred and/or net income (loss), is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The enterprise funds of the City are classified as business-type activities in the government-wide statements of net position and activities.

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department to other departments within the City, on a cost-reimbursement basis. The City has two internal service funds, which include:

- Equipment Services Fund – accounts for a full range of services in managing and maintaining the City’s fleet of vehicles and equipment.
- Risk Management Fund - accounts for premiums, deductibles and claims for the City’s property, liability and workers compensation and employee health and life insurance programs. The City reports all risk financing activities in the Risk Management Fund.

e. Assets, Liabilities, Deferred Outflows/Inflows Resources, and Net Position/Fund Balances

1) Pooled Cash, Investments and Temporary Deposits

The City’s cash, investments and temporary deposits are pooled for investment. Interest earnings are recorded in the General Fund unless it is required by regulations or agreements to allocate to certain funds. In fiscal year 2013, the funds receiving allocation of interest earnings were: Section 8 Fund, Debt Service Fund, Police Seizure Fund, Public Improvement Districts Fund, and the Water/Wastewater Fund. For purposes of the statements of cash flows, the City considers cash on hand, demand deposits and investments with original maturities of three months or less to be cash equivalents.

2) Depository Contract

The City operates under a depository contract in accordance with State law.

3) Inventories

Inventory is recorded at cost when purchased and charged to expenditures when consumed. General Fund supplies and materials inventory are recorded as expenditures on an actual specific cost basis. The Water and Wastewater Fund supplies and materials inventory is charged out on a first-in, first-out basis. Equipment Services Fund, included as “Other Governmental Funds” in the fund financial statements, charges supplies and materials out on a first-in, first-out basis and its gasoline inventory is charged out on a moving average basis. The Municipal Airport Fund, included as “Other Proprietary Funds” charges fuel inventory on a moving average basis.

CITY OF GRAND PRAIRIE, TEXAS
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4) Capital Assets and Depreciation

Capital assets (i.e. land, buildings, equipment, improvements other than buildings, which includes the City's infrastructure, and construction in progress) of all the funds are stated at historical cost or estimated historical cost if historical cost is not known. Donated capital assets are recorded at their fair value on the date donated. An item is classified as an asset if the initial, individual cost is \$5,000 or greater. Capital assets of the City are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Assets subject to depreciation are depreciated using the straight-line method. The estimated useful lives of all depreciable assets are as follows:

Buildings	20-40 years
Machinery and Equipment	5-15 years
Improvements other than Buildings	20-40 years
Infrastructure	20-40 years

5) Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position by the City that is applicable to a future reporting period and as so will not be recognized as an outflow of resources (expenses/expenditures) until then.

The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows of resources represents an acquisition of net position that is applicable to a future reporting period and as so will not be recognized as an inflow of resources (revenue) until that time.

Governmental funds' receivables expected to be collected later than 60-days after the end of the fiscal year are recorded as deferred inflows of resources.

The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position.

CITY OF GRAND PRAIRIE, TEXAS
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6) Compensated Absences

Employees are granted vacation benefits in varying amounts, depending on tenure with the City. These benefits accumulate pro rata by pay period. Employees may not use vacation leave before it is earned. Payment for unused vacation will be made at the termination of employment, retirement or death of employees. Fire and police civil service employees who have completed their introductory period are paid up to 90 days sick leave upon separation of employment, excluding indefinite suspensions. The valuation of the civil service sick leave is at current pay rates. The valuation of accrued compensated absences includes salary-related payments such as the City's share of taxes and contributions to the retirement plan in accordance with GASB 16. Long-term accrued compensated absences and those related amounts to be paid in the next fiscal year are reported in the respective columns in the government-wide financial statements and in the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is typically used to liquidate the liability for governmental activities' compensated absences. Long-term accrued compensated absences are not expected to be liquidated with expendable available financial resources and are not reported in the governmental fund financial statements.

7) Encumbrances

Encumbrance accounting is used for the General Fund, Street Improvement Fund and other governmental funds. Encumbrances are recorded when a purchase order is issued, and encumbrances are not considered expenditures until a liability for payment is incurred. Encumbered amounts for specific purposes which have not been previously classified as restricted, committed, or assigned are classified as assigned fund balance. On October 1, each year encumbrances are carried forward, along with the prior year's related appropriation, and added to the new year's budget. As of September 30, 2013 the City had \$186,320 of General Fund balance assigned to encumbrances.

In addition to encumbrances, a separate work order system based upon approved contracts is used to manage disbursements for capital projects.

8) Nature and Purpose of Classifications of Fund Equity

Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution, which are considered equally restrictive for the purpose of committing fund balance. The City Council must take the same level of

**CITY OF GRAND PRAIRIE, TEXAS
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action to remove or change the constraint. Assigned fund balances are constrained by the intent to be used for specific purposes, neither restricted nor committed.

The City Council has authorized the City's City Manager as the official authorized to assign fund balance to a specific purpose as approved by the fund balance policy.

For the classification of Governmental Fund balances, the City considers expenditures to have been made from the most restrictive classification first when more than one classification is available.

9) Minimum Fund Balance Policy

It is the desire of the City to maintain adequate General Fund balance to maintain liquidity and in anticipation of economic downturns or natural disasters. The City Council has adopted a financial standard to maintain a General Fund unassigned fund balance at a minimum level of between 50 and 60 days expenditures.

10) Net Position

Net position represents the difference between assets plus deferred outflows of resources, on the one hand, and liabilities plus deferred inflows of resources, on the other.

Net investment in capital assets consists of capital assets net of accumulated depreciation, capital-related deferred outflows of resources and capital-related borrowings and deferred inflows of resources.

Net position-restricted is the difference between 1) non-capital assets whose use is restricted and 2) related liabilities and deferred inflows of resources.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budget Law and Practice

Accounting Standards literature defines three levels of budgetary control which may be employed. These are: (1) appropriated budget, (2) legally authorized nonappropriated budget review and approval process, which is outside the appropriated budget process, and (3) nonbudgeted financial activities, which are not subject to the appropriated budget and the appropriation process or to any legally authorized nonappropriated budget review and approval process, but still are important for sound financial management and oversight.

The City Manager submits annual budgets to the City Council for all budgeted funds in August in accordance with the City Charter. In September, the City Council legally

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adopted annual fiscal year appropriated budgets for the City's General Fund, Debt Service Fund, Park Venue Fund, Senior Center Sales Tax Fund, Hotel/Motel Tax Fund, Municipal Court Fund, and Cable Operation Fund, Lake Parks Fund, Crime Tax Sales Tax Fund, Cemetery Fund, and Juvenile Case Manager Fund. The expenditures budgeted in each fund may not exceed the budgeted revenues, including beginning fund balance.

The Section 8 budget is presented annually and is based on a combination of historical data and estimated appropriations from the Department of Housing and Urban Development (HUD) Section 8 program.

HUD provides each housing authority an annual baseline for the management of the voucher program (a statistical unit of measure). While this baseline is only a statistical unit of measure, economic factors can affect the financial component of each submitted voucher (unit).

Policy decisions at the federal level, increases in rental subsidies, and the expansion of the number of clients served due to unforeseen circumstances may require a higher voucher subsidy and can affect the financial component of each voucher. Accordingly, expenditures may exceed budget, but only to the extent that this increase will be offset by a like increase in revenues as received from HUD for the management and administration of the Section 8 voucher program. HUD monitors the financial activity and unit activity of the Section 8 program each month through required submissions via the Voucher Management System (VMS).

Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles. That is, revenues are budgeted in the year they are realized, and expenditures are budgeted in the year when goods or services are received. The amounts in Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual for the general fund are reported on a GAAP basis. Encumbered appropriations are carried forward to the next fiscal year and become part of the new-year's appropriations, while unencumbered appropriations lapse at fiscal year-end. Appropriations for certain nonbudgeted special revenue funds and capital projects funds are controlled on a project basis and are carried forward each year until the project is completed or the grant receipts are expended.

Encumbrances and the related appropriations outstanding at the end of a year are carried forward into the next year, and these carried-forward appropriations then become part of the new-year's appropriations. This is because it is not possible to distinguish between current and prior year's appropriations in the City's computer system.

The City's capital projects are planned in an annually updated five-year capital budget which encompasses all capital resources.

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b. Budgetary Control

Appropriations are approved by the City Council by fund for all budgeted funds. All appropriation amendments are subject to final approval by the City Council.

For day-to-day management purposes, line item budgets are prepared. Revenues are budgeted by type and source. Expenditures are budgeted by function, by organization level, i.e., department, division and program, and by detailed type or character code, i.e., personal services, maintenance and operation, capital outlay, debt service and transfers. Appropriations are budgeted at the fund level. If budget amendments (increase in appropriations) are necessary they must be approved by the City Council. Budget adjustments (transfers between line items within the fund) are allowed as long as the adjustments do not exceed the total budgeted appropriations for the fund.

c. Budget Amendments

During the fiscal year it was necessary to amend the original budget by City Council action. The original budget and amended budget are presented in the Schedules of Revenue, Expenditures, and Changes in Fund Balance – Budget to Actual Comparison for the General and Section 8 Funds.

d. Deficit Fund Equity

As of September 30, 2013, the City had no funds with deficit fund equity.

3. DETAILED NOTES ON ALL FUNDS

a. Assets

1) Deposits, Investments and Investment Policies

The City invests in United States Treasury notes and United States Agency Securities. These investments are recorded at fair value, which is defined as the amount at which a willing buyer and seller would exchange the security.

The City is required by Government Code Chapter 2256, the Public Funds Investment Act (“Act”), to adopt, implement, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity’s funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

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The City Council has adopted Investment Policies (“Policies”) which are in accordance with the laws of the State of Texas, where applicable. The Policies identify authorized investments and investment terms, collateral requirements, safekeeping requirements for collateral and investments and certain investment practices.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establish appropriate policies. Authorized investments include obligations of the United States or its agencies and instrumentalities (except for mortgage pass-through securities), repurchase agreements, municipal securities, public funds investment pools, SEC regulated money market mutual funds and collateralized or insured certificates of deposit. The City adheres to the requirements of the Act. Additionally, investment practices of the City are in accordance with local policies.

The investment policies require that repurchase agreements be made pursuant to a master agreement, the collateral is a U. S. Treasury bill, note or bond; the security is held in safekeeping by the City’s custodial agent; and the investment is transacted “delivery vs. payment” so that the City’s interest in the underlying security is perfected. The City does not invest in reverse repurchase agreements. No City monies were invested in repurchase agreements at September 30, 2013.

The City’s investments are stated at fair value, using the following methods and assumptions as of September 30, 2013:

- 1) Fair value is based on quoted market prices as of the valuation date.
- 2) The portfolio did not hold investments in any of the following:
 - (a) Items required to be reported at amortized cost, except investments in TexPool, and TexStar,
 - (b) Items in external pools that are not SEC-registered,
 - (c) Items subject to involuntary participation in an external pool,
 - (d) Items associated with a fund other than the fund to which the income is assigned.
- 3) Any unrealized gain/loss resulting from the valuation is recognized in the respective fund that participates in the City’s investment pool.
- 4) The gain/loss resulting from valuation is reported within the revenue account “investment income” on the Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds, and the Statement of Revenues, Expenses and Changes in Net Position for the Proprietary Funds.

The City invested \$73,632,102 in TexPool as of September 30, 2013. The Texas State of Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability

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for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by Standard & Poors. As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review.

TexPool uses amortized cost rather than fair value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The City invested \$21,369,535 in TexSTAR as of September 30, 2013. J.P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Asset Management, Inc. (FSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board. JPMIM provides investment management services, and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JP Morgan Chase Bank, NA and or its subsidiary J.P. Morgan Investor Services Co. Finally, TexSTAR is rated AAAM by Standard and Poor's.

TexSTAR uses amortized cost rather than fair value to report net assets to compute share prices. Accordingly, the fair value of the position in TexSTAR is the same as the value of TexSTAR shares.

The City's policy is to hold investments until maturity or until fair values equal or exceed cost.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio to less than twelve months.

Credit risk. State law limits investments in commercial paper if the commercial paper is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies or one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state. The City's policy does not allow investments in commercial paper.

Concentration of credit risk. Investments shall be diversified to reduce the risk of loss resulting from over-concentration of investments in a specific maturity, a specific issue, or a specific class of securities.

The asset mix of the City's portfolio is expressed in terms of maximum commitment so as to allow flexibility to take advantage of market conditions.

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The asset mix requirements are as follows:

	<u>% Maximum</u>
1. U.S. Treasury Bills and Notes	100
2. U.S. Agency or Instrumentality Obligations (each type)	25 (a)
3. Repurchase Agreements	20
4. Municipal Securities (total)	40
5. Municipal Securities (out-of-state)	20
6. Certificates of Deposit (per institution)	20
7. Money Market Mutual Fund	50 (b)
8. Public Funds Investment Pool	50

(a) Total agency investments limited to no more than 100% of the total portfolio.

(b) State law allows up to 80% of monthly average fund balance, excluding bond proceeds. The City limits its exposure to 50% to reduce risk.

In addition, the City may invest in callable securities but shall limit the total amount to no more than 50% of the portfolio.

The City's carrying amount of cash, cash equivalents and investments as of September 30, 2013 as reflected in the primary government's financial statements, are:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash	\$ 8,267,941	\$ 176,946	\$ 8,444,887
Pooled Investments			
Cash and cash equivalents	87,467,446	7,534,191	95,001,637
Investments	<u>120,944,117</u>	<u>7,998,256</u>	<u>128,942,373</u>
Total pooled investments	<u>208,411,563</u>	<u>15,532,447</u>	<u>223,944,010</u>
Total	<u>\$ 216,679,504</u>	<u>\$ 15,709,393</u>	<u>\$ 232,388,897</u>

Chapter 2257 Collateral for Public Funds of the Government Code requires that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. On November 9, 2010, the FDIC issued a Final Rule implementing Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited insurance coverage of noninterest-bearing transaction accounts. Beginning December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account at all FDIC-insured institutions. The unlimited insurance coverage is available to all depositors; including consumers, businesses, and government entities at all FDIC banks including the City's depository Wells Fargo Bank, N.A. All of the

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City of Grand Prairie deposits are covered by Section 343 of the Dodd Frank Act, making the City's requirement for collateral at the FDIC not necessary until December 31, 2012. Due to Wells Fargo Bank, N.A. contractual obligation to the City, the collateral value held at the Federal Reserve Bank in the City's name at year end was \$6,350,795.

The City's cash equivalents of \$95,001,637 were also covered by collateral held by the City's agent in the City's name.

As of September 30, 2013, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Risk</u>
Federal Farm Credit Bank	\$ 54,932,260	682	AAA
Federal Home Loan Bank	48,024,603	513	AAA
Federal Home Loan Mortgage Corp.	15,009,210	634	AAA
Federal National Mortgage Assoc.	7,977,290	887	AAA
Farmer MAC	2,999,010	564	AAA
TexPool	73,632,102	1	AAAm
TexStar	21,369,535	1	AAAm
Total	<u>\$ 223,944,010</u>	<u>*360</u>	

*Portfolio Weighted Average Maturity

Maturities of the City's investments at September 30, 2013 were as follows:

Cash equivalents	\$ 95,001,637
Under 30 days	-
30 days to 60 days	-
61 days to 90 days	5,001,920
91 days to 1 year	27,046,160
After 1 year	96,894,293
Total	<u>\$ 223,944,010</u>

The City did not invest in any securities different from the categories mentioned above during the 2012-2013 fiscal year.

At September 30, 2013, the carrying amount of the Sports Corporation's deposits included in cash and cash equivalents was \$423,239 while the bank balance of the Sports Corporation's deposits was \$424,035. The bank balance was entirely covered by collateral held by the Sports Corporation's agent in the Sports Corporation's name.

CITY OF GRAND PRAIRIE, TEXAS
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As of September 30, 2013, the Corporation had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Risk</u>
TexPool	\$ 6,642,825	1	AAAm
U.S. Governmental Obligations	<u>7,994,693</u>	<u>546</u>	AAA
Total	<u>\$ 14,637,518</u>	<u>298</u>	

Portfolio Weighted Average Maturity

The Sports Corporation is authorized to invest in obligations of the U. S. or its agencies and instrumentalities, certain repurchase agreements, municipal securities with a rating of at least A, collateralized or insured certificates of deposit, and SEC-registered, no-load money market mutual funds comprised of securities allowed under the Public Funds Investments Act and public funds investment pools. At year-end, all investments of the Sports Corporation were held by the Sports Corporation's agent in the Sports Corporation's name. The fair value of investments owned at September 30, 2013 was \$6,642,825 in the Public Funds Investment Pool (TexPool) and \$7,994,693 in U.S agency instrumentalities.

The bank balance of HFC at December 31, 2012, including restricted cash, totaled \$696,514 all of which was covered by FDIC insurance and collateral held by the depository institution in HFC's name. HFC's unrestricted cash and cash equivalents had a balance of \$629,389. Restricted cash of \$67,125 "tenant security deposits" represents cash held on deposit by HFC for insurance proceeds received for damages to federally funded assets. The liability is recorded until final disposition of the proceeds is requested by HUD. Other assets include temporary investments of \$146,760, reserves of \$97,432, and bonds held by a trustee of \$1,119,489 as a debt service reserve.

CITY OF GRAND PRAIRIE, TEXAS
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2) Capital Assets

Capital assets balances and transactions for the year ended September 30, 2013 are summarized below for governmental activities:

	Balance October 1, 2012	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2013
Non-depreciable capital assets:				
Land	\$ 35,824,385	\$ 4,288,498	\$ -	\$ 40,112,883
Construction in progress	51,821,889	19,083,162	(12,885,231)	58,019,820
Total non-depreciable capital assets	87,646,274	23,371,660	(12,885,231)	98,132,703
Depreciable capital assets:				
Buildings	179,951,144	2,893,996	(536,992)	182,308,148
Equipment	82,209,307	6,842,476	(1,613,697)	87,438,086
Infrastructure	510,940,871	14,437,579	(60,000)	525,318,450
Total depreciable capital assets	773,101,322	24,174,051	(2,210,689)	795,064,684
Less accumulated depreciation for:				
Buildings	(41,353,079)	(6,337,007)	4,727	(47,685,359)
Equipment	(44,478,704)	(6,512,567)	1,587,840	(49,403,431)
Infrastructure	(216,403,176)	(25,946,673)	60,000	(242,289,849)
Total accumulated depreciation	(302,234,959)	(38,796,247)	1,652,567	(339,378,639)
Total depreciable capital assets, net	470,866,363	(14,622,196)	(558,122)	455,686,045
Governmental activities capital assets, net	<u>\$ 558,512,637</u>	<u>\$ 8,749,464</u>	<u>\$ (13,443,353)</u>	<u>\$ 553,818,748</u>

Additions include developers contribution of \$379,642.

Capital asset balances for business-type activities for the year ended September 30, 2013 are summarized below:

	Balance October 1, 2012	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2013
Non-depreciable capital assets:				
Land	\$ 4,156,706	\$ 5,000	\$ -	\$ 4,161,706
Construction in progress	12,359,914	13,840,963	(4,176,246)	22,024,631
Total non-depreciable capital assets	16,516,620	13,845,963	(4,176,246)	26,186,337
Depreciable capital assets:				
Buildings	11,434,451	580,102	(74,400)	11,940,153
Equipment	26,009,801	2,412,732	(567,422)	27,855,111
Infrastructure	314,324,897	4,654,807	(153,642)	318,826,062
Total depreciable capital assets	351,769,149	7,647,641	(795,464)	358,621,326
Less accumulated depreciation for:				
Buildings	(5,551,119)	(472,471)	21,389	(6,002,201)
Equipment	(14,719,038)	(1,940,027)	482,447	(16,176,618)
Infrastructure	(143,966,115)	(14,907,580)	75,447	(158,798,248)
Total accumulated depreciation	(164,236,272)	(17,320,078)	579,283	(180,977,067)
Total depreciable capital assets, net	187,532,877	(9,672,437)	(216,181)	177,644,259
Governmental activities capital assets, net	<u>\$ 204,049,497</u>	<u>\$ 4,173,526</u>	<u>\$ (4,392,427)</u>	<u>\$ 203,830,596</u>

CITY OF GRAND PRAIRIE, TEXAS
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Depreciation expense was charged to governmental and business-type activities as follows:

Support services	\$ 3,225,048	Water and wastewater	\$ 14,681,552
Public safety services	5,981,721		
Recreation and leisure services	6,366,966		
Development services	23,171,176	Other business-type	2,638,526
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>51,336</u>		
Total governmental	<u>\$ 38,796,247</u>	Total business-type	<u>\$ 17,320,078</u>

A summary of changes in capital assets of the Sports Corporation is as follows:

	Balance October 1, 2012	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2013
Equipment	\$ 310,078	\$ -	\$ -	\$ 310,078
Less accumulated depreciation	<u>(310,078)</u>	<u>-</u>	<u>-</u>	<u>(310,078)</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

A summary of changes in capital assets of the Housing Finance Corporation is as follows:

	Balance January 1, 2012	Additions/ Completions	Disposals/ Reclasses	Balance December 31, 2012
Non-depreciable capital assets:				
Land	\$ 1,612,851	\$ -	\$ -	\$ 1,612,851
Total non-depreciable capital assets	<u>1,612,851</u>	<u>-</u>	<u>-</u>	<u>1,612,851</u>
Depreciable capital assets:				
Buildings	19,848,850	493,032	(533,030)	19,808,852
Less accumulated depreciation	<u>(6,184,433)</u>	<u>(872,428)</u>	<u>533,030</u>	<u>(6,523,831)</u>
Total depreciable capital assets, net	<u>13,664,417</u>	<u>(379,396)</u>	<u>-</u>	<u>13,285,021</u>
Housing Finance Corporation assets, net	<u>\$ 15,277,268</u>	<u>\$ (379,396)</u>	<u>\$ -</u>	<u>\$ 14,897,872</u>

**CITY OF GRAND PRAIRIE, TEXAS
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b. Deferred Outflows/inflows of Resources

1) Deferred Outflows of Resources

The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position.

Below is the summary of City's deferred charges on refunding:

Governmental Activities	\$	1,277,211
Business-type Activities		148,417
Total	<u>\$</u>	<u>1,425,628</u>

2) Deferred inflows of Resources-Unavailable Revenue

The governmental funds report unavailable revenues from the following sources:

	General Fund	Debt Service Fund	Total
Property taxes	\$ 1,083,361	\$ 437,351	\$ 1,520,712
Ambulance	1,672,304	-	1,672,304
School Resources Officer	324,864	-	324,864
Total	<u>\$ 3,080,529</u>	<u>\$ 437,351</u>	<u>\$ 3,517,880</u>

CITY OF GRAND PRAIRIE, TEXAS
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c. Liabilities

1) Risk Management

The City currently administers a deductible program for Workers Compensation, all Liability, Property, Airport, and Crime claims through the Texas Municipal League Intergovernmental Risk Pool (TMLIRP), a public entity risk pool. The TMLIRP sustains itself through member premiums and stop loss coverage for excess claims through commercial insurers. The City's current per occurrence and aggregate limits through the TMLIRP are shown below.

<u>Coverage</u>	<u>Per Occurrence</u>	<u>Aggregate</u>
General Liability	\$ 1,000,000	\$ 2,000,000
Law Enforcement Liability	\$ 3,000,000	\$ 6,000,000
Errors and Omissions	\$ 3,000,000	\$ 6,000,000
Automobile Liability	\$ 3,000,000	N/A
Airport Liability	\$ 10,000,000	\$ 10,000,000

Current deductibles with TMLIRP are \$350,000 for Workers Compensation with no aggregate retention; \$300,000 for all liability lines (General, Law Enforcement, Public Officials, and Auto Liability); \$1,000 for Automobiles; and \$10,000 for Mobile Equipment.

The City's operating funds are charged premiums for coverage provided by the Risk Management Fund based on approved annual budgets with adjustments based on estimates of the amounts needed to pay prior and current-year claims. These inter-fund premiums are used to reduce the amount of actual expenditures.

Liabilities of the Risk Management Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, timing of filed claims, adjudication of claim benefits, changes in legal doctrines, and damage awards.

Accordingly, claims are reevaluated annually to consider the effects of inflation, plan benefit designs, recent claim settlement trends, claim expense, and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. The total accrued liabilities for the Risk Management Fund based on the recent December 31, 2012 actuarial report, as of September 30, 2013, was \$2,965,148.

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The City offers group health coverage to its employees and retirees in plans administered by United Health Care using an escrow account funded by the City with both employee and City contributions. The City allows retired employees under age 65 to continue participating in its group health insurance program after retirement with a portion of premiums paid by the City. The amount of premiums paid by retirees is based on the retirement date, length of service with the City, plan selected and dependents covered at the time of retirement. The City retains risk for up to \$400,000 per member per year, and transfers risk in excess of this amount to a reinsurer. Reported claims are charged to expense in the period the loss is incurred. The total accrued liabilities for health insurance as of September 30, 2013 were \$1,331,268.

Below is the change in estimates of accrual liabilities for health coverage for the risk management fund:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2013	\$ 3,969,914	\$13,734,536	\$13,408,034	\$ 4,296,416
2012	\$ 3,372,165	\$14,945,750	\$14,348,001	\$ 3,969,914

2) Unearned Revenue

Unearned revenue is a liability for resources obtained prior to revenue recognition. Below is the summary of City's unearned revenue as of September 30, 2013.

General Fund pipeline lease prepaid	\$ 957,923
Street Improvement Fund future paving assessment	269,013
Grant Fund advance funding from granting agencies	658,397
Community Development Block Grant funding for future projects	98,535
ParkVenue Fund rental deposits on events to be held	155,823
Prairie Light Fund deposits for future events	68,000
Cemetery Fund deposits held for preneed arrangements	880,089
Governmental funds total	<u>\$ 3,087,780</u>
Texas Water Development Board forgiveness loan	\$ 361,431
Airport Fund pipeline lease prepaid	201,147
Enterprise Funds total	<u>\$ 562,578</u>

CITY OF GRAND PRAIRIE, TEXAS
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3) Long-Term Debt

Below is a summary of the changes in long-term debt of the City's primary government and component unit:

	Balance October 1, 2012	Borrowings or Increase	Payments or Decrease	Balance September 30, 2013	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds	\$ 92,070,458	\$ 18,715,000	\$ (16,597,175)	\$ 94,188,283	\$ 7,585,848
Certificates of obligation bonds	79,880,000	12,805,000	(12,510,000)	80,175,000	5,890,000
Sales tax revenue bonds	25,290,000	11,060,000	(12,800,000)	23,550,000	1,415,000
Sales tax venue revenue bonds	14,905,000	-	(2,425,000)	12,480,000	2,625,000
Sales tax venue certificates of obligation	40,895,000	-	(2,600,000)	38,295,000	2,890,000
Issuance premiums/discounts, net	2,980,920	1,627,265	(329,693)	4,278,492	-
Compensated absences	13,508,230	5,814,905	(5,211,035)	14,112,100	5,011,248
Other post employment benefits	3,709,278	991,726	-	4,701,004	-
Environmental remediation liability	162,888	-	(162,888)	-	-
Other liabilities	-	6,104,023	-	6,104,023	1,160,776
Total governmental activities	<u>273,401,774</u>	<u>57,117,919</u>	<u>(52,635,791)</u>	<u>277,883,902</u>	<u>26,577,872</u>
<u>Business-Type Activities</u>					
General obligation bonds	2,334,543	125,000	(197,825)	2,261,718	239,152
Certificates of obligation bonds	1,940,000	-	(240,000)	1,700,000	125,000
Water and wastewater revenue bonds	61,925,000	16,345,000	(18,490,000)	59,780,000	3,900,000
Issuance premiums/discounts, net	636,366	816,036	(79,617)	1,372,785	-
Closure and post closure liability	5,616,238	377,458	-	5,993,696	-
Compensated absences	398,351	484,276	(473,280)	409,347	390,857
Total business-type activities	<u>72,850,498</u>	<u>18,147,770</u>	<u>(19,480,722)</u>	<u>71,517,546</u>	<u>4,655,009</u>
Total primary government	<u>\$ 346,252,272</u>	<u>\$ 75,265,689</u>	<u>\$ (72,116,513)</u>	<u>\$ 349,401,448</u>	<u>\$ 31,232,881</u>
<u>Component Unit Activities</u>					
Housing Finance Corporation:					
Notes payable	\$ 3,435,549	\$ 41,759	\$ (43,003)	\$ 3,434,305	\$ 48,715
Line of Credit	138,812	-	(20,000)	118,812	118,812
Revenue bonds	8,490,000	-	(150,000)	8,340,000	160,000
Subordinate Revenue bonds	4,550,000	-	-	4,550,000	-
Total component units	<u>\$ 16,614,361</u>	<u>\$ 41,759</u>	<u>\$ (213,003)</u>	<u>\$ 16,443,117</u>	<u>\$ 327,527</u>

The General Fund is typically used to liquidate the net other post-employment benefit obligation.

On September 30, 2013, the City's \$7.5 million line of credit; \$5 million general obligation line of credit and \$2.5 million water and wastewater system line of credit with Bank of America, expired.

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

a) Governmental Activities Long-Term Debt

Long-term debt in the governmental type activities column of the government-wide financial statements consists of general obligation bonds, including refunding, sales tax revenue bonds, certificates of obligation bonds, a line of credit, and accrued compensated absence. The certificates of obligation bonds include bonds issued in 2010 for Tax Increment Financing Zones No. 2 project.

(i) General Obligation Debt

General obligation bonds and certificates of obligation provide funds for the acquisition and construction of major capital equipment and facilities. General obligation bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General obligation bonds and certificates of obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity.

On December 11, 2012 the City issued \$8,630,000 in General Obligation Refunding Bonds, Series 2012. The proceeds were used to refund General Obligation and Combination Tax and Revenue Certificate of Obligation Bonds.

On March 19, 2013 the City issued \$11,240,000 in General Obligation Refunding and Improvement Bonds, Series 2013 of which \$3,635,000 was for public safety and street improvements and \$7,605,000 was for a current refunding of prior issues. The City also issued \$11,650,000 in Combination Tax and Revenue Certificates of Obligation, Series 2013, for fire, street, and other City structure improvements, and \$11,060,000 Sales Tax Revenue Refunding Bonds, Series 2013, for refunding Sales Tax Revenue Bonds.

(ii) Bond Refunding

The proceeds of the refunding bonds provided resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability was removed from the City's financial records in fiscal year 2013.

The General Obligation Refunding and Improvement Bonds, Series 2012, refunded \$8,500,000 of prior issue debt with the reacquisition price exceeding the net carrying amount of the old debt by \$180,986. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. This advanced refunding was undertaken to reduce total debt service payments over the next thirteen years by approximately \$1,492,424 and to obtain an economic gain of \$1,339,873.

The General Obligation Refunding and Improvement Bonds, Series 2013, refunded \$7,930,000 of prior issue debt with the net carrying amount of the old debt exceeding the reacquisition price by \$93,379. This amount is being netted against the new debt and

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
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amortized over the remaining life of the refunding debt. This advanced refunding was undertaken to reduce total debt service payments over the next eighteen years by approximately \$793,531 and to obtain an economic gain of \$756,591.

The Sales Tax Revenue Refunding Bonds, Series 2013, refunded \$11,565,000 of prior issue debt with the reacquisition price of the old debt exceeding the net carrying amount by \$61,039. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. This advanced refunding was undertaken to reduce total debt service payments over the next fourteen years by \$1,768,853 and to obtain an economic gain of \$1,483,242.

(iii) Defeased Debt Outstanding

At September 30, 2013, certain outstanding debt of the city is considered to be defeased. The following table details such outstanding defeased debt:

<u>Type of Obligation</u>	<u>Defeased Debt Outstanding</u>
General Obligation Bonds	\$ 2,355,000
Certificates of Obligation	8,700,000
	<u>\$ 11,055,000</u>

CITY OF GRAND PRAIRIE, TEXAS
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SEPTEMBER 30, 2013

Governmental type long-term debt is summarized as follows:

	Interest Rate %	Year of Issue	Year of Maturity	Original Amount	Amount Outstanding
General obligation bonds:					
Series 2005 Refunding	2.75-4.50	2005	2025	14,260,000	\$ -
Series 2005-A	3.75-4.25	2005	2025	2,215,000	-
Series 2006	3.9-5.0	2006	2026	3,300,000	140,000
Series 2006-A	4.125-4.375	2006	2027	4,000,000	3,165,000
Series 2007	4.0-4.50	2007	2027	33,098,000	26,073,283
Series 2008	4.0-5.50	2009	2029	8,985,000	7,805,000
Series 2010	2.0-4.25	2010	2030	5,480,000	4,850,000
Series 2011	2.0-5.3	2011	2031	11,550,000	8,315,000
Series 2011A	2.0-5.0	2011	2025	27,145,000	25,125,000
Series 2012 Refunding	1.0-2.0	2012	2026	7,740,000	7,740,000
Series 2013 Ref. & Improv.	1.5-3.25	2013	2033	10,975,000	10,975,000
Total general obligation bonds					<u>94,188,283</u>
Certificates of obligation bonds:					
Tax and revenue bonds:					
Series 2005	2.75-4.50	2005	2025	2,935,000	-
Series 2006	4.0-5.50	2006	2026	8,291,250	315,000
Series 2006-A	4.125-4.375	2006	2027	11,947,500	9,669,000
Series 2007	4.0-4.50	2007	2027	6,610,000	5,135,000
Series 2008A	4.0-5.50	2009	2029	13,185,000	10,720,000
Series 2010	2.0-4.25	2010	2030	590,000	530,000
Series 2011	2.0-5.3	2011	2031	6,305,000	5,855,000
Series 2011A	2.0-4.0	2011	2031	7,430,000	7,125,000
Series 2013	2.0-3.25	2013	2033	8,830,000	8,830,000
Total tax and revenue bonds					<u>48,179,000</u>
Tax and tax increment bonds					
Series 2001	3 month LIBOR + 31%	2000	2022	17,900,000	11,335,000
Series 2005A	2.75-4.50	2005	2020	710,000	-
Series 2006	4.0-5.50	2006	2020	1,575,000	100,000
Series 2006-A	4.125-4.375	2006	2020	2,498,470	1,501,000
Series 2006-A	4.125-4.375	2006	2020	1,468,000	905,000
Series 2007	4.0-4.50	2007	2017	1,235,000	550,000
Series 2008A	4.0-5.50	2008	2021	10,550,000	7,630,000
Series 2008A	4.0-5.50	2008	2019	1,500,000	970,000
Series 2010	2.0-4.25	2010	2020	1,355,000	985,000
Series 2011	2.0-5.3	2011	2020	655,000	520,000
Series 2011	2.0-5.3	2011	2020	2,725,000	2,160,000
Series 2011A	2.0-5.0	2011	2025	1,545,000	1,365,000
Series 2012	1.0-2.0	2012	2021	890,000	890,000
Series 2013	2.0-3.25	2013	2021	265,000	265,000
Series 2013	2.0-3.25	2013	2021	2,820,000	2,820,000
Total tax and tax increment bonds					<u>31,996,000</u>
Sales Tax Venue CO's					
Series 2007A Crime Control	12 month LIBOR * 62.075 + .75	2007	2017	5,000,000	3,020,000
Series 2008 Crime Control	6 month LIBOR * 62.075 + 1.07	2008	2024	54,800,000	35,275,000
Total sales tax venue bonds					<u>38,295,000</u>
Total certificate of obligation bonds					<u>118,470,000</u>
Sales tax revenue bonds:					
Series 2001	4.125-5.125	2001	2027	11,055,000	-
Series 2001A	4.125-5.0	2001	2027	8,500,000	-
Series 2002	4.0-5.0	2002	2027	5,000,000	-
Series 2005	3.5-4.25	2005	2026	6,705,000	-
Series 2009	3.77	2009	2027	13,390,000	12,490,000
Series 2013	2.0-4.0	2013	2027	11,060,000	11,060,000
Total sales tax revenue bonds					<u>23,550,000</u>
Sales Tax Venue Bonds					
Series 2007 Taxable Baseball	12 month LIBOR + 61%	2007	2019	16,850,000	4,320,000
Series 2007 Senior Center	12 month LIBOR * 62.075 + .75	2007	2019	3,000,000	2,110,000
Series 2008 Senior Center	6 month LIBOR * 62.075 + 1.28	2008	2024	16,850,000	6,050,000
Total sales tax venue bonds					<u>12,480,000</u>
Premiums/discounts, net	N/A	N/A	N/A	N/A	4,278,492
Compensated absences	N/A	N/A	N/A	N/A	14,112,100
Other Post Employment Benefits	N/A	N/A	N/A	N/A	4,701,004
Environmental remediation liability	N/A	N/A	N/A	N/A	-
Other liabilities	N/A	N/A	N/A	N/A	6,104,023
Total governmental long-term debt					<u>\$ 277,883,902</u>

CITY OF GRAND PRAIRIE, TEXAS
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The changes in governmental type long-term debt is summarized below:

	Balance October 1, 2012	Borrowings or Increase	Payments or Decrease	Balance September 30, 2013	Due Within One Year
General obligation bonds:					
Series 2005 Refunding	\$ 7,360,000	\$ -	\$ (7,360,000)	\$ -	\$ -
Series 2005-A	525,000	-	(525,000)	-	-
Series 2006	2,625,000	-	(2,485,000)	140,000	140,000
Series 2006-A	3,320,000	-	(155,000)	3,165,000	165,000
Series 2007	27,940,458	-	(1,867,175)	26,073,283	2,470,848
Series 2008	8,120,000	-	(315,000)	7,805,000	325,000
Series 2010	5,065,000	-	(215,000)	4,850,000	215,000
Series 2011	9,970,000	-	(1,655,000)	8,315,000	680,000
Series 2011A	27,145,000	-	(2,020,000)	25,125,000	2,100,000
Series 2012	-	7,740,000	-	7,740,000	65,000
Series 2013	-	10,975,000	-	10,975,000	1,425,000
Total general obligation bonds	92,070,458	18,715,000	(16,597,175)	94,188,283	7,585,848
Certificates of obligation bonds:					
Tax and revenue bonds:					
Series 2005	1,050,000	-	(1,050,000)	-	-
Series 2006	5,875,000	-	(5,560,000)	315,000	315,000
Series 2006-A	10,100,000	-	(431,000)	9,669,000	451,000
Series 2007	5,400,000	-	(265,000)	5,135,000	275,000
Series 2008A	11,240,000	-	(520,000)	10,720,000	540,000
Series 2010	550,000	-	(20,000)	530,000	25,000
Series 2011	6,080,000	-	(225,000)	5,855,000	230,000
Series 2011A	7,430,000	-	(305,000)	7,125,000	310,000
Series 2013	-	8,830,000	-	8,830,000	270,000
	47,725,000	8,830,000	(8,376,000)	48,179,000	2,416,000
Tax and tax increment bonds:					
Series 2001	12,215,000	-	(880,000)	11,335,000	940,000
Series 2005-A	320,000	-	(320,000)	-	-
Series 2006	1,075,000	-	(975,000)	100,000	100,000
Series 2006-A	1,685,000	-	(184,000)	1,501,000	189,000
Series 2006-A	1,010,000	-	(105,000)	905,000	110,000
Series 2007	675,000	-	(125,000)	550,000	130,000
Series 2008A	8,405,000	-	(775,000)	7,630,000	805,000
Series 2008A	1,110,000	-	(140,000)	970,000	145,000
Series 2010	1,110,000	-	(125,000)	985,000	130,000
Series 2011	585,000	-	(65,000)	520,000	70,000
Series 2011	2,445,000	-	(285,000)	2,160,000	285,000
Series 2011A	1,520,000	-	(155,000)	1,365,000	155,000
Series 2012	-	890,000	-	890,000	10,000
Series 2013	-	265,000	-	265,000	45,000
Series 2013	-	2,820,000	-	2,820,000	360,000
	32,155,000	3,975,000	(4,134,000)	31,996,000	3,474,000
Total certificate of obligation bonds	79,880,000	12,805,000	(12,510,000)	80,175,000	5,890,000
Sales tax revenue bonds:					
Series 2001	1,810,000	-	(1,810,000)	-	-
Series 2001-A	510,000	-	(510,000)	-	-
Series 2002	3,655,000	-	(3,655,000)	-	-
Series 2005	6,345,000	-	(6,345,000)	-	-
Series 2009	12,970,000	-	(480,000)	12,490,000	575,000
Series 2013	-	11,060,000	-	11,060,000	840,000
Total sales tax revenue bonds	25,290,000	11,060,000	(12,800,000)	23,550,000	1,415,000
Sales tax venue revenue bonds:					
Series 2007	5,980,000	-	(1,660,000)	4,320,000	1,755,000
Series 2007	2,420,000	-	(310,000)	2,110,000	320,000
Series 2007A certificate of obligation bonds	3,705,000	-	(685,000)	3,020,000	710,000
Series 2008	6,505,000	-	(455,000)	6,050,000	550,000
Series 2008 certificate of obligation bonds	37,190,000	-	(1,915,000)	35,275,000	2,180,000
Total sales tax venue bonds	55,800,000	-	(5,025,000)	50,775,000	5,515,000
Premiums/discounts, net	2,980,920	1,627,265	(329,693)	4,278,492	-
Compensated absences:	13,508,230	5,814,905	(5,211,035)	14,112,100	5,011,248
Other post employment benefits	3,709,278	991,726	-	4,701,004	-
Environmental remediation liability	162,888	-	(162,888)	-	-
Other liabilities	-	6,104,023	-	6,104,023	1,160,776
Total	\$ 273,401,774	\$ 57,117,919	\$ (52,635,791)	\$ 277,883,902	\$ 26,577,872

CITY OF GRAND PRAIRIE, TEXAS
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The aggregate debt service payments through final year of maturity for the City's governmental general obligation bonds, certificates of obligation bonds, and sale tax revenue bonds are as follows:

Fiscal Year	General Obligation Bonds			Certificates of Obligation Bonds			TIF Certificates of Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 7,585,848	\$ 3,542,120	\$ 11,127,968	\$ 2,416,000	\$ 1,978,757	\$ 4,394,757	\$ 3,474,000	\$ 2,402,454	\$ 5,876,454
2015	8,023,800	3,164,744	11,188,544	2,271,000	1,816,284	4,087,284	3,664,000	2,140,784	5,804,784
2016	8,111,753	2,881,863	10,993,616	2,346,000	1,738,063	4,084,063	3,824,000	1,888,858	5,712,858
2017	8,373,743	2,590,587	10,964,330	2,311,000	1,657,524	3,968,524	4,009,000	1,618,804	5,627,804
2018	8,315,734	2,265,969	10,581,703	2,401,000	1,573,909	3,974,909	4,059,000	1,330,506	5,389,506
2019	8,347,405	1,951,867	10,299,272	2,496,000	1,484,070	3,980,070	4,254,000	1,025,173	5,279,173
2020	7,390,000	1,650,144	9,040,144	2,593,000	1,385,341	3,978,341	4,292,000	700,943	4,992,943
2021	6,915,000	1,363,441	8,278,441	2,960,000	1,272,935	4,232,935	2,785,000	389,663	3,174,663
2022	6,450,000	1,114,238	7,564,238	3,100,000	1,147,556	4,247,556	1,635,000	122,625	1,757,625
2023	5,360,000	894,480	6,254,480	2,995,000	1,018,901	4,013,901	-	-	-
2024	4,940,000	695,268	5,635,268	3,130,000	888,848	4,018,848	-	-	-
2025	3,910,000	524,933	4,434,933	3,265,000	751,651	4,016,651	-	-	-
2026	3,460,000	380,576	3,840,576	3,425,000	606,121	4,031,121	-	-	-
2027	2,845,000	246,349	3,091,349	3,575,000	452,211	4,027,211	-	-	-
2028	1,465,000	146,849	1,611,849	2,295,000	321,866	2,616,866	-	-	-
2029	1,315,000	81,244	1,396,244	2,400,000	215,714	2,615,714	-	-	-
2030	645,000	37,372	682,372	1,515,000	130,401	1,645,401	-	-	-
2031	270,000	19,875	289,875	1,545,000	68,373	1,613,373	-	-	-
2032	230,000	11,375	241,375	560,000	27,810	587,810	-	-	-
2033	235,000	3,819	238,819	580,000	9,425	589,425	-	-	-
	<u>\$ 94,188,283</u>	<u>\$ 23,567,113</u>	<u>\$ 117,755,396</u>	<u>\$ 48,179,000</u>	<u>\$ 18,545,760</u>	<u>\$ 66,724,760</u>	<u>\$ 31,996,000</u>	<u>\$ 11,619,810</u>	<u>\$ 43,615,810</u>

Fiscal Year	Venue Sales Tax Revenue Bonds			Park Venue Sales Tax Revenue Bonds			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 5,515,000	\$ 1,059,805	\$ 6,574,805	\$ 1,415,000	\$ 773,384	\$ 2,188,384	\$ 20,405,848	\$ 9,756,520	\$ 30,162,368
2015	6,035,000	1,535,742	7,570,742	1,465,000	731,667	2,196,667	21,458,800	9,389,221	30,848,021
2016	5,360,000	1,303,315	6,663,315	1,505,000	690,595	2,195,595	21,146,753	8,502,694	29,649,447
2017	5,125,000	1,104,768	6,229,768	1,565,000	644,053	2,209,053	21,383,743	7,615,736	28,999,479
2018	5,625,000	935,230	6,560,230	1,615,000	595,704	2,210,704	22,015,734	6,701,318	28,717,052
2019	6,190,000	754,505	6,944,505	1,665,000	545,691	2,210,691	22,952,405	5,761,306	28,713,711
2020	6,130,000	559,094	6,689,094	1,720,000	490,514	2,210,514	22,125,000	4,786,036	26,911,036
2021	5,550,000	362,321	5,912,321	1,785,000	432,067	2,217,067	19,995,000	3,820,427	23,815,427
2022	5,245,000	188,894	5,433,894	1,860,000	371,136	2,231,136	18,290,000	2,944,449	21,234,449
2023	-	-	-	1,930,000	305,412	2,235,412	10,285,000	2,218,793	12,503,793
2024	-	-	-	2,010,000	232,566	2,242,566	10,080,000	1,816,682	11,896,682
2025	-	-	-	2,095,000	152,772	2,247,772	9,270,000	1,429,356	10,699,356
2026	-	-	-	2,105,000	71,785	2,176,785	8,990,000	1,058,482	10,048,482
2027	-	-	-	815,000	15,610	830,610	7,235,000	714,170	7,949,170
2028	-	-	-	-	-	-	3,760,000	468,715	4,228,715
2029	-	-	-	-	-	-	3,715,000	296,958	4,011,958
2030	-	-	-	-	-	-	2,160,000	167,773	2,327,773
2031	-	-	-	-	-	-	1,815,000	88,248	1,903,248
2032	-	-	-	-	-	-	790,000	39,185	829,185
2033	-	-	-	-	-	-	815,000	13,244	828,244
	<u>\$ 50,775,000</u>	<u>\$ 7,803,674</u>	<u>\$ 58,578,674</u>	<u>\$ 23,550,000</u>	<u>\$ 6,052,956</u>	<u>\$ 29,602,956</u>	<u>\$ 248,688,283</u>	<u>\$ 67,589,313</u>	<u>\$ 316,277,596</u>

CITY OF GRAND PRAIRIE, TEXAS
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SEPTEMBER 30, 2013

b) Business Type Activities Long-Term Debt

Long-term debt in the business-type activities column of the government-wide financial statements consists of general obligation refunding bonds, water and wastewater system revenue bonds, certificates of obligation bonds, a line of credit, accrued compensated absence, closure and post closure liability.

Debt is issued to fund improvements for the following activities: the water and wastewater system, the solid waste system, the golf courses and the airport.

The long-term debt for the business-type activities is summarized as follows:

	<u>Interest Rate %</u>	<u>Year of Issue</u>	<u>Year of Maturity</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Water and wastewater					
Revenue bonds:					
Series 2005	2.75-4.50	2005	2025	5,725,000	\$ -
Series 2005-A	3.5-4.25	2005	2025	10,230,000	-
Series 2006	4.0-5.5	2006	2026	4,840,000	210,000
Series 2006-A	4.25-4.375	2006	2027	6,625,000	5,245,000
Series 2007	4.0-4.50	2007	2027	15,845,000	12,255,000
Series 2008	3.5-5.50	2009	2029	4,940,000	4,285,000
Series 2010	0.0-2.587	2010	2030	4,995,000	4,425,000
Series 2011	2.0-4.25	2011	2031	8,940,000	6,740,000
Series 2011A	2.0-5.0	2011	2031	11,020,000	10,440,000
Series 2012	0	2012	2015	495,000	330,000
Series 2013	2.0-4.0	2013	2026	14,045,000	14,045,000
Series 2013A	0.0-0.31	2013	2019	1,805,000	1,805,000
Total revenue bonds					<u>59,780,000</u>
Premiums/discounts, net					1,271,207
Compensated absences					249,542
Total water and wastewater long-term debt					<u>61,300,749</u>
Solid waste					
Closure and post closure liability	N/A	N/A	N/A	N/A	5,993,696
Compensated absences	N/A	N/A	N/A	N/A	73,775
Total solid waste long-term debt					<u>6,067,471</u>
Municipal airport					
Certificates of obligation bonds:					
Series 2004A	2.25-5.0	2004	2024	2,120,000	1,695,000
Compensated absences	N/A	N/A	N/A	N/A	35,250
Total municipal airport long-term debt					<u>1,730,250</u>
Municipal golf					
General obligation bonds:					
Series 2007	4.0-4.50	2007	2019	1,482,000	1,126,718
Series 2011A	2.0-5.0	2011	2025	1,170,000	1,010,000
Series 2012	1.0-2.0	2012	2026	125,000	125,000
Total general obligation bonds					<u>2,261,718</u>
Certificate of obligation bonds:					
Series 2006	4.0-5.50	2006	2026	153,750	5,000
Total certificate of obligation bonds					<u>5,000</u>
Premiums/discounts, net	N/A	N/A	N/A	N/A	101,578
Compensated absences	N/A	N/A	N/A	N/A	44,396
Total municipal golf long-term debt					<u>2,412,692</u>
Storm Water					
Compensated absences					6,384
Total business-type activities' long-term debt					<u>\$ 71,517,546</u>

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The changes in long-term debt for business type activities are summarized as follows:

	Balance October 1, 2012	Borrowings or Increase	Payments or Decrease	Balance September 30, 2013	Due Within One Year
Water and wastewater					
Revenue bonds:					
Series 2005	\$ 4,220,000	\$ -	\$ (4,220,000)	\$ -	\$ -
Series 2005-A	7,450,000	-	(7,450,000)	-	-
Series 2006	3,915,000	-	(3,705,000)	210,000	210,000
Series 2006-A	5,500,000	-	(255,000)	5,245,000	270,000
Series 2007	12,890,000	-	(635,000)	12,255,000	660,000
Series 2008	4,460,000	-	(175,000)	4,285,000	180,000
Series 2010	4,620,000	-	(195,000)	4,425,000	205,000
Series 2011	7,850,000	-	(1,110,000)	6,740,000	815,000
Series 2011A	11,020,000	-	(580,000)	10,440,000	885,000
Series 2012	-	495,000	(165,000)	330,000	165,000
Series 2013	-	14,045,000	-	14,045,000	210,000
Series 2013A	-	1,805,000	-	1,805,000	300,000
Total revenue bonds	61,925,000	16,345,000	(18,490,000)	59,780,000	3,900,000
Premiums/discount, net	530,343	812,099	(71,235)	1,271,207	-
Compensated absences	221,704	309,048	(281,210)	249,542	249,542
Total water and wastewater long-term debt	62,677,047	17,466,147	(18,842,445)	61,300,749	4,149,542
Solid waste					
Closure and post closure liability	5,616,238	377,458	-	5,993,696	-
Compensated absences	78,986	95,122	(100,333)	73,775	73,775
Total solid waste long-term debt	5,695,224	472,580	(100,333)	6,067,471	73,775
Municipal airport					
Certificate of obligation bonds:					
Series 2004A	1,810,000	-	(115,000)	1,695,000	120,000
Compensated absences	36,800	21,258	(22,808)	35,250	19,315
Total municipal airport long-term debt	1,846,800	21,258	(137,808)	1,730,250	139,315
Municipal golf					
General obligation bonds:					
Series 2007	1,254,543	-	(127,825)	1,126,718	169,152
Series 2011A	1,080,000	-	(70,000)	1,010,000	70,000
Series 2012	-	125,000	-	125,000	-
Total general obligation bonds	2,334,543	125,000	(197,825)	2,261,718	239,152
Certificate of obligation bonds:					
Series 2006	130,000	-	(125,000)	5,000	5,000
Total certificate of obligation bonds	130,000	-	(125,000)	5,000	5,000
Premiums/discount, net	106,023	3,937	(8,382)	101,578	-
Compensated absences	44,005	47,390	(46,999)	44,396	41,841
Total municipal golf long-term debt	2,614,571	176,327	(378,206)	2,412,692	285,993
Storm water					
Compensated absences	16,856	11,458	(21,930)	6,384	6,384
Total business-type activities' long-term debt	\$ 72,850,498	\$ 18,147,770	\$ (19,480,722)	\$ 71,517,546	\$ 4,655,009

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(i) Water and Wastewater System Debt

On October 16, 2012 the City issued \$495,000 in Water and Wastewater System Revenue Bonds, New Series 2012, and \$87,000 in a Loan Forgiveness Agreement with the Texas Water Development Board. The proceeds are to be used for construction and will remain in the Texas Water Development Board Clean Water State Revolving Fund (Tier III) until committed.

On March 19, 2013 the City issued \$14,045,000 in Water and Wastewater System Revenue Refunding Bonds, New Series 2013. The proceeds were used to refund Water and Wastewater Revenue System Bonds.

On June 18, 2013 the City issued \$1,805,000 in Water and Wastewater System Revenue Bonds, New Series 2013A, and \$274,431 in a Loan Forgiveness Agreement with the Texas Water Development Board. The proceeds are to be used for construction and will remain in the Texas Water Development Board Clean Water State Revolving Fund (Tier III) until committed.

The refunding bonds mentioned above were used to refund \$14,480,000 of prior issued debt. The proceeds of the refunding bonds provided resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability was removed from the City's financial records in fiscal year 2013. This current refunding was undertaken to reduce total debt service payments over the next thirteen years by approximately \$1,887,849 and to obtain an economic gain of \$1,801,904.

- Defeased Debt Outstanding

At September 30, 2013, certain outstanding debt of the city is considered to be defeased. The following table details such outstanding defeased debt.

<u>Type of Obligation</u>	<u>Defeased Debt Outstanding</u>
Water Wastewater Revenue Series 2006	\$ 3,505,000
	<u>\$ 3,505,000</u>

Water and wastewater system long-term debt consists of general obligation refunding bonds, and revenue bonds, which are all being repaid with water and wastewater system revenues.

Although not required by state laws, City Council in the past has chosen to have the electorate vote to authorize revenue bond issuance. During the fiscal year ended September 30, 2005, the City issued the remaining authorized water and wastewater system revenue bonds. At this time the city plans to issue non-voted authorized revenue bonds in the future.

CITY OF GRAND PRAIRIE, TEXAS
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The following covenants are included in each of the various water and wastewater system revenue bond indenture ordinances:

- Net revenues (defined as gross revenues less expenses of operation and maintenance) are pledged for the payment of bond principal and interest.
- Additional water and wastewater system revenue bonds cannot be issued unless the “net earnings” (defined as gross revenues after deducting the expenses of operation and maintenance, excluding depreciation and certain other items specified in the ordinances) of the system for 12 consecutive months out of the 15 months prior to the date of such bonds is equal to at least 1.25 times the average annual requirements for the payment of principal and interest on the then outstanding bonds and any additional bonds then proposed to be issued.

All revenues derived from the operations must be kept separate from other funds of the City.

- The amount required to meet interest and principal payments falling due on or before the next maturity dates of the bonds is to be paid into the water and wastewater system interest and redemption account during each year.

At September 30, 2013, the City was in compliance with these covenants.

Debt service to maturity on the City’s outstanding water and wastewater system bond debt is summarized as follows:

Water and Wastewater System Revenue Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,900,000	\$ 2,013,427	\$ 5,913,427
2015	4,010,000	1,901,534	5,911,534
2016	4,140,000	1,774,438	5,914,438
2017	4,265,000	1,647,331	5,912,331
2018	4,475,000	1,510,955	5,985,955
2019	4,770,000	1,354,922	6,124,922
2020	4,365,000	1,193,089	5,558,089
2021	4,535,000	1,028,188	5,563,188
2022	4,710,000	854,678	5,564,678
2023	4,355,000	689,967	5,044,967
2024	4,385,000	540,850	4,925,850
2025	3,820,000	396,670	4,216,670
2026	2,795,000	271,337	3,066,337
2027	2,525,000	160,448	2,685,448
2028	915,000	87,755	1,002,755
2029	955,000	49,534	1,004,534
2030	585,000	20,404	605,404
2031	275,000	5,500	280,500
Total	<u>\$ 59,780,000</u>	<u>\$ 15,501,027</u>	<u>\$ 75,281,027</u>

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Water and Wastewater System Debt Service Coverage

According to the terms of the ordinance which authorized the sale of Water and Wastewater Revenue Bonds, the Water and Wastewater system will produce net revenues each year in an amount reasonably estimated to be not less than 1.25 times the average annual principal and interest requirements of the outstanding bonds. At September 30, 2013, compliance with this requirement can be demonstrated as follows:

Revenue (1)	\$ 59,217,904
Operating expense (excluding depreciation):	
Water purchased	10,924,656
Sewage disposal contract	11,790,989
Other	<u>18,131,097</u>
Total expense (2)	40,846,742
Available for debt service	\$ 18,371,162
Average annual principal and interest requirements, all water and wastewater revenue bonds at September 30, 2013	\$ 4,182,279
Coverage of average annual requirements based on September 30, 2013 revenue available for debt service	4.39

(1) Includes operating revenues plus investment income and impact fees

(2) Excludes depreciation expense.

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(ii) Municipal Golf Course Long-Term Debt

Municipal Golf Course long-term debt consists of general obligation refunding bonds issued in 2007, 2011, and 2012, certificates of obligation bonds issued in 2006 used to finance the construction of the Prairie Lakes Golf Course, improvements to other municipal golf courses and accrued compensated absences. The long-term debt are currently being repaid from the Debt Service Fund.

Debt service to maturity of outstanding bonds are summarized as follows:

General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 239,152	\$ 88,867	\$ 328,019
2015	261,200	81,015	342,215
2016	273,248	72,727	345,975
2017	286,257	63,992	350,249
2018	294,266	54,497	348,763
2019	307,595	36,205	343,800
2020	105,000	20,270	125,270
2021	110,000	15,720	125,720
2022	115,000	11,760	126,760
2023	120,000	7,600	127,600
2024	125,000	2,900	127,900
2025	10,000	400	10,400
2026	15,000	150	15,150
Total	<u>\$ 2,261,718</u>	<u>\$ 456,103</u>	<u>\$ 2,717,821</u>

Certificate of Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 5,000	\$ 138	\$ 5,138
Total	<u>\$ 5,000</u>	<u>\$ 138</u>	<u>\$ 5,138</u>

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(iii) Municipal Airport Long-Term Debt

Municipal Airport Fund long-term debt consists of the 2004 Certificates of Obligations and accrued compensated absences. The long-term debt is being repaid solely from airport revenues.

Debt service to maturity on outstanding bonds is summarized as follows:

Certificate of Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 120,000	\$ 78,260	\$ 198,260
2015	125,000	72,973	197,973
2016	130,000	67,072	197,072
2017	140,000	60,660	200,660
2018	145,000	53,891	198,891
2019	150,000	46,979	196,979
2020	160,000	39,710	199,710
2021	170,000	31,830	201,830
2022	175,000	23,375	198,375
2023	185,000	14,375	199,375
2024	195,000	4,875	199,875
Total	<u>\$ 1,695,000</u>	<u>\$ 494,000</u>	<u>\$ 2,189,000</u>

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(c) Grand Prairie Housing Finance Corporation Long-Term Debt

The GPHFC has a general obligation note payable to a bank which was used to construct the Cotton Creek and Willow Tree Learning Center. The note bears a rate of 6.25% and is payable in equal monthly installments of \$15,576 through June 10, 2020.

In December, 2003, the HFC issued Independent Senior Living Center Revenue Bonds for \$13,890,000 to finance the construction and operations of its planned Senior Living Center facility. The bonds bear interest rates from 7.5% to 7.75% depending on longevity. Beginning January 1, 2011, semi-annual retirements of the Bonds began and continues through January 1, 2034. The bonds are non-recourse liabilities collateralized solely by the land and construction in progress, less the accrued interest.

A summary of long-term debt activity during the fiscal year ended December 31, 2012 follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Note payable	\$ 2,302,334		\$ (43,003)	\$ 2,259,331	\$ 48,715
Line of Credit	138,812		(20,000)	118,812	118,812
Revenue bonds	8,490,000		(150,000)	8,340,000	160,000
Subordinate bonds	4,550,000			4,550,000	-
Developer loan	1,133,215	41,759		1,174,974	-
Total	<u>\$ 16,614,361</u>	<u>\$ 41,759</u>	<u>\$ (213,003)</u>	<u>\$ 16,443,117</u>	<u>\$ 327,527</u>

Effective July 1, 2010 the bonds of the Senior Living Center were reissued in two series: \$8,630,000 in Priority Lien Revenue Bonds and \$4,550,000 in Subordinate Lien Revenue Bonds.

Future maturities of the debt are as follows:

Fiscal Year Ending December 31	Note Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 48,715	\$ 139,902	\$ 160,000	\$ 640,306
2014	49,492	137,420	175,000	628,119
2015	52,676	136,878	190,000	614,619
2016	56,064	133,660	200,000	600,181
2017	59,670	130,233	220,000	584,619
2018-2022	1,992,714	504,637	1,365,000	2,642,016
2023-2027	-	-	2,005,000	2,011,319
2028-2032	-	-	2,925,000	1,084,225
2033-2034	-	-	1,100,000	85,444
Total	<u>\$ 2,259,331</u>	<u>\$ 1,182,730</u>	<u>\$ 8,340,000</u>	<u>\$ 8,890,848</u>

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The Subordinate Lien Revenue Bonds are not scheduled above as their payments are contingent upon cash flow and payment amounts and periods are uncertain.

Conduit Debt – Mortgage Revenue Bonds

The HFC issues Single Family and Multi-Family Mortgage Revenue Bonds. The proceeds of the bonds are placed in trust to be used for the origination of qualifying single- or multi-family mortgages or to refund, at any time, bonds previously issued by HFC. The bonds are to be paid only from the funds placed in trust, and these funds can be used only for purposes specified in the bond indenture. HFC is liable to the bondholders only to the extent of the related revenues and assets pledged under the indenture. Therefore, these transactions are accounted for as conduit debt, and the principal amount of the bonds outstanding and assets held by the trustee are not reflected on the face of the financial statements.

At December 31, 2012, outstanding conduit debt was as follows:

<u>Bond Series</u>	<u>Original Issue Amount</u>	<u>Outstanding Amount</u>
2001 Single-Family Mortgage Revenue Bonds	\$ 14,160,000	\$ -
2004B Single-Family Mortgage Revenue & Refunding Bonds	7,500,000	1,438,942
2003 Re-Offering Senior Living Center Priority	8,630,000	8,340,000
2003 Re-Offering Senior Living Center Subordinate	<u>4,550,000</u>	<u>4,550,000</u>
	Total	<u>\$ 14,328,942</u>

4) Retirement Plan

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 state-wide Texas Municipal Retirement System (TMRS), one of 849 administered by TMRS, an agent multiple-employer public employee retirement system.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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 a percent (100%, 150% or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually,

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another type of monetary credit referred to as an updated service credit (a theoretical amount) which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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. Plan provisions for the City were as follows:

	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions – Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is 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 (overfunded) actuarial liability (asset) over the applicable period for that city. 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.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

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<u>Actuarial Valuation Date</u>	December 31, 2012	December 31, 2011	December 31, 2010
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level of Percent of Payroll	Level of Percent of Payroll	Level of Percent of Payroll
Remaining Amortization Period	25.1 Years/Closed	26.1 Years/Closed	27.1 Years/Closed
Amortization Period for new	30 Years	30 Years	30 Years
Gains/Losses			
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1% (3.0% CPI)	2.1% (3.0% CPI)	2.1% (3.0% CPI)

Note: The TMRS Board of Trustees has adopted a 10-year smoothing method with a 10% corridor to determine the System's actuarial value of assets (AVA). This "smoothing method" is intended to help reduce the volatility of the contribution rates from one year to the next.

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2012	\$349,460,132	\$405,074,405	\$ 55,614,273	86.3%	\$ 66,435,664	83.7%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death

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Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB.

Supplemental Death Benefits Fund	Plan Year 2012	Plan Year 2013
Active employees	Yes	Yes
Retirees	Yes	Yes

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 the TMRS SDBF for the years ended 2013, 2012, and 2011 were \$20,363, \$19,803, and \$20,495, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates:
 RETIREE-only portion of the rate

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2010	0.03%	0.03%	100%
2011	0.03%	0.03%	100%
2012	0.03%	0.03%	100%

5) Post-Employment Benefits Other than Pension Benefits

Current employees who retire from the City of Grand Prairie under a TMRS Retirement / Plan option may elect to remain on the City's medical, dental, and vision insurance plans as long as they meet the following criteria:

- Under age of 65
- Currently working for the City immediately prior to retirement, and
- Payment of required premiums monthly by due date, or within grace period

TMRS Retirement / Plan option may include:

- Service retirement, 25 years of TMRS creditable service at any age, or

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- Age 60 and 5 years of TMRS creditable service
- Disability/Medical retirement at any age, if approved by TMRS

Eligibility requirements do not vary by type of retirement. The retiree health care plan is a single-employer defined benefit plan. No trust is setup for the plan; therefore there is no separate audit report available.

Benefits

Retirees pay a portion of their retiree health care premium based on their years of service with the City of Grand Prairie. The cost of their benefit is based on their years of service with the City of Grand Prairie, the plan selected, and dependent coverage when they retire. The base retiree health care premium is based on the accrual rate, claims costs, and budget for the prior fiscal year.

Medical coverage for retiree benefits extends only to age 65. Once a retiree reaches age 65, they will be dropped from medical coverage at the beginning of the month in which they turn 65. If a retiree cancels any or all insurance at any time during retirement, they forfeit all rights to coverage through the City for that benefit. If they cancel medical coverage all together, they may not elect medical again in the future for any reason.

Spouse Coverage

A spouse who is on the employee's plan at the time of retirement may continue on the plan until the spouse reaches age 65. Spouse coverage continues after the employee reaches the age 65 and after the death of the employee until the spouse reaches the age of 65, as well. Spouse coverage continues even though the employee becomes Medicare eligible.

Rates for spouse coverage are dependent upon the employee's years of service with the City of Grand Prairie. Spouses receive the same benefits as the employee. Surviving spouses of deceased active members are not eligible for retiree health care benefits, unless they become eligible under TMRS and elect retirement immediately following the month of death. They become "retiree" in that case.

For all retirements after 1/1/08, dependents must have been covered for the 2 years immediately preceding the effective date of retirement to be eligible to continue coverage under retiree into retirement.

Child / Dependent Coverage

New dependents gained during retirement (due to marriage or birth) may not be added to the City's plan since they were not eligible at the time of retirement.

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Opt-outs / Payment-in-lieu / Reimbursements

Retirees that do not continue coverage through our retiree health care plans do not receive payment in lieu of retiree health care.

Types of Coverage Offered

The City offers medical, dental, and vision coverage to eligible retirees.

Employee / Retiree 2013 Monthly Health Care Premiums (Employee Pays Portion)

<u>Group</u>	Monthly Health Care Premium	
	<u>PRIOR TO 12/1/2005</u>	<u>AFTER 11/30/2005</u>
Gold (Under Age 65)		
Employee Only	\$531	\$577
Employee plus Spouse	\$1,082	\$1,175
Surviving Spouse	\$551	\$598
Employee plus Child(ren)	\$850	\$921
Family	\$1,558	\$1,686
Silver (Under Age 65)		
Employee Only	\$455	\$501
Employee plus Spouse	\$908	\$1,001
Surviving Spouse	\$455	\$501
Employee plus Child(ren)	\$714	\$785
Family	\$1,299	\$1,427
Bronze (Under Age 65)		
Employee Only	\$417	\$463
Employee plus Spouse	\$838	\$931
Surviving Spouse	\$421	\$468
Employee plus Child(ren)	\$636	\$707
Family	\$1,156	\$1,284

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<u>Group</u>	<u>Monthly Health Care Premium</u>
Over 65 Retiree (Grandfathered by Age)	
Employee (10-14 years of service)	\$116
Employee (15-19 years of service)	\$119
Employee (20-24 years of service)	\$99
Employee (25-29 years of service)	\$58
Employee (30+ years of service)	\$37
Employee plus spouse (10-14 years of service)	\$264
Employee plus spouse (15-19 years of service)	\$226
Employee plus spouse (20-24 years of service)	N/A
Employee plus spouse (25-29 years of service)	\$123
Employee plus spouse (30+ years of service)	\$88

The Under Age 65 monthly premiums shown above are rates based on 0-5 years of credited service. Employee /retiree premiums will reduce as years of service increase.

Funding Policy and Annual OPEB Cost

The City's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameter of GASB Statement No. 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 had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2007 as required by GASB. The City's annual OPEB cost for the current year is as follows:

Annual required contribution	\$ 2,418,429
Interest on OPEB obligation	166,918
Adjustment to ARC	<u>(151,293)</u>
Annual OPEB cost (expense) end of year	2,434,054
Net estimated employer contributions	<u>1,442,328</u>
Increase in net OPEB obligation	991,726
Net OPEB obligation as of beginning of the year	<u>3,709,278</u>
Net OPEB obligation (asset) as of end of the year	<u><u>\$ 4,701,004</u></u>

**CITY OF GRAND PRAIRIE, TEXAS
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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2012 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost	Net OPEB Obligation
2011	\$2,122,449	52.4%	\$2,824,044
2012	2,306,748	61.6%	3,709,278
2013	2,434,053	59.3%	4,701,004

Funding status and funding progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45, as of September 30, 2013 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a % of Payroll
9/30/2013	-	\$ 32,048,413	\$ 32,048,413	0%	\$63,065,199	50.80%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$32,048,413 at September 30, 2013.

Actuarial methods and assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums, and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members, as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

CITY OF GRAND PRAIRIE, TEXAS
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Actuarial Methods and Assumptions

Inflation rate	3.0% per annum
Investment rate of return	4.5%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Salary Growth	3.0% per annum
Healthcare cost trend rate	Initial rate of 9.0% declining to an ultimate rate of 4.5% after 9 years

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 and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Fiscal Year Ended	Employer Annual Required Contribution	Employer Amount Contributed	Interest on NOO (9) x 4.5%	ARC Adjustment (9) / (6)	Amortization Factor	OPEB cost (2)+(4)-(5)	Change in NOO (7) - (3)	NOO Balance NOO + (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
09/30/08	\$ 1,477,994	\$ 990,121	\$ -	\$ -	23.9854	\$ 1,477,994	\$ 487,873	\$ 487,873
09/30/09	\$ 1,522,334	\$ 1,467,368	\$ 21,954	\$ 20,340	23.9854	\$ 1,523,948	\$ 56,580	\$ 544,453
09/30/10	\$ 2,128,596	\$ 860,144	\$ 24,500	\$ 22,699	23.9854	\$ 2,130,397	\$ 1,270,253	\$ 1,814,706
09/30/11	\$ 2,114,805	\$ 1,113,112	\$ 81,662	\$ 74,018	24.5200	\$ 2,122,449	\$ 1,009,337	\$ 2,824,044
09/30/12	\$ 2,294,853	\$ 1,421,514	\$ 127,082	\$ 115,187	24.5200	\$ 2,306,748	\$ 885,234	\$ 3,709,278
09/30/13	\$ 2,418,429	\$ 1,442,328	\$ 166,918	\$ 151,293	24.5200	\$ 2,434,054	\$ 991,726	\$ 4,701,004

6) Closure and Post Closure Liability

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfills stop accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The City follows the provisions of GASB Statement No. 18 Accounting for Municipal Solid Waste Landfill Closure and Post closure Care Costs. Accordingly, the City has recorded a closure and post closure care liability of \$5,993,696 in the Solid Waste Fund. The total liability represents the cumulative amount reported to date based on the use of 38.99% of the estimated capacity of the landfill.

CITY OF GRAND PRAIRIE, TEXAS
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The City will recognize the remaining estimated cost of closure and post closure care of \$9,505,447 as the remaining estimated capacity is filled. The City expects to close the landfill in year 2037. Actual cost may be higher or lower due to inflation, changes in technology or changes in regulations.

7) Environmental Remediation Obligations

The City has recorded a liability and an asset related to environmental remediation in the amount of \$0, on the Statement of Net Position and on the Statement of Activities. The estimates of the liabilities are prepared by the Environmental Professional Group and by the City's Environmental Quality Manager and based on a range of expected outlays, net of expected cost recoveries, if any, for the type and amount of pollution contamination detected. The estimates are reviewed and adjusted periodically for price changes, additional contamination and any other changes detected.

- The City of Grand Prairie is in the process of redeveloping Fire Station #1 located at 510-516 West Main Street. The City is responsible for removal of underground storage tanks contaminates found in soil and groundwater.
- The City of Grand Prairie owns land and was responsible for the asbestos abatement and leak petroleum storage tank (LPST) at 100 West Church Street. The asbestos abatement completed in FY2010. LPST closure received from Texas Commission on Environmental Quality (TCEQ) in FY2012.
- The City of Grand Prairie owns the building and is responsible for the asbestos abatement at 317 College Street. The Council Chambers renovation process was completed in June 2012.

Environmental remediation liability activity in fiscal year 2013 was as follows:

Property Description	Beginning Balance 9/30/2012	Additions	Reductions	Ending Balance 9/30/2013	Current Portion
Fire Station #1 510-516 West Main St	\$160,504	\$ -	\$ 160,504	\$ -	\$ -
100 Block West Church St	2,384	-	2,384	-	-
Total	\$162,888	\$ -	\$ 162,888	\$ -	\$ -

8) Other Liabilities

The liability amount to developer is scheduled to be repaid from Tax Increment Financing District Fund in four payments. Each payment will be made when the requirements of the agreement are met during the prior twelve month period.

CITY OF GRAND PRAIRIE, TEXAS
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The liability amount to the State Comptroller of Texas is being repaid from future sales tax revenue over the next 14 years. The liability is for sales tax previously allocated to the City, but determined, though taxpayer audits, to be due back to the taxpayer.

Liability to Outlet Mall Developer	\$ 4,000,000
Liability to state comptroller office	<u>2,104,023</u>
Total Other Liabilities	<u>\$ 6,104,023</u>

c. Fund Equity, Net Position, and Fund Balance

1) Fund Equity

A fund's equity is generally the difference between its assets and liabilities.

2) Net Position: Net Investment in Capital Assets

This component of net position is reported in the proprietary fund financial statements and in the government-wide financial statements and consists of capital assets net of accumulated depreciation, capital-related deferred outflows of resources and capital-related borrowings and deferred inflows of resources.

3) Net Position: Restricted

This component of net position reports funds with limitations imposed on their use through third-party (statutory, bond covenant or granting agency).

4) Net Position: Unrestricted

This component of net position is reported in the proprietary fund financial statements and in the government-wide financial statements and represents the difference between assets, deferred outflows/inflows resources and liabilities that is not reported in Net Investment in Capital Assets or Net Position restricted for specific purposes.

5) Fund Balance Disclosure

In accordance with Governmental Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, an accounting distinction is made between the portions of fund equity that are spendable and non-spendable. These are broken up into five categories:

- Non-spendable – includes amounts that are not in a spendable form or are required to be maintained intact, for example Inventory or permanent funds.

CITY OF GRAND PRAIRIE, TEXAS
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- Restricted – includes amounts that can be spent only for specific purposes either constitutionally or through enabling legislation (e.g., grants and child safety fees).
- Committed – includes amounts that can be used only for the specific purposes pursuant to constraints imposed by the City Council Ordinance or Resolution action. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end.
- Assigned – comprises amounts intended to be used by the government for specific purposes. The City Council has delegated responsibility to assign fund balances to the City Manager or his designee. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds, other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- Unassigned – the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

The City of Grand Prairie shall approve all commitments by the City Council Ordinance or Resolution formal action. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end. A commitment can only be modified or removed by the same formal action.

When it is appropriate for fund balance to be assigned, the City of Grand Prairie delegates the responsibility to assign funds to the City Manager or his/her designee. Assignments may occur subsequent to fiscal year-end.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

The City of Grand Prairie will utilize funds in the following spending order:

- Restricted
- Committed
- Assigned
- Unassigned

A schedule of City fund balances is provided in the following page.

**CITY OF GRAND PRAIRIE, TEXAS
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	General Fund	Section 8	Street Improvements	Debt Service	Non Major Capital Projects Funds	Non Major Special Revenue Funds	Total
FUND BALANCES:							
Nonspendable:							
Pre-paids	\$ 3,545	\$ -	\$ -	\$ -	\$ -	\$ 41,103	\$ 44,648
Spendable:							
Restricted for:							
Section 8	-	3,345,436	-	-	-	-	3,345,436
Street Improvements	-	-	21,277,997	-	-	-	21,277,997
Debt Service	-	-	-	9,051,355	-	-	9,051,355
Fire Capital	-	-	-	-	6,113,130	-	6,113,130
Park Venue	-	-	-	-	-	9,988,920	9,988,920
Senior Center	-	-	-	-	-	3,345,853	3,345,853
Hotel Motel	-	-	-	-	-	1,402,389	1,402,389
Police seizure	-	-	-	-	-	825,900	825,900
Tax Increment Financing	-	-	-	-	-	4,971,136	4,971,136
Lake/Parks	-	-	-	-	-	3,020,811	3,020,811
Baseball stadium	-	-	-	-	-	1,344,309	1,344,309
Streets	-	-	-	-	-	2,905,189	2,905,189
Crime fund operations	-	-	-	-	-	5,153,025	5,153,025
Cemetery	-	-	-	-	-	610,470	610,470
Grants	-	-	-	-	-	2,784,447	2,784,447
Other purposes	-	-	-	-	-	1,198,634	1,198,634
Other Special Revenue	-	-	-	-	-	2,499,119	2,499,119
Public Improvement Districts	-	-	-	-	-	1,425,934	1,425,934
Total Restricted	-	3,345,436	21,277,997	9,051,355	6,113,130	41,476,136	81,264,054
Committed to:							
Municipal Facilities	-	-	-	-	2,369,235	-	2,369,235
CAP Lending	-	-	-	-	8,868,934	-	8,868,934
Drainage Capital	-	-	-	-	8,055,315	-	8,055,315
Other Capital projects	-	-	-	-	8,963,814	-	8,963,814
Pool Investment	130,240	-	-	-	-	-	130,240
Cemetery	-	-	-	-	-	685,074	685,074
Economic Development	-	-	-	-	-	50,411	50,411
Total Committed	130,240	-	-	-	28,257,298	735,485	29,123,023
Assigned to:							
Encumbrances	186,320	-	-	-	-	-	186,320
Home Match Cash Fund	108,257	-	-	-	-	-	108,257
Employee Welfare	41,661	-	-	-	-	-	41,661
Library Memorials	22,645	-	-	-	-	-	22,645
At Risk Youths	37,021	-	-	-	-	-	37,021
Impact Grand Prairie	592	-	-	-	-	-	592
Anti Drug Program	12,596	-	-	-	-	-	12,596
Greg Hunter Scholarship	51,765	-	-	-	-	-	51,765
Police Memorials	6,984	-	-	-	-	-	6,984
Shattered Dreams	1,896	-	-	-	-	-	1,896
State Training (Police)	7,200	-	-	-	-	-	7,200
Animal Shelter Contributions	281,936	-	-	-	-	-	281,936
Parks Education Foundation	7,826	-	-	-	-	-	7,826
Westchester Park	12,740	-	-	-	-	-	12,740
Uptown Trust	95,268	-	-	-	-	-	95,268
First Offender Program	15,666	-	-	-	-	-	15,666
Kirby Creek Accessibility Garden	51,480	-	-	-	-	-	51,480
Take a Load Off Facility	224,647	-	-	-	-	-	224,647
US Marshals Service Agreement	105,496	-	-	-	-	-	105,496
Baseball Repair & Maintenance	65,000	-	-	-	-	-	65,000
Total Assigned	1,336,996	-	-	-	-	-	1,336,996
Unassigned	27,346,027	-	-	-	-	-	27,346,027
Total fund balances:	\$ 28,816,808	\$ 3,345,436	\$ 21,277,997	\$ 9,051,355	\$ 34,370,428	\$ 42,252,724	\$ 139,114,748

**CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

d. Interfund Transactions

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

1) Interfund Receivables/Payables

Outstanding balances between funds result mainly from the time lag between the dates that
(1) Interfund goods and services are provided or reimbursable expenditures occur,
(2) Transactions are recorded in the accounting system, and
(3) Payments between funds are made

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 200,000	\$ -
CDBG Fund	-	100,000
Equipment Services Fund	-	100,000
	<u>\$ 200,000</u>	<u>\$ 200,000</u>

The General Fund receivable represents cash provided to Other Special Revenue Funds and Internal Service Funds for temporary funding of reimbursement.

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

2) Interfund Transfers

The following is a summary of interfund transfers which were made for normal operations of the city:

	Transfers In				
	General Fund	Section 8	Street Improvements	Debt Service	Nonmajor Governmental Funds
<u>Transfers out:</u>					
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 10,732,539
Section 8	-	-	-	50,000	-
Street Improvements	-	-	-	-	18,436
Debt Service	-	-	-	-	-
Nonmajor					
Governmental Funds	-	17,500	6,187,894	105,000	2,037,172
Water/wastewater	-	-	-	-	2,755,369
Nonmajor					
Enterprise Funds	-	-	-	-	4,707,474
Total	\$ -	\$ 17,500	\$ 6,187,894	\$ 155,000	\$ 20,250,990

	Transfers In				
	Water Wastewater	Municipal Golf	Solid Waste	Risk Fund	Total
<u>Transfers out:</u>					
General Fund	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 11,732,539
Section 8	-	-	-	-	50,000
Street Improvements	-	-	-	-	18,436
Debt Service	-	301,732	-	-	301,732
Nonmajor					
Governmental Funds	1,373,000	397,280	-	-	10,117,846
Water/wastewater	-	-	-	-	2,755,369
Nonmajor					
Enterprise Funds	-	-	-	-	4,707,474
Total	\$ 1,373,000	\$ 699,012	\$ -	\$ 1,000,000	\$ 29,683,396

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, (3) move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
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subsidies or matching funds for various grant programs, and (4) move capital assets from one fund to another.

3) Cost Reimbursements

The cost of the City's central general and administrative services is allocated to the designated special revenue and enterprise funds. These costs are reported as interfund services provided and used rather than interfund transactions, and are treated as revenue in the General Fund and expense in the other funds. Interfund services provided and used are "arms-length" transactions between departments or funds that would be treated as revenues, expenditures or expenses if they were with an external organization. The distinguishing aspect of interfund services provided and used are that each department or fund both gives and receives consideration.

Total reimbursement for "indirect cost" to the General Fund is considered general and administrative revenue. Amounts from other funds are included in general and administrative expenses. Significant cost reimbursements made during the year were as follows:

<u>Fund</u>	<u>Amount</u>
Water and Wastewater Funds	\$ 3,114,517
Solid Waste Funds	330,296
Section 8 Housing Grant Fund	164,578
Storm Water Funds	73,324
Airport Fund	55,921
Other Nonmajor Governmental Funds	<u>332,740</u>
Total to General Fund	<u>\$ 4,071,376</u>

4) Franchise Fees

The City's enterprises which use the public right-of-way funds pay franchise fees to the General Fund as if they were organizations separate from the City. These fees are not taxes, but are compensation to the City for the use of the City's water lines, sewer lines, etc. These payments, 4% of gross revenues, are reported as interfund services provided and used rather than interfund transactions, and are treated as revenue (reported as franchise fees) in the General Fund and expense in the enterprise funds. Such fees paid during the year were:

<u>Fund</u>	<u>Amount</u>
Water and Wastewater Funds	\$ 2,193,657
Solid Waste Funds	313,381
Storm Water Funds	<u>215,300</u>
Total	<u>\$ 2,722,338</u>

CITY OF GRAND PRAIRIE, TEXAS
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5) Payments in Lieu of Property Taxes

Two of the City's enterprise funds, the Water and Wastewater Fund and Solid Waste Fund, make payments in lieu of property taxes to the Street Maintenance Fund, which is included in "Other Governmental Funds", to provide funding for street repairs. The payments are calculated by applying the City's property tax rate to the net book value of the enterprise funds' fixed assets. Since the calculation methodology is not the same as that applied to similar activities in the private sector in several respects, the payments are recorded as transfers out rather than as an operating expense. Payments made during the year were as follows:

<u>Fund</u>	<u>Amount</u>
Water and Wastewater Funds	\$ 1,197,062
Solid Waste Funds	<u>79,474</u>
Total	<u>\$ 1,276,536</u>

e. Leases

On September 15, 1995, the Sports Corporation and LSJC entered into a lease agreement. On October 23, 2002, Lone Star, LSJC, and MEC Lone Star, L.P. ("MEC") entered into an asset purchase agreement whereby MEC agreed to purchase substantially all of the racing assets of Lone Star and LSJC. The Master Agreement between the Sports Corporation, Lone Star, and LSJC was terminated. Lone Star and LSJC assigned to MEC all of their rights and obligations under the lease and certain ancillary agreements with the Sports Corporation.

On March 5, 2009, Magna Entertainment Corp (MEC) the parent company of MEC Lone Star Park LP filed for bankruptcy under Chapter 11 federal bankruptcy protection. Subsequently on September 14, 2009 Lone Star filed for bankruptcy protection.

On October 23, 2009, an auction for Lone Star was conducted with Global Gaming LSP, LLC (a wholly owned subsidiary of the Chickasaw Nation) winning the auction for \$47 million. On May 13, 2011, Global Gaming obtained their license with the Texas Racing Commission. The sale was completed on May 16, 2011. Under the terms of the purchase agreement Global Gaming has agreed to assume the lease agreement between Lone Star and the Corporation.

The agreement states that upon completion of the project, Global Gaming will lease the facility for a period of 30 years. The lease became effective April 1997 and meets the requirements for accounting as a direct financing lease.

CITY OF GRAND PRAIRIE, TEXAS
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The future base rent payments under the lease are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 1,597,200
2015	1,597,200
2016	1,597,200
2017	1,716,990
2018	1,756,920
Thereafter	<u>16,081,674</u>
	24,347,184
Less interest	<u>9,772,641</u>
Net present value	<u>14,574,543</u>
Less current portion	<u>462,759</u>
Non-current portion	<u>\$ 14,111,784</u>

Additional contingent rentals are due monthly based upon 1% of gross revenues from the operation of the track for each month plus an amount equal to the cumulative net retainage from the live races and the simulcast races multiplied by the following percentage:

<u>Cumulative Net Retainages</u>	<u>Percentage</u>
\$0 to less than \$20 million	1%
\$20 million to less than \$40 million	3%
\$40 million to less than \$60 million	5%
\$60 million or more	7%

The lease has been accounted for as a capital lease. However, only the base rent payments are determinable and are included in the lease payments receivable at the net present value of future rent payments. The remaining portion of the Facility is recorded as estimated unguaranteed residual value of the lease. Its fair value is estimated to be approximately equal to the differences between the original cost plus capitalized improvements of the Facility, net of what accumulated depreciation would be, and the fixed lease payments receivable. Therefore, this amount is being amortized over the life of the lease (30 years). Amortization for the year ended September 30, 2013 was \$3,630,538. Additional contingent rentals are recorded as revenue when received.

The capital lease is being amortized using the interest method over the 30-year life of the lease. The Corporation has recorded lease rental and interest for the year ended September 30, 2013 as follows:

Nominal interest on the lease	\$ 1,599,600
Amortization of the lease	<u>(427,732)</u>
Net interest	1,171,868
Contingent rentals received (includes rent for simulcast facility prior to completion of project)	<u>217,080</u>
Total lease rental and interest	<u>\$ 1,388,948</u>

4. CONTRACTS, COMMITMENTS AND CONTINGENT LIABILITIES

a. Federal Grants

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 which may arise as the result of these audits is not believed to be material.

b. Litigation

The City and Sports Corporation are contingently liable in respect of lawsuits and claims in the ordinary course of operations which, in the opinion of management, will not have material adverse effect on the combined financial statements.

c. Water Intake Facility Contract

The City entered into a contract with the Trinity River Authority ("TRA") whereby TRA agreed to sell revenue bonds, and, to construct and operate water treatment, transmission and storage facilities necessary to supply treated water to several area cities. The City has also agreed contractually to pay TRA annually an amount sufficient to pay its pro rata share of the operation and maintenance expenses of the facilities and related debt service of its bonds. The project is not treated as a joint venture by the City since the project is managed and unilaterally controlled by TRA, the City has no equity interest in the project, and the City is not obligated for the repayment of TRA bonds.

d. Water Purchase Contracts

According to the terms of a take-or-pay contract between the City and TRA, the City is entitled to 10.56% of the raw water yield of Lake Joe Pool which yields 15.1 million gallons of water a day. The City is paying for its prorated share of the project over a 50-year amortization period, 10 years from the date the reservoir gates were closed in January 1986. It is estimated that the City's total liability will be approximately \$7,032,000.

A contract with the City of Fort Worth, effective until the year 2031, permits the City to purchase up to 2.5 million gallons of treated water daily.

The City has a 30-year contract with the City of Dallas, which expires in 2042, for the purchase of water. Grand Prairie currently takes up to 33.8 million gallons a day, and pays a fixed demand charge plus a volume charge. The demand charge is based on current maximum demand or the highest demand established during the five preceding years whichever is greater. Thus, even if the City were to stop purchasing water from Dallas, its obligation to pay the demand charge (\$202,785 per million gallons per day) would extend for five years. The maximum may be increased in future years as needed. Grand Prairie has two intake points for

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City of Dallas water with a contractual right obligating the City of Dallas to meet Grand Prairie's needs. Existing pipelines will provide up to 55 million gallons per day.

e. Wastewater Treatment Contract

The City has a 50 year contract with TRA, which will expire in 2023, for wastewater treatment. The City is billed for its prorated share of total wastewater costs, which was 12.72% during fiscal year 2013. The City must pay its prorated share of the debt service related to wastewater treatment facilities until the debt matures whether it contributes to flow or not.

f. Master and Other Agreements

The City and Texas NextStage, LP ("NextStage") entered into agreements (Development Agreement, Lease Agreements and other ancillary agreements) on January 10, 2001, to design, develop and construct a performance hall (the "Performance Hall"). Construction of the Performance Hall began in July 2000 and was completed in February 2001. Under the agreements, the City purchased the Performance Hall from NextStage for \$15 million with the proceeds from the \$17.9 million TIF tax and tax increment certificate of obligation bond issue in fiscal year 2001. NextStage initially leased the Performance Hall from the City under a 21-year lease. Effective September 18, 2002, Anschutz Texas, L. P. assumed the lease obligations of NextStage and became lessee and operator of the Performance Hall. The lease between the City and Anschutz Texas, L. P. expires January 23, 2023. Monthly lease payments from the lessee of the Performance Hall are used to pay debt service on bonds issued by the City for the purchase of the Performance Hall.

Baseball Stadium Agreements - The Citizens of Grand Prairie approved a 1/8 cent sales tax to build a minor league professional baseball stadium. The City of Grand Prairie (City) and Grand Prairie Professional Baseball, LP (GPPB) entered into an agreement on June 26, 2007 to develop, construct and operate a minor league professional baseball stadium. This was accomplished through the use of development, lease and sublease agreements. Construction began in July, 2007 and was completed in May of 2008. On April 1, 2011 Grand Prairie Baseball Club L.L.C. (GPBC) assumed the amended lease.

Stadium Sublease - From the effective date of the amended lease agreement through March 31, 2016, GPBC shall pay to the City a base rent of \$8,333 each month. If gross revenues for a lease year exceed \$2 million, GPBC shall pay an additional base rent of \$50,000. If gross revenues for a lease year exceed \$2.5 million, GPBC shall pay an additional base rent of \$100,000. From April 1, 2016 through the expiration or termination of this Sublease, GPBC shall pay to the City a base rent of \$16,667 each month.

Ground Lease - The City entered into a lease agreement with the Sports Corporation for the land on which the stadium was built. The lease runs through June 25, 2036 with an annual base rent of \$50,000.

CITY OF GRAND PRAIRIE, TEXAS
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Stadium Sublease-GPPB and the City entered into a sublease agreement for GPPB to operate the baseball stadium facility. GPPB pays monthly rent of \$16,667 of which one-fourth is for lease of land and three-fourths is for lease of improvements. Additional rent is paid annually and due March 31 of each year. The following schedule determines the additional rent level: 0% of adjusted net income between \$0-\$399,999; 25% of adjusted net income between \$400,000-800,000 and 50% of adjusted net income over \$800,000. This lease agreement expires the earlier of May 15, 2028 or termination of underlying lease.

On March 15, 2011, City Council unanimously approved the assignment and transfer for the lease of the baseball stadium from GPPB to ISB, Inc.

g. Construction Commitments

The City has several approved outstanding major capital projects as of September 30, 2013. The City's total committed but unexpended expenditures for such authorized capital projects at year-end approximates \$38,294,864. Funding for these contracts will be received through various capital projects funds and enterprise funds.

h. Contingent Liabilities

In October 2013, the City's Public Works Department discovered that a water line was unplugged without the City's knowledge. As a result, it is estimated that the City has been using water of a neighboring city. The City is currently working to determine when this may have started, the hydraulic implications to both systems and the appropriate settlement for past water use.

On January 24, 2014, the City's Environmental Service Department discovered asbestos present in one of the City's office buildings. City management started the assessment process for the remediation and fiscal impact required. At the date of this report, estimates for a potential liability has not been established, therefore, there is no environmental related remediation liability accrued in this financial report.

CITY OF GRAND PRAIRIE, TEXAS
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5. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains five enterprise funds for water and wastewater, golf, solid waste, airport and storm water utility activities. Segment information for the non-major enterprise fund with outstanding revenue-backed certificates of obligation debt is as follows:

	<u>Municipal Airport</u>
<u>Condensed statement of net position:</u>	
Current assets	\$ 2,372,282
Capital assets	9,877,599
Total assets	<u>12,249,881</u>
Current liabilities	448,936
Long-term liabilities	1,590,935
Total liabilities	<u>2,039,871</u>
Net position: Net investment in capital assets	8,182,599
Net position: Unrestricted	2,027,411
Total net position	<u>\$ 10,210,010</u>
<u>Condensed statement of revenues, expenses and changes in net position:</u>	
Sales to customers	\$ 1,687,109
Intergovernmental revenue	530,291
Miscellaneous	1,282,648
Total operating revenues	<u>3,500,048</u>
Depreciation	547,726
Other operating expenses	2,024,467
Total operating expenses	<u>2,572,193</u>
Loss on property disposition	(133,409)
Interest expense	(83,110)
Total nonoperating revenues (expenses)	<u>(216,519)</u>
Income before transfers	711,336
Transfers out	<u>(528,000)</u>
Change in net position	183,336
Net position at the beginning of the year	10,026,674
Net position at the end of the year	<u>\$ 10,210,010</u>
<u>Condensed statement of cash flows:</u>	
Net cash provided (used) by:	
Operating activities	\$ 1,456,423
Noncapital financing activities	(528,000)
Capital and related financing activities	(1,117,947)
Beginning cash and cash equivalent balances	622,208
Ending cash and cash equivalent balances	<u>\$ 432,684</u>

**CITY OF GRAND PRAIRIE, TEXAS
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6. SUBSEQUENT EVENTS

On October 15, 2013 the City Council issued:

- \$2,220,000 in General Obligation Bonds, Series 2013A. The proceeds are to be used to fund street improvements.
- \$11,945,000 in Combination Tax and Revenue Certificates, Series 2013A. The proceeds are to be used to fund public safety, library, street, and other City structure improvements.

The City has evaluated all other events or transactions that occurred after September 30, 2013 up through March 3, 2014, the date the financial statements were available to be issued.

7. CHANGE IN ACCOUNTING PRINCIPLES

The GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on City's net position.

There is no effect of the change on beginning net position/fund balance at both the government-wide and fund levels.

The GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB concluded that debt issuance costs should be recognized as an outflow of resources in the reporting period in which they are incurred.

The effect of the change on beginning net positions of Governmental Activities and Business-Type Activities is listed below.

	Governmental Activities	Business-Type Activities
Beginning Net Position, as previously reported	\$ 422,209,582	\$ 215,573,038
Cumulative effect of change in accounting principle	(2,400,226)	(1,053,782)
Beginning Net Position, as restated	<u>\$ 419,809,356</u>	<u>\$ 214,519,256</u>

**CITY OF GRAND PRAIRIE, TEXAS
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The GASB concluded that refunding debt gain/loss, the difference resulting from a current refunding, or an advance refunding, relates to future periods, and meets the definition of a deferred outflow of resources or a deferred inflow of resources, as applicable.

Loss on refunding debt was presented as Long-term debt in statement of net position. From 2013, loss on refunding debt is presented as deferred charges on refunding under deferred outflows of resources in statement of net position. There is no effect of change on beginning net positions of Governmental Activities and Business-Type Activities with this change.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[Closing Date]

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IN REGARD to the authorization and issuance of the “City of Grand Prairie, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2014,” dated November 15, 2014, in the principal amount of \$26,125,000 (the “Certificates”), we have examined into their issuance by the City of Grand Prairie, Texas (the “City”), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on February 15 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Certificates, including the Ordinance and an examination of the initial Certificate executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Certificates, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the City’s Waterworks and Sewer System in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization,

moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on the Certificates owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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