(See “Continuing Disclosure of Information” herein)

OFFICIAL STATEMENT
Dated December 11, 2012

Ratings:
S&P: “AA+” (stable outlook)
(See “OTHER INFORMATION – Ratings” herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS-Tax Exemption" herein, including the alternative minimum tax on corporations.

THE BONDS **HAVE BEEN** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$8,755,000
CITY OF GRAND PRAIRIE, TEXAS
(Dallas, Tarrant and Ellis Counties)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012

Dated Date: December 15, 2012
Interest accrues from date of delivery

Due: February 15, as shown on page 2

PAYMENT TERMS . . . Interest on the $8,755,000 City of Grand Prairie, Texas, General Obligation Refunding Bonds, Series 2012 (the "Bonds") will accrue from date of delivery (anticipated to be December 27, 2012), and will be payable February 15 and August 15 of each year commencing February 15, 2013, until maturity, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a stated maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds 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 Bonds (see "THE BONDS - 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 BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Texas Constitution, the City’s Home Rule Charter and general laws of the State of Texas (the “State”), including particularly Texas Government Code, Chapter 1207, as amended, and are direct obligations of the City, payable from the levy and collection of a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, as provided in the ordinance authorizing the Bonds (the “Ordinance”) (see "THE BONDS - Authority for Issuance ").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City’s outstanding debt described in Schedule I (the "Refunded Obligations") for debt service savings and (ii) pay the costs of issuance associated with the sale of the Bonds.

CUSIP PREFIX: 386138

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

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

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on December 27, 2012.

Stifel, Nicolaus & Company, Inc. **Stephens, Inc.**

MATURITY SCHEDULE

CUSIP Prefix: 386138 [(1)]

Principal Amount	Maturity Date	Interest Rate	Initial Yield	CUSIP Suffix[(1)]
$ 75,000	2/15/2014	2.000%	0.350%	KL4
690,000	2/15/2015	1.000%	0.450%	KM2
705,000	2/15/2016	1.000%	0.550%	KN0
720,000	2/15/2017	1.000%	0.650%	KP5
730,000	2/15/2018	1.500%	0.750%	KQ3
745,000	2/15/2019	1.500%	0.900%	KR1
770,000	2/15/2020	1.500%	1.050%	KS9
790,000	2/15/2021	2.000%	1.250%	KT7
670,000	2/15/2022	2.000%	1.500%	KU4
685,000	2/15/2023	2.000%	1.600%	KV2
705,000	2/15/2024	2.000%	1.650%	KW0
720,000	2/15/2025	2.000%	1.700%	KX8
750,000	2/15/2026	2.000%	1.750%	KY6

(Interest to accrue from delivery date.)

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(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 and the Financial Advisor take no responsibility for the accuracy of such numbers.

NO REDEMPTION OF THE BONDS…The Bonds are not subject to redemption prior to maturity.

(THE REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY)

No dealer, broker, salesman or other person has been authorized by the City or the Initial Purchaser to give any information, or to make any representations 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. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor. Any information and expressions of opinion herein contained 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 since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE THE CITY, THE INITIAL PURCHASER, OR THE FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY.

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.

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. 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.

THE INITIAL PURCHASER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE INITIAL PURCHASER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE INITIAL PURCHASER DOES NOT GUARANTEE THE ACCURACY OF COMPLETENESS OF SUCH INFORMATION.

TABLE OF CONTENTS

The cover page hereof, this page, the schedule and 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 Bonds 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 BONDS .... The Bonds are issued as $8,755,000 General Obligation Refunding Bonds, Series 2012. The Bonds are issued as serial bonds maturing on February 15 in each of the years 2014 through 2026, inclusive (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the delivery date (anticipated to be December 27, 2012), and is payable each February 15 and August 15 of each year, commencing February 15, 2013, until maturity (see "THE BONDS- Description of the Bonds").

AUTHORITY FOR ISSUANCE.......... The Bonds are issued pursuant to the Texas Constitution and general laws of the State, including particularly Texas Government Code, Chapter 1207, as amended, the City's Home Rule Charter and an Ordinance passed by the City Council of the City (see "THE BONDS - Authority for Issuance ").

SECURITY FOR THE BONDS.. The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City as provided by the Bond Ordinance (see "THE BONDS - Security and Source of Payment").

NO REDEMPTION .... The Bonds are not subject to redemption prior to maturity.

TAX EXEMPTION.......................... In the opinion of Bond Counsel, the interest on the Bonds is 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.

QUALIFIED TAX-EXEMPT OBLIGATIONS ……………...The City will designate the Bonds as "Qualified Tax-Exempt Obligations" for the purpose of the calculation of interest expense by financial institutions which may own the Bonds (see "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions").

USE OF PROCEEDS ……………... Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding debt described in Schedule I (the "Refunded Obligations") for debt service savings and (ii) pay the costs of issuance associated with the sale of the Bonds.

RATINGS .... The Bonds have been rated "AA+" by Standard & Poor's Ratings Services, a Standard and Poor's Financial Services LLC business ("S&P") (see "OTHER INFORMATION - Ratings").

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds 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 Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds 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 Bonds (see "THE BONDS - 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.

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
2008	166,650	$ 9,209,069,370	(4)	55,260	$ 146,140,560		$ 877	1.59%
2009	168,500	9,757,597,695	(5)	57,909	161,559,470		959	1.66%
2010	175,396	9,577,719,656	(6)	54,606	158,366,260		903	1.65%
2011	175,960	9,288,255,529	(7)	52,786	155,711,000		885	1.68%
2012	175,960	9,442,941,551	(8)	53,665	142,260,000		808	1.51%
2013	175,960	9,373,823,177	(9)	53,272	127,477,283	(10)	724	1.36%

(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) Excludes revenue supported general obligation debt.
(4) Includes taxable incremental value of approximately $671,806,230 that is not available for the City's general use.
(5) Includes taxable incremental value of approximately $855,162,990 that is not available for the City's general use.
(6) Includes taxable incremental value of approximately $875,095,331 that is not available for the City's general use.
(7) Includes taxable incremental value of approximately $850,473,176 that is not available for the City's general use.
(8) Includes taxable incremental value of approximately $898,821,002 that is not available for the City's general use.
(9) Includes taxable incremental value of approximately $352,024,122 that is not available for the City's general use.
(10) Projected net debt outstanding, excluding self-supporting debt. Excludes the Refunded Obligations.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2011	2010	2009	2008	2007
Beginning Balance	$ 30,833,573 (1)	$ 30,346,057	$ 24,286,735	$ 25,452,473	$ 24,999,898
Total Revenue	92,741,014	92,633,990	95,707,181	92,206,669	88,023,971
Total Expenditures	83,386,527	82,479,815	82,944,445	84,899,333	78,203,980
Net Transfers	(9,594,057)	(10,398,717)	(6,703,414)	(8,473,074)	(9,367,416)
Sale of Capital Assets	-	-	-	-	-
Net Funds Available	(239,570)	(244,542)	6,059,322	(1,165,738)	452,575
Ending Balance	$ 30,594,003	$ 30,101,515	$ 30,346,057	$ 24,286,735	$ 25,452,473

(1) Restated.

For additional information regarding the City, please contact:

Diana Ortiz, RTA
dortiz@GPTX.org
Chief Financial Officer
City of Grand Prairie
317 College Street
Grand Prairie, Texas 75050
(972) 237-8090

or

James S. Sabonis
jim.sabonis@firstsw.com
First Southwest Company
325 North St. Paul, Suite 800
Dallas, Texas 75201
(214) 953-4000

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

	Length of Service	Term Expires	Occupation
Charles England Mayor - At Large	20 Years	May 2013	Agent, State Farm Insurance
Mark Hepworth Place 1 - District 1	5 Years	May 2014	Managing Partner, S&P Investors, Inc.
Jim Swafford Place 2 - District 2	14 Years	May 2013	Retired Bank President
Bill Thorn Place 3 - District 3	7 Years	May 2014	Real Estate Broker
Richard Fregoe Place 4 - District 4	18 Years	May 2013	Retired Senior Executive U.S. Army/Air Force Exchange Service
Tony Shotwell Place 5 - District 5	17 Years	May 2015	Machinery Programmer, Rheaco, Inc
Ron Jensen Place 6 - District 6 Mayor Pro-Tem	10 Years	May 2015	President - Control Products Corporation
Ruthe Jackson Place 7 - At Large Deputy Mayor Pro-Tem	19 Years	May 2014	Co-owner, Jackson Vending Supply
Greg Giessner Place 8 - At Large	4 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	13 Years	37 Years
Anna Doll	Deputy City Manager	29 Years	30 Years
Tom Cox	Deputy City Manager	11 Years	21 Years
Andrew White	Assistant to City Manager	8 Years	12 Years
Don Postell	City Attorney	14 Years	27 Years
Cathy Dimaggio	City Secretary	12 Years	25 Years
Diana Ortiz, RTA	Chief Financial Officer	6 Years	26 Years
Kathleen Mercer	Budget Director	12 Years	14 Years
Ron McCuller	Public Works Director	15 Years	39 Years
Cathy Patrick, CPA, CIA	Internal Auditor	14 Years	19 Years
Tannie Camarata, CTP	Cash/Debt Manager	22 Years	22 Years
Li Jen Lee, CPA, CIA	Controller	5 Years	24 Years

Consultants, Advisors and Independent Auditors

Independent Auditors .... Weaver, L.L.P.
Dallas, Texas

Bond Counsel ....Fulbright & Jaworski L.L.P.
Dallas, Texas

Financial Advisor.. First Southwest Company
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$8,755,000
CITY OF GRAND PRAIRIE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $8,755,000 City of Grand Prairie, Texas, General Obligation Refunding Bonds, Series 2012 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted on the date of sale of the Bonds (the "Ordinance") which authorized the issuance of the Bonds, except as otherwise indicated herein

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 2013 is 175,960. The City covers approximately 80 square miles.

There follows in this Official Statement descriptions of the Bonds and certain information regarding 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 documents. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, Dallas, Texas.

PLAN OF FINANCING

PURPOSE . . . The Bonds are being issued for the purpose of refunding the City's outstanding obligations listed in Schedule I (collectively, the "Refunded Obligations"), in order to lower the overall annual debt service requirements of the City, and to pay the costs of issuance of the Bonds. See Schedule I for a detailed listing of the Refunded Obligations and their redemption dates.

REFUNDED OBLIGATIONS . . . The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and the redemption date of such Refunded Obligation from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent"). The Ordinance provides that the City will deposit with the Escrow Agent a portion of the proceeds of the sale of the Bonds and other lawfully available funds of the City, in an amount which, together with the Federal Securities (defined below) purchased with a portion of the Bond proceeds and the City contribution and the interest to be earned on such Federal Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on their redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

Grant Thornton LLP, a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the Initial Purchasers that the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. **Such maturing principal of and interest on the Federal Securities will not be available to pay the debt service on the Bonds** (see "OTHER INFORMATION – Verification of Arithmetical and Mathematical Computations").

By the deposit of the Federal Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of the Refunded Obligations pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the respective ordinances authorizing the issuance of the Refunded Obligations. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report of Grant Thornton LLP, the Refunded Obligations will be outstanding for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent, and the Refunded Obligations will not be deemed as being outstanding obligations of the City payable from the sources and secured in the manner provided in the ordinances authorizing their issuance or for the purpose of applying any limitation on the issuance of debt or any other purpose.

The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to make payments on the Refunded Obligations, if for any reason the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

USE OF PROCEEDS . . . The proceeds from the sale of the Bonds, together with funds contributed by the City, will be applied approximately as follows:

SOURCES OF FUNDS:	
Par Amount of Bonds	$ 8,755,000.00
Premium	277,578.75
Transfer from Prior Debt Service Fund	277,046.26
TOTAL SOURCES:	$ 9,309,625.01
USES OF FUNDS:	
Deposit to Escrow Fund	$ 9,154,009.29
Total Underwriter's Discount	51,434.75
Costs of Issuance	100,000.00
Deposit to Debt Service Fund	4,180.97
TOTAL USES:	$ 9,309,625.01

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated December 15, 2012, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the date of delivery (anticipated to be December 27, 2012), will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2013, until maturity. The definitive Bonds 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, NY ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds 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 Bonds (see "THE BONDS - Book-Entry-Only System" herein).

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Texas Constitution and general laws of the State of Texas, particularly Texas Government Code, Chapter 1207, as amended, the City's Home Rule Charter and by the Ordinance passed by the City Council.

SECURITY AND SOURCE OF PAYMENT. . . The Bonds constitute direct obligations of the City, payable from the annual levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, as provided in the 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 limit 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 $100 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 $100 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 services, as calculated at the time of issuance and based on a 90% collection rate.

NO REDEMPTION. . . The Bonds are not subject to redemption prior to maturity.

DEFEASANCE . . . The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or an authorized escrow agent, in trust (1) money sufficient to make such payment, (2) Government Securities, certified by an independent public accounting firm of national reputation 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, or (3) a combination of money and such certified Government Securities. 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 Bonds under the then applicable laws of the State of Texas.

The City has the right, subject to satisfying the requirements 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 Bonds. 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 for any other Government Security will be maintained at any particular rating category.

Upon making such deposit in the manner described, such defeased Bonds shall no longer be deemed outstanding obligations secured by the Ordinance, but will be payable only from the funds and/or Government Securities deposited in escrow and will not be considered debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose. Furthermore, all rights of the City to initiate proceedings to take any action amending the terms of the Bonds are extinguished.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds 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 Bonds, or any 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 Bonds), or any 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 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 U.S. and non-U.S. equity, 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 Bonds. 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's a 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and 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 interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

Principal and interest payments on the Bonds 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 the 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 City or the Paying Agent/Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Bonds 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 Bonds, 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 of the City or the Financial Advisor.

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

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 Bonds are duly paid and any successor Paying Agent/Registrar shall be a bank or 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 Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Interest on the Bonds 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 by check sent United States mail, first class, postage prepaid, to the address of the registered owner recorded in the registration books of the expense of, the registered owner, or 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 Bonds will be paid to the registered owner at the stated maturity upon presentation to the 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 Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If the date for the payment of the principal of or interest on the Bonds 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.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Bond certificates will be delivered to the holders and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates 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. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds 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 Bonds issued in an exchange or transfer of Bonds 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 Bonds 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 Bonds 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 Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Record Date for Interest Payment . . . The record date ("Record Date") for the interest payable on the Bonds 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 ("Special Payment Date", 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 Bond 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.

Bondholders' Remedies . . . The Ordinance does not establish specific events of default with respect to the Bonds. Under State law there is no right to the acceleration of maturity of the Bonds upon the failure of the City to observe any covenant under the Ordinance. Although a registered owner of Bonds could presumably obtain a judgment against the City if a default occurred in the payment of principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the City. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as they become due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The Ordinance does not provide for the appointment of a trustee to represent the interests of the bondholders 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 financed by, the registered owners. The Texas Supreme Court ruled has 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 Bonds may not be able to bring such a suit against the City for breach of the Bonds or Ordinance covenants. 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 Bonds. 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 Bonds 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 Bonds 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, Tarrant and Ellis County Appraisal Districts (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 the Property Tax Code (as defined below) to appraise all property within the Appraisal District on the basis of 100% of its market value and are 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 appraisers 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 Districts 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.

The Appraisal Districts are 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 Appraisal Review Board of the appropriate Appraisal District.

Reference is made to the, Title I, Texas Tax Code, as amended (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 to 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. Additionally, effective January 1, 2012, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

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, the total amount of taxes imposed on such homestead cannot be increased except for improvements (excluding repairs or improvements required to comply with governmental requirements) and such freeze 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 Section 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.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods in transit". Section 11.253 of the Texas Tax Code defines "goods in transit" as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. 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. Section 11.253 of the Tax Code permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in- transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

A city 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 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 Council 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. Effective January 1, 2012, oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. 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% of the delinquent tax, penalty and interest 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.

CITY APPLICATION OF PROPERTY 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.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2012/2013 Market Valuation Established by Appraisal District (excluding totally exempt property)		$ 11,415,350,471
Less Exemptions/Reductions		
Homestead	$ 154,657,325	
Over 65 & Disabled	288,301,948	
Disabled Veterans	28,993,759	
Agricultural Use Reductions	78,606,107	
Non-Taxable/Totally Exempt	686,428,709	
Tax Abatements	35,688,958	
Freeport Property	671,326,982	
Pollution Control	1,223,060	
Under $500	40,369	
Com HSE DEV	22,181,850	
Foreign Trade Zone	71,668,749	
Capped Value Loss	2,409,478	$ 2,041,527,294
2012/2013 Taxable Assessed Valuation		$ 9,373,823,177
General Obligation Debt Payable from Ad Valorem Taxes [1] (as of December 1, 2012)		$ 208,500,000
The Bonds		8,755,000
Total Oustanding General Obligation Debt as of December 1, 2012		$ 217,255,000
Less Self-Supporting General Obligation Debt		
Airport		1,810,000
Tax Increment Financing Districts [1]		29,490,000
Public Improvement District		1,785,000
Crime Control Prevention District		40,895,000
Cemetery		2,825,000
Municipal Golf Course [1]		2,344,542
The Bonds (TIFs)		890,000
The Bonds (Golf)		125,000
Subtotal		$ 80,164,542
Net General Obligation Debt Payable for Ad Valorem Taxes as of 12/1/2012		$ 137,090,458
Interest and Sinking Fund Property Taxes as of 9/30/2012 [2]		$ 6,909,059
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		1.46%

2013 Estimated Population -	175,960
Per Capita Taxable Assessed Valuation -	$53,272
Per Capita Net GO Debt Payable from Ad Valorem Taxes -	$779

(1) Excludes the Refunded Obligations.
(2) Unaudited.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2013		2012		2011	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 4,907,374,219	42.99%	$ 4,914,418,257	43.03%	$ 4,901,553,132	43.99%
Real, Residential, Multi-Family	687,729,927	6.02%	664,974,745	5.82%	630,524,235	5.66%
Real, Vacant Platted Lots/Tracts	166,995,243	1.46%	182,455,984	1.60%	193,059,178	1.73%
Real, Acreage (Land Only)	109,970,398	0.96%	113,445,291	0.99%	115,446,546	1.04%
Real, Commercial and Industrial	2,056,760,918	18.02%	2,006,919,886	17.57%	1,981,084,770	17.78%
Oil, Gas Mineral Reserve	40,126,590	0.35%	107,657,967	0.94%	49,254,590	0.44%
Real and Tangible Personal, Utilities	153,338,958	1.34%	158,662,109	1.39%	148,331,951	1.33%
Tangible Personal, Business	2,285,159,453	20.02%	2,320,251,917	20.31%	2,197,744,995	19.72%
Tangible Personal, Other	54,256,543	0.48%	52,815,713	0.46%	48,310,087	0.43%
Special Inventory	21,681,820	0.19%	19,733,380	0.17%	34,623,600	0.31%
Certified values in dispute	245,527,693	2.15%	199,170,855	1.74%	157,535,940	1.41%
Non-Taxable Property	686,428,709	6.01%	681,350,546	5.97%	684,901,800	6.15%
Total Appraised Value Before Exemptions	$ 11,415,350,471	100.00%	$ 11,421,856,650	100.00%	$11,142,370,824	100.00%
Less Exemptions:						
Homestead	$ 154,657,325		$ 156,016,489		$ 155,289,202	
Over 65 and Disabled	288,301,948		275,716,360		267,439,636	
Disabled Veterans	28,993,759		26,511,146		23,037,958	
Agricultural/Open Space	78,606,107		80,695,791		85,652,550	
Non-Taxable	686,428,709		681,350,546		684,901,800	
Tax Abatement	35,688,958		28,670,461		20,692,425	
Freeport Property	671,326,982		641,412,998		515,732,084	
Pollution Control	1,223,060		3,348,122		3,729,761	
Under $500	40,369		31,160		31,440	
Com HSE DEV	22,181,850		17,261,197		24,495,344	
Foreign Trade Zone	71,668,749		64,653,280		69,514,820	
Capped Value Loss	2,409,478		3,247,549		3,598,275	
Total Exemptions	2,041,527,294		1,978,915,099		1,854,115,295	
Taxable Assessed Value	$ 9,373,823,177		$ 9,442,941,551		$ 9,288,255,529	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2010		2009	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 4,937,670,046	43.19%	$ 5,028,167,345	44.52%
Real, Residential, Multi-Family	665,413,011	5.82%	739,830,796	6.55%
Real, Vacant Platted Lots/Tracts	187,328,468	1.64%	182,753,787	1.62%
Real, Acreage (Land Only)	130,934,415	1.15%	133,474,311	1.18%
Real, Farm and Ranch Improvements	2,112,486,209	18.48%	2,095,036,616	18.55%
Real, Commercial and Industrial	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	116,528,337	1.02%	155,285,015	1.37%
Tangible Personal, Business	2,163,448,490	18.93%	1,940,808,303	17.18%
Tangible Personal, Other	70,153,691	0.61%	95,749,519	0.85%
Special Inventory	45,730,230	0.40%	34,826,210	0.31%
Certified values in dispute	402,245,019	3.52%	327,074,325	2.90%
Non-Taxable Property	599,565,933	5.24%	561,625,303	4.97%
Total Appraised Value Before Exemptions	$ 11,431,503,849	100.00%	$ 11,294,631,530	100.00%
Less Exemptions:	$ 150,554,618			
Homestead	255,709,113		$ 145,575,775	
Over 65 and Disabled	11,127,788		243,982,524	
Disabled Veterans	81,163,367		7,021,626	
Agricultural/Open Space	599,565,933		84,093,269	
Non-Taxable	27,160,150		561,625,303	
Tax Abatements	625,313,388		13,246,625	
Freeport Property	952,143		437,013,331	
Pollution Control	30,330		1,155,823	
Under 500	16,058,905		31,082	
Com HSE DEV	81,056,189		27,253,914.00	
Foreign Trade Zone	5,092,360		-	
Capped Value Loss	1,853,784,284		16,052,560	
Total Exemptions			1,537,051,832	
Taxable Assessed Value	$ 9,577,719,565		$ 9,757,579,698	

NOTE: Valuations shown are certified taxable assessed values reported by the 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 Districts 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
2008	166,650	$ 9,209,069,370	(4)	55,260	$ 146,140,560		$ 877	1.59%
2009	168,500	9,757,597,695	(5)	57,909	161,559,470		959	1.66%
2010	175,396	9,577,719,656	(6)	54,606	158,366,260		903	1.65%
2011	175,960	9,288,255,529	(7)	52,786	155,711,000		885	1.68%
2012	175,960	9,442,941,551	(8)	53,665	142,260,000		808	1.51%
2013	175,960	9,373,823,177	(9)	53,272	127,477,283	(10)	724	1.36%

(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) Excludes revenue supported general obligation debt.
(4) Includes taxable incremental value of approximately $671,806,230 that is not available for the City's general use.
(5) Includes taxable incremental value of approximately $855,162,990 that is not available for the City's general use.
(6) Includes taxable incremental value of approximately $875,095,331 that is not available for the City's general use.
(7) Includes taxable incremental value of approximately $850,473,176 that is not available for the City's general use.
(8) Includes taxable incremental value of approximately $898,821,002 that is not available for the City's general use.
(9) Includes taxable incremental value of approximately $352,024,122 that is not available for the City's general use.
(10) Projected net debt outstanding, excluding self-supporting debt. Excludes the Refunded Obligations.

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	
2008	$ 0.669998	0.484892	0.185106	$ 61,700,580	97.50%		99.29%	
2009	0.669998	0.484892	0.185106	65,375,589	97.69%		99.53%	
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	95.76%	(1)	96.19%	(1)
2013	0.669998	0.484892	0.185106	62,804,428	In Progress		In Progress	

(1) Collections through September 30, 2012.

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TABLE 5 - TEN LARGEST TAXPAYERS[1]

Name of Taxpayer	Nature of Property	2013 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Bell Helicopter -Textron	Helicopter Transmissions	$ 112,686,821	1.20%
Oncor Electric Delivery	Electric Utility	75,714,431	0.81%
Republic Beverage	Beverage Distribution	72,807,551	0.78%
Poly America LP	Manufacturing	52,886,190	0.56%
Lockheed Martin Missles & Fire	Defense Industry	51,933,864	0.55%
Duke Realty LTD PS	Real Estate	49,711,770	0.53%
Catellus Development	Real Estate	41,187,640	0.44%
Mars Partners LTD	Real Estate	39,927,513	0.43%
Cardinal Health 200 LLC	Medical Products and Services	37,825,531	0.40%
Walmart	Retail	37,689,354	0.40%
		$ 572,370,665	6.11%

(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 BONDS - 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 additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional 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	2012/13 Taxable Assessed Valuation	2012/13 Tax Rate	G.O. Debt as of 9/30/2012	Estimated % Overlapping	Overlapping G.O. Debt
Arlington Independent School District	$ 19,771,839,578	$ 1.3010	$ 465,377,451	17.23%	$ 80,184,535
Cedar Hill Independent School District	2,540,617,628	1.4400	94,857,477	3.48%	3,301,040
Dallas County	157,908,256,062	0.2530	121,605,000	2.85%	3,465,743
Dallas County Community College District	165,159,472,596	0.1194	374,265,000	2.85%	10,666,553
Dallas County Flood Control District #1	159,610,993	2.9000	30,035,000	1.31%	393,459
Dallas County Hospital District	158,093,223,620	0.2710	705,000,000	2.85%	20,092,500
Ellis County	10,386,783,061	0.3801	56,541,262	0.21%	118,737
Grand Prairie Independent School District	4,659,327,959	1.4650	467,045,763	89.92%	419,967,550
Irving Independent School District	9,107,044,610	1.4650	554,091,600	0.76%	4,211,096
Mansfield Independent School District	8,934,701,008	1.5400	724,279,963	9.84%	71,269,148
Midlothian Independent School District	2,787,358,255	1.5400	234,173,926	0.60%	1,405,044
Tarrant County	124,676,098,060	0.2640	317,725,000	3.75%	11,914,688
Tarrant County Community College District	125,092,633,012	0.1490	22,705,000	3.75%	851,438
Tarrant County Hospital District	124,838,781,318	0.2279	26,285,000	3.75%	985,688
			$ 4,193,987,442		$ 628,827,216
City of Grand Prairie	$ 9,373,823,177	$ 0.6699	$ 217,255,000 [1]	100.00%	$ 217,255,000
Total Direct and Overlapping Debt					$ 846,082,216
Total Direct and Overlapping Debt to City's Taxable Assessed Value					9.03%

(1) Excludes the Refunded Obligations, includes the Bonds.

DEBT INFORMATION

TABLE 7 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service[1][2] Principal	Outstanding Debt Service Interest	Outstanding Debt Service Total D/S	The Bonds Principal	The Bonds Interest	The Bonds Total D/S	Total General Obligation Debt Service	Less: Self-Supporting Debt Service[3]	Net General Obligation Debt Service	% of Principal Retired
2013	$ 15,595,000	$ 14,290,892	$ 29,885,892	$ -	$ 90,393	$ 90,393	$ 29,976,284	$ 15,083,964	$ 14,892,321	
2014	15,995,000	13,319,154	29,314,154	75,000	141,975	216,975	29,531,129	14,941,139	14,589,991	
2015	16,000,000	12,265,411	28,265,411	690,000	137,775	827,775	29,093,186	14,749,560	14,343,626	
2016	16,680,000	11,164,214	27,844,214	705,000	130,800	835,800	28,680,014	14,529,104	14,150,910	
2017	17,455,000	9,948,044	27,403,044	720,000	123,675	843,675	28,246,719	14,240,541	14,006,178	38.63%
2018	17,775,000	8,658,152	26,433,152	730,000	114,600	844,600	27,277,752	13,748,775	13,528,978	
2019	18,490,000	7,297,243	25,787,243	745,000	103,538	848,538	26,635,781	13,404,480	13,231,301	
2020	17,870,000	5,875,221	23,745,221	770,000	92,175	862,175	24,607,396	12,638,182	11,969,215	
2021	17,125,000	4,400,777	21,525,777	790,000	78,500	868,500	22,394,277	10,945,067	11,449,210	
2022	15,460,000	2,930,606	18,390,606	670,000	63,900	733,900	19,124,506	8,379,314	10,745,193	80.25%
2023	7,375,000	1,674,880	9,049,880	685,000	50,350	735,350	9,785,230	576,450	9,208,780	
2024	7,070,000	1,358,014	8,428,014	705,000	36,450	741,450	9,169,464	539,175	8,630,289	
2025	5,840,000	1,069,429	6,909,429	720,000	22,200	742,200	7,651,629	223,813	7,427,817	
2026	5,490,000	809,464	6,299,464	750,000	7,500	757,500	7,056,964	224,775	6,832,189	
2027	5,745,000	547,878	6,292,878	-	-	-	6,292,878	210,125	6,082,753	96.07%
2028	3,065,000	338,583	3,403,583	-	-	-	3,403,583	210,125	3,193,458	
2029	3,000,000	187,975	3,187,975	-	-	-	3,187,975	-	3,187,975	
2030	1,420,000	80,750	1,500,750	-	-	-	1,500,750	-	1,500,750	
2031	1,050,000	24,413	1,074,413	-	-	-	1,074,413	-	1,074,413	100.00%
	$ 208,500,000	$ 96,241,102	$ 304,741,102	$ 8,755,000	$ 1,193,830	$ 9,948,830	$ 314,689,932	$ 134,644,587	$ 180,045,345	

(1) Excludes the Refunded Obligations.

(2) 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 Certiticates of Obligation, Series 2008 calculated at the maximum rate of 15%.

(3) Includes the self-supporting portion of the Bonds.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2013		$ 14,892,321
Interest and Sinking Fund, 9/30/2012 (1)	$ 6,909,059	
Budgeted 2013 Interest and Sinking Fund Tax Levy @ 97% Collection	16,652,861	
Transfer from Section 8/Cemetery	155,000	
Interest Earnings	-	
Total Available		$ 23,716,920
Estimated Balance, Fiscal Year Ending 9/30/13		$ 8,824,599

(1) Unaudited.

TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT

	Airport Fund	TIF #1	TIF #2	TIF #3	Crime Control District	PID15	PID 1
Net Revenues Available for Debt Service from Systems Operations, Fiscal Year Ended 9/30/2011	$ 1,519,969	$ 427,644	$ 5,452,472	$ 4,363,563	$ 5,121,697	$ 118,582	$ 150,285
Less: Revenue Bond Requirements, Fiscal Year Ended 9/30/11	-	-	-	-	-	-	-
Balance Available for Other Purposes	$ 1,519,969	$ 427,644	$ 5,452,472	$ 4,363,563	$ 5,121,697	$ 118,582	$ 150,285
General Obligation Bonds, Certificates of Obligation and Water Contract Bond Requirements, Fiscal Year Ended 9/30/11	198,445	1,806,874	1,081,247	2,671,484	2,824,335	149,100	188,669
Balance	$ 1,321,524	$ (1,379,230)	$ 4,371,225	$ 1,692,079	$ 2,297,362	$ (30,518)	$ (38,384)
Percentage of System General Obligation Bonds, Certificates of Obligation and Water Contract Bonds Self-Supporting	100.00%	23.67%	100.00%	100.00%	100.00%	79.53%	79.66%

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Unissued Balance
Solid Waste	12/8/1990	$ 180,000	$ 75,000	$ 105,000
Streets/Signal	11/6/2001	56,000,000	50,345,886	5,654,114
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	265,250
		$ 76,180,000	$ 68,532,209	$ 7,647,791

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT. . . The City anticipates issuance of additional debt in 2013 for capital improvement projects and refunding purposes.

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 City contribution rate is annually determined by the actuary. Part of the City contribution rate (the normal cost) is to fund the currently accruing monetary credits, with the other part (the prior service contribution rate) calculated as the level percent of payroll needed to amortize the unfunded actuarial liability over the remainder of the Plan's 25-year amortization period. When the City periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period which began January 2008. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

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
2007	$ 167,101,197	$ 208,328,802	80.20%	$ 41,227,605	$ 56,817,617	72.60%
2008	174,692,032	221,792,477	78.80%	47,100,445	61,880,950	126.34%
2009	184,115,536	270,661,623	68.02%	86,546,087	67,018,137	129.14%
2010	195,807,917	283,654,428	69.00%	87,846,511	66,030,734	133.00%
2011	299,459,271	365,426,666	81.95%	65,967,395	65,426,278	100.83%

OTHER POST-EMPLOYMENT BENEFITS (CITY TO UPDATE WITH CURRENT INFORMATION)

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, 2011 was $991,162.

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 $28,244,542 at September 30, 2011.

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

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FINANCIAL INFORMATION

TABLE 11 - CHANGES IN NET ASSETS

Revenues	Fiscal Year Ending, September 30,				
Program Revenues:	2011	2010	2009	2008	2007
Charges for Services	$ 39,243,610	$ 35,277,584	$ 35,205,336	$ 28,036,193	$ 25,399,502
Operating Grants and Contributions	37,588,585	31,232,753	28,333,421	37,482,689	48,052,791
Capital Grants and Contributions	2,664,489	9,112,664	5,795,714	10,007,768	14,027,960
General Revenues:					
Property Taxes	$ 71,554,937	$ 75,091,425	$ 76,687,029	$ 69,813,294	$ 61,443,459
Sales Taxes	41,713,795	39,891,881	40,376,226	39,665,104	31,919,487
Other Taxes and Assessments	1,332,984	1,232,928	1,231,899	1,414,822	1,344,762
Franchise Fees	13,492,977	12,060,211	12,531,556	11,847,401	11,375,535
Investment Income	1,341,476	1,844,371	6,688,474	8,869,199	7,573,850
Other	-	367,154	-	(375,147)	-
Total Revenues	$ 208,932,853	$ 206,110,971	$ 206,849,655	$ 206,761,323	$ 201,137,346
Expenses					
Support Services	$ 19,100,748	$ 17,278,851	$ 17,647,031	$ 19,829,891	$ 22,481,067
Public Safety	88,336,343	81,872,640	70,728,042	76,192,160	70,124,744
Recreation and Leisure	22,368,768	21,517,961	24,302,491	20,548,092	19,168,072
Development and Other Services	74,251,224	58,153,994	56,491,002	50,685,940	38,630,596
Interest on Long-Term Debt	9,817,549	10,618,864	12,141,929	10,329,775	8,421,424
	$ 213,874,632	$ 189,442,310	$ 181,310,495	$ 177,585,858	$ 158,825,903
Increase in Net Assets Before Transfers	$ (4,941,779)	$ 16,668,661	$ 25,539,160	$ 29,175,465	$ 42,311,443
Transfers, Net	5,625,851	(1,542,012)	(1,112,837)	2,553,428	2,426,279
Increase (Decrease) in Net Assets	$ 684,072	$ 15,126,649	$ 24,426,323	$ 31,728,893	$ 44,737,722
Prior Period Adjustments	(338,226)	-	-	(766,786)	-
Net Assets - Beginning	425,562,115	410,435,466	386,009,143	355,047,037	310,309,315
Net Assets - Ending	$ 425,907,961	$ 425,562,115	$ 410,435,466	$ 386,009,143	$ 355,047,037

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TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
	2011	2010	2009	2008	2007
Revenues:					
Property Taxes	$40,552,706	$42,598,742	$ 43,417,147	$ 41,235,958	$ 37,907,961
Sales Taxes	20,651,345	19,844,420	20,011,334	21,100,484	20,965,517
Franchise Fees	13,041,940	12,060,211	12,473,798	11,847,401	11,375,535
Charges for Services	4,876,764	4,688,438	4,531,231	4,981,472	4,520,543
Fines and Forfeitures	5,112,430	5,569,652	5,554,341	5,116,428	5,232,676
Licenses and Permits	2,258,224	2,228,316	1,879,236	2,264,955	2,678,297
Interest	232,135	248,021	1,471,102	1,238,374	1,268,309
Other	6,015,470	5,396,190	6,368,992	4,421,597	4,075,133
Total Revenues	$ 92,741,014	$ 92,633,990	$ 95,707,181	$ 92,206,669	$ 88,023,971
Expenditures:					
Administrative Services	$10,405,522	$9,932,982	$ 10,333,344	$ 11,176,252	$ 10,058,549
Public Safety Services	59,400,698	58,308,024	57,385,178	57,495,086	52,462,808
Development Service and Other	11,324,201	11,633,268	12,425,883	13,148,455	13,018,662
Recreation and Leisure Services	1,650,855	1,946,463	2,058,771	2,063,500	1,899,944
Capital Outlays	605,251	659,078	741,269	1,016,040	764,017
Total Expenditures	$ 83,386,527	$ 82,479,815	$ 82,944,445	$ 84,899,333	$ 78,203,980
Excess (Deficiency) of Revenues Over Expenditures	$ 9,354,487	$ 10,154,175	$ 12,762,736	$ 7,307,336	$ 9,819,991
Transfer in (Out) Net	(9,594,057)	(10,398,717)	(6,703,414)	(8,473,074)	(9,367,416)
Prior Period Adjustment	732,058	-	-	-	-
Beginning Fund Balance	30,101,515	30,346,057	24,286,735	25,452,473	24,999,898
Ending Fund Balance	$ 30,594,003	$ 30,101,515	$ 30,346,057	$ 24,286,735	$ 25,452,473

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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 Bonds. 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 9/30	City Financial Statements							City Equivalent of Total Ad Valorem Tax Rate
	City	Parks and Recreation	Streets	Baseball Stadium (1)	Senior Center (1)	Crime Control (1)	Total	
2008	$21,100,484	$5,488,686	$5,488,686	$ 2,744,343	$ 2,744,343	$ 4,842,905	$42,409,447	$0.2162
2009	20,011,334	5,193,338	5,193,338	2,596,668	2,596,668	4,784,879	40,376,225	0.2051
2010	19,844,420	5,136,774	5,136,774	2,568,387	2,568,387	4,637,138	39,891,880	0.2137
2011	20,651,345	5,313,584	5,313,584	2,656,792	2,656,793	5,121,697	41,713,795	0.2187
2012 (2)	22,644,202	5,762,748	5,762,748	2,881,374	2,881,374	5,625,008	45,557,454	0.2398

(1) The sales tax for these purposes was approved in May 2007 by voters. The tax went into effect on October 1, 2007 when the Sports Corporation sales tax stopped.

(2) Collections through November 2012 as reported by the City Staff

SALES TAX ELECTION

The voters approved a one-half cent (½¢) 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 Obligations. 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 (¼¢) 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 Obligations.

The voters approved a one-fourth cent (¼¢) 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 ¼ 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 Obligations. The sales tax was reauthorized in May 2009.

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 (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 (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 (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 Obligations. 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.

	Impact Fee	
FYE	Water	Wastewater
2007	$ 2,982,804	$ 842,806
2008	1,799,483	492,364
2009	838,401	235,288
2010	913,598	261,095
2011	791,558	226,221

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 $13,154,156 as of September 30, 2011.

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 2010/11 were $2,014,632 for property, liability and workers' compensation and $12,404,085 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, 2011 were $3,372,165.

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 of the City. 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 is 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 FDIC 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; certificates of deposit or share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the “PFIA”) and (i) that are issued by an institution that has its main office of 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 their respective successors, and are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and provided for by law for City deposits, or (ii) where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State of Texas that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1) above, (iii) require the securities being purchased by the City or cash held by the City to be 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 (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (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, including letters of credit, 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 AAA-m or an equivalent by at least one nationally recognized rating service. 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 pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears 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.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are 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) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (11) through (13) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body 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; and (iv) the agreement to lend securities has a term of one year or less.

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 PFIA. 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 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, 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 non-money market 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 obligations 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:

	% Maximum
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 September 30, 2012 the City's investable funds were invested in the following categories of investments.

Type of Investment	Percentage	Total Cost
Local Government Pool and Money Market Funds	42.49%	$ 90,121,510
Federal Agency and Instrumentality Notes	57.51%	122,000,980
	100.00%	$ 212,122,490

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds 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. A form of Bond Counsel's opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based is subject to change.

Interest on the Bonds 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 Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the 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 Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

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 Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds 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 Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds 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 Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds 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 Bonds 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 Bonds. Prospective purchasers of the Bonds 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 BONDS . . . The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds 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 Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (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 Bonds 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 Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond 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 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 Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds 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 Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds 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 Bonds. The basis for federal income tax purposes of a Premium Bond 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 Bond. 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 Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS…Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by “financial institutions” described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as “qualified tax-exempt obligations.” An issuer may designate obligations as “qualified tax-exempt obligations” only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The City has designated the Bonds as “qualified tax-exempt obligations” and will certify its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain 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 2012.

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 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 Bonds 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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, 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. . . In connection with its continuing disclosure agreement entered into with respect to the Bonds, the City will file all required information and documentation with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB 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 Bonds 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 Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement 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 underwriter to purchase or sell Bonds 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 Bonds 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 Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement 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 underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the continuing disclosure agreement, 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.

OTHER INFORMATION

RATINGS

The Bonds have been rated "AA+" by Standard & Poor's Ratings Services, a Standard and Poor's Financial Services LLC business ("S&P"). An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

There are currently no lawsuits, claims or other legal matters which would, in the opinion of the City Attorney and City Staff, have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds 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 Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds 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 (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Bonds 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 Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds 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 Bonds are legal investments for various institutions in those states. No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes.

LEGAL OPINIONS AND NO LITIGATION CERTIFICATE

The City will furnish the Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding obligations of the City and, based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds 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 Purchasers. Though it represents the Financial Advisor and investment banking firms such as the Purchaser from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds. 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 Bonds 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 Bonds is contingent on the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds 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.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. 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 Bonds, 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.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent public accountants, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by First Southwest Company on behalf of the District. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by First Southwest Company on behalf of the District and has not evaluated or examined the assumptions or information used in the computations.

INITIAL PURCHASER FOR THE BONDS

After requesting competitive bids for the Bonds, the City accepted the bid of Stifel, Nicolaus & Company, Inc. (the "Initial Purchaser" or “Purchaser”) to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of 102.583027% (the principal amount of the Bonds plus an original issue premium in the amount of $277,578.75 and less an underwriter’s discount of $51,434.75). The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

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 Bonds, 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 Bonds 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 authorizing the issuance of the Bonds approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Purchaser.

Charles England
Mayor
City of Grand Prairie, Texas

ATTEST:

Cathy Dimaggio
City Secretary
City of Grand Prairie, Texas

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SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Combination Tax and Revenue Certificates of Obligation, Series 2006

Original Dated Date	Original Maturity Date	Interest Rates	Amount
3/15/2006	2/15/2015	4.000%	$ 440,000
	2/15/2016	4.000%	470,000
	2/15/2017	4.000%	495,000
	2/15/2018	4.125%	515,000
	2/15/2019	4.250%	540,000
	2/15/2020	4.250%	570,000
	2/15/2021	4.250%	600,000
	2/15/2022	4.375%	475,000
	2/15/2023	4.375%	500,000
	2/15/2024	4.375%	525,000
	2/15/2025	4.500%	550,000
	2/15/2026	4.500%	585,000
			$ 6,265,000

The Certificates will be redeemed on February 15, 2014 at a price of par plus accrued interest to the redemption date.

General Obligation Bonds, Series 2006

Original Dated Date	Original Maturity Date	Interest Rates	Amount
3/15/2006	2/15/2015	3.900%	$ 145,000
	2/15/2016	4.000%	155,000
	2/15/2017	4.000%	160,000
	2/15/2018	4.125%	170,000
	2/15/2019	4.200%	180,000
	2/15/2020	4.300%	190,000
	2/15/2021	4.300%	200,000
	2/15/2022	4.375%	210,000
	2/15/2023	4.400%	220,000
	2/15/2024	4.400%	230,000
	2/15/2025	4.400%	240,000
	2/15/2026	4.500%	255,000
			$ 2,355,000

The Bonds will be redeemed on February 15, 2014 at a price of par plus accrued interest to the redemption date.

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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.

- 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 frontage of the highway is under construction.

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 2013 is 175,960. 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 populaton.

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.

INDUSTRIAL BASE

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

INDUSTRY PROFILE, 2012

Industry	Percent of Total gross sales
Construction	5.4%
Finance, Insurance	0.1%
Manufacturing	30.4%
Retail	21.9%
Other Services (Ex Public Administration)	1.8%
Transportation, Warehousing	0.5%
Wholesale Trade	20.2%
Ag, forestry, fishing	0.0%
Mining	0.0%
Utilities	0.0%
Information	0.2%
Real Estate, Rental, Leasing	3.6%
Professional, Scientific, Tech Svcs	0.9%
Management of Companies, Enterprises	2.2%
Administrative, Support, Waste Mgmt, Remediation Svcs	1.4%
Educational Services	0.3%
Health Care, Social Assistance	0.7%
Arts, Entertainment, Recreation	0.7%
Accommodation, Food Services	7.8%

Source: Texas Comptroller.

LABOR FORCE

The City's Household Employment Annual Averages

Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
2008	76,722	72,697	4,025	5.2%
2009	77,806	71,406	6,400	8.2%
2010	87,796	80,443	7,353	8.4%
2011	88,814	81,889	6,925	7.8%
2012 (1)	90,401	84,754	5,647	6.2%

Source: Texas Workforce Commission.
(1) Data as of October 2012
.

EMPLOYERS

Company	Product-Service	Estimated Employees
Grand Prairie ISD	Administration of Education Programs	3,200
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	2,000
Bell Helicopter-Textron	Aircraft Manufacturing	1,300
City of Grand Prairie	Public Administration	1,100
Lone Star Park at Grand Prairie	Racetracks	1,000
Triumph Aero Structures - Vought	Aircraft Engine and Engine Parts Manufacturing	750
Wal-Mart	Warehouse, Clubs and Superstores	600
Siemens Energy & Automation	Switchgear and Switchboard Apparatus Manufacturing	500
American Eurocopter	Aircraft Manufacturing	500
Republic National Distributing	Wine and Distilled Beverage Wholesaler	500
Hanson Pipe & Products	Concrete Pipe Manufacturing	400
Office Depot	Retail	400
Texas Dept. of Health and Human Resources	Administration of Human Resources Program	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 ISD (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, 2011

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, 2011, 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 the City of Grand Prairie (the City) as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic 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 *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the 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 at September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the basic financial statements, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis, budget to actual schedules for the General Fund and Section 8 Fund, Texas Municipal Retirement System – Eight Year Analysis of Funding Progress, and Schedule of Other Post Employment Benefits – Funding Progress and Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the basic financial statements taken as a whole. The introductory section, combining and individual fund financial statements and schedules and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such data.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 26, 2012

MANAGEMENT'S DISCUSSION & ANALYSIS

Grand Prairie TEXAS Dream Big Play Hard

CITY OF GRAND PRAIRIE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011
(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, 2011. 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 of the City exceeded its liabilities (net assets) at September 30, 2011, by $636,009,124. Of this amount, $131,602,801 may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets).

- The City's net assets increased by $3,046,918 for the fiscal year ended September 30, 2011. Capital contributions from private developers for improvements to the City's infrastructure accounted for $242,865 or 8% of the increase in the City's net assets.

- The City's governmental funds reported combined ending fund balances of $154,849,486 at September 30, 2011, an increase of $13,058,909 in comparison with restated beginning combined fund balances. Governmental funds beginning fund balance was decreased by $413,578 due to implementing GASB 54. Of the governmental funds reported combined fund balances, $29,186,299 or 18.9% is available for spending within City guidelines (unassigned fund balance).

- The City's unassigned fund balance for the general fund was $29,186,299 at year end or 35% of total general fund expenditures for the reported fiscal year.

- The City's total long-term liabilities of $371,635,303 decreased by $25,362,412 or 6.4% during the reported fiscal year. In fiscal year 2011, the City issued general obligation, certificates of obligation, water and wastewater revenue, a combined $30,175,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. 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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (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 includes 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.

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.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities 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.

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.

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.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $636,009,124 at year end. The City had total assets at year end of $1,035,904,851. The City's pooled cash and investments totaling $246,394,326 and capital assets (e.g., land, buildings, equipment, infrastructure, and construction in progress), net of accumulated depreciation totaling $759,832,208 represented 23.8% and 73.4%, 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 $416,624,601 and represented 65.5% of the City's total net assets 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 assets at year end compared to the prior year.

Table 1

Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2010	9/30/2011	9/30/2010	9/30/2011	9/30/2010	9/30/2011
Cash & investments	$ 156,257,723	$ 169,661,941	$ 78,458,732	$ 76,732,385	$ 234,716,455	$ 246,394,326
Other assets	18,123,329	20,393,821	8,592,392	9,284,496	26,715,721	29,678,317
Capital assets, net	584,505,973	552,291,879	208,853,867	207,540,329	793,359,840	759,832,208
Total assets	758,887,025	742,347,641	295,904,991	293,557,210	1,054,792,016	1,035,904,851
Current liabilities	17,411,068	21,160,930	7,421,027	7,099,494	24,832,095	28,260,424
Long-term bonded debt	301,058,520	279,252,720	75,642,433	70,658,546	376,700,953	349,911,266
Other noncurrent liabilities	14,855,322	16,026,030	5,441,440	5,698,007	20,296,762	21,724,037
Total liabilities	333,324,910	316,439,680	88,504,900	83,456,047	421,829,810	399,895,727
Net assets:						
Invested in capital assets, net of related debt	286,120,135	279,371,594	134,524,036	137,253,007	420,644,171	416,624,601
Restricted	9,792,214	83,793,231	4,228,742	3,988,491	14,020,956	87,781,722
Unrestricted	129,649,766	62,743,136	68,647,313	68,859,665	198,297,079	131,602,801
Total net assets	425,562,115	425,907,961	207,400,091	210,101,163	632,962,206	636,009,124

A portion of the City's net assets totaling $87,781,722 or 13.8% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets 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 assets, for both governmental and business-type activities.

The City's net assets increased by $3,046,918 in fiscal year 2011. As previously mentioned, $242,865 or 8% 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 2011 compared to fiscal 2010 changes in the City's net assets were as follows:

Table 2

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2010	9/30/2011	9/30/2010	9/30/2011	9/30/2010	9/30/2011
Revenues:						
Program revenues:						
Charges for services	$ 35,277,584	$ 39,243,610	$ 65,085,186	$ 75,796,675	$ 100,362,770	$ 115,040,285
Operating grants and contributions	31,232,753	37,588,585	-	-	31,232,753	37,588,585
Capital grants and contributions	9,112,664	2,664,489	2,444,475	1,792,377	11,557,139	4,456,866
General reveues:						
Property tax	75,091,425	71,554,937	-	-	75,091,425	71,554,937
Sales tax	39,891,881	41,713,795	-	-	39,891,881	41,713,795
Other tax	1,232,928	1,332,984	-	-	1,232,928	1,332,984
Franchise fees	12,060,211	13,492,977	-	-	12,060,211	13,492,977
Investment income	1,844,371	1,341,476	425,937	6,343	2,270,308	1,347,819
Total Revenues	205,743,817	208,932,853	67,955,598	77,595,395	273,699,415	286,528,248
Expenses:						
Support services	17,278,851	19,100,748	-	-	17,278,851	19,100,748
Public safety	81,872,640	88,336,343	-	-	81,872,640	88,336,343
Recreation and leisure	21,517,961	22,368,768	-	-	21,517,961	22,368,768
Development and other services	58,153,994	74,251,224	-	-	58,153,994	74,251,224
Interest on long-term debt	10,618,864	9,817,549	-	-	10,618,864	9,817,549
Water and wastewater	-	-	48,888,158	52,658,416	48,888,158	52,658,416
Municipal airport	-	-	1,999,196	2,809,039	1,999,196	2,809,039
Municipal golf course	-	-	3,488,564	3,521,660	3,488,564	3,521,660
Storm water utility	-	-	1,692,009	1,537,846	1,692,009	1,537,846
Solid waste	-	-	8,931,468	9,079,737	8,931,468	9,079,737
Total expenses	189,442,310	213,874,632	64,999,395	69,606,698	254,441,705	283,481,330
Increase in net assets before transfers	16,301,507	(4,941,779)	2,956,203	7,988,697	19,257,710	3,046,918
Transfers	(1,542,012)	5,625,851	1,542,012	(5,625,851)	-	-
Capital assets reassignments	367,154	-	(367,154)	-	-	-
Change in net assets	15,126,649	684,072	4,131,061	2,362,846	19,257,710	3,046,918
Net assets - beginning of year -as previously stated	410,435,466	425,562,115	203,269,030	207,400,091	613,704,496	632,962,206
Change in accounting principle	-	(338,226)	-	338,226	-	-
Net assets - end of year	$ 425,562,115	$ 425,907,961	$ 207,400,091	$ 210,101,163	$ 632,962,206	$ 636,009,124

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 9/30/2010	Fiscal Year 9/30/2011	Increase (Decrease)
Governmental activities:			
Property taxes	$ 75,091,425	$ 71,554,937	$ (3,536,488)
Sales taxes	39,891,881	41,713,795	1,821,914
Other taxes	1,232,928	1,332,984	100,056
Franchise fees	12,060,211	13,492,977	1,432,766
Investment income	1,844,371	1,341,476	(502,895)
Total governmental activities	130,120,816	129,436,169	(684,647)
Business-type activities:			
Investment income	425,937	6,343	(419,594)
Total business-type activities	425,937	6,343	(419,594)
Total general revenues	$ 130,546,753	$ 129,442,512	$ (1,104,241)

Governmental activities. Governmental activities remained sluggish due to the slow pace of the economic recovery. There was a slight increase in net assets of $684,072 in comparison with restated beginning net assets, accounting for 22.5% of the total growth in net assets. Governmental activities beginning net assets were decreased by $338,226 due to implementing GASB 54. Total revenue for governmental activities (excluding transfers from business-type activities) increased from the previous year by $3,189,036. General Revenue which is primarily made up property taxes, sales taxes, and franchise fees had a net decrease of $684,647. Property tax revenue declined by $3,536,488 due to a 3.02% drop in net taxable property values. Sales tax collections increased by $1,821,914. Franchise fee revenue increased $1,432,766 as a result of higher gross revenues realized in the seasonally sensitive, utility industry. In addition, investment income continued to decrease by $502,895 primarily due to the very low, market interest rates.

Net assets of governmental operations account for 67% of total net assets. Program revenues of the City include charges for service, operating grants and contributions, and, capital grants and contributions. Two revenue categories, Charges for Service and Operating Grants & Contributions experienced an increase from prior year totaling $10,321,858.

Business-type activities. Business-type activities increased the City's net assets by $2,362,846 in comparison with restated beginning net assets, accounting for 77.5% of the total growth in the primary government's net assets. Business type activities beginning net assets were increased by $338,226 due to implementing GASB 54. Total revenue for the business-type activities increased from the previous year by $9,639,797 due to sound fiscal management, increased user rates and a harsh, drought year. This increase provided for a healthy, positive change in net assets before transfers. Of the increase, impact fees by private developers to the City's water and wastewater system infrastructure totaled $1,017,779. Net assets for business type activities represent 33% of total primary government net assets. Table 2 summarizes the changes in business-type activities net assets.

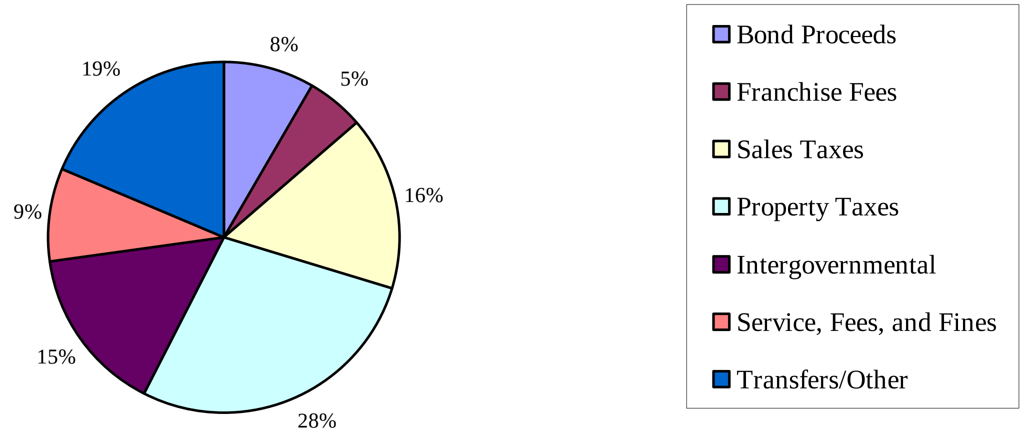
FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

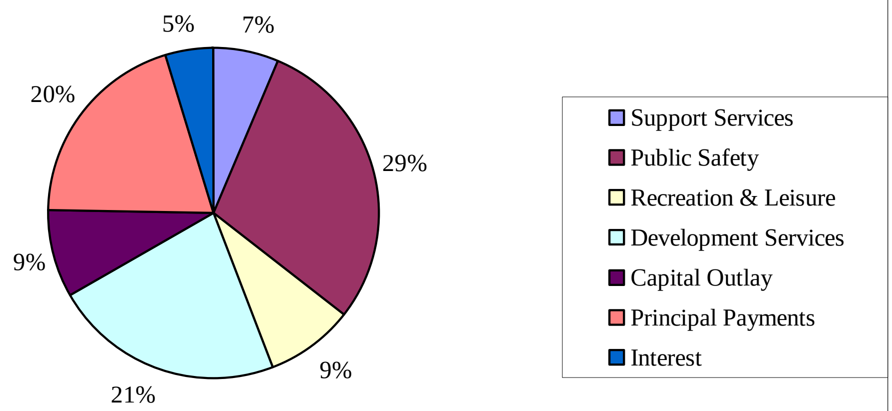
For fiscal year 2011, the City's governmental funds (excluding internal service funds) reported combined ending fund balances of $154,849,486, an increase of $13,058,909 in comparison with the prior year. The unassigned fund balance portion is 19% and is available for spending at the government's discretion. The remainder is reserved to indicate that it is not available for new spending because it is non-spendable inventories ($265,296); restricted by statutory, bond covenant or granting agency ($89,928,651) for either debt service payments, grant-related use, special taxing districts or for capital projects; committed ($34,061,536) by City Council; or, assigned by City Manager ($1,407,704) . Figures 1 and 2 that follow show the distribution of governmental funds' sources of revenues and expenditures, $257,956,885 and $244,897,976, respectively, for fiscal year 2011.

Figure 1 - Governmental Funds Sources of Revenues



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 $29,186,299, while total fund balance was $30,594,003. 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 35% of total general fund expenditures, while total fund balance represents 37% of that same amount. General Fund's fund balance decreased slightly (planned reduction) in the amount of $239,570 from the prior fiscal year.

Fund balances of several other governmental funds changed significantly. Existing funds in the Debt Service Fund were utilized that decreased its fund balance by $757,989. The fund balance total for non-major, governmental funds' increased by $14,113,022. This increase in change to fund balance is comprised of special revenues' and capital projects' activities totaling $8,287,031 and $5,825,991, respectively.

Special revenue funds with significant changes to fund balance are the Senior Center, Baseball Stadium and Public Safety Building where extra debt service payments were made to reduce the amount of outstanding debt for principal and interest in fiscal year 2011. Surplus sales tax proceeds were accumulated in these funds in anticipation of making these early payments for debt service, thus also reducing the time frame for paying off their respective debt. In addition, the Tax Increment Fund (TIF) incurred a positive change to their fund balance as a disbursement for a mall project was not realized. This payment is expected to occur in the next fiscal year. The Pooled Investment fund also realized a positive change to their fund balance in pursuit of meeting financial policy fund balance targets. The Street Maintenance Sales Tax fund received large amounts of transfers in for projects that were not completed by the end of fiscal year. Grant funds received significant revenues for various transportation projects that are in progress.

Capital project funds also experienced positive changes to some of the their projects' fund balances including Drainage, Municipal Facilities, Capital Lending and Others'. These changes are primarily a result of project completion efforts and timing.

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 assets of the City's enterprise funds and internal service funds were $207,964,044 and $12,421,694, respectively at September 30, 2011. The enterprise funds' amount invested in capital assets, net of related debt represented 66% of total enterprise funds net assets. The internal service funds' amount invested in capital assets, net of related debt represented 7% of total internal service funds' net assets. The enterprise funds' unrestricted net assets were 32.1% of their total net assets, and, internal service funds' unrestricted net assets were 92.9% of their total funds' net assets. The City's enterprise funds reported a sizable income before contributions and transfers of $6,435,333 while the internal service funds reported a loss of $1,316,018. 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 maintained 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 $94,409,328 and expenses of $89,290,013 (excluding transfers and capital contributions) by activity.

Figure 3 - Proprietary Funds Revenues by Activity

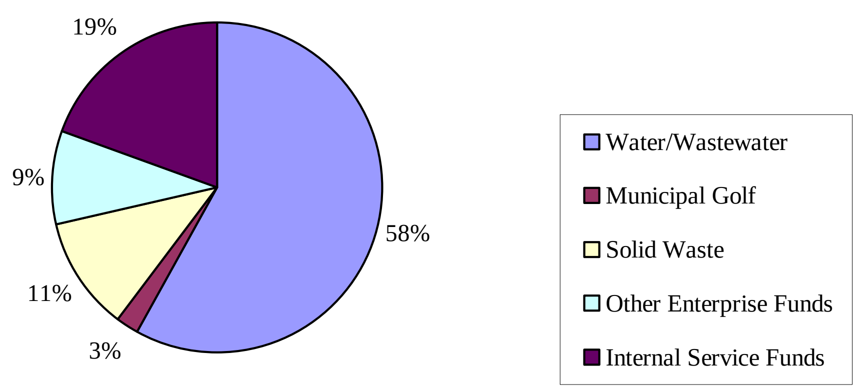
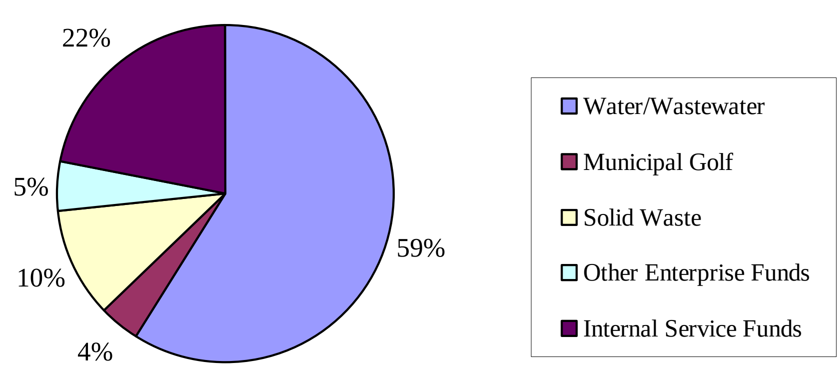


Figure 4 - Proprietary Fund Expenses by Activity



General Fund Budgetary Highlights

For the reported fiscal year, revenues exceeded budgetary estimates by $3,286,990. Expenditures were under budgetary estimates by $2,073,990 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 decrease in fund balance of $239,570. 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 $759,832,208. 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 $33,527,632 primarily due to depreciation.

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

- Replaced and renewed $2 million in water and wastewater lines;
- Placed an ambulance into service at Fire Station #7 at the Lake Parks;
- Launched a new fire rescue/dive boat on Joe Pool Lake;
- Installed fiber optics to several City facilities including the airport, animal services office, four fire stations (numbers 5, 6, 7 and 9), Warmack Library and Tourist Information Center;
- Invested $9 million in street and alley projects; improving 28,705 feet (5.44 miles) and 3,879 feet (.73 mile) respectively;
- Rehabilitated eight foreclosed homes and sold three of them through our 4GOV homes;
- Began extensions of several streets providing access to SH 161;

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	
	9/30/2010	9/30/2011	9/30/2010	9/30/2011	9/30/2010	9/30/2011
Land	$ 32,289,616	$ 34,262,571	$ 3,903,835	$ 4,113,384	$ 36,193,451	$ 38,375,955
Construction in progress	123,933,812	37,359,555	40,849,790	8,807,010	164,783,602	46,166,565
Depreciable capital assets	664,694,472	749,736,766	302,309,163	345,088,883	967,003,635	1,094,825,649
Accumulated depreciation	(236,411,927)	(269,067,013)	(138,208,921)	(150,468,948)	(374,620,848)	(419,535,961)
Total capital assets, net	$ 584,505,973	$ 552,291,879	$ 208,853,867	$ 207,540,329	$ 793,359,840	$ 759,832,208

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

Long-term debt. At September 30, 2011, the City had the following long-term liabilities excluding amounts due within one year:

Table 5

Long-Term Debt*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2010	9/30/2011	9/30/2010	9/30/2011	9/30/2010	9/30/2011
Bonded debt	$ 301,058,520	$ 279,252,720	$ 75,642,433	$ 70,658,546	$ 376,700,953	$ 349,911,266
Accrued compensated absences	12,828,553	13,154,156	370,309	380,014	13,198,862	13,534,170
Other Post Employment Benefit	1,814,706	2,824,044	-	-	1,814,706	2,824,044
Pollution liability	212,063	47,830	-	-	212,063	47,830
Closure and post closure liability	-	-	5,071,131	5,317,993	5,071,131	5,317,993
Total long-term debt	$ 315,913,842	$ 295,278,750	$ 81,083,873	$ 76,356,553	$ 396,997,715	$ 371,635,303
Long-term debt to net assets percentage	74%	69%	39%	36%	63%	58%

Of the total bonded debt, $240,909,997 or 68.8% is debt backed by the full faith and credit of the government with a property tax pledge.

During the reported fiscal year, the City issued $30,175,000 in new bonded debt and repaid principal on bonds totaling $57,149,261. The City's interest expense on its bonded debt was $12,977,080 for the reported fiscal year.

Additional information is detailed in the **Notes to Basic Financial Statements,** section 3. b. 2, pages 56-70.

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

	Moody's	Fitch IBCA	Standard & Poor's
General obligation bonds	n/a	AA+	AA+
Sales tax revenue bonds	A1	AA	n/a
Water and wastewater revenue bonds	n/a	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 2012 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. Also, due to the future construction of frontage roads along the interstates and the extension of a toll road through the City, commercial and retail activity is expected to bolster the City for some time. The City has experienced above-average population growth since 2000, which has placed additional demands on the City to maintain or expand services. The City's unemployment rate is

currently approximately 7.9% which is below the national unemployment rate of 8.9% for the same period.
These indicators are taken into account when adopting the General Fund budget for fiscal year 2012:

- An increase over prior year of 1.67% in property tax assessed values resulting in more property tax revenues. This revenue was reflected the in budgeted revenues with an increase of $1,005,302 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 2011.

- A 5% 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 2011 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 2012 is $214,682,542, an increase of $13,084,857 or 6.5% as compared to prior fiscal year original budget. The general fund approved appropriations for fiscal year 2012 is $102,765,268, an increase of $5,549,744 or 5.7% from prior year. The remaining change in total budgeted operating appropriations and reserves includes an increase of $6,401,025 in the Water Wastewater Fund, $619,979 in Airport, $621,330 in Solid Waste and $430,922 in Storm Water Utility Fund.

The City's total approved planned capital projects for fiscal year 2012 includes $35,693,730 in appropriation requests. The fiscal year 2012 planned capital projects includes $10,591,102 for water and wastewater improvements, $7,602,234 in street and signal improvements, $1,274,000 in parks improvements and $5,833,500 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 ASSETS
SEPTEMBER 30, 2011

	Primary Government			GRAND PRAIRIE SPORTS FACILITIES DEVELOPMENT	GRAND PRAIRIE HOUSING FINANCE CORPORATION
ASSETS	**Governmental Activities**	**Business-Type Activities**	**Total**		
Cash and cash equivalents	$ 24,203,903	$ 13,511,886	$ 37,715,789	$ 9,641,911	$ 279,256
Investments	18,802,536	47,216,138	66,018,674	5,011,492	175,877
Receivables (net of allowance for uncollectibles):					
Property tax	1,903,708	-	1,903,708	-	-
Franchise fees	2,737,246	-	2,737,246	-	-
Sales tax	9,075,464	-	9,075,464	-	-
Lease payments receivable	-	-	-	359,528	-
Other receivables	3,189,978	5,581,306	8,771,284	27,767	-
Due from other governments	265,296	-	265,296	-	-
Internal balances	(2,137,119)	2,137,119	-	-	-
Inventories and supplies	188,770	612,218	800,988	-	-
Prepaids	2,993,447	11,562	3,005,009	-	31,208
Deferred charges	2,177,031	942,291	3,119,322	-	331,351
Restricted assets:					
Cash and cash equivalents	71,115,213	11,632,855	82,748,068	-	1,139,392
Investments	55,540,289	4,371,506	59,911,795	-	-
Lease payments receivable	-	-	-	15,002,276	-
Estimated unguaranteed residual value	-	-	-	52,521,976	-
Capital assets:					
Land	34,262,571	4,113,384	38,375,955	-	1,612,851
Buildings	177,388,793	10,987,546	188,376,339	-	19,982,040
Equipment	81,011,292	24,608,339	105,619,631	-	-
Infrastructure	491,336,681	309,492,998	800,829,679	-	-
Construction in progress	37,359,555	8,807,010	46,166,565	-	-
Less accumulated depreciation	(269,067,013)	(150,468,948)	(419,535,961)	-	(5,803,190)
Total capital assets	552,291,879	207,540,329	759,832,208	-	15,791,701
Total assets	742,347,641	293,557,210	1,035,904,851	82,564,950	17,748,785
LIABILITIES					
Current liabilities:					
Accounts payable	7,255,680	2,734,573	9,990,253	2,448	143,854
Accrued liabilities	7,835,239	1,405,033	9,240,272	-	507,863
Customer deposits	21,354	2,736,857	2,758,211	-	41,561
Unearned revenue	6,048,657	223,031	6,271,688	-	-
Noncurrent liabilities:					
Due within one year:					
Accrued compensated absences	4,841,191	360,626	5,201,817	-	-
Current portion of long term debt	18,392,028	4,337,972	22,730,000	-	349,139
Environmental remediation obligation	47,830	-	47,830	-	-
Due in more than one year:					
Accrued compensated absences	8,312,965	19,388	8,332,353	-	-
OPEB liability	2,824,044	-	2,824,044	-	-
Closure and postclosure liability	-	5,317,993	5,317,993	-	-
Long term debt	260,860,692	66,320,574	327,181,266	-	16,421,765
Total liabilities	316,439,680	83,456,047	399,895,727	2,448	17,464,182
Invested in capital assets (net of related debt)	279,371,594	137,253,007	416,624,601	-	171,729
Restricted for:					
Debt service	7,474,773	3,988,491	11,463,264	-	-
Special revenue purposes	50,268,121	-	50,268,121	-	-
Capital projects purposes	26,050,337	-	26,050,337	-	-
Facility lease	-	-	-	67,883,780	-
Replacement reserve	-	-	-	-	110,555
Unrestricted	62,743,136	68,859,665	131,602,801	14,678,722	2,319
Total net assets	$ 425,907,961	$ 210,101,163	$ 636,009,124	$ 82,562,502	$ 284,603

See accompanying notes to basic financial statements.

CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

		Program Revenues		
FUNCTIONS/ACTIVITY	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
Support services	$ 19,100,748	$ 5,981,676	$ 531,337	$ -
Public safety services	88,336,343	16,384,019	2,907,046	-
Recreation and leisure services	22,368,768	8,886,903	389,997	-
Development services and other	74,251,224	7,991,012	33,760,205	2,664,489
Interest on long-term debt	9,817,549	-	-	-
Total governmental activities	213,874,632	39,243,610	37,588,585	2,664,489
Business-type activities:				
Water and wastewater	52,658,416	54,761,115	-	1,792,377
Municipal airport	2,809,039	3,791,577	-	-
Golf	3,521,660	2,244,356	-	-
Storm water	1,537,846	5,015,547	-	-
Solid waste	9,079,737	9,984,080	-	-
Total business-type activities	69,606,698	75,796,675	-	1,792,377
Total primary government	$ 283,481,330	$ 115,040,285	$ 37,588,585	$ 4,456,866
Component units:				
Grand Prairie Sports Facilities Development	3,541,110	1,533,442	-	-
Grand Prairie Housing Finance Corporation	5,717,866	5,270,427	-	-
Component units:	$ 9,258,976	$ 6,803,869	$ -	$ -

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

Special Item:
Gain on debt restructuring
Change in net assets

Net assets-beginning of year
Change in accounting principle

Net assets - end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets Primary Government			GRAND PRAIRIE SPORTS FACILITIES DEVELOPMENT	GRAND PRAIRIE HOUSING FINANCE CORPORATION
Governmental Activities	Business-Type Activities	Total		
$ (12,587,735)	$ -	$ (12,587,735)	$ -	$ -
(69,045,278)	-	(69,045,278)	-	-
(13,091,868)	-	(13,091,868)	-	-
(29,835,518)	-	(29,835,518)	-	-
(9,817,549)	-	(9,817,549)	-	-
(134,377,948)	-	(134,377,948)	-	-
-	3,895,076	3,895,076	-	-
-	982,538	982,538	-	-
-	(1,277,304)	(1,277,304)	-	-
-	3,477,701	3,477,701	-	-
-	904,343	904,343	-	-
-	7,982,354	7,982,354	-	-
(134,377,948)	7,982,354	(126,395,594)	-	-
			(2,007,668)	-
			-	(447,439)
			(2,007,668)	(447,439)
71,554,937	-	71,554,937	-	-
41,713,795	-	41,713,795	-	-
1,332,984	-	1,332,984	-	-
13,492,977	-	13,492,977	-	-
1,341,476	6,343	1,347,819	62,747	2,449
5,625,851	(5,625,851)	-	-	-
135,062,020	(5,619,508)	129,442,512	62,747	2,449
-	-	-	-	2,083,012
684,072	2,362,846	3,046,918	(1,944,921)	1,638,022
425,562,115	207,400,091	632,962,206	84,507,423	(1,353,419)
(338,226)	338,226	-	-	-
$ 425,907,961	$ 210,101,163	$ 636,009,124	$ 82,562,502	$ 284,603

CITY OF GRAND PRAIRIE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General	Section 8	Street Improvements	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 15,768,848	$ 3,403,561	$ 25,561,396	$ 6,765,768	$ 35,367,942	$ 86,867,515
Investments	12,281,333	2,903,109	4,640,829	8,761	47,987,590	67,821,622
Property tax receivable	1,370,731	-	-	532,977	-	1,903,708
Sales tax receivable	4,626,186	-	-	-	4,449,278	9,075,464
Franchise fees receivable	2,666,917	-	-	-	70,329	2,737,246
Other receivables	2,370,826	-	-	7,140	812,012	3,189,978
Due from other governments	-	-	-	-	2,966,348	2,966,348
Prepaids	-	-	-	-	265,296	265,296
Total assets	$ 39,084,841	$ 6,306,670	$ 30,202,225	$ 7,314,646	$ 91,918,795	$ 174,827,177
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	$ 2,950,850	$ 68,939	$ 873,529	$ -	$ 3,185,548	$ 7,078,866
Accrued liabilities	2,054,410	26,893	123,156	-	1,013,804	3,218,263
Customer deposits	-	-	-	-	21,354	21,354
Deferred revenue	3,485,578	-	986,014	499,116	4,688,500	9,659,208
Total liabilities	8,490,838	95,832	1,982,699	499,116	8,909,206	19,977,691
Fund Balance:						
Nonspendable	-	-	-	-	265,296	265,296
Restricted	-	6,210,838	28,219,526	6,815,530	48,682,757	89,928,651
Committed	-	-	-	-	34,061,536	34,061,536
Assigned	1,407,704	-	-	-	-	1,407,704
Unassigned	29,186,299	-	-	-	-	29,186,299
Total fund balance	30,594,003	6,210,838	28,219,526	6,815,530	83,009,589	154,849,486
Total liabilities and fund balance	$ 39,084,841	$ 6,306,670	$ 30,202,225	$ 7,314,646	$ 91,918,795	$ 174,827,177

See accompanying notes to basic financial statements.

CITY OF GRAND PRAIRIE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Total fund balance - total governmental funds		$ 154,849,486
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 $879,427.		551,412,452
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.		3,610,551
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.		(1,181,529)
Internal service funds are used by management to charge cost of certain activities, such as employee health insurance, risk management insurance, and fleet management, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets (net of amount allocated to business-type activities of $2,137,119).		10,284,575
Noncurrent liabilities and the current portion of general long-term debt 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	$ (91,693,399)	
Certificates of obligation	(94,652,457)	
Sales tax revenue bonds	(26,300,000)	
Sales tax venue revenue bonds	(20,390,000)	
Sales tax venue certificates of obligation	(46,225,000)	
Unamortized bond issuance costs	2,177,031	
Unamortized bond premium/discount, net, and loss on refunding	(536,595)	
Unamortized loss of refunding	544,731	
Compensated absences (excludes Internal service fund total of $34,145)	(13,120,011)	
Other post employment benefits	(2,824,044)	
Environmental remediation obligation	(47,830)	(293,067,574)
Net assets of governmental activities		$ 425,907,961

See accompanying notes to basic financial statements.

CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General	Section 8	Street Improvements	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUE						
Property tax	$ 40,552,706	$ -	$ -	$ 15,493,076	$ 15,495,346	$ 71,541,128
Sales tax	20,651,345	-	-	-	21,062,450	41,713,795
Other taxes	230,436	-	-	-	1,102,548	1,332,984
Franchise fees	13,041,940	-	-	-	451,037	13,492,977
Charges for goods and services	4,876,764	54,203	542,167	-	7,488,159	12,961,293
Licenses and permits	2,258,224	200,862	-	-	184,648	2,643,734
Fines and forfeitures	5,112,430	-	-	-	1,874,857	6,987,287
Intergovernmental revenue	785,983	24,573,016	1,633,317	-	12,470,564	39,462,880
General and administrative revenue	3,951,715	-	-	-	-	3,951,715
Investment income	232,135	10,000	-	587	1,098,754	1,341,476
Rents and Royalties	-	-	-	-	1,901,388	1,901,388
Contributions	-	-	-	-	1,851,161	1,851,161
Other	1,047,336	41,670	45,319	-	1,226,084	2,360,409
Total revenue	92,741,014	24,879,751	2,220,803	15,493,663	66,206,996	201,542,227
EXPENDITURES						
Current operations:						
Support services	10,405,522	-	-	-	3,672,579	14,078,101
Public safety services	59,400,698	-	-	-	3,450,034	62,850,732
Recreation and leisure services	1,650,855	-	-	-	16,944,478	18,595,333
Development services and other	11,324,201	24,551,059	891,596	-	11,827,629	48,594,485
Capital outlay	605,251	49,912	5,855,203	-	12,000,593	18,510,959
Debt service:						
Principal retirement	-	-	-	9,194,944	19,799,000	28,993,944
Interest charges	-	-	74,435	6,682,875	3,502,473	10,259,783
Total expenditures	83,386,527	24,600,971	6,821,234	15,877,819	71,196,786	201,883,337
Excess (deficiency) of revenue over (under) expenditures	9,354,487	278,780	(4,600,431)	(384,156)	(4,989,790)	(341,110)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,836,775	1,110,514	491,371	50,000	30,877,300	34,365,960
Transfers out	(11,984,326)	(1,168,801)	(1,617,540)	(606,993)	(13,331,284)	(28,708,944)
Premium on debt issued	-	-	-	253,855	-	253,855
Bonds issued	-	-	5,449,553	-	1,550,447	7,000,000
Refunding bond issued	-	-	-	14,235,000	-	14,235,000
Payment to refunded bond escrow agent	-	-	-	(14,305,695)	-	(14,305,695)
Sale of capital assets	553,494	-	-	-	6,349	559,843
Total other financing sources (uses)	(9,594,057)	(58,287)	4,323,384	(373,833)	19,102,812	13,400,019
Net change in fund balance	(239,570)	220,493	(277,047)	(757,989)	14,113,022	13,058,909
Fund balance - beginning of year	30,101,515	5,988,245	28,496,573	7,573,519	70,044,303	142,204,155
Change in accounting principle	732,058	2,100	-	-	(1,147,736)	(413,578)
Restated Fund balance -beginning of year	30,833,573	5,990,345	28,496,573	7,573,519	68,896,567	141,790,577
Fund balance - end of year	$ 30,594,003	$ 6,210,838	$ 28,219,526	$ 6,815,530	$ 83,009,589	$ 154,849,486

See accompanying notes to basic financial statements.

CITY OF GRAND PRAIRIE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total governmental funds		$ 13,058,909
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 assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		18,510,959
The net effect of various transactions involving capital assets (ie., disposals, sales, and trade ins) is a decrease to net assets.		(14,717,259)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. This is the amount of governmental depreciation excluding internal service funds depreciation $37,414.		(36,088,524)
Governmental funds do not report developers' contributions as revenues, whereas these amounts are reported in the statement of activities as contributions not restricted to specific programs.		82,728
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, 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, net of premium on issuance and issuance costs	(21,130,359)	
Bond principal retirement	43,283,945	
Amortization bond related cost (deferred charge, premium/discount, deferred loss)	(149,480)	22,004,106
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	(326,814)	
Change in accrued interest	99,433	
Change in Other Post Employment Benefit	(1,009,338)	
Change in Pollution Remediation Obligation	164,233	(1,072,486)
Some property tax and intergovermental 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.		13,809
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 ($239,013).		(1,108,170)
Change in net assets of governmental activities		$ 684,072

See accompanying notes to basic financial statements.

CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Water Wastewater	**Other Nonmajor**	**Total**	
ASSETS				
Current assets:				
Cash and cash equivalents	$ 9,808,685	$ 3,703,201	$ 13,511,886	$ 8,435,055
Investments	31,522,623	15,693,515	47,216,138	6,521,203
Accounts receivable, net	4,358,684	1,222,622	5,581,306	-
Prepaids	-	11,562	11,562	27,099
Inventories and supplies	552,611	59,607	612,218	188,770
Deferred charges	925,837	16,454	942,291	-
Current restricted assets:				
Cash and cash equivalents	11,448,178	184,677	11,632,855	16,546
Investments	3,988,491	383,015	4,371,506	-
Total current assets	62,605,109	21,274,653	83,879,762	15,188,673
Capital assets:				
Land	1,605,299	2,508,085	4,113,384	737,566
Buildings	2,361,045	8,626,501	10,987,546	1,477,875
Equipment	17,126,281	7,482,058	24,608,339	2,018,138
Infrastructure	279,135,897	30,357,101	309,492,998	16,672
Construction in progress	7,194,198	1,612,812	8,807,010	-
Less accumulated depreciation	(128,756,190)	(21,712,758)	(150,468,948)	(3,370,824)
Total capital assets	178,666,530	28,873,799	207,540,329	879,427
Total assets	241,271,639	50,148,452	291,420,091	16,068,100
LIABILITIES				
Current liabilities:				
Accounts payable	1,964,378	770,195	2,734,573	176,814
Accrued liabilities	427,613	419,250	846,863	3,435,447
Accrued compensated absences	218,202	142,424	360,626	32,606
Unearned revenue	-	223,031	223,031	-
Current liabilities payable from restricted assets:				
Customer deposits	2,673,484	63,373	2,736,857	-
Accrued liabilities	511,823	46,347	558,170	-
Current portion of long-term debt	3,880,000	457,972	4,337,972	-
Total current liabilities	9,675,500	2,122,592	11,798,092	3,644,867
Noncurrent liabilities:				
Accrued compensated absences	-	19,388	19,388	1,539
Closure and postclosure liability	-	5,317,993	5,317,993	-
Long-term debt	58,433,739	7,886,835	66,320,574	-
Total noncurrent liabilities	58,433,739	13,224,216	71,657,955	1,539
Total liabilities	68,109,239	15,346,808	83,456,047	3,646,406
NET ASSETS				
Invested in capital assets (net of related debt)	116,724,014	20,528,993	137,253,007	879,427
Restricted for debt service	3,988,491	-	3,988,491	-
Unrestricted	52,449,895	14,272,651	66,722,546	11,542,267
Total net assets	$ 173,162,400	$ 34,801,644	$ 207,964,044	$ 12,421,694
Reconciliation to government-wide Statement of Net Assets:				
Adjustments to reflect the consolidations of internal service funds activities related to enterprise funds			2,137,119	
Net assets of business-type activities			$ 210,101,163	

See accompanying notes to basic financial statements.

CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF REVENUE, EXPENSE AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Wastewater	**Other Nonmajor**	**Total**	**Internal Service Funds**
OPERATING REVENUE				
Sales to customers	$ 33,135,212	$ 18,964,546	$ 52,099,758	$ 4,211,774
Wastewater charges to customers	19,297,083	-	19,297,083	-
Water and wastewater fees	1,386,335	-	1,386,335	-
Wastewater surcharges	634,476	-	634,476	-
Intergovernmental revenue	-	-	-	14,050,606
Miscellaneous	308,009	2,410,875	2,718,884	2,483
Total operating revenue	54,761,115	21,375,421	76,136,536	18,264,863
OPERATING EXPENSE				
Salaries and personal benefits	5,944,242	3,704,955	9,649,197	1,169,355
Supplies and miscellaneous purchases	745,266	2,141,363	2,886,629	2,915,008
Purchased services	4,957,262	6,957,573	11,914,835	902,983
Insurance costs	-	-	-	14,418,717
Water purchases	10,919,425	-	10,919,425	-
Wastewater treatment	10,894,876	-	10,894,876	-
Miscellaneous	582,420	656,953	1,239,373	138,990
Depreciation	10,790,347	2,035,808	12,826,155	37,414
Franchise fees	2,092,534	506,746	2,599,280	-
General and administrative costs	3,015,227	451,535	3,466,762	-
Total operating expense	49,941,599	16,454,933	66,396,532	19,582,467
Net operating income	4,819,516	4,920,488	9,740,004	(1,317,604)
NONOPERATING REVENUE (EXPENSE)				
Investment income	6,343	-	6,343	-
Gain (loss) on property disposition	-	(339,861)	(339,861)	1,586
Interest expense	(2,591,812)	(379,341)	(2,971,153)	-
Total nonoperating revenue (expense)	(2,585,469)	(719,202)	(3,304,671)	1,586
Income before contributions and transfers	2,234,047	4,201,286	6,435,333	(1,316,018)
Capital contributions-Impact fees	1,017,779	-	1,017,779	-
Capital contributions	774,598	-	774,598	-
Transfers in	11,933,437	3,722,824	15,656,261	-
Transfers out	(14,056,684)	(7,225,428)	(21,282,112)	(31,165)
Change in net assets	1,903,177	698,682	2,601,859	(1,347,183)
Net assets - beginning of the year	171,258,661	33,765,298	205,023,959	13,693,525
Change in accounting principle	562	337,664	338,226	75,352
Restated Fund balance -beginning of the year	171,259,223	34,102,962	205,362,185	13,768,877
Net assets - end of the year	$ 173,162,400	$ 34,801,644	$ 207,964,044	$ 12,421,694

Reconciliation to government-wide Statement of Activities:	
Change in net assets of enterprise funds	2,601,859
Adjustments to reflect the consolidations of internal service funds activities related to enterprise funds	(239,013)
Change in net assets of business-type activities	$ 2,362,846

See accompanying notes to basic financial statements.

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CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business-Type Activities-Enterprise Funds			Governmental Activities
	Water Wastewater	Other Nonmajor	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	$ 54,227,225	$ 20,855,083	$ 75,082,308	$ 18,246,480
Cash received from Intergovernmental	-	56,991	56,991	(135,415)
Cash payments to suppliers for goods and services	(28,232,370)	(9,182,001)	(37,414,371)	(18,221,235)
Cash payments to employees for services	(5,939,742)	(3,699,749)	(9,639,491)	(1,170,569)
Cash payments to other funds for services	(5,107,761)	(674,059)	(5,781,820)	-
Other operating cash (payments)	(274,411)	(397,065)	(671,476)	-
Net cash provided by operating activities	14,672,941	6,959,200	21,632,141	(1,280,739)
Cash flows from noncapital financing activities:				
Transfers from other funds	11,933,437	3,722,824	15,656,261	-
Transfers to other funds	(14,056,684)	(7,225,427)	(21,282,111)	(31,165)
Net cash provided by (used in) non-capital financing activities	(2,123,247)	(3,502,603)	(5,625,850)	(31,165)
Cash flows from capital and related financing activities:				
Capital outlays	(10,797,626)	(895,553)	(11,693,179)	(35,416)
Proceeds from capital assets disposals	-	837	837	1,587
Interest paid on bonds and line of credit	(2,650,306)	(382,916)	(3,033,222)	-
Repayment of principal on bonds	(13,498,217)	(425,669)	(13,923,886)	-
Impact fees received	1,017,779	-	1,017,779	-
Proceeds from issuance of bonds	8,940,000	-	8,940,000	-
Contribution	614,461	-	614,461	-
Net cash (used in) capital and related and related financing activities	(16,373,909)	(1,703,301)	(18,077,210)	(33,829)
Cash flows from investing activities:				
Investment earnings received on cash and investments	6,343	-	6,343	-
Sale of investments	64,460,350	18,196,284	82,656,634	13,396,994
(Purchase) of investments	(55,574,174)	(22,111,670)	(77,685,844)	(8,969,267)
Net cash provided by (used in) investing activities	8,892,519	(3,915,386)	4,977,133	4,427,727
Net increase (decrease) in cash and equivalents	5,068,304	(2,162,090)	2,906,214	3,081,994
Cash and cash equivalents - beginning of year	16,188,559	6,049,968	22,238,527	5,369,607
Cash and cash equivalents - end of year	$ 21,256,863	$ 3,887,878	$ 25,144,741	$ 8,451,601
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:				
Net operating income (loss)	$ 4,819,516	$ 4,920,488	$ 9,740,004	$ (1,317,604)
Adjustments to net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	10,790,347	2,035,808	12,826,155	37,413
Changes in assets and liabilities:				
(Increase) in other accounts receivable	(396,603)	(372,089)	(768,692)	(18,383)
(Increase) in inventories and supplies	(102,865)	(7,885)	(110,750)	(81,854)
(Increase) in prepaids	10,392	-	10,392	-
Increase (Decrease) in accounts payable	(398,324)	173,931	(224,393)	100,901
Increase (Decrease) in accrued liabilities	(224,745)	211,694	(13,051)	-
Increase in customer deposits	170,723	2,990	173,713	-
(Decrease) in deferred revenue	-	(10,942)	(10,942)	-
Increase (Decrease) in accrued compensated absences	4,500	5,205	9,705	(1,212)
Net cash provided (used) by operating activities	$ 14,672,941	$ 6,959,200	$ 21,632,141	$ (1,280,739)
Noncash investing, capital and financing activities:				
Contributions of capital assets from developers	$ 160,137			

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NOTES TO BASIC FINANCIAL STATEMENTS

Grand Prairie
TEXAS
Dream Big Play Hard

INDEX

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 to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. 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 Section 2100 of 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 combined 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 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, 2011 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, 2010. Complete separate December 31, 2010 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 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 assets and the statement of changes in net assets) 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 assets from October 1, 2010 to September 30, 2011. 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 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, 2011, are as follows: general fund, street improvement fund, section 8 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 "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 in 60 days 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).
- 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 assets, and (3) unrestricted net assets.

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 assets 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, Fund Balance/Net Assets and Other

1) Pooled Cash, Investments and Temporary Deposits

The City's cash, investments and temporary deposits are pooled for investment. Interest earnings are allocated to the City's funds during the year based upon the City's adopted budget. 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) 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.

3) 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

4) 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.

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

5) 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.

6) 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 issued a Request for Proposal in June 2009 for 2010-2011 coverage for all lines of coverage in the Risk program, including Workers Compensation, Liability, Property, Crime, Airport and Animal Mortality coverage. Based on proposal results, the City selected to renew with the TMLIRP.

Coverage	Per Occurrence	Aggregate
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

The renewal included changes to Workers Compensation deductibles from $200,000 to $350,000 and removal of the aggregate retention. All liability deductibles (General, Law Enforcement, Public Officials, and Auto Liability) increased from $50,000 to $300,000 with no changes to the per occurrence or aggregate limits. The Mobile Equipment Deductible increased from $1,000 to $10,000.

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 2010 actuarial report, as of September 30, 2011, was $2,381,003.

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 $225,000 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, 2011 were $991,162.

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

	Beginning of Fiscal Year Liability	Claims and Change in Estimates	Claim Payments	End of Fiscal Year Liability
2011	$3,307,678	$12,013,558	$11,949,071	$3,372,165
2010	3,826,928	10,109,522	10,628,772	3,307,678

7) 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 yrs of TMRS creditable service at any age, or
- 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

Retired before 1/1/2011: 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.

Employees retiring from TMRS effective 12/31/2010 (for a 1/1/11 effective date) or later, and who wish to cover dependents during retirement, must have the dependents covered on their City plan for two full years prior to retirement. (For instance, to cover a spouse effective 1/1/11 for retirement, the spouse must have been covered under your employee plan continuously since 1/1/09).

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.

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 2011 Monthly Health Care Premiums (Employee Pays Portion)

	Monthly Health Care Premium	
Group	PRIOR TO 12/1/2005	AFTER 11/30/2005
Gold (Under Age 65)		
Employee Only	$531	$577
Employee plus Spouse	$1,082	$1,175
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
Employee plus Child(ren)	$714	$785
Family	$1,299	$1,427
Bronze (Under Age 65)		
Employee Only	$417	$463
Employee plus Spouse	$838	$931
Employee plus Child(ren)	$636	$707
Family	$1,156	$1,284

Continued -

Group	Monthly Health Care Premium
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	$ 2,114,805
Interest on OPEB obligation	81,662
Adjustment to ARC	(74,018)
Annual OPEB cost (expense) end of year	2,122,449
Net estimated employer contributions	1,113,112
Increase in net OPEB obligation	1,009,337
Net OPEB obligation as of beginning of the year	1,814,707
Net OPEB obligation (asset) as of end of the year	$ 2,824,044

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, 2011 is as follows:

Actuarial Valuation Date as of September 30, 2011	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
		$ 28,244,542	$ 28,244,542	0%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by $28,244,542 at September 30, 2011.

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:

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

8) Environmental Remediation Obligations

The City has recorded a liability and an asset related to environmental remediation in the amount of $47,830, on the Statement of Net Assets 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 owns land and was responsible for the asbestos abatement at 121 and 125 East Main Street. The land was acquired for a future parking lot for the Uptown Theater. In FY2011 the City received a Certificate of completion of the Voluntary Cleanup program from Texas Commission on Environmental Quality (TCEQ).

- The City of Grand Prairie owns land and was responsible for the asbestos abatement at 100 West Church Street. The asbestos abatement completed in FY2010. The City is currently finalizing leak petroleum storage tank closure. The land was acquired for a future county sub-courthouse.

- The City of Grand Prairie owns land and was responsible for the asbestos abatement at 801 Conover Street. The demolition of the old Police building was completed in FY2011.

- The City of Grand Prairie owns the building and is responsible for the asbestos abatement at 317 College Street. The Council Chambers renovation process is to be completed in FY2012.

Environmental remediation liability activity in fiscal year 2011 was as follows:

Property Description	Beginning Balance 10/1/2010	Additions	Reductions	Ending Balance 9/30/2011	Current Portion
121 and 125 East Main St	$ 5,000	$ -	$ 5,000	$ -	$ -
100 Block West Church St	14,848	-	5,018	9,830	9,830
Police Station-801 Conover St	192,215	160,005	352,220	-	-
Council Chamber - 317 College St	-	38,000	-	38,000	38,000
Total	$ 212,063	$ 198,005	$ 362,238	$ 47,830	$ 47,830

9) Depository Contract

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

10) Deferred Revenue

At fiscal year-end five funds reported deferred revenue. In the General Fund and Debt Service Fund, deferred revenue is reported for property tax receivables expected to be collected later than 60-days after the end of the fiscal year. These amounts are $3,111,434 and $499,117, respectively. Because the total amount of $3,610,551 represents earned revenue, they are included as property tax revenue at the government-wide level. Also in the General Fund, pipeline lease deposits of $374,144 are reported as deferred revenue until the agreement is fulfilled. In the Street Improvement Fund, $986,014 is reported as deferred revenue in consideration of a future paving assessment. Because these two amounts represent unearned revenue, they are each presented at both the fund level and government-wide level. Deferred Revenue in Other Governmental Funds totals $4,688,500; of this amount, $119,617 is recorded in the Park Venue Fund for rental deposits on events to be held in a subsequent fiscal year; $741,718 is recorded in the Cemetery on deposits held for customers who have scheduled pre-need arrangements, $3,627,374 is recorded in the grant fund on advance funding received from federal and/or state agencies for fulfillment of grant projects that will be completed in a subsequent fiscal year, and $199,791 is recorded in CDBG for revenues received from program specific housing projects that are scheduled to be completed in a subsequent fiscal year. And, because this total represents unearned revenue, these amounts are presented at both the fund level and government-wide level.

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 adopted annual fiscal year appropriated budgets for the City's General Fund, Debt Service Fund, Crime Tax Sales Tax Fund, Park Venue Fund, Senior Center Sales Tax Fund, Hotel/Motel Tax Fund, Police Seizure Fund, Municipal Court Fund, and Cable Operation 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.

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, 2011, 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 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.

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 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, 2011.

The City's investments are stated at fair value, using the following methods and assumptions as of September 30, 2011:

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 Assets for the Proprietary Funds.

The City invested $104,270,743 in TexPool as of September 30, 2011. 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 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 $12,814,046 in TexSTAR as of September 30, 2011. 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.

The asset mix requirements are as follows:

	% Maximum
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 it's 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, 2011 as reflected in the primary government's financial statements, are:

	Unrestricted	Restricted	Total
Cash	$ 3,362,522	$ 16,546	$ 3,379,068
Pooled Investments			
Cash and cash equivalents	34,353,267	82,731,522	117,084,789
Investments	66,018,674	59,911,795	125,930,469
Total pooled investments	100,371,941	142,643,317	243,015,258
Total	$ 103,734,463	$ 142,659,863	$ 246,394,326

Deposits – State statutes require 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 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 $3,561,760.

The City's cash equivalents of $117,084,789 were also covered by collateral held by the City's agent in the City's name.

As of September 30, 2011, the City had the following investments:

	Fair Value	Weighted Average Maturity (Days)	Credit Risk
Federal Farm Credit Bank	$ 56,073,777	748	AAA
Federal Home Loan Bank	50,221,087	711	AAA
Federal Home Loan Mortgage Corp.	11,634,985	443	AAA
Federal National Mortgage Assoc.	8,000,620	444	AAA
TexPool	104,270,743	1	AAAm
TexStar	12,814,046	1	AAAm
Total	$ 243,015,258	*355	

*Portfolio Weighted Average Maturity

Cash equivalents	$ 117,084,789
Under 30 days	-
30 days to 60 days	-
61 days to 90 days	-
91 days to 1 year	18,689,148
After 1 year	107,241,321
Total	$ 243,015,258

The City did not invest in any securities different from the categories mentioned above during the 2010-2011 fiscal year.

At September 30, 2011, the carrying amount of the Sports Corporation's deposits included in cash and cash equivalents was $116,370 while the bank balance of the Sports Corporation's deposits was $117,163. The bank balance was entirely covered by collateral held by the Sports Corporation's agent in the Sports Corporation's name.

As of September 30, 2011, the Corporation had the following investments:

	Fair Value	Weighted Average Maturity (Days)	Credit Risk
TexPool	$ 9,525,541	1	AAAm
U.S. Governmental Obligations	5,011,492	943	AAA
Total	$ 14,537,033	325	
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, 2011 was $9,525,541 in the Public Funds Investment Pool (TexPool) and $5,011,492 in U.S agency instrumentalities.

The bank balance of HFC at December 31, 2010, including restricted cash, totaled $320,817 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 $279,256. Restricted cash of $41,561 "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 $175,877, reserves of $110,555, and bonds held by a trustee of $987,276 as a debt service reserve.

2) Capital Assets

Capital assets balances and transactions for the year ended September 30, 2011 are summarized below for governmental activities:

	Balance October 1, 2010	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2011
Non-depreciable capital assets:				
Land	$ 32,289,616	$ 2,052,515	$ (79,560)	$ 34,262,571
Construction in progress	123,933,812	9,653,629	(96,227,886)	37,359,555
Total non-depreciable capital assets	156,223,428	11,706,144	(96,307,446)	71,622,126
Depreciable capital assets:				
Buildings	178,854,815	1,861,761	(3,327,783)	177,388,793
Equipment	70,955,698	11,506,170	(1,450,576)	81,011,292
Infrastructure	414,883,959	76,524,589	(71,867)	491,336,681
Total depreciable capital assets	664,694,472	89,892,520	(4,850,226)	749,736,766
Less accumulated depreciation for:				
Buildings	(32,466,426)	(5,675,292)	2,345,022	(35,796,696)
Equipment	(37,093,504)	(5,427,696)	1,109,060	(41,412,140)
Infrastructure	(166,851,997)	(25,022,950)	16,770	(191,858,177)
Total accumulated depreciation	(236,411,927)	(36,125,938)	3,470,852	(269,067,013)
Total depreciable capital assets, net	428,282,545	53,766,582	(1,379,374)	480,669,753
Governmental activities capital assets, net	$ 584,505,973	$ 65,472,726	$ (97,686,820)	$ 552,291,879

Note: Additions include developers contribution ($82,728).

Capital asset balances for business-type activities for the year ended September 30, 2011 are summarized below:

	Balance October 1, 2010	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2011
Non-depreciable capital assets				
Land	$ 3,903,835	$ 209,549	$ -	$ 4,113,384
Construction in progress	40,849,790	10,711,873	(42,754,653)	8,807,010
Total non-depreciable capital assets	44,753,625	10,921,422	(42,754,653)	12,920,394
Depreciable capital assets				
Buildings	9,527,911	1,459,635	-	10,987,546
Equipment	24,502,857	1,040,116	(934,634)	24,608,339
Infrastructure	268,278,395	41,214,603	-	309,492,998
Total depreciable capital assets	302,309,163	43,714,354	(934,634)	345,088,883
Less accumulated depreciation for:				
Buildings	(4,758,662)	(349,805)	-	(5,108,467)
Equipment	(12,395,700)	(1,538,038)	566,128	(13,367,610)
Infrastructure	(121,054,559)	(10,938,312)	-	(131,992,871)
Total accumulated depreciation	(138,208,921)	(12,826,155)	566,128	(150,468,948)
Total depreciable capital assets, net	164,100,242	30,888,199	(368,506)	194,619,935
Business-type activities' capital assets, net	$ 208,853,867	$ 41,809,621	$ (43,123,159)	$ 207,540,329

Depreciation expense was charged to governmental and business-type activities as follows:

Support Services	$ 3,528,930	Water and Wastewater	$ 10,790,347
Public Safety Services	15,754,669		
Recreation and Leisure Services	4,661,255		
Development Services	12,181,084	Other Business-type	2,035,808
Total governmental	$ 36,125,938	Total business-type	$ 12,826,155

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

	Balance Ocober 1, 2010	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2011
Equipment	$ 310,078	$ -	$ -	$ 310,078
Less accumulated depreciation	(310,078)	-	-	(310,078)
Total	$ -	$ -	$ -	$ -

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

	Balance January 1, 2010	Additions/ Completions	Disposals/ Reclasses	Balance December 31, 2010
Non-depreciable capital assets:				
Land	$ 1,612,851	$ -	$ -	$ 1,612,851
Total non-depreciable capital assets	1,612,851	-	-	1,612,851
Depreciable capital assets:				
Buildings	20,475,995	251,367	(745,322)	19,982,040
Less accumulated depreciation	(5,647,513)	(900,999)	745,322	(5,803,190)
Total depreciable capital assets, net	14,828,482	(649,632)	-	14,178,850
Housing Finance Corporation assets, net	$ 16,441,333	$ (649,632)	$ -	$ 15,791,701

b. Liabilities

1) 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 842 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly-available annual financial report that may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of the employee’s contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, 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 (as of 4/19/07*):

Deposit rate	7%
Matching ratio (city/employee)	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on their years of service with the City. The Service Retirement Eligibilities for the city are: 5 years of service/age 60, 25 years of service any age.

<u>Contributions</u> - Under the state law governing TMRS, the actuary annually determines the City contribution rate. For the December 31, 2010 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, 2010, valuation is effective for rates beginning January 2012).

Actuarial Valuation Date	December 31, 2010 Restructured	December 31, 2010 Prior to restructuring	December 31, 2009	December 31, 2008
Actuarial Value of Assets	$ 299,459,271	$ 209,375,817	$ 195,807,917	$ 184,115,536
Actuarial Accrued Liability	365,426,666	300,201,838	283,654,428	270,661,623
Percentage Funded	81.9%	69.7%	69.0%	68.0%
Unfunded (over-funded) Actuarial Accrued Liability (UAAL)	$ 65,967,395	$ 90,826,021	$ 87,846,511	$ 86,546,087
Annual Covered Payroll	65,426,278	65,426,278	66,030,734	67,018,137
UAAL as a percentage of Covered Payroll	100.8%	138.8%	133.0%	129.1%
Net Pension Obligation (NPO) at the Beginning of the period	$ -	$ -	$ -	$ -
Annual Pension Cost:				
Annual Required Contribution (ARC)	$ 10,466,084	$ 10,466,084	$ 9,792,823	$ 8,955,152
Contribution Made	10,466,084	10,466,084	9,792,823	8,955,152
NPO at the End of the Period	$ -	$ -	$ -	$ -

* To ensure the most accurate future rates are determined for the City, TMRS adopted new actuarial cost method and assumptions at their December 2007 meeting, to be effective for the December 31, 2010 valuation.

Actuarial Assumptions – The City also uses the following assumptions:

Actuarial Valuation Date	December 31, 2010 Restructured	December 31, 2010 Prior to restructuring	December 31, 2009	December 31, 2008
Actuarial Cost Method	Projected Unit Credit	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	Level of Percent of Payroll
Remaining Amortization Period	27.1 Years/Closed	27.1 Years/Closed	28 Years/Closed	29 Years/Closed
Amortization Period for new Gains/Losses	30 Years	30 Years	30 Years	30 Years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market	Amortized Cost
Investment Rate of Return	7.0%	7.5%	7.5%	7.5%
Projected Salary Increases	Service	Service	Service	Service
Inflation	3.0%	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)	2.1% (3.0% CPI)

Note: The TMRS Board of Trustees has adopted a 10-year smoothing method with a 25% 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 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 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 2010	Plan Year 2011
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.

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
2008	0.03%	0.03%	1.00%
2009	0.03%	0.03%	1.00%
2010	0.03%	0.03%	1.00%

The City of Grand Prairie is one of 842 municipalities having their benefit plan administered by TMRS. Each of the 842 municipalities has an annual actuarial valuation performed. All assumptions for the December 31, 2011 valuations are contained in the 2010 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

2) 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, 2010	Borrowings or Increase	Payments or Decrease	Balance September 30, 2011	Due Within One Year
Governmental Activities					
General obligation bonds	$ 92,907,260	$ 11,550,000	$ (12,763,861)	$ 91,693,399	$ 6,777,942
Certificates of obligation bonds	101,222,541	9,685,000	(16,255,084)	94,652,457	6,039,086
Sales tax revenue bonds	27,270,000	-	(970,000)	26,300,000	1,010,000
Sales tax venue revenue bonds	27,240,000	-	(6,850,000)	20,390,000	2,235,000
Sales tax venue certificates of obligation	52,670,000	-	(6,445,000)	46,225,000	2,330,000
Issuance premiums/discounts, net	330,754	253,855	(48,014)	536,595	-
Deferred loss on refunding	(582,035)	(15,695)	52,999	(544,731)	-
Compensated absences	12,828,553	5,219,761	(4,894,158)	13,154,156	4,841,191
Other post employment benefits	1,814,706	1,009,338	-	2,824,044	-
Environmental remediation liability	212,063	198,005	(362,238)	47,830	47,830
Total governmental activities	315,913,842	27,900,264	(48,535,356)	295,278,750	23,281,049
Business-Type Activities					
General obligation bonds	5,227,000	-	(290,399)	4,936,601	322,058
Certificates of obligation bonds	3,537,457	-	(134,917)	3,402,540	135,914
Water and wastewater revenue bonds	66,875,000	8,940,000	(13,440,000)	62,375,000	3,880,000
Issuance premiums/discounts, net	2,976	188,553	(92,658)	98,871	-
Deferred loss on refunding	-	(167,338)	12,872	(154,466)	-
Closure and post closure liability	5,071,131	246,862	-	5,317,993	-
Compensated absences	370,309	475,504	(465,799)	380,014	360,626
Total business-type activities	81,083,873	9,683,581	(14,410,901)	76,356,553	4,698,598
Total primary government	$ 396,997,715	$ 37,583,845	$ (62,946,257)	$ 371,635,303	$ 27,979,647
Component Unit Activities					
Housing Finance Corporation:					
Notes payable	$ 3,390,175	$ 41,759	$ (4,686)	$ 3,427,248	$ 45,483
Line of Credit	153,306	10,350	-	163,656	163,656
Revenue bonds	13,810,000	-	(5,180,000)	8,630,000	140,000
Subordinate Revenue bonds	-	4,550,000	-	4,550,000	-
Total component units	$ 17,353,481	$ 4,602,109	$ (5,184,686)	$ 16,770,904	$ 349,139

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

On November 16, 2010, the City renewed its $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, Texas for a three-year term. As of September 30, 2011, there were no outstanding draws on the line of credits.

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 February 23, 2011 the City issued $14,930,000 in General Obligation Refunding & Improvement Bonds, Series 2011, of which $695,000 was for fire and infrastructure improvements, and $14,235,000 was for a current refunding of prior issues. The City also issued $6,305,000 in Combination Tax and Revenue Certificates of Obligation, Series 2011 for fire and infrastructure improvements.

(ii) Bond Refunding

The refunding bonds mentioned above and an additional $50,000 of cash on hand, were used to refund $14,290,000 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 2011. The reacquisition price exceeded the net carrying amount of the old debt by $15,695. 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 eighteen years by approximately $1,010,265 and to obtain an economic gain of $725,857.

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 2002	4.5-5.0	2002	2022	6,550,000	$ 4,360,000
Series 2002-A	3.9-4.875	2002	2022	9,900,000	6,475,000
Series 2004	2.0-4.50	2004	2024	4,855,000	3,525,000
Series 2004-A	2.0-4.75	2004	2024	6,170,000	3,900,000
Series 2005 Refunding	2.75-4.50	2005	2025	14,260,000	10,530,000
Series 2005-A	3.75-4.25	2005	2025	2,215,000	1,715,000
Series 2006	3.9-5.0	2006	2026	3,300,000	2,750,000
Series 2006-A	4.125-4.375	2006	2027	4,000,000	3,470,000
Series 2007	4.0-4.50	2007	2027	33,098,000	29,723,399
Series 2008	4.0-5.50	2009	2029	8,985,000	8,420,000
Series 2010	2.0-4.25	2010	2030	5,480,000	5,275,000
Series 2011		2011	2031	11,550,000	11,550,000
Total general obligation bonds					91,693,399
Certificates of obligation bonds:					
Tax and revenue bonds:					
Series 2002-C	3.85-4.75	2002	2022	2,650,000	1,230,000
Series 2004	2.5-4.45	2004	2024	2,894,000	1,744,723
Series 2004-B	2.0-4.75	2004	2024	8,280,000	5,275,000
Series 2005	2.75-4.50	2005	2025	2,935,000	1,905,000
Series 2006	4.0-5.50	2006	2026	8,291,250	6,465,000
Series 2006-A	4.125-4.375	2006	2027	11,947,500	10,511,000
Series 2007	4.0-4.50	2007	2027	6,610,000	5,655,000
Series 2008A	4.0-5.50	2009	2029	13,185,000	11,915,000
Series 2010	2.0-4.25	2010	2030	590,000	570,000
Series 2011		2011	2031	6,305,000	6,305,000
Total tax and revenue bonds					51,575,723
Tax and tax increment bonds					
Series 2001	3 month LIBOR +.31%	2000	2022	17,900,000	13,035,000
Series 2002B	4.5-5.0	2001	2020	2,800,000	1,705,000
Series 2004B	2.0-4.75	2004	2024	1,170,000	740,000
Series 2005A	2.75-4.50	2005	2020	710,000	470,000
Series 2006	4.0-5.50	2006	2020	1,575,000	1,170,000
Series 2006-A	4.125-4.375	2006	2020	2,498,470	1,859,000
Series 2006-A	4.125-4.375	2006	2020	1,468,000	1,110,000
Series 2006-A	4.125-4.375	2006	2020	1,546,030	1,160,000
Series 2007	4.0-4.50	2007	2017	1,235,000	795,000
Series 2008A	4.0-5.50	2008	2021	10,550,000	9,150,000
Series 2008A	4.0-5.50	2008	2019	1,500,000	1,245,000
Series 2010	2.0-4.25	2010	2020	1,355,000	1,235,000
Series 2011		2011	2020	655,000	655,000
Series 2011		2011	2020	2,725,000	2,725,000
Total tax and tax increment bonds					37,054,000
Parks & recreation bonds					
Series 2004	2.5-4.45	2004	2024	484,000	352,734
Series 2004B	2.0-4.75	2004	2024	5,915,000	4,335,000
Series 2008A	4.0-5.50	2008	2029	1,425,000	1,335,000
Total parks & recreation					6,022,734
Sales Tax Venue CO's					
Series 2007A Crime Control	12 month LIBOR * 62.075 + .75	2007	2017	5,000,000	4,365,000
Series 2008 Crime Control	6 month LIBOR * 62.075+ 1.07	2008	2024	54,800,000	41,860,000
Total sales tax venue bonds					46,225,000
Total certificate of obligation bonds					140,877,457
Sales tax revenue bonds:					
Series 2001	4.125-5.125	2001	2027	11,055,000	2,180,000
Series 2001A	4.125-5.0	2001	2027	8,500,000	510,000
Series 2002	4.0-5.0	2002	2027	5,000,000	3,820,000
Series 2005	3.5-4.25	2005	2026	6,705,000	6,400,000
Serier 2009	3.77	2009	2027	13,390,000	13,390,000
Total sales tax revenue bonds					26,300,000
Sales Tax Venue Bonds					
Series 2007 Taxable Baseball	12 month LIBOR +.61%	2007	2019	16,850,000	8,800,000
Series 2007 Senior Center	12 month LIBOR * 62.075 + .75	2007	2019	3,000,000	2,715,000
Series 2008 Senior Center	6 month LIBOR * 62.075+ 1.28	2008	2024	16,850,000	8,875,000
Total sales tax venue bonds					20,390,000
Premiums/discounts, net	N/A	N/A	N/A	N/A	536,595
Deferred loss on refunding	N/A	N/A	N/A	N/A	(544,731)
Compensated absences	N/A	N/A	N/A	N/A	13,154,156
Other Post Employment Benefit	N/A	N/A	N/A	N/A	2,824,044
Environmental remediation liability	N/A	N/A	N/A	N/A	47,830
Total governmental long-term debt					$ 295,278,750

The changes in governmental type long-term debt is summarized below:

	Balance October 1, 2010	Borrowings or Increase	Payments or Decrease	Balance September 30, 2011	Due Within One Year
General obligation bonds:					
Series 1999	$ 379,260	$ -	$ (379,260)	$ -	$ -
Series 2000	215,000	-	(215,000)	-	-
Series 2001	730,000	-	(730,000)	-	-
Series 2002	4,655,000	-	(295,000)	4,360,000	310,000
Series 2002-A	6,925,000	-	(450,000)	6,475,000	470,000
Series 2003	6,635,000	-	(6,635,000)	-	-
Series 2003-A	365,000	-	(365,000)	-	-
Series 2004	3,730,000	-	(205,000)	3,525,000	210,000
Series 2004-A	4,255,000	-	(355,000)	3,900,000	375,000
Series 2005 Refunding	11,280,000	-	(750,000)	10,530,000	1,170,000
Series 2005-A	1,805,000	-	(90,000)	1,715,000	95,000
Series 2006	2,870,000	-	(120,000)	2,750,000	125,000
Series 2006-A	3,610,000	-	(140,000)	3,470,000	150,000
Series 2007	31,263,000	-	(1,539,601)	29,723,399	1,782,942
Series 2008	8,710,000	-	(290,000)	8,420,000	300,000
Series 2010	5,480,000	-	(205,000)	5,275,000	210,000
Series 2011	-	11,550,000	-	11,550,000	1,580,000
Total general obligation bonds	92,907,260	11,550,000	(12,763,861)	91,693,399	6,777,942
Certificates of obligation bonds:					
Tax and revenue bonds:					
Series 2000	70,000	-	(70,000)	-	-
Series 2000-A	185,000	-	(185,000)	-	-
Series 2001	790,000	-	(790,000)	-	-
Series 2002-C	1,315,000	-	(85,000)	1,230,000	90,000
Series 2003-A	3,965,000	-	(3,965,000)	-	-
Series 2004	1,844,612	-	(99,889)	1,744,723	103,218
Series 2004-B	5,745,000	-	(470,000)	5,275,000	480,000
Series 2005	2,005,000	-	(100,000)	1,905,000	105,000
Series 2006	6,760,000	-	(295,000)	6,465,000	310,000
Series 2006-A	10,902,000	-	(391,000)	10,511,000	411,000
Series 2007	5,655,000	-	-	5,655,000	255,000
Series 2008A	12,560,000	-	(645,000)	11,915,000	675,000
Series 2010	590,000	-	(20,000)	570,000	20,000
Series 2011	-	6,305,000	-	6,305,000	225,000
	52,386,612	6,305,000	(7,115,889)	51,575,723	2,674,218
Tax and tax increment bonds:					
Series 2001	13,800,000	-	(765,000)	13,035,000	820,000
Series 2002-B	1,850,000	-	(145,000)	1,705,000	155,000
Series 2003-B	690,000	-	(690,000)	-	-
Series 2003-C	2,895,000	-	(2,895,000)	-	-
Series 2004B	805,000	-	(65,000)	740,000	70,000
Series 2005-A	515,000	-	(45,000)	470,000	45,000
Series 2006	1,260,000	-	(90,000)	1,170,000	95,000
Series 2006-A	2,028,000	-	(169,000)	1,859,000	174,000
Series 2006-A	1,205,000	-	(95,000)	1,110,000	100,000
Series 2006-A	1,260,000	-	(100,000)	1,160,000	105,000
Series 2007	315,000	-	(315,000)	-	-
Series 2007	2,375,000	-	(2,375,000)	-	-
Series 2007	910,000	-	(115,000)	795,000	120,000
Series 2008A	9,865,000	-	(715,000)	9,150,000	745,000
Series 2008A	1,375,000	-	(130,000)	1,245,000	135,000
Series 2010	1,355,000	-	(120,000)	1,235,000	125,000
Series 2011	-	655,000	-	655,000	70,000
Series 2011	-	2,725,000	-	2,725,000	280,000
	42,503,000	3,380,000	(8,829,000)	37,054,000	3,039,000
Parks & recreation bonds:					
Series 2004	372,929	-	(20,195)	352,734	20,868
Series 2004B	4,580,000	-	(245,000)	4,335,000	255,000
Series 2008A	1,380,000	-	(45,000)	1,335,000	50,000
	6,332,929	-	(310,195)	6,022,734	325,868
Total certificate of obligation bonds	101,222,541	9,685,000	(16,255,084)	94,652,457	6,039,086
Sales tax revenue bonds:					
Series 2000-A	155,000	-	(155,000)	-	-
Series 2001	2,535,000	-	(355,000)	2,180,000	370,000
Series 2001-A	760,000	-	(250,000)	510,000	-
Series 2002	3,975,000	-	(155,000)	3,820,000	165,000
Series 2005	6,455,000	-	(55,000)	6,400,000	55,000
Series 2009	13,390,000	-	-	13,390,000	420,000
Total sales tax revenue bonds	27,270,000	-	(970,000)	26,300,000	1,010,000
Sales tax venue revenue bonds:					
Series 2007	12,355,000	-	(3,555,000)	8,800,000	1,570,000
Series 2007	3,000,000	-	(285,000)	2,715,000	295,000
Series 2007A certificate of obligation bonds	5,000,000	-	(635,000)	4,365,000	660,000
Series 2008	11,885,000	-	(3,010,000)	8,875,000	370,000
Series 2008 certificate of obligation bonds	47,670,000	-	(5,810,000)	41,860,000	1,670,000
Total sales tax venue bonds	79,910,000	-	(13,295,000)	66,615,000	4,565,000
Premiums/discounts, net	330,754	253,855	(48,014)	536,595	-
Deferred loss on refunding	(582,035)	(15,695)	52,999	(544,731)	-
Compensated absences:	12,828,553	5,219,761	(4,894,158)	13,154,156	4,841,191
Other post employment benefits	1,814,706	1,009,338		2,824,044	-
Environmental remediation liability	212,063	198,005	(362,238)	47,830	47,830
Total	$ 315,913,842	$ 27,900,264	$ (48,535,356)	$ 295,278,750	$ 23,281,049

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	General Obligation Bonds			Certificates of Obligation Bonds			TIF Certificates of Obligation Bonds		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	$ 6,777,942	$ 3,687,126	$ 10,465,068	$ 2,674,218	$ 2,240,247	$ 4,914,465	$ 3,039,000	$ 2,854,694	$ 5,893,694
2013	6,927,175	3,440,451	10,367,626	2,590,877	2,137,612	4,728,489	3,169,000	2,644,623	5,813,623
2014	6,755,848	3,184,230	9,940,078	2,704,207	2,030,269	4,734,476	3,314,000	2,420,166	5,734,166
2015	6,948,800	2,917,992	9,866,792	2,592,537	1,923,598	4,516,135	3,479,000	2,179,828	5,658,828
2016	7,016,752	2,640,042	9,656,794	2,699,196	1,817,234	4,516,430	3,649,000	1,921,886	5,570,886
2017	7,273,743	2,351,769	9,625,512	2,697,526	1,706,028	4,403,554	3,839,000	1,644,815	5,483,815
2018	7,120,734	2,055,612	9,176,346	2,824,185	1,589,678	4,413,863	3,894,000	1,350,331	5,244,331
2019	7,107,405	1,763,244	8,870,649	2,962,515	1,464,939	4,427,454	4,104,000	1,036,986	5,140,986
2020	6,120,000	1,486,253	7,606,253	3,091,174	1,332,195	4,423,369	4,137,000	706,124	4,843,124
2021	5,575,000	1,229,454	6,804,454	3,509,833	1,186,121	4,695,954	2,795,000	391,394	3,186,394
2022	5,100,000	991,087	6,091,087	3,636,492	1,025,272	4,661,764	1,635,000	122,625	1,757,625
2023	4,030,000	786,594	4,816,594	3,428,152	863,208	4,291,360	-	-	-
2024	3,575,000	616,326	4,191,326	3,599,811	700,032	4,299,843	-	-	-
2025	3,070,000	465,031	3,535,031	3,115,000	542,274	3,657,274	-	-	-
2026	2,790,000	329,645	3,119,645	3,095,000	395,178	3,490,178	-	-	-
2027	2,650,000	202,568	2,852,568	2,650,000	258,223	2,908,223	-	-	-
2028	1,265,000	108,993	1,373,993	1,335,000	159,839	1,494,839	-	-	-
2029	1,110,000	49,463	1,159,463	1,405,000	87,620	1,492,620	-	-	-
2030	430,000	12,025	442,025	490,000	37,725	527,725	-	-	-
2031	50,000	1,325	51,325	475,000	12,588	487,588			
	$ 91,693,399	$ 28,319,230	$ 120,012,629	$ 51,575,723	$ 21,509,880	$ 73,085,603	$ 37,054,000	$ 17,273,472	$ 54,327,472

(1) Per this table (aggregate debt service payments):

Certificates of Obligation Bonds	$ 51,575,723
Parks/Cemetery Certificates of Obligation Bonds	6,022,734
	$ 57,598,457

Per previous table (changes in governmental long-term debt):

Certificates of Obligation Bonds	$ 51,575,723
Parks and Recreation Certificates of Obligation Bonds	6,022,734
	$ 57,598,457

Parks Certificates of Obligation			Venue Sales Tax Revenue Bonds			Park Venue Sales Tax Revenue Bonds			Total		
Principal	Interest	Total	Principal	Interest	Total	Principal (1)	Interest	Total	Principal	Interest	Total
$ 325,868	$ 266,286	$ 592,154	$ 4,565,000	$ 1,374,096	$ 5,939,096	$ 1,010,000	$ 1,049,612	$ 2,059,612	$ 18,392,028	$ 11,472,061	$ 29,864,089
337,214	253,390	590,604	5,025,000	2,162,619	7,187,619	1,235,000	1,004,216	2,239,216	19,284,266	11,642,911	30,927,177
352,887	239,573	592,460	5,515,000	1,960,199	7,475,199	1,360,000	951,644	2,311,644	20,001,942	10,786,081	30,788,023
363,561	225,131	588,692	6,035,000	1,740,151	7,775,151	1,425,000	894,948	2,319,948	20,843,898	9,881,648	30,725,546
384,907	209,226	594,133	6,610,000	1,507,724	8,117,724	1,480,000	837,357	2,317,357	21,839,855	8,933,469	30,773,324
400,580	191,677	592,257	5,125,000	1,240,448	6,365,448	1,550,000	778,976	2,328,976	20,885,849	7,913,713	28,799,562
421,926	173,189	595,115	5,625,000	1,070,910	6,695,910	1,615,000	716,984	2,331,984	21,500,845	6,956,704	28,457,549
437,599	153,792	591,391	6,190,000	890,185	7,080,185	1,680,000	652,218	2,332,218	22,481,519	5,961,364	28,442,883
458,946	133,448	592,394	6,805,000	694,974	7,499,974	1,745,000	584,659	2,329,659	22,357,120	4,937,653	27,294,773
480,292	112,131	592,423	6,875,000	475,087	7,350,087	1,830,000	509,995	2,339,995	21,065,125	3,904,182	24,969,307
501,638	89,796	591,434	6,045,000	257,436	6,302,436	1,920,000	431,074	2,351,074	18,838,130	2,917,290	21,755,420
522,985	66,025	589,010	2,200,000	68,541	2,268,541	2,005,000	351,518	2,356,518	12,186,137	2,135,886	14,322,023
549,331	40,441	589,772	-	-	-	2,100,000	264,804	2,364,804	9,824,142	1,621,603	11,445,745
90,000	24,758	114,758	-	-	-	2,195,000	174,203	2,369,203	8,470,000	1,206,266	9,676,266
95,000	19,763	114,763	-	-	-	2,215,000	84,435	2,299,435	8,195,000	829,021	9,024,021
95,000	14,512	109,512	-	-	-	935,000	19,685	954,685	6,330,000	494,988	6,824,988
100,000	8,991	108,991	-	-	-	-	-	-	2,700,000	277,823	2,977,823
105,000	3,080	108,080	-	-	-	-	-	-	2,620,000	140,163	2,760,163
-	-	-	-	-	-	-	-	-	920,000	49,750	969,750
									525,000	13,913	538,913
$ 6,022,734	$ 2,225,209	$ 8,247,943	$ 66,615,000	$ 13,442,370	$ 80,057,370	$ 26,300,000	$ 9,306,328	$ 35,606,328	$ 279,260,856	$ 92,076,489	$ 371,337,345

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:

	Interest Rate %	Year of Issue	Year of Maturity	Original Amount	Amount Outstanding
Water and wastewater					
Revenue bonds:					
Series 2004	2.5-4.45	2004	2024	7,110,000	$ 4,215,000
Series 2004-A	2.0-4.75	2004	2024	5,615,000	4,095,000
Series 2005	2.75-4.50	2005	2025	5,725,000	4,460,000
Series 2005-A	3.5-4.25	2005	2025	10,230,000	7,880,000
Series 2006	4.0-5.5	2006	2026	4,840,000	4,105,000
Series 2006-A	4.25-4.375	2006	2027	6,625,000	5,745,000
Series 2007	4.0-4.50	2007	2027	15,845,000	13,500,000
Series 2008	3.5-5.50	2009	2029	4,940,000	4,625,000
Series 2010	0.0-2.587	2010	2030	4,995,000	4,810,000
Series 2011		2011	2031	8,940,000	8,940,000
Total revenue bonds					62,375,000
Premiums/discounts, net					93,206
Deferred loss on refunding					(154,466)
Compensated absences					218,202
Total water and wastewater long-term debt					62,531,942
Solid waste					
Closure and post closure liability	N/A	N/A	N/A	N/A	5,317,993
Compensated absences	N/A	N/A	N/A	N/A	72,720
Total solid waste long-term debt					5,390,713
Municipal airport					
General obligation bonds:					
Series 1998B	3.25-4.9	1998	2012	1,238,648	65,000
Certificates of obligation bonds:					
Series 2004A	2.25-5.0	2004	2024	2,120,000	1,855,000
Compensated absences	N/A	N/A	N/A	N/A	36,299
Total municipal airport long-term debt					1,956,299
Municipal golf					
General obligation bonds:					
Series 2002	4.5-5.0	2002	2022	835,000	835,000
Series 2004A	2.0-4.75	2004	2024	3,510,000	2,660,000
Series 2007	4.0-4.50	2007	2019	1,482,000	1,376,601
Total general obligation bonds					4,871,601
Certificate of obligation bonds:					
Series 2004	2.50-4.45	2004	2024	717,000	522,540
Series 2004B	2.0-4.75	2004	2024	1,215,000	890,000
Series 2006	4.0-5.50	2006	2026	153,750	135,000
Total certificate of obligation bonds					1,547,540
Premiums/discounts, net	N/A	N/A	N/A	N/A	5,665
Compensated absences	N/A	N/A	N/A	N/A	39,270
Total municipal golf long-term debt					6,464,076
Storm Water					
Compensated absences					13,523
Total business-type activities' long-term debt					$ 76,356,553

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

	Balance October 1, 2010	Borrowings or Increase	Payments or Decrease	Balance September 30, 2011	Due Within One Year
Water and wastewater					
Revenue bonds:					
Series 1998	$ 2,090,000	$ -	$ (2,090,000)	$ -	$ -
Series 2002	2,915,000	-	(2,915,000)	-	-
Series 2002-A	1,830,000	-	(1,830,000)	-	-
Series 2003	3,925,000	-	(3,925,000)	-	-
Series 2004	4,670,000	-	(455,000)	4,215,000	480,000
Series 2004-A	4,330,000	-	(235,000)	4,095,000	240,000
Series 2005	4,690,000	-	(230,000)	4,460,000	240,000
Series 2005-A	8,295,000	-	(415,000)	7,880,000	430,000
Series 2006	4,285,000	-	(180,000)	4,105,000	190,000
Series 2006-A	5,980,000	-	(235,000)	5,745,000	245,000
Series 2007	14,085,000	-	(585,000)	13,500,000	610,000
Series 2008	4,785,000	-	(160,000)	4,625,000	165,000
Series 2010	4,995,000	-	(185,000)	4,810,000	190,000
Series 2011	-	8,940,000	-	8,940,000	1,090,000
Total revenue bonds	66,875,000	8,940,000	(13,440,000)	62,375,000	3,880,000
Premiums/discount, net	(3,043)	188,553	(92,304)	93,206	-
Deferred loss on refunding	-	(167,338)	12,872	(154,466)	-
Compensated absences	213,702	279,773	(275,273)	218,202	218,202
Total water and wastewater long-term debt	67,085,659	9,240,988	(13,794,705)	62,531,942	4,098,202
Solid waste					
Closure and post closure liability	5,071,131	246,862	-	5,317,993	-
Compensated absences	77,297	115,022	(119,599)	72,720	72,720
Total solid waste long-term debt	5,148,428	361,884	(119,599)	5,390,713	72,720
Municipal airport					
General obligation bonds:					
Series 1998-B	120,000	-	(55,000)	65,000	65,000
Certificates of Obligation					
Series 2004A	1,905,000	-	(50,000)	1,855,000	45,000
Compensated absences	26,673	24,262	(14,636)	36,299	16,911
Total municipal airport long-term debt	2,051,673	24,262	(119,636)	1,956,299	126,911
Municipal golf					
General obligation bonds:					
Series 2002	835,000	-	-	835,000	-
Series 2004A	2,790,000	-	(130,000)	2,660,000	135,000
Series 2007	1,482,000	-	(105,399)	1,376,601	122,058
Total general obligation bonds	5,107,000	-	(235,399)	4,871,601	257,058
Certificate of obligation bonds:					
Series 2004	552,457	-	(29,917)	522,540	30,914
Series 2004B	940,000	-	(50,000)	890,000	55,000
Series 2006	140,000	-	(5,000)	135,000	5,000
Total certificate of obligation bonds	1,632,457	-	(84,917)	1,547,540	90,914
Premiums/discount, net	6,019	-	(354)	5,665	-
Compensated absences	38,174	37,494	(36,398)	39,270	39,270
Total municipal golf long-term debt	6,783,650	37,494	(357,068)	6,464,076	387,242
Storm water					
Compensated absences	14,463	18,953	(19,893)	13,523	13,523
Total business-type activities' long-term debt	$ 81,083,873	$ 9,683,581	$ (14,410,901)	$ 76,356,553	$ 4,698,598

(i) Water and Wastewater System Debt

In January 2011 the City issued $8,940,000 in Water Wastewater System Revenue Bonds, Series 2011. The proceeds of the bonds were used to refund $9,500,000 of Water & Wastewater System Revenue Bonds.

- Early in fiscal year 2011 the City executed a combined current and advanced refunding of $9,500,000 of Water & Wastewater System Revenue Bonds. The bonds were refunded with a single issue of $8,940,000 Water & Wastewater System Revenue Refunding Bonds, Series 2011. 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 2011. The reacquisition price exceeded the net carrying amount of the old debt by $167,338. 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 $1,338,615 and to obtain an economic gain of $367,019.

- Defeased Debt Outstanding
  At September 30, 2011, certain outstanding debt of the city is considered to be defeased. The following table details such outstanding defeased debt:

Type of Obligation		Defeased Debt Outstanding
Water Wastewater Revenue Series 2002	$	2,730,000
Water Wastewater Revenue Series 2002A		1,710,000
	$	4,440,000

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.

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, 2011, 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:

Fiscal Year	Principal	Interest	Total
2012	$ 3,880,000	$ 2,393,731	$ 6,273,731
2013	4,015,000	2,260,656	6,275,656
2014	3,845,000	2,122,220	5,967,220
2015	3,905,000	1,983,025	5,888,025
2016	3,690,000	1,844,828	5,534,828
2017	3,830,000	1,705,635	5,535,635
2018	3,995,000	1,557,074	5,552,074
2019	4,160,000	1,398,348	5,558,348
2020	4,050,000	1,233,386	5,283,386
2021	4,225,000	1,062,477	5,287,477
2022	4,415,000	880,709	5,295,709
2023	4,075,000	699,259	4,774,259
2024	4,130,000	522,234	4,652,234
2025	3,590,000	355,160	3,945,160
2026	2,575,000	221,466	2,796,466
2027	2,290,000	115,580	2,405,580
2028	675,000	51,795	726,795
2029	705,000	23,134	728,134
2030	325,000	4,204	329,204
Total	$ 62,375,000	$ 20,434,921	$ 82,809,921

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, 2011, compliance with this requirement can be demonstrated as follows:

Revenue (1)	$	55,785,237
Operating expense (excluding depreciation):		
Water purchased		10,919,426
Sewage disposal contract		10,894,876
Other		17,336,950
Total expense (2)		39,151,252
Available for debt service	$	16,633,985
Average annual principal and interest requirements, all water and wastewater revenue bonds at September 30, 2011	$	4,358,417
Coverage of average annual requirements based on September 30, 2011 revenue available for debt service		3.82

(1) Includes operating revenues plus investment income and impact fees
(2) Excludes depreciation expense.

(ii) Municipal Golf Course Long-Term Debt

Municipal Golf Course long-term debt consists of general obligation refunding bonds issued in 2004 and 2007, certificates of obligation bonds issued in 1993, 1998, 2004, 2006 and 2007 used to finance the construction of the Tangle Ridge 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:

Fiscal Year	Principal	Interest	Total
2012	$ 257,058	$ 209,568	$ 466,626
2013	267,825	200,702	468,527
2014	314,152	190,586	504,738
2015	331,200	179,356	510,556
2016	343,248	167,481	510,729
2017	356,257	154,976	511,233
2018	374,266	141,622	515,888
2019	397,595	118,426	516,021
2020	405,000	93,044	498,044
2021	425,000	74,369	499,369
2022	445,000	54,794	499,794
2023	465,000	34,028	499,028
2024	490,000	11,637	501,637
Total	$ 4,871,601	$ 1,630,589	$ 6,502,190

Certificate of Obligation Bonds:

Fiscal Year	Principal	Interest	Total
2012	$ 90,914	$ 64,844	$ 155,758
2013	92,908	61,198	154,106
2014	93,905	57,387	151,292
2015	99,903	53,473	153,376
2016	106,897	49,187	156,084
2017	112,894	44,479	157,373
2018	114,888	39,592	154,480
2019	120,886	34,520	155,406
2020	127,880	29,136	157,016
2021	129,874	23,515	153,389
2022	136,869	17,646	154,515
2023	143,864	11,360	155,224
2024	150,858	4,613	155,471
2025	10,000	900	10,900
2026	15,000	338	15,338
Total	$ 1,547,540	$ 492,188	$ 2,039,728

(iii) Municipal Airport Long-Term Debt

Municipal Airport Fund long-term debt consists 1998 general obligation refunding bonds, 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:

General Obligation Bonds:

Fiscal Year	Principal	Interest	Total
2012	$ 65,000	$ 3,185	$ 68,185
Total	$ 65,000	$ 3,185	$ 68,185

Certificate of Obligation Bonds:

Fiscal Year	Principal	Interest	Total
2012	$ 45,000	$ 86,291	$ 131,291
2013	115,000	83,035	198,035
2014	120,000	78,260	198,260
2015	125,000	72,972	197,972
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	$ 1,855,000	$ 663,325	$ 2,518,325

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

The HFC 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 7% and is payable in equal monthly installments of $19,380 through July 1, 2027.

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% and are payable semi-annually with interest only through July 1, 2009. 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, 2010 follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance	Due Within One Year
Note payable	$ 2,344,271	$ -	$ (4,686)	$ -	$ 2,339,585	$ 45,483
Line of Credit	153,306	10,350	-	-	163,656	163,656
Revenue bonds	13,810,000	-	(630,000)	(4,550,000)	8,630,000	140,000
Subordinate bonds	-	-	-	4,550,000	4,550,000	-
Developer loan	1,045,904	41,759	-	-	1,087,663	-
Total	$ 17,353,481	$ 52,109	$ (634,686)	$ -	$ 16,770,904	$ 349,139

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	Note Payable		Revenue Bonds	
December 31	Principal	Interest	Principal	Interest
2011	$ 45,483	$ 157,005	$ 140,000	$ 662,431
2012	48,158	154,331	150,000	651,744
2013	51,522	150,966	160,000	640,306
2014	54,836	147,652	175,000	628,119
2015	58,363	144,125	190,000	614,619
2016-2020	2,081,223	551,698	1,175,000	2,832,103
2021-2025	-	-	1,720,000	2,294,000
2026-2030	-	-	2,515,000	1,497,494
2031-2034	-	-	2,405,000	384,206
Total	$ 2,339,585	$ 1,305,777	$ 8,630,000	$ 10,205,022

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, 2010, outstanding conduit debt was as follows:

Bond Series	Original Issue Amount	Outstanding Amount
2001 Single-Family Mortgage Revenue Bonds	$ 14,160,000	$ 1,652,326
2004B Single-Family Mortgage Revenue & Refunding Bonds	7,500,000	3,189,742
2003 Re-Offering Senior Living Center Priority	8,630,000	8,630,000
2003 Re-Offering Senior Living Center Subordinate	4,550,000	4,550,000
	Total	$ 18,022,068

3) 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 $5,317,993 in the Solid Waste Fund. The total liability represents the cumulative amount reported to date based on the use of 35.99% of the estimated capacity of the landfill.

The City will recognize the remaining estimated cost of closure and post closure care of $9,593,548 as the remaining estimated capacity is filled. The City expects to close the landfill in year 2062. Actual cost may be higher or lower due to inflation, changes in technology or changes in regulations.

c. Fund Equity, Net Assets, and Fund Balance

1) Fund Equity

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

2) Net Assets: Invested in Capital Assets, Net of Related Debt

This component of net assets is reported in the proprietary fund financial statements and in the government-wide financial statements and represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

3) Net Assets: Restricted

This component of net assets reports liquid assets which have third-party (statutory, bond covenant or granting agency) limitations on their use.

4) Net Assets: Unrestricted

This component of net assets is reported in the proprietary fund financial statements and in the government-wide financial statements and represents the difference between assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt or Net Assets 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.
- 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 determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
- Assigned – comprises amounts intended to be used by the government for specific purposes. 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 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.

	General Fund	Section 8	Street Improvements	Debt Service	Non Major Capital Projects Funds	Non Major Special Revenue Funds	Total
FUND BALANCES:							
Nonspendable:							
Pre-paids	$ -	$ -	$ -	$ -	$ -	$ 265,296	$ 265,296
Spendable:							
Restricted for:							
Section 8	-	6,210,838	-	-	-	-	6,210,838
Street Improvements	-	-	28,219,526	-	-	-	28,219,526
Debt Service	-	-	-	6,815,530	-	-	6,815,530
Fire Capital	-	-	-	-	3,283,819	-	3,283,819
Park Venue	-	-	-	-	-	7,189,625	7,189,625
Senior Center	-	-	-	-	-	1,108,990	1,108,990
Hotel Motel	-	-	-	-	-	1,133,740	1,133,740
Police seizure	-	-	-	-	-	1,277,377	1,277,377
Tax Increment Financing	-	-	-	-	-	10,138,934	10,138,934
Lake/Parks	-	-	-	-	-	5,227,037	5,227,037
Baseball stadium	-	-	-	-	-	1,240,258	1,240,258
Streets	-	-	-	-	-	4,815,070	4,815,070
Crime fund operations	-	-	-	-	-	2,632,196	2,632,196
Cemetery	-	-	-	-	-	680,380	680,380
Grants	-	-	-	-	-	5,420,544	5,420,544
Other purposes	-	-	-	-	-	593,063	593,063
Other Special Revenue	-	-	-	-	-	2,947,127	2,947,127
Public Improvement Districts	-	-	-	-	-	994,597	994,597
Total Restricted	-	6,210,838	28,219,526	6,815,530	3,283,819	45,398,938	89,928,651
Committed to:							
Municipal Facilities	-	-	-	-	5,505,935	-	5,505,935
CAP Lending	-	-	-	-	13,857,472	-	13,857,472
Drainage Capital	-	-	-	-	6,655,146	-	6,655,146
Other Capital projects	-	-	-	-	6,769,540	-	6,769,540
Pool Investment	-	-	-	-	-	328,405	328,405
Cemetery	-	-	-	-	-	777,987	777,987
Economic Development	-	-	-	-	-	167,051	167,051
Total Committed	-	-	-	-	32,788,093	1,273,443	34,061,536
Assigned to:							
Encumbrances	240,279	-	-	-	-	-	240,279
Home Match Cash Fund	119,835	-	-	-	-	-	119,835
Employee Welfare	28,709	-	-	-	-	-	28,709
Library Memorials	17,939	-	-	-	-	-	17,939
Community Art	8,690	-	-	-	-	-	8,690
At Risk Youths	34,900	-	-	-	-	-	34,900
Impact Grand Prairie	8,917	-	-	-	-	-	8,917
Anti Drug Program	10,483	-	-	-	-	-	10,483
Greg Hunter Scholarship	50,124	-	-	-	-	-	50,124
Police Memorials	6,984	-	-	-	-	-	6,984
Shattered Dreams	3,908	-	-	-	-	-	3,908
State Training (Police)	35,673	-	-	-	-	-	35,673
Animal Shelter Contributions	276,184	-	-	-	-	-	276,184
Parks Education Foundation	5,400	-	-	-	-	-	5,400
Westchester Park	12,740	-	-	-	-	-	12,740
Uptown Trust	107,294	-	-	-	-	-	107,294
First Offender Program	32,402	-	-	-	-	-	32,402
Kirby Creek Accessibility Garden	55,120	-	-	-	-	-	55,120
Take a Load Off Facility	292,611	-	-	-	-	-	292,611
US Marshals Service Agreement	13,000	-	-	-	-	-	13,000
Baseball Repair & Maintenance	15,000	-	-	-	-	-	15,000
Other projects	31,512	-	-	-	-	-	31,512
Total Assigned	1,407,704	-	-	-	-	-	1,407,704
Unassigned	29,186,299	-	-	-	-	-	29,186,299
Total fund balances:	$ 30,594,003	$ 6,210,838	$ 28,219,526	$ 6,815,530	$ 36,071,912	$ 46,937,677	$ 154,849,486

d. Interfund Transactions

The composition of interfund balances as of September 30, 2011, is as follows:

The General Fund receivable represents cash provided to Other Special Revenue Funds for temporary funding of reimbursement – basis grants.

1) 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
Transfers out:					
General Fund	$ -	$ -	$ -	$ -	$ 11,984,326
Section 8	-	1,110,514	-	50,000	8,287
Street Improvements	-	-	-	-	1,617,540
Debt Service	-	-	-	-	1,167
Nonmajor Governmental Funds	1,822,309	-	491,371	-	10,251,772
Internal Service Funds	-	-	-	-	31,165
Water/wastewater	-	-	-	-	2,264,112
Solid Waste	14,466	-	-	-	805,625
Nonmajor Enterprise Funds	-	-	-	-	3,913,306
Total	$ 1,836,775	$ 1,110,514	$ 491,371	$ 50,000	$ 30,877,300

	Transfers In				
	Water Wastewater	Municipal Golf	Solid Waste	Municipal Airport	Total
Transfers out:					
General Fund	$ -	$ -	$ -	$ -	$ 11,984,326
Section 8	-	-	-	-	1,168,801
Street Improvements	-	-	-	-	1,617,540
Debt Service	-	605,826	-	-	606,993
Nonmajor Governmental Funds	140,865	500,000	124,967	-	13,331,284
Internal Service Funds	-	-	-	-	31,165
Water/wastewater	11,792,572	-	-	-	14,056,684
Solid Waste	-	-	1,725,000	-	2,545,091
Nonmajor Enterprise Funds	-	-	-	767,031	4,680,337
Total	$ 11,933,437	$ 1,105,826	$ 1,849,967	$ 767,031	$ 50,022,221

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 subsidies or matching funds for various grant programs, and (4) move capital assets from one fund to another.

2) 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:

Fund		Amount
Water and Wastewater Funds	$	3,015,227
Solid Waste Funds		321,341
Section 8 Housing Grant Fund		161,407
Storm Water Funds		72,391
Other Nonmajor Governmental Funds		381,349
Total to General Fund	$	3,951,715

3) 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:

Fund		Amount
Water and Wastewater Funds	$	2,092,534
Solid Waste Funds		306,168
Storm Water Funds		200,578
Total	$	2,599,280

4) 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:

Fund		Amount
Water and Wastewater Funds	$	1,189,426
Solid Waste Funds		83,854
Total	$	1,273,280

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. Since the bankruptcy filing, Lone Star has been current on all rent payments with the exception of $5,289 of additional rent that is due the Corporation for September 2009.

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. The future base rent payments under the lease are as follows:

Year	Amount
2012	$ 1,560,900
2013	1,597,200
2014	1,597,200
2015	1,597,200
2016	1,597,200
Thereafter	19,555,584
	27,505,284
Less interest	12,143,480
Net present value	$ 15,361,804

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:

Cumulative Net Retainages	Percentage
$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, 2011 was $3,395,444. 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, 2011 as follows:

	2011
Nominal interest on the lease	$ 1,454,400
Amortization of the lease	(228,966)
Net interest	1,225,434
Contingent rentals received (includes rent for simulcast facility prior to completion of project)	232,525
Total lease rental and interest	$ 1,457,959

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 it's 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 ($199,958 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 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 12.36% during fiscal year 2011. 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.

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.

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, 2011. The City's total committed but unexpended expenditures for such authorized capital projects at year-end approximates $45,723,834. Funding for these contracts will be received through various capital projects funds and enterprise funds.

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:

	Municipal Airport
Condensed statement of net assets:	
Current assets	$ 3,814,694
Capital assets	8,417,515
Total assets	12,232,209
Current liabilities	514,860
Long-term liabilities	1,829,388
Total liabilities	2,344,248
Net assets invested in capital assets, net of related debt	6,497,515
Unrestricted net assets	3,390,446
Total net assets	$ 9,887,961
Condensed statement of revenue, expense and changes in net assets:	
Sales to customers	$ 1,474,951
Other revenue	2,316,626
Total operating revenue	3,791,577
Depreciation	438,408
Other operating expenses	2,271,608
Total operating expenses	2,710,016
Interest expense	(94,443)
Total nonoperating revenue (expense)	(94,443)
Income (loss) before transfers	987,118
Transfers in	767,031
Transfers out	(772,501)
Change in net assets	981,648
Net assets at the beginning of the year	8,906,313
Net assets at the end of the year	$ 9,887,961
Condensed statement of cash flows:	
Net cash provided (used) by:	
Operating activities	$ 1,176,969
Noncapital financing activities	(5,470)
Capital and related financing activities	53,765
Investing activities	(1,398,026)
Beginning cash and cash equivalent balances	1,376,247
Ending cash and cash equivalent balances	$ 1,203,485

6. SUBSEQUENT EVENTS

On November 22, 2011 the City Council issued:

- $30,115,000 in General Obligation Refunding and Improvement Bonds, Series 2011A. The proceeds along with approximately $8,782,008 in cash are to be used to fund $570,000 of public safety and street improvements, and to refund $39,740,000 General Obligation and Certificate of Obligation Bonds.
- $7,430,000 in Combination Tax and Revenue Certificates of Obligation, Series 2011A. The proceeds are to be used to fund fire, street, and other City structure improvements.
- $11,020,000 in Water and Wastewater System Refunding and Improvement Bonds, New Series 2011A. The proceeds are to be used to fund $3,626,000 of the City's combined water and wastewater system, and to refund $7,590,000 Water and Wastewater System Revenue Bonds.
- The City defeased $2,800,000 of General Obligation and Certificates of Obligation using cash from one time sources and prior issued debt.

The City has evaluated all other events or transactions that occurred after September 30, 2011 up through March 31, 2012, the date the financial statements were available to be issued.

7. CHANGE IN ACCOUNTING PRINCIPLE

The GASB issued Statement No. 54, Fund Balance Reporting and Governmental Type Definitions, to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and clarifying fund type definitions. The City implemented GASB 54 for the fiscal year ended September 30, 2011. The City has reclassified its governmental fund balances to conform with GASB 54 classifications as described in Note 3(c)5.

Additionally, GASB Statement 54 required the City to evaluate the classification of special revenue funds. In accordance with GASB 54, special revenue funds are used only to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes other than debt service or capital projects. Due to the nature of revenue sources and lack of restriction or commitment of such sources the City has reclassified the activity and the beginning of the year fund balances into existing funds that were appropriate for the revenue sources and related expenditures as summarized below:

	Governmental Funds						Proprietary Funds			
	General Fund	Section 8	Other Special Revenue	Baseball	Fire Capital	Other Capital projects	Water	Solid Waste	Employee Insurance	Total
Beginning fund balance, as previously reported	$ 30,101,515	$ 5,988,245	$ 3,955,363	$ 2,390,508	$ 3,109,981	$ 5,628,917	$ 171,258,661	$ 19,098,606	$ 10,479,678	$ 252,011,474
Fire Capital project	-	-	(38,331)	-	38,331	-	-	-	-	-
Section 8	-	2,100	(2,100)	-	-	-	-	-	-	-
General Fund projects	732,058	-	(543,627)	(50,000)	-	(138,431)	-	-	-	-
Enterprise and Internal Service funds projects	-	-	(413,578)	-	-	-	562	337,664	75,352	-
Beginning fund balance, as restated	$ 30,833,573	$ 5,990,345	$ 2,957,727	$ 2,340,508	$ 3,148,312	$ 5,490,486	$ 171,259,223	$ 19,436,270	$ 10,555,030	$ 252,011,474

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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& Jaworski L.L.P.
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Telephone: 214 855 8000 • Facsimile: 214 855 8200

[Closing Date]

IN REGARD to the authorization and issuance of the "City of Grand Prairie, Texas, General Obligation Refunding Bonds, Series 2012", dated December 15, 2012, in the principal amount of $8,755,000 (the "Bonds"), 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 Bonds, the defeasance and discharge of the City's outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds 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 Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds 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 Bonds (the "Ordinance"), without right of prior redemption. The Bonds accrue interest from the date, 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 of the City in connection with the issuance of the Bonds, including the Ordinance, the Special Escrow Agreement (the "Escrow Agreement") between the City and The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent") and a special report of Grant Thornton LLP, Certified Public Accountants (the "Accountants"), (ii) certifications and opinions of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and to certain other facts within the knowledge and control of the City, and (iii) such other documentation, including an examination of the Bond executed and delivered initially by the City (which we found to be in due form and properly executed), and such matters of law as we deem relevant to the matters discussed below. In such examinations, 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 and information contained in such certificates.

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 Bonds 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 the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City, 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.

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2. The Escrow Agreement has been duly authorized, executed and delivered and is a binding and enforceable agreement in accordance with its terms and the outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a fund with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of V.T.C.A., Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the special report of the Accountants as to the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. 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 Bonds 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 Bonds 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 Bonds. Ownership of tax-exempt obligations such as the Bonds 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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