OFFICIAL STATEMENT
Dated: March 19, 2013

Ratings:
S&P: "AA-"
Fitch: "AA"
(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" herein, including the alternative minimum tax on corporations.

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

$11,060,000
CITY OF GRAND PRAIRIE, TEXAS
(Dallas, Tarrant and Ellis Counties)
SALES TAX REVENUE REFUNDING BONDS, SERIES 2013

Dated Date: April 1, 2013 **Due: February 15, as shown on page 2**
Interest to accrue from Delivery Date

PAYMENT TERMS. . . Interest on the $11,060,000 City of Grand Prairie, Texas, Sales Tax Revenue Refunding Bonds, Series 2013 (the "Bonds") will accrue from the "Delivery Date", will be payable February 15 and August 15 of each year commencing August 15, 2013, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive 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 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 being issued by the City of Grand Prairie, Texas (the "City") pursuant to the provisions of Chapter 334, Texas Local Government Code, as amended, and Chapter 1207, Texas Government Code, as amended. The Bonds and their terms are governed by the provisions of an Ordinance (the "Ordinance") adopted by the City Council of the City (see "THE BONDS - Authority for Issuance").

The Bonds are special obligations of the City and, together with certain Previously Issued Bonds, are payable solely from and equally and ratably secured by a pledge of the "Pledged Revenues" (as defined in the Ordinance) received by the City, to wit: the receipts from a ¼ of 1% sales and use tax levied within the City for the benefit of the City (see "SELECTED PROVISIONS OF THE ORDINANCE").

The Bonds are payable solely by a pledge of and lien on the Pledged Revenues described in the Ordinance and not from any other revenues, properties or income of the City.

PURPOSE. . . Proceeds from the sale of the Bonds will be used to (i) current refund portions of the City's outstanding sales tax revenue bonds (the "Refunded Bonds") (see "SCHEDULE I – Schedule of Refunded Bonds" herein) in order to lower the debt service requirements on such obligations and (ii) to pay the costs associated with the issuance of the Bonds.

CUSIP PREFIX: 386166

MATURITY SCHEDULE & 9 DIGIT CUSIP
Shown 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 The Depository Trust Company on April 18, 2013.

BMO CAPITAL MARKETS GKST INC.

MATURITY SCHEDULE

CUSIP Prefix: 386166[1]

Principal Amount	Maturity Date	Interest Rate	Initial Yield	CUSIP Suffix[1]
$ 840,000	2/15/2014	3.000%	0.370%	GA4
1,055,000	2/15/2015	2.000%	0.510%	GB2
630,000	2/15/2016	2.000%	0.730%	GC0
650,000	2/15/2017	2.000%	0.900%	GD8
660,000	2/15/2018	2.000%	1.180%	GE6
675,000	2/15/2019	2.000%	1.450%	GF3
690,000	2/15/2020	3.000%	1.710%	GG1
1,290,000	2/15/2021	3.000%	1.970%	GH9
730,000	2/15/2022	3.000%	2.200%	GJ5
755,000	2/15/2023	3.000%	2.420%	GK2
1,290,000	2/15/2024	4.000%	2.540% [2]	GL0
810,000	2/15/2025	4.000%	2.740% [2]	GM8
770,000	2/15/2026	4.000%	2.920% [2]	GN6
215,000	2/15/2027	4.000%	3.070% [2]	GP1

(Interest to accrue from Delivery Date)

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

(2) Yield shown is yield to first call date, February 15, 2023.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2024, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption of the Bonds").

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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.

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

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the 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 is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Dallas, Tarrant and Ellis Counties, Texas. The City covers approximately 80 square miles (see "INTRODUCTION - Description of City").

THE BONDS.............................. The Bonds are issued as $11,060,000 Sales Tax Revenue Refunding Bonds, Series 2013. The Bonds are issued as serial bonds to mature on February 15 in each of the years 2014 through 2027, inclusive (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of the initial delivery of the Bonds, anticipated to be April 18, 2013, and is payable August 15, 2013 and each February 15 and August 15 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS – Optional Redemption of the Bonds").

AUTHORITY FOR ISSUANCE....... The Bonds are issued pursuant to the general laws of the State, including particularly V.T.C.A., Local Government Code, Chapter 334, as amended, V.T.C.A., Government Code, Chapter 1207, as amended, and an Ordinance passed by the City Council of the City (see "THE BONDS - Authority for Issuance of the Bonds").

SECURITY FOR THE BONDS .... The Bonds are special obligations of the City, and together with Previously Issued Bonds, are payable solely from and equally and ratably secured by a pledge of the "Pledged Revenues" (as defined in the Ordinance) received by the City, to wit: the receipts from a ¼ of 1% sales and use tax levied within the City for the benefit of the City (see "THE BONDS - Security and Source of Payment").

REDEMPTION OF THE BONDS................................. The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2024, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2023 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption of the Bonds").

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

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used to (i) current refund portions of the City's outstanding sales tax revenue bonds (the "Refunded Bonds") (see "SCHEDULE I – Schedule of Refunded Bonds" herein) in order to lower the debt service requirements on such obligations and (ii) to pay the costs associated with the issuance of the Bonds.

RATINGS .... The Bonds have been rated "AA" by Fitch Ratings, Inc. ("Fitch") and "AA-" by Standard and 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").

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

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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
Vacant [(1)] Place 1 - District 1		May 2014	
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
Vacant [(1)] Place 6 - District 6		May 2015	
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

(1) Counsel member resigned to run for Mayor.

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 AND ADVISORS

Auditors .... Weaver, LLP
Dallas, Texas

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

Financial Advisor .... First Southwest Company
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$11,060,000
CITY OF GRAND PRAIRIE, TEXAS
SALES TAX REVENUE REFUNDING BONDS, SERIES 2013

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $11,060,000 City of Grand Prairie, Texas Sales Tax Revenue Refunding Bonds, Series 2013. 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 (see "SELECTED PROVISIONS OF THE ORDINANCE").

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 document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, Dallas, Texas.

DESCRIPTION OF THE CITY. . . The City is a political subdivision and 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 Councilmembers who are elected for staggered two-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), highways and streets, electric, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2000 Census population for the City was 127,427, while the 2010 Census population was 169,350. The estimated 2013 population is 175,960. The City covers approximately 80 square miles.

PLAN OF FINANCING

PURPOSE . . . The Bonds are being issued for the purpose of current refunding portions of the City's outstanding sales tax revenue bonds (the "Refunded Bonds") in order to lower the debt service requirements on such obligations and (ii) to pay the costs associated with the issuance of the Bonds (see "SCHEDULE I – Schedule of Refunded Bonds").

REFUNDED BONDS . . . The Refunded Bonds are being redeemed on the date set forth in Schedule I hereto (the "Redemption Date"). The principal and interest due on the Refunded Bonds are to be paid on the Redemption Date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, the paying agent/registrar for the Refunded Bonds (the "Refunded Bonds Paying Agent"). The Bond Ordinance provides that a portion of the proceeds from the sale of the Bonds, together with funds contributed by the City, will be irrevocably deposited with the Refunded Bonds Paying Agent in an amount sufficient to accomplish the discharge and final payment of the Refunded Bonds on the Redemption Date. Such funds will be held by the Refunded Bonds Paying Agent pending their disbursement to redeem the Refunded Bonds on the Redemption Date.

By the deposit with the Refunded Bonds Paying Agent, the City will have effected the defeasance of the Refunded Bonds in accordance with law and, as a result of such defeasance, the Refunded Bonds will not be deemed as being outstanding obligations of the City payable from the Pledged Revenues nor for the purpose of applying any limitation on the issuance of debt. The Refunded Bonds Paying Agent, in its capacity as paying agent/registrar for the Refunded Bonds, will certify as to the sufficiency of the amount initially deposited therewith to pay the principal of and interest on the Refunded Bonds on the Redemption Date.

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

SOURCES OF FUNDS:	
Par Amount of Bonds	$ 11,060,000.00
Net Premium	646,356.31
Transfer from Prior Debt Service Fund	84,733.40
TOTAL SOURCES:	$ 11,791,089.71
USES OF FUNDS:	
Deposit with Refunded Bonds Paying Agent	$ 11,659,628.43
Cost of Issuance	130,000.00
Deposit to Debt Service Fund	1,461.28
TOTAL USES:	$ 11,791,089.71

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated April 1, 2013 and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will be computed from Delivery Date on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on February 15 and August 15 in each year, commencing August 15, 2013 until maturity or prior redemption. 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 ("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 Constitution and general laws of the State of Texas, particularly Chapter 334 of the Local Government Code, as amended ("Chapter 334"), and Chapter 207 of the Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are special obligations of the City, payable solely from and on a parity with certain outstanding sales tax revenue bonds of the City (the "Previously Issued Bonds") and any additional bonds which may be issued in the future (the "Additional Bonds" and, together with the Bonds and the Previously Issued Bonds, the "Parity Bonds"), all of which Parity Bonds are secured by a pledge of the "Pledged Revenues" (as defined in the Ordinance) received by the City, to wit: the receipts from a ¼ or 1% sales and use tax levied for the benefit of the City (the "Sales Tax") pursuant to Chapter 334 and an election held in the City on November 2, 1999. The Bonds do not constitute a legal or equitable, pledge, charge, lien or encumbrance upon and property of the City except with respect to the "Pledged Revenues."

The Bonds may not be paid in whole or in part from any property taxes raised or to be raised by the City and do not constitute a debt of and do not give rise to a claim for payment against the City, except as to the Sales Tax revenues held by the City and required to be paid to the City. Neither the State, the City nor any political subdivision or agency of the State shall be obligated to pay the Bonds or the interest thereon, and neither the faith and credit nor the taxing power of the State, the City or any other political subdivision or agency thereof is pledged to the payment of the principal of and interest on the Bonds, except as noted above.

Subject to satisfying the terms and conditions prescribed therefor, the City has reserved the right to issue additional revenue bonds payable, in whole or in part, from the "Pledged Revenues" and equally and ratably secured in like manner and effect as the Bonds.

Chapter 334 contains no provisions which would allow the voters of the City to either reduce or repeal the Sales Tax. Should the Legislature ever enact such an amendment to the Chapter 334 to allow for the reduction or repeal of the Sales Tax, the Attorney General of Texas has rendered an Opinion (Opinion No. DM-137) relating to sales tax obligations and therein stated a "reduction in the sales tax rate, or a limitation on the amount of time the tax may be collected, may not be applied to any bonds issued prior to the date of the rollback election." In so opining, the Attorney General noted any "subsequent legislation which purports to permit the reduction or other limitation of that tax is ineffective to do so, because such alteration would impair the obligation of the contract between the city and such bondholders," and in effect be a violation of Article 1, Section 10 of the United States Constitution and Article I, Section 16 of the Texas Constitution.

The Sales Tax may not be collected after the last day of the first calendar quarter occurring after notification to the State Comptroller of Public Accounts by the City that all Bonds or other obligations of the City that are payable in whole or in part from the proceeds of the Sales Tax, including any refunding bonds or other obligations, have been paid in full or the full amount of money necessary to defease such bonds and other obligations has been set aside in a trust account dedicated to their payment.

PLEDGE UNDER ORDINANCE. . . The City covenants and agrees that the Pledged Revenues, with the exception of those in excess of the amounts required for the payment and security of the Parity Bonds, are irrevocably pledged to the payment and security of the Bonds, including the establishment and maintenance of the special funds created and established in any ordinance authorizing the Previously Issued Bonds, the Ordinance and any Supplemental Ordinance. The Ordinance further provides that the Bonds shall constitute a lien on the Pledged Revenues in accordance with the terms of the Ordinance and any Supplemental Ordinance, which lien shall be valid and binding without any further action by the City and without any filing or recording with respect thereto except in the records of the City.

ADDITIONAL OBLIGATIONS . . . In the Ordinance, the City reserves the right to issue Additional Bonds payable from and equally and ratably secured by a parity lien on and pledge of the Pledged Revenues subject to satisfying certain terms and conditions including, among other prerequisites, obtaining a certificate or opinion from a certified public accountant to the effect that, according to the books and records of the City, the Gross Sales Tax Revenues received by the City for either (i) the last completed Fiscal Year or (ii) any twelve consecutive months out of the eighteen months next preceding the adoption of the Supplemental Ordinance authorizing the issuance of the Additional Bonds were equal to not less than 1.25 times maximum annual Debt Service for all Parity Bonds then outstanding after giving effect to the issuance of the Additional Bonds then being issued. For more details of the City's authority to issue Additional Bonds and the requirements relating thereto, see "SELECTED PROVISIONS OF THE ORDINANCE - Issuance of Additional Parity Bonds".

The Venue Project Fund . . . The Gross Sales Tax Revenues collected by the State Comptroller of Public Accounts and remitted periodically to the City for the benefit of the City shall be deposited by the City as received to the credit of a fund or account of the City to be known as the "Parks and Recreation Venue Project Fund" (hereinafter called the "Venue Project Fund").

The Gross Sales Tax Revenues held in the Venue Project Fund are first to be used to make payments to the Bond Fund in amounts equal to one hundred percent (100%) of the interest on and principal of the Parity Bonds then due and payable.

General Covenant Regarding the Sales Tax . . . The Municipal Sales and Use Tax Act provides that the Sales Tax does not apply to the sale of a taxable item unless the item is also taxable under the Texas Limited Sales, Excise and Use Tax Act. The Sales Tax is therefore subject to broadening and reduction in the base against which it is levied by action of the State Legislature without the consent of the City.

In the Ordinance, the City covenants and agrees that, while any Bonds are outstanding, it will take all legal means and actions permissible to cause the Sales Tax, at its current rate (¼ of 1%) or at a higher rate if legally permitted, to be levied and collected continuously throughout the boundaries of the City, as such boundaries may be changed from time to time, in the manner and to the maximum extent legally permitted; and to cause no reduction, abatement or exemption in the Sales Tax until all the Bonds have been paid in full or until they are lawfully defeased in accordance with the Ordinance. The City also covenants and agrees that, if, subsequent to the issuance of the Bonds, the City is authorized by applicable law to impose and levy the Sales Tax on any items or transactions that are not subject to the Sales Tax on the date the Ordinance was adopted, then the City will use its best efforts to cause the City to take such action as may be required by applicable law to subject such items or transactions to the Sales Tax.

Optional Redemption of the Bonds. . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2024, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of the Bonds to be redeemed. If less than all of the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

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

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

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FLOW OF FUNDS. . . The Ordinance establishes the following funds and accounts for the payment and security of the Parity Bonds, including the Bonds, and for the Pledged Revenues with all revenues flowing first to the Venue Project Fund:

VENUE PROJECT FUND	
PRIORITY	FUND
First Priority	Parks and Recreation Bond Fund for the payment of Debt Service on the Parity Bonds,
Second Priority	Parks and Recreation Reserve Fund to establish and maintain a Required Reserve,
Third Priority	Any other fund required by any ordinance authorizing issuance of Parity Bonds,
Fourth Priority	Any other fund or account held at any place or places, or to any payee, required by any other ordinance of the City which authorizes the issuance of obligations or the creation of debt of the City having a lien on the Pledged Revenues subordinate to the lien created herein on behalf of the Parity Bonds, and
Fifth Priority	Any Pledged Revenues remaining in the Venue Project Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other lawful purpose now or hereafter permitted by Chapter 334, relating to the City's park and recreation system.

See "SELECTED PROVISIONS OF THE ORDINANCE – PARKS AND RECREATION VENUE PROJECT" herein for additional information relating to the flow of funds.

RESERVE FUND REQUIREMENT. . . Under the Ordinance, the City is not required to establish or maintain a Reserve Fund for the payment of the Bonds or any other Parity Bonds so long as the Pledged Revenues for a Fiscal Year (calculated annually on or before the date that is 6 months after the end of the Fiscal Year and for which audited financial statements of the City have been prepared and accepted) equal or exceed one hundred fifty per cent (150%) of the maximum debt service requirements of the outstanding Parity Bonds. If any such calculation reflects that the Pledged Revenues do not exceed 150% of the maximum debt service requirements of the then outstanding Parity Bonds, the City shall be obligated to establish and maintain on the books of the City a separate fund or account designated as the Reserve Fund. Upon being established and except as provided in below, the amount on deposit to the credit of the Reserve Fund shall be maintained for the benefit of the owners of the Parity Bonds. Monies or investments held in the Reserve Fund shall be used for the purpose of retiring the last of the Parity Bonds as they become due or paying principal of and interest on the Parity Bonds when and to the extent the amounts in the Bond Fund are insufficient for such purpose.

When a Reserve Fund is required to be established as noted above and while the same is required to be maintained, the Required Reserve to be accumulated and maintained in such Reserve Fund shall be equal to the maximum annual Debt Service (calculated on a Fiscal Year basis) for all Parity Bonds then Outstanding, as determined on the date of calculation of the Pledged Revenues. The Required Reserve shall be established and maintained with Pledged Revenues, the proceeds of sale of Parity Bonds, by depositing to the credit of the Reserve Fund one or more surety bonds issued by a company or institution having a rating in one of the two highest rating categories by two nationally recognized rating agencies or services, or by making monthly deposits from lawfully available funds on or before the 15th day of each month following the determination of the need to fund a Reserve Fund, of not less than 1/60th of the Required Reserve.

If a Reserve Fund has been established and if on the date of the calculation of the Pledged Revenues for two (2) consecutive calculation periods the calculation of the Pledged Revenues reflects that the Pledged Revenues were at least equal to 150% of the maximum annual debt service on the then outstanding Parity Bonds, the money in the Reserve Fund can be released and used by the City for any lawful purpose that is consistent with the provisions of the Act and any applicable federal income tax requirements related to the tax-exempt status of the Parity Bonds and the Reserve Fund will no longer need to be maintained unless and until future calculations reflect that the Pledged Revenues were not at least equal to 150% of the maximum annual debt service on the then outstanding Parity Bonds in which event the Reserve Fund shall be reinstated and funded as set forth above. This process is intended to be followed during the time any of the Bonds are outstanding.

BOOK-ENTRY-ONLY SYSTEM. . . This section describes how ownership of the Bonds are 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 in the aggregate principal amount of such issue, and will be deposited with DTC.

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

Purchases of 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. Beneficial Owners are, however, 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 nominee do not affect 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 transmission to them of notices of significant events with respect to the Bonds, such as defaults and proposed amendments to the Bond 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 registrar and request that copies of the notices be provided directly to them.

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

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

All 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 Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. 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 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 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.

The City may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered (see "THE BONDS-Transfer, Exchange and Registration" herein).

Use of Certain Terms in Other Sections of this Official Statement. . . In reading this Official Statement it should be understood that while the 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 by the City or the Initial Purchaser.

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 Participants or the Beneficial Owners, as the case may be, 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 commercial bank or trust company organized under the laws of the State of Texas 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 such 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 (i) by check sent United States mail, first class, postage prepaid, to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at the stated maturity or upon earlier redemption, 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 certificates will be delivered to the registered owners of the Bonds 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 principal 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 denominations of $5,000 or integral multiples thereof 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" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

Record Date for Interest Payment. . . The record date (the "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 (the "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 (the "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.

Registered Owners' Remedies. . . The Ordinance provides that in the event the City (a) defaults in payments to be made to the Interest and Sinking Fund or the Reserve Fund as required by the Ordinance or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance, the Holder or Holders of any Bond shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in the Ordinance. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. The enforcement of such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the 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. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the 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. 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, such as the Pledged Revenues, such provisions are subject to construction. 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.

Defeasance . . . The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, 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 other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Obligations to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Ordinance provides that "Government Obligations" 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 applicable laws of the State of Texas. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations 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 Obligations or that for any other Government Obligation will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinance or treated as 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 call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS . . . The City may amend the Ordinance without the consent of or notice to any registered owner in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may with the written consent of the Holders of a majority of aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the affected Bonds, no such amendment, addition or rescission may (i) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition, or rescission.

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DEBT INFORMATION

TABLE 1 – DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Park Venue Sales Tax Senior Lien D/S[1]			Outstanding Park Venue Sales Tax Subordinate Lien D/S[2]			The Bonds (Senior Lien)			Total Outstanding Debt Service	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total D/S	Principal	Interest	Total D/S		
2013	$755,000	$270,069	$1,025,069	$ 480,000	$ 479,921	$ 959,921	$ -	$ 105,934	$ 105,934	$ 2,090,924	
2014	-	-	-	575,000	460,034	1,035,034	840,000	313,350	1,153,350	2,188,384	
2015	-	-	-	410,000	441,467	851,467	1,055,000	290,200	1,345,200	2,196,667	
2016	-	-	-	875,000	417,245	1,292,245	630,000	273,350	903,350	2,195,595	
2017	-	-	-	915,000	383,503	1,298,503	650,000	260,550	910,550	2,209,053	28.99%
2018	-	-	-	955,000	348,254	1,303,254	660,000	247,450	907,450	2,210,704	
2019	-	-	-	990,000	311,591	1,301,591	675,000	234,100	909,100	2,210,691	
2020	-	-	-	1,030,000	273,514	1,303,514	690,000	217,000	907,000	2,210,514	
2021	-	-	-	495,000	244,767	739,767	1,290,000	187,300	1,477,300	2,217,067	
2022	-	-	-	1,130,000	214,136	1,344,136	730,000	157,000	887,000	2,231,136	63.87%
2023	-	-	-	1,175,000	170,687	1,345,687	755,000	134,725	889,725	2,235,412	
2024	-	-	-	720,000	134,966	854,966	1,290,000	97,600	1,387,600	2,242,566	
2025	-	-	-	1,285,000	97,172	1,382,172	810,000	55,600	865,600	2,247,772	
2026	-	-	-	1,335,000	47,785	1,382,785	770,000	24,000	794,000	2,176,785	
2027	-	-	-	600,000	11,310	611,310	215,000	4,300	219,300	830,610	100.00%
	$755,000	$270,069	$1,025,069	$ 12,970,000	$ 4,036,351	$ 17,006,351	$ 11,060,000	$ 2,602,459	$ 13,662,459	$ 31,693,879	

(1) Debt Service shown was paid in full on February 15, 2013. 100% of the Senior Lien Park Venue Sales Tax Bonds will be refunded by the Bonds.

(2) Represents the Sales Tax Subordinate Lien Revenue Refunding Bonds, Series 2009.

THE SALES TAX

SOURCE AND AUTHORIZATION . . . The Sales Tax is a ¼ of 1% limited sales and use tax imposed on all taxable transactions within the City as approved at an election held in the City on November 2, 1999. The State Comptroller of Public Accounts (the "Comptroller") began collecting the Sales Tax on transactions within the City on April 1, 2000. The Sales Tax is authorized to be levied and collected against the receipts from the sale at retail of taxable items within the City. The Sales Tax also is an excise tax on the use, storage or other consumption of taxable tangible personal property purchased, leased or rented from a retailer within the City. The imposition, computation, administration, governance, abolition and use of the Sales Tax is governed by the Texas Limited Sales, Excise, and Use Tax Act except to the extent that there is conflict with the Act, in which case the provisions of the Act control as to the Bonds, and by the Municipal Sales and Use Tax Act, and reference is made thereto for a more complete description of the Sales Tax.

In general, as applied to the Sales Tax, a taxable item includes any tangible personal property and certain taxable services. "Taxable services" include certain amusement services, cable television services, motor vehicle parking and storage services, the repair, maintenance and restoration of most tangible personal property, certain telecommunication services, credit reporting services, debt collection services, insurance services, information services, real property services, data processing services, real property repair and remodeling and security services. Certain items are exempted by State law from sales and use taxes, including items purchased for resale, food products (except food products which are sold for immediate consumption, e.g. by restaurants, lunch counters, etc.), health care supplies (including medicines, corrective lens and various therapeutic appliances and devices), agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential use (unless a city has taken steps to repeal the exemption), certain telecommunications services, newspapers and magazines. In addition, items which are taxed under other State laws are generally exempted from sales taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums. Alcohol and tobacco products are taxed under both State alcohol and tobacco taxes as well as through the sales taxes. In addition, purchases made by various exempt organizations are not subject to the sales and use taxes. Such organizations include the federal and state governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and non-profit cities. Also, State law provides an exemption from sales taxes on items purchased under a contract in effect when the legislation authorizing such tax (or the increase in the rate thereof) is enacted, up to a maximum of three years.

In general, a sale of a taxable item is deemed to occur within the municipality, county or special district in which the sale is consummated. The tax levied on the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed. Thus, the use is considered to be consummated in a municipality, and the tax is levied there if the item is shipped from outside the state to a point within the municipality.

In addition to the local sales and use taxes levied, as described above, the State levies and collects a 6.25 % sales and use tax against essentially the same taxable items and transactions as the Sales Tax is levied. Under current State law, the maximum aggregate sales and use tax which may be levied within a given area by an authorized political subdivision within such area, including the State, is 8.25%. The current aggregate sales and use tax levied in the City is 8.25% of which 6.25% is levied by the State, 1% is levied by the City, ¼ of 1% is levied as the Sales Tax, 1/8% is levied for Sr. Recreation Facility Venue Project, 1/8% is levied for Baseball Stadium Venue Project, ¼ % is levied for maintenance and repair for municipal streets and ¼% is levied for the GPTX Crime Control Development District..

The Comptroller administers and enforces all sales tax laws and collects all sales and use taxes levied by the State, and levying counties, municipalities and other special districts having sales tax powers. Certain limited items are taxed for the benefit of the State under nonsales tax statutes, such as certain natural resources and other items described above, and are not subject to the sales tax base available to municipalities and counties, including the tax base against which the Sales Tax is levied. Municipalities may by local option determine to tax certain telecommunication services on the same basis as the State taxes such services (some aspects of telecommunication services, such as interstate telephone calls and broadcasts regulated by the FCC are not subject to either State or local taxation). The City has not repealed the local telecommunication services exemption. With respect to the taxation of the residential use of gas and electricity, the State is not authorized to collect a sales tax, while municipalities, on a local option basis, may tax such use.

In recent years, several changes in the State sales tax laws have contributed to the growth of local sales tax revenues. These changes have added additional goods and services to the list of taxable items. Other items have been subjected to sales tax on an interim basis or have been taxed pursuant to legislation which includes planned phase-outs of the tax.

With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by the "taxpayer" who is, generally speaking, the business that collects the tax resulting from a taxable transaction. Taxpayers owing $500 or more sales and use tax dollars in a calendar month submit their tax collections to the Comptroller on a monthly basis; taxpayers owing less than $500 sales and use tax dollars in a calendar month but $1,500 or more in a calendar quarter submit their tax collections quarterly; and taxpayers owing less than $1,500 in a calendar quarter submit their tax collections annually. Taxpayers are required to report and remit to the Comptroller by the 20th day of the month following the end of the reporting period. The reporting period for yearly filers ends each December 31; for quarterly filers, the reporting period ends at the end of each calendar quarter; and monthly filers report and remit by the 20th of each month for the previous month. The Comptroller is required by law to distribute funds to the receiving political subdivisions periodically and as promptly as feasible but not less frequently than twice during each fiscal year of the State. Historically, and at the present time, the Comptroller distributes the funds monthly with the largest payments being made quarterly in February, May, August and November. The Comptroller has initiated a direct deposit program using electronic funds transfers to expedite the distribution of monthly allocation checks. If a political subdivision desires to participate in the electronic funds transfers, it may make application to the Comptroller. The City participates in this program. Otherwise, the Comptroller mails the monthly allocation check, which is typically received by the middle of the month following the month in which the taxpayer reports and remits payment on the tax.

The Comptroller is responsible for enforcing the collection of sales and use taxes in the State. Under State law, the Comptroller utilizes sales tax permits, sales tax bonds and audits to encourage timely payment of sales and use taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. Permits are required for each individual location of a taxpayer and are valid for only one year, requiring an annual renewal. As a general rule, every person who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. The Comptroller's audit procedures include auditing the largest 2% of the sales and use tax taxpayers (who report about 65% of all sales and use tax in the State annually), each every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods; (i) collection by an automated collection center or local field office, (ii) estimating the taxpayers' liability based on the highest amount due in the previous 12 months and billing them for it, (iii) filing liens and requiring a new or increased payment bond, (iv) utilizing forced collection procedures such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties, (v) removing a taxpayer's sales and use tax permit, and (vi) certifying the account to the Attorney General's Office to file suit for collection. A municipality may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

The Comptroller retains 2% of the tax receipts for collection of the tax; additionally, under State law, a taxpayer may deduct and withhold 1/2% of the amount of taxes due on a timely return as reimbursement for the cost of collecting the sales and use taxes. In addition, a taxpayer who prepays its tax liability on the basis of a reasonable estimate of the tax liability for a month or quarter in which a prepayment is made, may deduct and withhold 1 1/4% of the amount of the prepayment in addition to the 1/2% allowed for the cost of collecting the sales and use tax.

INVESTOR CONSIDERATIONS . . . The primary source of security for the Bonds will be certain receipts of the Sales Tax received by the City for the benefit of the City. The amount of revenues from the Sales Tax is closely related to the amount of economic activity in the City. Sales and use tax receipts, unlike other taxes levied by municipalities, immediately reflect changes in the economic conditions of a municipality.

Historically, the Comptroller has remitted sales and use tax allocation checks to municipalities on a monthly basis, but State law currently requires that such allocation be made at least twice annually and such procedures could change in the future. Additionally, the taxable items and services subject to State and local sales and use taxes are subject to legislative action, and have been changed in recent years by the State Legislature. State law provides that the Sales Tax cannot be levied against any taxable item or service unless such item or service is also subject to the State sales and use tax.

In recent years the State Legislature has enacted laws permitting the State, together with its political subdivisions, to levy sales and use taxes of up to 8.25%, which is among the highest sales tax rates in the nation (although the State has no personal or corporate income tax), and the current total sales and use tax rate within the City's boundaries is 8.25% (including State and City taxes as well as the Sales Tax). The rate of the sales and use taxes authorized in the State could be further increased by the State Legislature and the City has no way of predicting any such increase or the effect that would have on the Sales Tax the pledge of which secures the Bonds. State leaders have appointed committees to study methods of achieving greater tax equity within the State's tax system. Any changes which may be enacted by the State Legislature could effect the tax base against which the Sales Tax is levied; and the City, except in certain limited instances described below, has no control over the components of the tax base.

Tax receipts received by the City are expected to be subject to seasonal variations and to variations caused by the State laws and administrative practices governing the remittance of sales and use tax receipts which authorize different taxpayers to remit the tax receipts at different times throughout the year.

Changes in the tax base against which a sales and use tax is assessed, as well as changes in the rate of such taxes, make projections of future tax revenue collections very difficult. No independent projections have been made with respect to the revenues available to pay debt service on the Bonds.

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.

TABLE 2 - HISTORICAL CITY RECEIPTS OF 1/4% EQUIVALENT SALES TAX (1)

	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
October	$500,663	$624,584	$392,980	$393,400	$ 421,857	$ 419,295
November	592,636	531,963	488,247	490,096	535,866	522,529
December	497,343	429,310	392,484	379,630	420,110	437,972
January	465,902	417,983	274,946	365,502	407,263	417,062
February	626,008	564,270	514,334	521,840	429,808	561,839
March	-	407,351	392,730	368,197	427,940	392,961
April	-	414,890	358,732	348,287	383,703	374,895
May	-	548,999	441,541	510,169	511,924	527,668
June	-	417,262	397,288	389,399	402,873	407,332
July	-	444,684	420,719	404,362	368,919	431,586
August	-	555,519	538,678	543,052	514,254	541,923
September	-	469,182	425,585	425,110	408,815	437,726
Annual Totals	$2,682,552	$5,825,997	$5,038,264	$5,139,043	$ 5,233,334	$ 5,472,787

(1) Receipts reflect cash basis collections.

TABLE 3 - CALCULATION OF COVERAGE FOR THE ISSUANCE OF ADDITIONAL OBLIGATIONS

Sales Tax Collection for the last 12 months (1)	$5,878,701
Maximum Annual Debt Service Outstanding	$ 2,247,772
Coverage of Maximum Debt Service Requirements by last 12 months of Sales Tax Collections	2.62x
Average Annual Debt Service Outstanding	$ 2,112,925
Coverage of Average Annual Debt Service Requirements by last 12 months of Sales Tax Collections	2.78x
Senior Lien Maximum Annual Debt Service Outstanding	$ 1,477,300
Senior Lien Coverage of Maximum Debt Service Requirements by last 12 months of Sales Tax Collections	3.98x
Senior Lien Average Annual Debt Service Outstanding	$ 910,831
Senior Lien Coverage of Average Annual Debt Service Requirements by last 12 months of Sales Tax Collections	6.45x

(1) Reflects actual collections of Sales Tax for February, 2012 through January, 2013.

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SELECTED PROVISIONS OF THE ORDINANCE

SECTION 10 Definitions. That for all purposes of this Ordinance and in particular for clarity with respect to the issuance of the Bonds herein authorized and the pledge and appropriation of revenues therefor, the following definitions are provided:

"Act" - V.T.C.A., Texas Local Government Code, Chapter 334, as amended at any time.

"Additional Bonds" - Bonds, notes or other evidences of indebtedness which the City reserves the right to issue or enter into, as the case may be, in the future in accordance with the terms and conditions provided in Section 18 hereof and which, together with the Bonds, are equally and ratably secured by a parity pledge of and claim on the Pledged Revenues under the terms of the Ordinance and a Supplemental Ordinance.

"Bonds" - The "City of Grand Prairie, Texas, Sales Tax Revenue Refunding Bonds, Series 2013," dated April 1, 2013.

"City" - The City of Grand Prairie, Texas.

"City Council" - The City Council of the City of Grand Prairie, Texas.

"Debt Service" - As of any particular date of computation, with respect to any Parity Bonds and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such Parity Bonds; assuming, in the case of Parity Bonds without a fixed numerical rate, that such Parity Bonds bear, or would have borne, interest at the maximum legal per annum rate applicable to such Parity Bonds, and further assuming in the case of Parity Bonds required to be redeemed or prepaid as to principal prior to maturity, the principal amounts thereof will be redeemed prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

"Depository" - A commercial bank or other qualified financial institution eligible and qualified to serve as the custodian of the City's monetary accounts and funds.

"Fiscal Year" - The twelve month financial accounting period used by the City ending September 30 in each year, or such other twelve consecutive month period established by the City.

"Government Obligations" - (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and 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, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and 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 (iv) 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.

"Gross Sales Tax Revenues" - All of the revenues or receipts due or owing to, or collected or received by or on behalf of the City or otherwise pursuant to the provisions of the Act and the election held November 2, 1999, less any amounts due and owed to the Comptroller of Public Accounts of the State of Texas as charges for the collection of the Sales Tax or retention by said Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retention are authorized or required by law.

"Outstanding" - When used in this Ordinance with respect to Bonds or Parity Bonds, as the case may be, means, as of the date of determination, all Bonds and Parity Bonds theretofore sold, issued and delivered by the City, except:

(1) those Bonds or Parity Bonds canceled or delivered to the transfer agent or registrar for cancellation in connection with the exchange or transfer of such obligations;

(2) those Bonds or Parity Bonds paid or deemed to be paid in accordance with the provisions of Section 24 hereof or similar provisions of any Supplemental Ordinance authorizing the issuance of Additional Bonds; and

(3) those Bonds or Parity Bonds that have been mutilated, destroyed, lost, or stolen and replacement obligations have been registered and delivered in lieu thereof.

"Parity Bonds" - Collectively, the Previously Issued Bonds, the Bonds and Additional Bonds.

"Pledged Revenues" - Collectively (i) Gross Sales Tax Revenues from time to time deposited or owing to the Parks and Recreation Venue Project Fund and (ii) such other money, income, revenue, receipts or other property as may be specifically dedicated, pledged or otherwise encumbered in a Supplemental Ordinance for the payment and security of Parity Bonds.

"Previously Issued Bonds" - all bonds or other obligations heretofore issued and now outstanding that are payable from and secured by a lien on and pledge of all or any part of the Pledged Revenues, including but not limited to, the unpaid bonds or other obligations of the following issues or series:

(1) City of Grand Prairie, Texas, Sales Tax Revenue Bonds, Series 2001, dated February 1, 2001 (to be refunded by the Bonds);

(2) City of Grand Prairie, Texas, Sales Tax Revenue Bonds, Series 2001A, dated August 15, 2001 (to be refunded by the Bonds);

(3) City of Grand Prairie, Texas, Sales Tax Revenue Bonds, Series 2002, dated September 1, 2002 (to be refunded by the Bonds); and

(4) City of Grand Prairie, Texas, Sales Tax Revenue Bonds, Series 2005, dated September 1, 2005 (to be refunded by the Bonds).

"Required Reserve" - The amount required to be accumulated and maintained in a Reserve Fund under the provisions of Section 14 hereof.

"Sales Tax" - The local sales and use tax authorized under Subchapter D of the Act, approved at an election held on November 2, 1999, and the effective date for the imposition and application of such Sales Tax within the corporate limits of the City by the Comptroller of Public Accounts of the State of Texas being April 1, 2000, together with any increases in the rate of such Sales Tax authorized and provided by law.

"Subordinate Lien Bonds" – the "City of Grand Prairie, Texas, Sales Tax Subordinate Lien Revenue Refunding Bonds Series 2009," dated December 1, 2009.

"Supplemental Ordinance"- Any ordinance of the City Council supplementing this Ordinance for the purpose of authorizing the providing the terms and provisions of the Bonds or Additional Bonds, or supplementing or amending this Ordinance for any other authorized purpose permitted in Section 18 or 25 hereof, including ordinances authorizing the issuance of Additional Bonds or pledging and encumbering income, revenues, receipts or property other than the Gross Sales Tax Revenues to the payment and security of the Parity Bonds.

<u>SECTION 11</u> <u>Pledge</u>. The City hereby covenants and agrees that the Pledged Revenues, with the exception of those in excess of the amounts required for the payment and security of the Parity Bonds, are hereby irrevocably pledged to the payment and security of the Bonds including the establishment and maintenance of the special funds created and established in any ordinance authorizing the Previously Issued Bonds, this Ordinance and any Supplemental Ordinance, all as hereinafter provided. The City hereby grants a lien on the Pledged Revenues in accordance with the terms of this Ordinance and any Supplemental Ordinance, which lien shall be valid and binding without any further action by the City and without any filing or recording with respect thereto except in the records of the City.

<u>SECTION 12</u> <u>Parks and Recreation Venue Project</u>. The City has established and hereby agrees and covenants to maintain a fund or account at a Depository for the deposit of the Pledged Revenues as received by the City, which fund or account shall be known on the books and records of the City as the "City of Grand Prairie, Texas, Parks and Recreation Venue Project Fund" (the "Venue Project Fund"). All Pledged Revenues deposited to the credit of such Fund shall be accounted for separate and apart from all other revenues, receipts and income of the City and, with respect to the Gross Sales Tax Revenues, the City shall further account for such funds separate and apart from the other Pledged Revenues deposited to the credit of the Venue Project Fund. All Pledged Revenues deposited to the credit of the Venue Project Fund shall be appropriated and expended to the extent required by this Ordinance and any Supplemental Ordinance for the following uses and in the order of priority shown:

First: To the payment of the amounts required to be deposited in the Bond Fund for the payment of Debt Service on the Parity Bonds as the same becomes due and payable;

Second: To the payment of the amounts required to be deposited in the Reserve Fund, if any, to establish and maintain the Required Reserve in accordance with the provisions of this Ordinance and any Supplemental Ordinance;

Third: To the payment of amounts required to be deposited in any other fund or account required by any Supplemental Ordinance authorizing the issuance of Parity Bonds;

Fourth: To the payment of the amounts required to be deposited in the City of Grand Prairie, Texas Sales Tax Revenue Parks and Recreation Bond Fund (as defined in the ordinance authorizing the issuance of the Subordinate Lien Bonds) created for the payment of debt service on the Subordinate Lien Bonds as the same becomes due and payable

Fourth: To any fund or account held at any place or places, or to any payee, required by any other ordinance of the City which authorizes the issuance of obligations or the creation of debt of the City having a lien on the Pledged Revenues subordinate to the lien created on behalf of the Parity Bonds and the Subordinate Lien Bonds.

Any amount in the Venue Project Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any purpose permitted by Section 334.042(d) of the Act, related to the City's park and recreation system.

SECTION 13 Bond Fund. For the purpose of providing funds to pay the principal of and interest on the Bonds, the City has agreed and covenanted and does hereby agree and covenant to maintain a separate and special account or fund on the books and records of the City known as the "City of Grand Prairie, Texas Senior Lien Sales Tax Revenue Parks and Recreation Bond Fund" (the "Bond Fund"), and all monies deposited to the credit of the Bond Fund shall be held in a special banking fund or account maintained at a Depository of the City. The City covenants that there shall be deposited into the Bond Fund prior to each principal and interest payment date from the Pledged Revenues an amount equal to one hundred per centum (100%) of the interest on and the principal of the Bonds then falling due and payable, and such deposits to pay principal and accrued interest on the Bonds shall be made on August 15, 2013, and thereafter payments shall be made in substantially equal monthly installments on or before (i) the 15th day of the month or (ii) the first business day next following the date Gross Sales Tax Revenues are first received from the State Comptroller of Public Accounts, whichever date is the later.

The required deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove provided until (i) the total amount on deposit in the Bond Fund and Reserve Fund is equal to the amount required to fully pay and discharge all Parity Bonds (principal and interest) then Outstanding or (ii) the Bonds are no longer Outstanding.

SECTION 14 Reserve Fund.

(a) Establishment. A Reserve Fund shall not be required to be established or maintained by the City for the payment of the Bonds or any other Parity Bonds so long as the Pledged Revenues for a Fiscal Year (calculated annually on or before the date that is 6 months after the end of the Fiscal Year and for which audited financial statements of the City have been prepared and accepted) equal or exceed one hundred fifty per cent (150%) of the maximum debt service requirements of the outstanding Parity Bonds. If any such calculation reflects that the Pledged Revenues do not exceed 150% of the maximum debt service requirements of the then outstanding Parity Bonds, the City shall be obligated to establish and maintain on the books of the City a separate fund or account designated as the Reserve Fund. Upon being established and except as provided in below, the amount on deposit to the credit of the Reserve Fund shall be maintained for the benefit of the owners of the Parity Bonds. Monies or investments held in the Reserve Fund shall be used for the purpose of retiring the last of the Parity Bonds as they become due or paying principal of and interest on the Parity Bonds when and to the extent the amounts in the Bond Fund are insufficient for such purpose.

When a Reserve Fund is required to be established as noted above and while the same is required to be maintained, the Required Reserve to be accumulated and maintained in such Reserve Fund shall be equal to the maximum annual Debt Service (calculated on a Fiscal Year basis) for all Parity Bonds then Outstanding, as determined on the date of calculation of the Pledged Revenues. The Required Reserve shall be established and maintained with Pledged Revenues, the proceeds of sale of Parity Bonds, by depositing to the credit of the Reserve Fund one or more surety bonds issued by a company or institution having a rating in one of the two highest rating categories by two nationally recognized rating agencies or services, or by making monthly deposits from lawfully available funds on or before the 15th day of each month following the determination of the need to fund a Reserve Fund, of not less than 1/60th of the Required Reserve.

If a Reserve Fund has been established and if on the date of the calculation of the Pledged Revenues for two (2) consecutive calculation periods the calculation of the Pledged Revenues reflects that the Pledged Revenues were at least equal to 150% of the maximum annual debt service on the then outstanding Parity Bonds, the money in the Reserve Fund can be released and used by the City for any lawful purpose that is consistent with the provisions of the Act and any applicable federal income tax requirements related to the tax-exempt status of the Parity Bonds and the Reserve Fund will no longer need to be maintained unless and until future calculations reflect that the Pledged Revenues were not at least equal to 150% of the maximum annual debt service on the then outstanding Parity Bonds in which event the Reserve Fund shall be reinstated and funded as set forth above. This process is intended to be followed during the time any of the Bonds are outstanding.

SECTION 15 Deficiencies. If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Bond Fund or Reserve Fund, such deficiency shall be cured as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose.

SECTION 16 Payment of Bonds. While any of the Bonds are Outstanding, the Chief Financial Officer of the City (or other designated financial officer of the City) shall cause to be transferred to the Paying Agent/Registrar, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures; such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the business day next preceding the date of payment for the Bonds.

SECTION 17 Investments - Security of Funds.

(a) Money in any Fund required to be maintained pursuant to this Ordinance may, at the option of the City, be invested in obligations and in the manner prescribed by the Public Funds Investment Act of 1987 (V.T.C.A., Government Code, Chapter 2256), including investments held in book-entry form; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund will be available at the proper time or times and provided further the maximum stated maturity for any investment acquired with money deposited to the credit of the Reserve Fund shall be limited to five (5) years from the date of the investment of such money. Such investments shall be valued in terms of current market value within forty-five (45) days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within forty-five (45) days of the date of passage of each authorizing document of the City pertaining to the issuance of Additional Bonds. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the appropriate account of the Bond Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 14 hereof, be credited to and deposited in the Venue Project Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Parity Bonds.

(b) That money deposited to the credit of the Venue Project Fund, Bond Fund and Reserve Fund, to the extent not invested and not otherwise insured by the Federal Deposit Insurance Corporation or similar agency, shall be secured in a manner permitted by the Public Funds Collateral Act (V.T.C.A., Government Code, chapter 2257).

SECTION 18 Issuance of Additional Parity Bonds. Subject to the provisions hereinafter appearing as to conditions precedent which must be satisfied, the City reserves the right to issue, from time to time as needed, Additional Bonds for any lawful purpose permitted by the Act. Such Additional Bonds may be issued in such form and manner as the City shall determine, provided, however, prior to issuing or incurring such Additional Bonds, the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

(1) The Chief Financial Officer of the City (or other officer of the City then having the primary responsibility for the financial affairs of the City) shall have executed a certificate stating that, to the best of his or her knowledge and belief, the City is not then in default as to any covenant, obligation or agreement contained in this Ordinance or a Supplemental Ordinance.

(2) The City has secured from a certified public accountant a certificate or opinion to the effect that, according to the books and records of the City, the Gross Sales Tax Revenues received by the City for either (i) the last completed Fiscal Year next preceding the adoption of the Supplemental Ordinance authorizing the issuance of the proposed Additional Bonds or (ii) any twelve (12) consecutive months out of the previous eighteen (18) months next preceding the adoption of the Supplemental Ordinance authorizing the Additional Bonds were equal to not less than 1.25 times the maximum annual Debt Service for all Parity Bonds then Outstanding after giving effect to the issuance of the Additional Bonds then being issued.

(3) The Required Reserve to be accumulated and maintained in the Reserve Fund is increased to the extent required by Section 14.

SECTION 19 Refunding Bonds. The City reserves the right to issue refunding bonds to refund all or any part of the Parity Bonds (pursuant to any law then available) upon such terms and conditions as the City may deem to be in the best interest of the City, and if less than all such Parity Bonds then Outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Bonds) set forth in Section 18 hereof shall be satisfied, and shall give effect to the refunding.

SECTION 20 Right to Create Subordinate Debt. Except as may be limited by a Supplemental Ordinance, the City shall have the right to issue or create any debt payable from or secured by a lien on all or any part of the Pledged Revenues for any lawful purpose permitted by the Act without complying with the provisions of Section 18 or 19 hereof, provided the pledge and the lien securing such debt is subordinate to the pledge and lien established, made and created in Section 11 of this Ordinance with respect to the Pledged Revenues to the payment and security of the Parity Bonds.

SECTION 21 Confirmation and Levy of Sales Tax.

(a) The City hereby represents that it has duly complied with the provisions of the Act for the levy of the Sales Tax at the rate voted at the election held by and within the City on November 2, 1999, and such Sales Tax will be imposed within the corporate limits of the City and the receipts of such Sales Tax are to be remitted to the City by the Comptroller of Public Accounts at least semiannually.

(b) While any Bonds are Outstanding, the City covenants, agrees and warrants to take and pursue all action permissible to cause the Sales Tax to be levied and collected continuously, in the manner and to the maximum extent permitted by law, and to cause no reduction, abatement or exemption in the Sales Tax or rate of tax below the rate stated, confirmed and ordered in subsection (a) of this Section to be ordered or permitted while any Bonds shall remain Outstanding.

(c) If hereafter authorized by law to apply, impose and levy the Sales Tax on any taxable items or transactions that are not subject to the Sales Tax on the date of the adoption hereof, to the extent it legally may do so, the City agrees to use its best efforts to cause the City to take such action as may be required to subject such taxable items or transactions to the Sales Tax.

(d) The City agrees to take and pursue all action legally permissible to cause the Sales Tax to be collected and remitted and deposited as herein required and as required by the Act, at the earliest and most frequent times permitted by law.

(e) The City agrees to use its best efforts to cause Gross Sales Tax Revenues to be deposited to the credit of the Venue Project Fund in their entirety immediately upon receipt by the City. In the alternative and if legally authorized, the City shall, by appropriate notice, direction, request or other legal method, use its good-faith efforts to cause the Comptroller of Public Accounts of the State of Texas (the "Comptroller") to pay all Gross Sales Tax Revenues directly to the City for deposit to the Venue Project Fund.

SECTION 22 Records and Accounts. The City hereby covenants and agrees that while any of the Bonds are Outstanding, it will keep and maintain complete records and accounts in accordance with generally accepted accounting principles, and following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. Each such audit, in addition to whatever other matters may be thought proper by the accountant, shall particularly include the following:

(1) A statement in reasonable detail regarding the receipt and disbursement of the Pledged Revenues for such Fiscal Year; and

(2) A balance sheet for the City as of the end of such Fiscal Year.

Such annual audit of the records and accounts of the City shall be in the form of a report and be accompanied by an opinion of the accountant to the effect that such examination was made in accordance with generally accepted auditing standards and contain a statement to the effect that in the course of making the examination necessary for the report and opinion, the accountant obtained no knowledge of any default of the City on the Bonds or in the fulfillment of any of the terms, covenants or provisions of this Ordinance, or under any other evidence of indebtedness, or of any event which, with notice or lapse of time, or both, would constitute a failure of the City to comply with the provisions of this Ordinance or if, in the opinion of the accountants, any such failure to comply with a covenant or agreement hereof, a statement as to the nature and status thereof shall be included.

Copies of each annual audit report shall be furnished upon written request, to any Holders of any of said Bonds. The audits herein required shall be made within 120 days following the close of each Fiscal Year insofar as is possible.

The Holders of any Bonds or any duly authorized agent or agents of such Holders shall have the right to inspect such records, accounts and data of the City during regular business hours.

SECTION 23 Representations as to Security for the Bonds.

(a) The City represents and warrants that, except for the Parity Bonds, the Pledged Revenues are and will be and remain free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by this Ordinance except as expressly provided herein.

(b) The Bonds and the provisions of this Ordinance are and will be the valid and legally enforceable obligations of the City in accordance with their terms and the terms of this Ordinance, subject only to any applicable bankruptcy or insolvency laws or to any laws affecting creditors rights generally.

(c) The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Revenues and all the rights of the Holders against all claims and demands of all persons whomsoever.

(d) The City will take, and use its best efforts to cause the City to take, all steps reasonably necessary and appropriate to collect all delinquencies in the collection of the Sales Tax to the fullest extent permitted by the Act.

(e) The provisions, covenants, pledge and lien on and against the Pledged Revenues, as herein set forth, are established and shall be for the equal benefit, protection and security of the owners and holders of Parity Bonds without distinction as to priority and rights under this Ordinance.

(f) The Parity Bonds shall constitute special obligations of the City, payable solely from, and equally and ratably secured by a parity pledge of and lien on, the Pledged Revenues, and not from any other revenues, properties or income of the City. The Bonds may not be paid in whole or in part from any property taxes raised or to be raised by the City and shall not constitute debts or obligations of the State or of the City, and the Holders, shall never have the right to demand payment out of any funds raised or to be raised by any system of ad valorem taxation.

SECTION 24 Satisfaction of Obligation of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Ordinance, then the pledge of the Pledged Revenues under this Ordinance and all other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Bonds or any principal amount(s) shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds at maturity, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Obligations shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Obligations have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the Bonds on the Stated Maturities thereof. The City covenants that no deposit of moneys or Government Obligations will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or regulations adopted pursuant thereto.

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, and all income from Government Obligations held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section in excess of the amount required for the payment of the Bonds shall be remitted to the City or deposited as directed by the City. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity of the Bonds such moneys were deposited and are held in trust to pay shall, upon the request of the City, be remitted to the City against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying Agent/Registrar to the City shall be subject to any applicable unclaimed property laws of the State of Texas.

SECTION 25 Ordinance a Contract - Amendments. This Ordinance shall constitute a contract with the Holders from time to time, be binding on the City, and shall not be amended or repealed by the City while any Bond remains Outstanding except as permitted in this Section. The City, may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent from the owners holding a majority in aggregate principal amount of the Parity Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the written consent of all Holders of Outstanding Bonds effected, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds or Parity Bonds, as the case may be, required to be held for consent to any such amendment, addition, or rescission.

SECTION 26 Mutilated - Destroyed - Lost and Stolen Bonds. In case any Bond shall be mutilated, or destroyed, lost or stolen, the Paying Agent/Registrar may execute and deliver a replacement Bond of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Bond, or in lieu of and in substitution for such destroyed, lost or stolen Bond, only upon the approval of the City and after (i) the filing by the Holder thereof with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of such Bond, and of the authenticity of the ownership thereof and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the City and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond shall be borne by the Holder of the Bond mutilated, or destroyed, lost or stolen.

Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute a replacement of the prior obligation of the City, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Bonds.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas 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 obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits; or (ii) where (a) the funds are invested by the City through (I) 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 (II) a depository institution that has its main office or a 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 have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) 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, (10) 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 commercial paper 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, (11) 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 (12) 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. If specifically authorized in the authorizing document, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

Effective September 1, 2003, 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 paragraph under this subcaption, (b) irrevocable letters of credit issued by a bank organized and existing under the laws of the United States or any state 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 (10) through (12) of the second paragraph under this caption, 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 Agency or a third party designated by the Agency; (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 Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund’s 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 Texas 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 fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City’s entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City’s investment policy; (6) provide specific investment training for the City’s designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in 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’S INVESTMENT POLICIES

The City Manager designates the Finance Director as the City's investment officer. The Finance Director is responsible for the City's comprehensive cash management program, including the administration of the City’s investment policies. The Finance Director is responsible for considering the quality and capability of staff involved in investment management and procedures. The Finance

Director shall be responsible for authorizing investments and the Cash and 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 and Debt Manager, Controller, Finance Director, 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 and 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 from Moody's or S&P 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 of Texas.

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 Moody's or S&P. 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%.

CURRENT INVESTMENTS . . . As of January 31, 2013 the following percentages of the City's investible funds were invested in the following categories of investments:

Type of Investment	Percentage	Total Cost
Local Government Pool and Money Market Funds	49.12%	$ 114,868,304
Federal Agency and Instrumentality Notes	50.88%	118,993,250
	100.00%	$ 233,861,554

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 are 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 opinions, 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 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 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 the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount 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.

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 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 3 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 clause (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's 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 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 Initial Purchaser 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 Initial Purchaser from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the 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 Fitch Ratings, Inc. ("Fitch") and "AA-" by Standard and Poor's Ratings Services, a Standard and Poor's Financial Services LLC business ("S&P"). An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, may have an adverse effect on the market price of the Bonds.

LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF 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 (V.T.C.A., Government Code, Chapter 1201, as amended) provides the Bonds are (i) negotiable instruments, (ii) investment securities to which V.T.C.A., Chapter 8, Business and Commerce Code, as amended, applies and (iii) legal and authorized investments for insurance companies, fiduciaries or trustees and sinking funds of municipalities or other political subdivisions or public agencies of the State. The Texas Finance Code also contains provisions that, subject to a prudent investor standard, provide for the Bonds to be legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. For the Bonds to be an eligible investments for municipalities, political subdivisions or public agencies of the State, the Public Funds Investment Act, V.T.C.A., Government Code, Chapter 2256, as amended, provides that a rating of not less than "A" or its equivalent as to investment quality must be assigned by a nationally recognized investment rating agency. Furthermore, the Bonds are eligible to secure the 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.

The City made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such 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 Ordinance. 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 that 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, has not verified and 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. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City.

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.

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.

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the City accepted the bid of BMO Capital Markets GKST Inc. (the "Purchaser" or "Initial Purchaser") to purchase the Bonds at the interest rates shown on page 2 of the Official Statement at a price of par plus a cash premium of $646,356.31. 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 yields at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

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

Schedule I

SCHEDULE OF REFUNDED BONDS

Sales Tax Revenue Bonds, Series 2001

Original Dated Date	Original Maturity Date	Interest Rates	Amount
2/1/2001	2/15/2014	4.625%	$ 410,000
	2/15/2015	4.750%	430,000
	2/15/2023 (1)	5.000%	580,000
			$ 1,420,000

(1) Represents the February 15, 2021 scheduled mandatory sinking fund redemption of a term bond with a final maturity of February 15, 2023.

The Series 2001 Bonds will be redeemed prior to original maturity on April 22, 2013 at par.

Sales Tax Revenue Bonds, Series 2001A

Original Dated Date	Original Maturity Date	Interest Rates	Amount
8/15/2001	2/15/2027 (1)	5.000%	$ 510,000
			$ 510,000

(1) Represents the February 15, 2024 scheduled mandatory sinking fund redemption of a term bond with a final maturity of February 15, 2027.

The Series 2001A Bonds will be redeemed prior to original maturity on April 22, 2013 at par.

SCHEDULE OF REFUNDED BONDS

Sales Tax Revenue Bonds, Series 2002			
Original Dated Date	Original Maturity Date	Interest Rates	Amount
9/1/2005	2/15/2014	4.000%	$ 180,000
	2/15/2015	4.125%	190,000
	2/15/2016	4.250%	195,000
	2/15/2017	4.350%	205,000
	2/15/2018	4.450%	215,000
	2/15/2019	4.550%	225,000
	2/15/2020	4.650%	235,000
	2/15/2021	4.750%	250,000
	2/15/2022	4.750%	260,000
	2/15/2023 (1)	5.000%	275,000
	2/15/2024 (1)	5.000%	290,000
	2/15/2025 (2)	5.000%	305,000
	2/15/2026 (2)	5.000%	320,000
	2/15/2027 (2)	5.000%	335,000
			$ 3,480,000

(1) Represents a scheduled mandatory sinking fund redemption of a term bond with a final maturity of February 15, 2024.
(2) Represents a scheduled mandatory sinking fund redemption of a term bond with a final maturity of February 15, 2027.

The Series 2002 Bonds will be redeemed prior to original maturity on April 22, 2013 at par.

Sales Tax Revenue Bonds, Series 2005			
Original Dated Date	Original Maturity Date	Interest Rates	Amount
9/1/2005	2/15/2014	3.600%	$ 195,000
	2/15/2015	3.750%	395,000
	2/15/2016	3.750%	410,000
	2/15/2017	4.000%	430,000
	2/15/2018	4.000%	445,000
	2/15/2019	4.000%	465,000
	2/15/2020	4.000%	480,000
	2/15/2021	4.125%	505,000
	2/15/2022	4.250%	530,000
	2/15/2023	4.250%	555,000
	2/15/2024	4.250%	580,000
	2/15/2025	4.250%	605,000
	2/15/2026	4.250%	560,000
			$ 6,155,000

The Series 2005 Bonds will be redeemed prior to original maturity on April 22, 2013 at par.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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LOCATION

The City of Grand Prairie, Texas (the "City"), is centrally located amid the estimated 5.7 million people in the Dallas/Fort Worth Area. The City, 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 81 square miles.

TRANSPORTATION

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

- IH 20: an eight-lane east-west expressway that passes through south of the City, linking the city to Dallas and Fort Worth. West of Fort Worth, IH 20 leads to Abilene and Odessa. Eastward destinations on IH 20 are Tyler, Longview and Shreveport, La.

- IH 30: a six-lane east-west expressway that passes through north of the City and also links the City to Dallas and Fort Worth. IH 30 links to IH 20 in west Fort Worth. Eastward destinations on IH 30 are Greenville, Texarkana and Arkansas.

- SH 360: a six-lane north-south expressway running along the western edge of the City, a key route to Dallas-Fort Worth International Airport.

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 200 aircraft, with tie-down space and FBO services available.

The Dallas/Fort Worth International Airport ("DFW"), the 3rd busiest airport in the world, lies about five miles north of the City's northern border. It serves 59 million passengers and provides nonstop service to 134 domestic and 38 international destinations (October, 2004, 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 (*American Community Survey Census*).

INDUSTRIAL BASE

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

INDUSTRY PROFILE, 2012

Source: Texas Comptroller

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%

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 and Bureau of Labor Statistics
(1) 2012 based on average through November 2012

Employers

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

RECREATION

Recreational facilities include the 7,500-acre Joe Pool Lake, championship-level Tangle Ridge Golf Club, Lone Star Park at Grand Prairie and more than 52 public parks on 4,800 acres.

Parks and Recreation facilities include an extreme skate park, two multipurpose recreation centers, a senior center, indoor pool, three outdoor pools, five softball and baseball complexes, two golf courses, 32 tennis courts, a soccer complex 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 Dallas Sidekicks of the Continental Indoor Soccer League, the Dallas Burn of Major League Soccer and the Fort Worth Brahmas of the Western Professional Hockey League. 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, 2012

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, 2012, 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, 2012, 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 report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the 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 as of September 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013 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.

AN INDEPENDENT
MEMBER OF BAKER TILLY
INTERNATIONAL

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City's financial statements 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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
February 28, 2013

MANAGEMENT’S DISCUSSION & ANALYSIS

CITY OF GRAND PRAIRIE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
(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, 2012. 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, 2012, by $637,782,620. Of this amount, $119,822,569 may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets).

- The City's net assets increased by $1,773,496 for the fiscal year ended September 30, 2012. Capital contributions from private developers for improvements to the City's infrastructure accounted for $809,186 or 45.6% of the increase in the City's net assets.

- The City's governmental funds reported combined ending fund balances of $124,640,700 at September 30, 2012, a decrease of $30,208,786 in comparison with restated beginning combined fund balances. Of the governmental funds reported combined fund balances, $25,938,708 or 20.8% is available for spending within City guidelines (unassigned fund balance).

- The City's unassigned fund balance for the general fund was $25,938,708 at year end or 29.9% of total general fund expenditures for the reported fiscal year.

- The City's total long-term liabilities of $344,883,172 decreased by $26,752,131 or 7.2% during the reported fiscal year. In fiscal year 2012, the City issued general obligation, certificates of obligation, water and wastewater revenue, a combined $48,565,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net 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.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. The City does not have any funds that are used to account for resources held for the benefit of parties outside the government (fiduciary funds).

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

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

The City has four major governmental funds: General Fund, Section 8 Fund, Street Improvements Fund and Debt Service Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of the major governmental funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriating budget for its General Fund and certain other governmental funds of significance to governance. Budgetary comparison schedules have been provided for the General Fund and Section 8 Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-80 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 81-86 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 87-116 of this report.

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 $637,782,620 at year end. The City had total assets at year-end of $1,011,657,893. The City's pooled cash and investments totaling $218,631,047 and capital assets (e.g., land, buildings, equipment, infrastructure, and construction in progress), net of accumulated depreciation totaling $762,562,134 represented 21.6% and 75.4%, 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 $450,091,214 and represented 70.6% 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	
	9/30/2011	9/30/2012	9/30/2011	9/30/2012	9/30/2011	9/30/2012
Cash & investments	$ 169,661,941	$ 136,086,846	$ 76,732,385	$ 82,544,201	$ 246,394,326	$ 218,631,047
Other assets	20,393,821	21,056,830	9,284,496	9,407,882	29,678,317	30,464,712
Capital assets, net	552,291,879	558,512,637	207,540,329	204,049,497	759,832,208	762,562,134
Total assets	742,347,641	715,656,313	293,557,210	296,001,580	1,035,904,851	1,011,657,893
Current liabilities	21,160,930	21,272,463	7,099,494	7,719,638	28,260,424	28,992,101
Long-term bonded debt	279,252,720	254,793,872	70,658,546	66,694,315	349,911,266	321,488,187
Other noncurrent liabilities	16,026,030	17,380,396	5,698,007	6,014,589	21,724,037	23,394,985
Total liabilities	316,439,680	293,446,731	83,456,047	80,428,542	399,895,727	373,875,273
Net assets:						
Invested in capital assets, net of related debt	279,371,594	311,048,653	137,253,007	139,042,561	416,624,601	450,091,214
Restricted	83,793,231	63,267,418	3,988,491	4,601,419	87,781,722	67,868,837
Unrestricted	62,743,136	47,893,511	68,859,665	71,929,058	131,602,801	119,822,569
Total net assets	$ 425,907,961	$ 422,209,582	$ 210,101,163	$ 215,573,038	$ 636,009,124	$ 637,782,620

A portion of the City's net assets totaling $67,868,837 or 10.6% 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 $1,773,496 in fiscal year 2012. As previously mentioned, $809,186 or 45.6% 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 2012 compared to fiscal 2011 changes in the City's net assets were as follows:

Table 2

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2011	9/30/2012	9/30/2011	9/30/2012	9/30/2011	9/30/2012
Revenues:						
Program revenues:						
Charges for services	$ 39,243,610	$ 32,877,033	$ 75,796,675	$ 78,760,951	$ 115,040,285	$ 111,637,984
Operating grants and contributions	37,588,585	31,329,503	-	-	37,588,585	31,329,503
Capital grants and contributions	2,664,489	6,290,285	1,792,377	2,465,951	4,456,866	8,756,236
General revenues:						
Property tax	71,554,937	70,153,052	-	-	71,554,937	70,153,052
Sales tax	41,713,795	45,457,902	-	-	41,713,795	45,457,902
Other tax	1,332,984	1,332,259	-	-	1,332,984	1,332,259
Franchise fees	13,492,977	12,902,516	-	-	13,492,977	12,902,516
Investment income	1,341,476	1,004,777	6,343	5,579	1,347,819	1,010,356
Total revenues	208,932,853	201,347,327	77,595,395	81,232,481	286,528,248	282,579,808
Expenses:						
Support services	19,100,748	17,928,238	-	-	19,100,748	17,928,238
Public safety services	88,336,343	72,934,512	-	-	88,336,343	72,934,512
Recreation and leisure services	22,368,768	24,071,731	-	-	22,368,768	24,071,731
Development services and other	74,251,224	84,171,971	-	-	74,251,224	84,171,971
Interest on long-term debt	9,817,549	9,227,801	-	-	9,817,549	9,227,801
Water and wastewater	-	-	52,658,416	55,186,501	52,658,416	55,186,501
Municipal airport	-	-	2,809,039	2,650,503	2,809,039	2,650,503
Municipal golf course	-	-	3,521,660	3,527,637	3,521,660	3,527,637
Storm water	-	-	1,537,846	1,617,905	1,537,846	1,617,905
Solid waste	-	-	9,079,737	9,489,513	9,079,737	9,489,513
Total expenses	213,874,632	208,334,253	69,606,698	72,472,059	283,481,330	280,806,312
Increase (decrease) in net assets before transfers	(4,941,779)	(6,986,926)	7,988,697	8,760,422	3,046,918	1,773,496
Transfers	5,625,851	3,167,893	(5,625,851)	(3,167,893)	-	-
Capital assets reassignments	-	120,654	-	(120,654)	-	-
Change in net assets	684,072	(3,698,379)	2,362,846	5,471,875	3,046,918	1,773,496
Net assets - beginning of year -as previously stated	425,562,115	425,907,961	207,400,091	210,101,163	632,962,206	636,009,124
Change in accounting principle	(338,226)	-	338,226	-	-	-
Net assets - end of year	$ 425,907,961	$ 422,209,582	$ 210,101,163	$ 215,573,038	$ 636,009,124	$ 637,782,620

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 9/30/2011	Fiscal Year 9/30/2012	Increase (Decrease)
Governmental activities:			
Property taxes	$ 71,554,937	$ 70,153,052	$ (1,401,885)
Sales taxes	41,713,795	45,457,902	3,744,107
Other taxes	1,332,984	1,332,259	(725)
Franchise fees	13,492,977	12,902,516	(590,461)
Investment income	1,341,476	1,004,777	(336,699)
Total governmental activities	129,436,169	130,850,506	1,414,337
Business-type activities:			
Investment income	6,343	5,579	(764)
Total business-type activities	6,343	5,579	(764)
Total general revenues	$ 129,442,512	$ 130,856,085	$ 1,413,573

Governmental activities. Governmental activities remained sluggish due to the slow pace of the economic recovery. There was a decrease in net assets of $3,698,379 in comparison with beginning net assets. Total revenue for governmental activities (excluding transfers from business-type activities) decreased from the previous year by $7,585,526. General Revenue which is primarily made up of property taxes, sales taxes, and franchise fees had a net increase of $1,414,337. Property tax revenue declined by $1,401,885 due to a portion of the Tax Increment Financing Districts being eliminated; however, net property tax values increased by 1.67%. Sales tax collections increased by $3,744,107. Franchise fee revenue decreased $590,461 as a result of lower gross revenues realized in the seasonally sensitive, utility industry. In addition, investment income continued to decrease by $336,699 primarily due to the very low, market interest rates.

Net assets of governmental operations account for 66.2% 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 and contributions experienced a decrease from prior year totaling $12,625,659.

Business-type activities. Business-type activities increased the City's net assets by $5,471,875 in comparison with beginning net assets. Total revenue for the business-type activities increased from the previous year by $3,637,086 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 $1,084,505. Net assets for business type activities represent 33.8% of total primary government net assets. Table 2 summarizes the changes in business-type activities net assets.

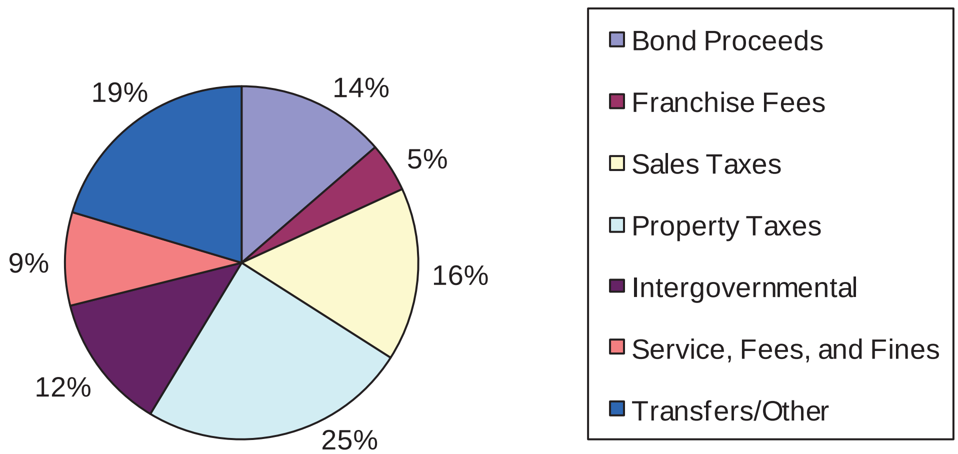
FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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.

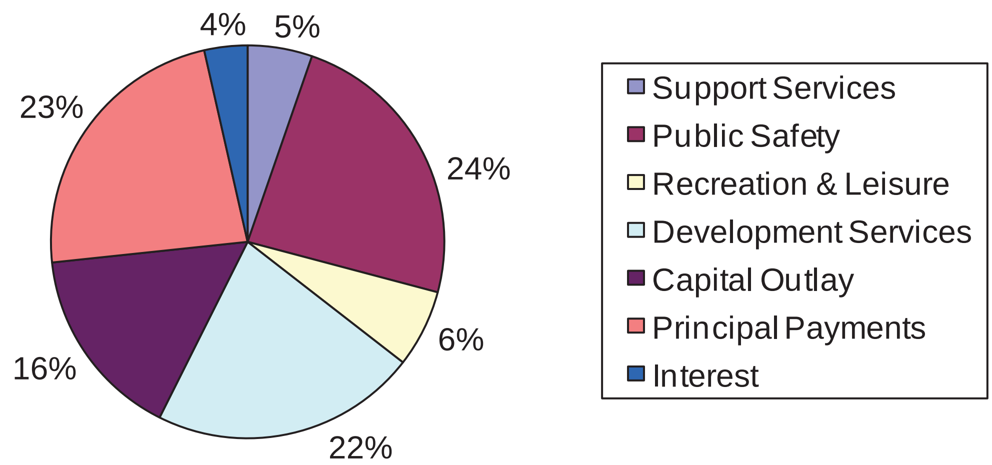
For fiscal year 2012, the City's governmental funds (excluding internal service funds) reported combined ending fund balances of $124,640,700, a decrease of $30,208,786 in comparison with the prior year. The unassigned fund balance portion is 20.8% and is available for spending at the government's discretion. The remainder is reserved to indicate that it is not available for new spending because it is non-spendable inventories ($99,508); restricted by statutory, bond covenant or granting agency ($70,226,080) for either debt service payments, grant-related use, special taxing districts or for capital projects; committed ($26,927,227) by City Council; or, assigned by City Manager ($1,449,177). Figures 1 and 2 that follow show the distribution of governmental funds' sources of revenues and expenditures, $286,177,671 and $316,386,457, respectively, for fiscal year 2012.

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 $25,938,708, while total fund balance was $27,913,756. 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 29.9% of total general fund operating expenditures, while total fund balance represents 32.2% of that same amount. General Fund's fund balance decreased slightly (planned reduction) in the amount of $2,680,247 from the prior fiscal year.

Fund balances of several other governmental funds changed significantly. Debt Service Fund balance increased by $762,942 due to a combination of bond defeasance and refunding which reduced debt requirements. The fund balance total for non-major governmental funds decreased by $16,674,980. This decrease in change to fund balance is comprised of special revenues' and capital projects' activities totaling $9,948,881 and $6,726,099, 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 2012. 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 negative change to their fund balance as a disbursement for a mall project was realized. 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 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 $213,934,145 and $9,092,854, respectively, at September 30, 2012. The enterprise funds' amount invested in capital assets, net of related debt represented 65% of total enterprise fund's net assets. The internal service funds' amount invested in capital assets, net of related debt represented 10.1% of total internal service funds' net assets. The enterprise funds' unrestricted net assets were 32.9% of their total net assets, and, internal service funds' unrestricted net assets were 89.9% of their total funds' net assets. The City's enterprise funds reported a sizable income before contributions and transfers of $6,792,697 while the internal service funds reported a loss of $3,333,848. 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 $99,470,923 and expenses of $96,012,074 (excluding transfers and capital contributions) by activity.

Figure 3 - Proprietary Funds Revenues by Activity

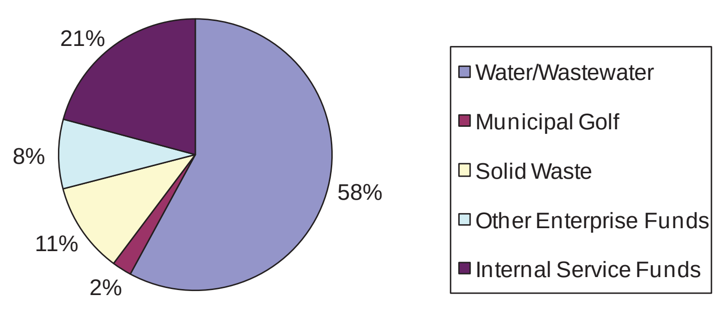
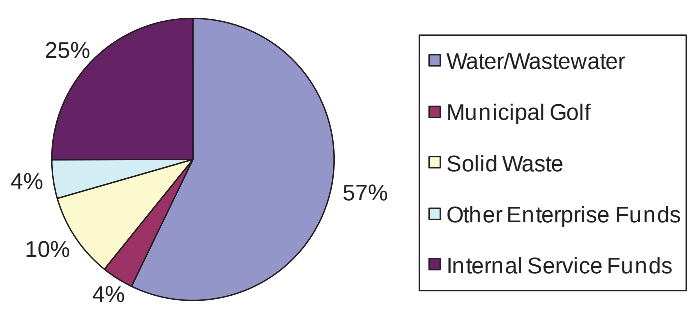


Figure 4 - Proprietary Fund Expenses by Activity



General Fund Budgetary Highlights

For the reported fiscal year, revenues exceeded budgetary estimates by $4,348,504. Expenditures were under budgetary estimates by $1,440,036 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 $2,680,247. 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 $762,562,134. This investment includes land, buildings, improvements other than buildings (includes infrastructure), machinery and equipment, and construction in progress. The City's capital assets increased from prior year by $2,729,926 primarily due to continued growth and development.

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

- Completed the renovation of City Council Chambers;
- Added retail with the completion of Paragon Outlets and approximately 100 brand name retailers opening their doors;
- Opened State Highway 161 south of Interstate 30 and completed Sara Jane Parkway providing a route from SH 161 to the Outlet Mall;
- Opened Forum Drive and Crossland Boulevard across SH 161;
- Continued with the extension and expansion of Lake Ridge Parkway;
- Opened the new Parkland/Grand Prairie Health Center; and
- Began construction of the Dallas County Courthouse.

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	
	9/30/2011	9/30/2012	9/30/2011	9/30/2012	9/30/2011	9/30/2012
Land	$ 34,262,571	$ 35,824,385	$ 4,113,384	$ 4,156,706	$ 38,375,955	$ 39,981,091
Construction in progress	37,359,555	51,821,889	8,807,010	12,359,914	46,166,565	64,181,803
Depreciable capital assets	749,736,766	773,101,322	345,088,883	351,769,149	1,094,825,649	1,124,870,471
Accumulated depreciation	(269,067,013)	(302,234,959)	(150,468,948)	(164,236,272)	(419,535,961)	(466,471,231)
Total capital assets, net	$ 552,291,879	$ 558,512,637	$ 207,540,329	$ 204,049,497	$ 759,832,208	$ 762,562,134

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

Long-term debt. At September 30, 2012, the City had the following long-term liabilities:

Table 5

Long-Term Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2011	9/30/2012	9/30/2011	9/30/2012	9/30/2011	9/30/2012
Bonded debt	$ 279,252,720	$ 254,793,872	$ 70,658,546	$ 66,694,315	$ 349,911,266	$ 321,488,187
Accrued compensated absences	13,154,156	13,508,230	380,014	398,351	13,534,170	13,906,581
Other Post Employment Benefit	2,824,044	3,709,278	-	-	2,824,044	3,709,278
Pollution liability	47,830	162,888	-	-	47,830	162,888
Closure and post closure liability	-	-	5,317,993	5,616,238	5,317,993	5,616,238
Total long-term debt	$ 295,278,750	$ 272,174,268	$ 76,356,553	$ 72,708,904	$ 371,635,303	$ 344,883,172
Long-term debt to net assets percentage	69%	64%	36%	34%	58%	54%

Of the total bonded debt, $217,120,001 or 67.5% 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 $48,565,000 in new bonded debt and repaid principal on bonds totaling $79,299,996. The City's interest expense on its bonded debt was $12,075,430 for the reported fiscal year.

Additional information is detailed in the Notes to Basic Financial Statements, section 3. b. 2.), pages 55-68.

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 2013 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 has fallen gradually, but steadily. In 2011, the rate was 8.7%; it is estimated at 7% in 2012.

These indicators are taken into account when adopting the General Fund Budget for fiscal year 2013:

- A decrease over prior year of 0.73% in property tax assessed values resulting in less property tax revenues. This revenue was reflected in the budgeted revenues with a decrease of $178,845 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 2012.

- A 5.7% 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 2012 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 2013 is $222,284,301, an increase of $7,601,751 or 3.5% as compared to prior fiscal year original budget. The general fund approved appropriations for fiscal year 2013 is $103,500,000, an increase of $734,732 or 0.7% from prior year. The remaining change in total budgeted operating appropriations and reserves includes an increase of $4,242,509 in the Water Wastewater Fund, $423,224 in the Hotel Motel Tax Fund, $2,476,680 in the Park Venue and $234,557 in the Cemetery Fund.

The City's total approved planned capital projects for fiscal year 2013 includes $35,911,031 in appropriation requests. The fiscal year 2013 planned capital projects includes $12,883,460 for water and wastewater improvements, $4,070,820 in street and signal improvements, $4,980,000 in parks improvements, and $3,848,535 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, 2012

	Primary Government			GRAND PRAIRIE SPORTS FACILITIES DEVELOPMENT	GRAND PRAIRIE HOUSING FINANCE CORPORATION
	Governmental Activities	Business-Type Activities	Total		
ASSETS					
Cash and cash equivalents	$ 65,176,606	$ 22,072,460	$ 87,249,066	$ 8,435,538	$ 587,477
Investments	70,694,344	43,871,095	114,565,439	6,009,955	145,514
Receivables (net of allowance for uncollectibles):					
Property tax	2,020,582	-	2,020,582	-	-
Franchise fees	2,618,728	-	2,618,728	-	-
Sales tax	8,721,485	-	8,721,485	-	-
Lease payments receivable	-	-	-	427,729	-
Other receivables	3,164,563	6,045,370	9,209,933	21,628	-
Due from other governments	3,491,379	48,634	3,540,013	-	-
Internal balances	(1,638,893)	1,638,893	-	-	-
Inventories and supplies	157,169	609,641	766,810	-	-
Prepaids	121,591	11,562	133,153	-	19,368
Deferred charges	2,400,226	1,053,782	3,454,008	-	316,945
Restricted assets:					
Cash and cash equivalents	215,896	8,932,967	9,148,863	-	1,166,524
Investments	-	7,667,679	7,667,679	-	-
Lease payments receivable	-	-	-	14,574,546	-
Estimated unguaranteed residual value	-	-	-	52,338,706	-
Capital assets:					
Land	35,824,385	4,156,706	39,981,091	-	1,612,851
Buildings	179,951,144	11,434,451	191,385,595	-	19,848,850
Equipment	82,209,307	26,009,801	108,219,108	310,078	-
Infrastructure	510,940,871	314,324,897	825,265,768	-	-
Construction in progress	51,821,889	12,359,914	64,181,803	-	-
Less: accumulated depreciation	(302,234,959)	(164,236,272)	(466,471,231)	(310,078)	(6,184,433)
Total capital assets	558,512,637	204,049,497	762,562,134	-	15,277,268
Total assets	715,656,313	296,001,580	1,011,657,893	81,808,102	17,513,096
LIABILITIES					
Current liabilities:					
Accounts payable	7,967,470	3,161,356	11,128,826	44,349	125,482
Accrued liabilities	9,118,105	1,433,480	10,551,585	-	502,612
Customer deposits	33,420	2,912,713	2,946,133	-	51,226
Unearned revenue	4,153,468	212,089	4,365,557	-	-
Noncurrent liabilities:					
Due within one year:					
Accrued compensated absences	4,883,568	380,417	5,263,985	-	-
Current portion of long-term debt	18,937,175	4,162,825	23,100,000	-	336,970
Environmental remediation obligation	162,888	-	162,888	-	-
Due in more than one year:					
Accrued compensated absences	8,624,662	17,934	8,642,596	-	-
OPEB liability	3,709,278	-	3,709,278	-	-
Closure and postclosure liability	-	5,616,238	5,616,238	-	-
Long-term debt	235,856,697	62,531,490	298,388,187	-	16,277,391
Total liabilities	293,446,731	80,428,542	373,875,273	44,349	17,293,681
NET ASSETS					
Invested in capital assets, net of related debt	311,048,653	139,042,561	450,091,214	-	(195,578)
Restricted for:					
Debt service	8,269,996	4,601,419	12,871,415	-	-
Special revenue purposes	38,854,729	-	38,854,729	-	-
Capital projects purposes	16,142,693	-	16,142,693	-	-
Facility lease	-	-	-	67,340,981	-
Replacement reserve	-	-	-	-	112,595
Unrestricted	47,893,511	71,929,058	119,822,569	14,422,772	302,398
Total net assets	$ 422,209,582	$ 215,573,038	$ 637,782,620	$ 81,763,753	$ 219,415

See accompanying notes to basic financial statements.

CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

		Program Revenues		
FUNCTIONS/ACTIVITY	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
Support services	$ 17,928,238	$ 5,000,964	$ 250,766	$ -
Public safety services	72,934,512	13,752,467	2,440,479	-
Recreation and leisure services	24,071,731	8,256,815	259,950	-
Development services and other	84,171,971	5,866,787	28,378,308	6,290,285
Interest on long-term debt	9,227,801	-	-	-
Total governmental activities	208,334,253	32,877,033	31,329,503	6,290,285
Business-type activities:				
Water and wastewater	55,186,501	57,610,991	-	2,465,951
Municipal airport	2,650,503	3,048,547	-	-
Municipal golf course	3,527,637	2,306,811	-	-
Storm water	1,617,905	5,125,840	-	-
Solid waste	9,489,513	10,668,762	-	-
Total business-type activities	72,472,059	78,760,951	-	2,465,951
Total primary government	$ 280,806,312	$ 111,637,984	$ 31,329,503	$ 8,756,236
Component units:				
Grand Prairie Sports Facilities Development	4,525,942	1,696,582	-	1,983,157
Grand Prairie Housing Finance Corporation	5,551,159	5,481,068	-	-
Total component units:	$ 10,077,101	$ 7,177,650	$ -	$ 1,983,157

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

Change in net assets

Net assets - beginning of year

Net assets - end of year

See accompanying notes to basic financial statements.

Governmental Activities	Business-Type Activities	Total	GRAND PRAIRIE SPORTS FACILITIES DEVELOPMENT	GRAND PRAIRIE HOUSING FINANCE CORPORATION
Net (Expense) Revenue and Changes in Net Assets Primary Government				
$ (12,676,508)	$ -	$ (12,676,508)	$ -	$ -
(56,741,566)	-	(56,741,566)	-	-
(15,554,966)	-	(15,554,966)	-	-
(43,636,591)	-	(43,636,591)	-	-
(9,227,801)	-	(9,227,801)	-	-
(137,837,432)	-	(137,837,432)	-	-
-	4,890,441	4,890,441	-	-
-	398,044	398,044	-	-
-	(1,220,826)	(1,220,826)	-	-
-	3,507,935	3,507,935	-	-
-	1,179,249	1,179,249	-	-
-	8,754,843	8,754,843	-	-
(137,837,432)	8,754,843	(129,082,589)	-	-
			(846,203)	-
			-	(70,091)
			(846,203)	(70,091)
70,153,052	-	70,153,052	-	-
45,457,902	-	45,457,902	-	-
1,332,259	-	1,332,259	-	-
12,902,516	-	12,902,516	-	-
1,004,777	5,579	1,010,356	47,454	4,903
3,167,893	(3,167,893)	-	-	-
120,654	(120,654)	-	-	-
134,139,053	(3,282,968)	130,856,085	47,454	4,903
(3,698,379)	5,471,875	1,773,496	(798,749)	(65,188)
425,907,961	210,101,163	636,009,124	82,562,502	284,603
$ 422,209,582	$ 215,573,038	$ 637,782,620	$ 81,763,753	$ 219,415

CITY OF GRAND PRAIRIE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General	Section 8	Street Improvements	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 14,410,502	$ 1,504,024	$ 18,522,355	$ 5,944,550	$ 18,792,763	$ 59,174,194
Investments	11,421,032	2,803,109	2,040,829	1,608,761	47,059,989	64,933,720
Property tax receivable	1,459,094	-	-	561,488	-	2,020,582
Sales tax receivable	4,373,196	-	-	-	4,348,289	8,721,485
Franchise fees receivable	2,545,379	-	-	-	73,349	2,618,728
Other receivables	2,128,937	-	-	1,691	654,598	2,785,226
Due from other governments	-	-	-	-	3,491,379	3,491,379
Due from other funds	200,000	-	-	-	-	200,000
Prepaids	1,035	-	-	-	98,473	99,508
Total assets	$ 36,539,175	$ 4,307,133	$ 20,563,184	$ 8,116,490	$ 74,518,840	$ 144,044,822
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	$ 2,264,359	$ 27,197	$ 1,351,906	$ -	$ 4,119,626	$ 7,763,088
Accrued liabilities	2,642,423	35,212	373,126	-	958,425	4,009,186
Customer deposits	-	-	-	-	33,420	33,420
Due to other funds	-	-	-	-	100,000	100,000
Deferred revenue	3,718,637	-	269,013	538,018	2,972,760	7,498,428
Total liabilities	8,625,419	62,409	1,994,045	538,018	8,184,231	19,404,122
Fund Balance:						
Nonspendable	1,035	-	-	-	98,473	99,508
Restricted	-	4,244,724	18,569,139	7,578,472	39,833,745	70,226,080
Committed	524,836	-	-	-	26,402,391	26,927,227
Assigned	1,449,177	-	-	-	-	1,449,177
Unassigned	25,938,708	-	-	-	-	25,938,708
Total fund balance	27,913,756	4,244,724	18,569,139	7,578,472	66,334,609	124,640,700
Total liabilities and fund balance	$ 36,539,175	$ 4,307,133	$ 20,563,184	$ 8,116,490	$ 74,518,840	$ 144,044,822

See accompanying notes to basic financial statements.

CITY OF GRAND PRAIRIE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total fund balance - total governmental funds		$ 124,640,700
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 $920,657.		557,591,980
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.		3,344,960
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.		(1,087,449)
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 $1,638,893).		7,453,961
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	$ (92,070,458)	
Certificates of obligation	(79,880,000)	
Sales tax revenue bonds	(25,290,000)	
Sales tax venue revenue bonds	(14,905,000)	
Sales tax venue certificates of obligation	(40,895,000)	
Unamortized bond issuance costs	2,400,226	
Unamortized bond premium/discount, net, and loss on refunding	(2,980,920)	
Unamortized loss of refunding	1,227,506	
Compensated absences (excludes Internal service fund total of $39,472)	(13,468,758)	
Other post employment benefits	(3,709,278)	
Environmental remediation obligation	(162,888)	(269,734,570)
Net assets of governmental activities		$ 422,209,582

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, 2012

	General	Section 8	Street Improvements	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUE						
Property tax	$ 42,719,247	$ -	$ -	$ 16,316,870	$ 11,382,526	$ 70,418,643
Sales tax	22,544,649	-	-	-	22,913,253	45,457,902
Other taxes	205,844	-	-	-	1,126,415	1,332,259
Franchise fees	12,902,516	-	-	-	-	12,902,516
Charges for goods and services	4,488,395	80,516	1,163,973	-	7,923,754	13,656,638
Licenses and permits	2,316,295	188,553	-	-	197,745	2,702,593
Fines and forfeitures	5,961,650	-	-	-	2,113,147	8,074,797
Intergovernmental revenue	823,061	22,523,061	1,337,550	-	10,932,828	35,616,500
General and administrative revenue	3,941,254	-	-	-	-	3,941,254
Investment income	991,537	10,000	-	303	2,937	1,004,777
Rents and royalties	598,067	-	-	-	2,750,372	3,348,439
Contributions	-	7,606	-	-	914,885	922,491
Other	704,192	85,537	915	-	634,279	1,424,923
Total revenue	98,196,707	22,895,273	2,502,438	16,317,173	60,892,141	200,803,732
EXPENDITURES						
Current operations:						
Support services	11,555,552	-	-	-	2,990,948	14,546,500
Public safety services	61,227,749	-	-	-	4,032,951	65,260,700
Recreation and leisure services	1,682,121	-	-	-	15,799,651	17,481,772
Development services and other	11,500,744	24,811,387	1,658,907	-	21,944,512	59,915,550
Capital outlay	847,480	-	22,355,056	-	20,448,743	43,651,279
Debt service:						
Principal retirement	-	-	-	16,009,895	16,614,000	32,623,895
Interest charges	-	-	73,757	6,448,526	3,193,541	9,715,824
Total expenditures	86,813,646	24,811,387	24,087,720	22,458,421	85,024,346	243,195,520
Excess (deficiency) of revenue over (under) expenditures	11,383,061	(1,916,114)	(21,585,282)	(6,141,248)	(24,132,205)	(42,391,788)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,917,373	-	9,213,852	7,001,603	27,482,599	45,615,427
Transfers out	(16,573,722)	(50,000)	(3,348,836)	(368,054)	(22,106,922)	(42,447,534)
Premium on debt issued	-	-	22,360	2,472,442	169,992	2,664,794
Bonds issued	-	-	6,047,519	-	1,912,481	7,960,000
Refunding bond issued	-	-	-	26,870,000	1,545,000	28,415,000
Payment to refunded bond escrow agent	-	-	-	(29,071,801)	(1,671,602)	(30,743,403)
Proceeds from sale of capital assets	593,041	-	-	-	125,677	718,718
Total other financing sources (uses)	(14,063,308)	(50,000)	11,934,895	6,904,190	7,457,225	12,183,002
Net change in fund balance	(2,680,247)	(1,966,114)	(9,650,387)	762,942	(16,674,980)	(30,208,786)
Fund balance - beginning of year	30,594,003	6,210,838	28,219,526	6,815,530	83,009,589	154,849,486
Fund balance - end of year	$ 27,913,756	$ 4,244,724	$ 18,569,139	$ 7,578,472	$ 66,334,609	$ 124,640,700

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, 2012

Net change in fund balances - total governmental funds		$ (30,208,786)
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.of capital assets recorded in the current period.		43,651,279
The net effect of various transactions involving capital assets (i.e., disposals, sales, and trade-ins) is a decrease to net assets.		(2,036,423)
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 $45,897.		(36,244,515)
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.		809,186
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	(38,645,852)	
Bond principal retirement	63,367,298	
Amortization bond related cost (deferred charge, premium/discount, deferred loss)	(39,403)	24,682,043
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	(348,747)	
Change in accrued interest	94,081	
Change in Other Post Employment Benefit	(885,234)	
Change in Pollution Remediation Obligation	(115,058)	(1,254,958)
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.		(265,591)
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 ($498,226).		(2,830,614)
Change in net assets of governmental activities		$ (3,698,379)

See accompanying notes to basic financial statements.

CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Wastewater	Other Nonmajor	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 19,593,230	$ 2,479,230	$ 22,072,460	$ 6,002,412
Investments	27,706,736	16,164,359	43,871,095	5,760,624
Accounts receivable, net	4,969,894	1,075,476	6,045,370	-
Other receivables	-	-	-	379,337
Prepaids	-	11,562	11,562	22,083
Due from other governments	-	48,634	48,634	-
Inventories and supplies	546,247	63,394	609,641	157,169
Deferred charges	1,026,661	27,121	1,053,782	-
Current restricted assets:				
Cash and cash equivalents	8,745,274	187,693	8,932,967	215,896
Investments	7,452,106	215,573	7,667,679	-
Total current assets	70,040,148	20,273,042	90,313,190	12,537,521
Capital assets:				
Land	1,648,621	2,508,085	4,156,706	737,566
Buildings	2,361,045	9,073,406	11,434,451	1,477,875
Equipment	18,181,494	7,828,307	26,009,801	2,150,273
Infrastructure	281,916,950	32,407,947	314,324,897	16,672
Construction in progress	10,508,200	1,851,714	12,359,914	-
Less: accumulated depreciation	(140,413,150)	(23,823,122)	(164,236,272)	(3,461,729)
Total capital assets	174,203,160	29,846,337	204,049,497	920,657
Total assets	244,243,308	50,119,379	294,362,687	13,458,178
LIABILITIES				
Current liabilities:				
Accounts payable	2,137,777	1,023,579	3,161,356	204,382
Accrued liabilities	535,839	376,780	912,619	4,021,470
Due to other funds	-	-	-	100,000
Accrued compensated absences	221,704	158,713	380,417	37,221
Unearned revenue	-	212,089	212,089	-
Current liabilities payable from restricted assets:				
Customer deposits	2,850,687	62,026	2,912,713	-
Accrued liabilities	497,446	23,415	520,861	-
Current portion of long-term debt	3,845,000	317,825	4,162,825	-
Total current liabilities	10,088,453	2,174,427	12,262,880	4,363,073
Noncurrent liabilities:				
Accrued compensated absences	-	17,934	17,934	2,251
Closure and postclosure liability	-	5,616,238	5,616,238	-
Long-term debt	58,468,750	4,062,740	62,531,490	-
Total noncurrent liabilities	58,468,750	9,696,912	68,165,662	2,251
Total liabilities	68,557,203	11,871,339	80,428,542	4,365,324
NET ASSETS				
Invested in capital assets, net of related debt	113,576,789	25,465,772	139,042,561	920,657
Restricted for debt service	4,601,419	-	4,601,419	-
Unrestricted	57,507,897	12,782,268	70,290,165	8,172,197
Total net assets	$ 175,686,105	$ 38,248,040	$ 213,934,145	$ 9,092,854
Reconciliation to government-wide Statement of Net Assets:				
Adjustments to reflect the consolidations of internal service funds activities related to enterprise funds			1,638,893	
Net assets of business-type activities			$ 215,573,038	

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, 2012

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Water Wastewater	Other Nonmajor	Total	
OPERATING REVENUE				
Sales to customers	$ 34,304,231	$ 19,627,118	$ 53,931,349	$ 4,317,496
Wastewater charges to customers	20,610,386	-	20,610,386	-
Water and wastewater fees	1,742,647	-	1,742,647	-
Wastewater surcharges	682,994	-	682,994	-
Intergovernmental revenue	-	346,940	346,940	-
Insurance premiums	-	-	-	16,029,988
Miscellaneous	270,733	1,172,089	1,442,822	352,615
Total operating revenue	57,610,991	21,146,147	78,757,138	20,700,099
OPERATING EXPENSE				
Salaries and benefits	6,038,321	3,740,999	9,779,320	1,154,658
Supplies and miscellaneous purchases	839,825	2,351,398	3,191,223	3,113,976
Purchased services	4,977,428	6,964,831	11,942,259	944,517
Insurance costs	-	-	-	18,627,587
Water purchases	10,951,192	-	10,951,192	-
Wastewater treatment	11,581,458	-	11,581,458	-
Miscellaneous	806,927	588,941	1,395,868	155,419
Depreciation	11,899,267	2,148,051	14,047,318	45,897
Franchise fees	2,193,337	516,826	2,710,163	-
General and administrative costs	2,979,458	444,488	3,423,946	-
Total operating expense	52,267,213	16,755,534	69,022,747	24,042,054
Net operating income (loss)	5,343,778	4,390,613	9,734,391	(3,341,955)
NONOPERATING REVENUE (EXPENSE)				
Investment income	5,579	-	5,579	-
Gain (loss) on property disposition	(88,555)	5,022	(83,533)	8,107
Interest expense	(2,538,028)	(325,712)	(2,863,740)	-
Total nonoperating revenue (expense)	(2,621,004)	(320,690)	(2,941,694)	8,107
Income (loss) before contributions and transfers	2,722,774	4,069,923	6,792,697	(3,333,848)
Capital contributions-impact fees	1,084,505	-	1,084,505	-
Capital contributions	1,381,446	-	1,381,446	-
Capital assets contribution from government activities	-	-	-	5,008
Capital assets contribution to government activities	(120,654)	-	(120,654)	-
Transfers in	16,000	4,428,687	4,444,687	-
Transfers out	(2,560,366)	(5,052,214)	(7,612,580)	-
Change in net assets	2,523,705	3,446,396	5,970,101	(3,328,840)
Net assets - beginning of the year	173,162,400	34,801,644	207,964,044	12,421,694
Net assets - end of the year	$ 175,686,105	$ 38,248,040	$ 213,934,145	$ 9,092,854

Reconciliation to government-wide Statement of Activities:	
Change in net assets of enterprise funds	5,970,101
Adjustments to reflect the consolidations of internal service funds activities related to enterprise funds	(498,226)
Change in net assets of business-type activities	$ 5,471,875

See accompanying notes to basic financial statements.

CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business-Type Activities-Enterprise Funds			Governmental Activities
	Water Wastewater	Other Nonmajor	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	$ 57,403,698	$ 20,852,402	$ 78,256,100	$ 20,347,858
Cash received from intergovernmental	-	298,307	298,307	-
Cash payments to suppliers for goods and services	(28,573,738)	(9,291,777)	(37,865,515)	(22,514,335)
Cash payments to employees for services	(6,034,819)	(3,726,163)	(9,760,982)	(1,149,330)
Cash payments to other funds for services	(5,172,795)	(717,325)	(5,890,120)	(59,260)
Cash payments from other funds for services	-	-	-	455,206
Other operating cash receipts	-	37	37	-
Other operating cash payments	(536,194)	(293,324)	(829,518)	-
Net cash provided by (used in) operating activities	17,086,152	7,122,157	24,208,309	(2,919,861)
Cash flows from noncapital financing activities:				
Transfers from other funds	-	7,731,515	7,731,515	-
Transfers to other funds	(2,544,366)	(8,355,042)	(10,899,408)	-
Net cash used in noncapital financing activities	(2,544,366)	(623,527)	(3,167,893)	-
Cash flows from capital and related financing activities:				
Capital outlays	(7,163,699)	(3,120,584)	(10,284,283)	(87,126)
Proceeds from capital assets disposals	-	5,022	5,022	13,115
Loss from capital assets disposals	(88,555)		(88,555)	-
Interest paid on bonds	(2,638,851)	(336,378)	(2,975,229)	-
Interest paid on line of credit				
Repayment of principal on bonds	(11,019,990)	(3,964,243)	(14,984,233)	-
Impact fees received	1,084,505	-	1,084,505	-
Proceeds from issuance of bonds	11,020,000	-	11,020,000	-
Contributions	988,595	-	988,595	-
Net cash used in capital and related financing activities	(7,817,995)	(7,416,183)	(15,234,178)	(74,011)
Cash flows from investing activities:				
Investment earnings received on cash and investments	5,579	-	5,579	-
Sale of investments	35,135,532	15,386,138	50,521,670	6,467,193
Purchase of investments	(34,783,260)	(15,689,540)	(50,472,800)	(5,706,614)
Net cash provided by (used in) investing activities	357,851	(303,402)	54,449	760,579
Net increase (decrease) in cash and equivalents	7,081,642	(1,220,955)	5,860,687	(2,233,293)
Cash and cash equivalents - beginning of year	21,256,862.0	3,887,878	25,144,740	8,451,601
Cash and cash equivalents - end of year	$ 28,338,504	$ 2,666,923	$ 31,005,427	$ 6,218,308
Reconciliation of income (loss) from operations to net cash provided by (used in) operating activities:				
Net operating income (loss)	$ 5,343,778	$ 4,390,613	$ 9,734,391	$ (3,341,955)
Adjustments to net operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	11,899,267	2,148,051	14,047,318	45,897
Changes in assets and liabilities:				
Decrease (Increase) in accounts receivable	(611,209)	98,511	(512,698)	(352,239)
Decrease (Increase) in inventories and supplies	6,364	(3,788)	2,576	31,600
Increase in prepaids	-	-	-	(22,084)
Increase in accounts payable	173,398	253,383	426,781	713,593
Increase in accrued liabilities	93,849	232,841	326,690	-
Decrease in customer deposits	(2,673,484)	(1,347)	(2,674,831)	-
Increase (Decrease) in deferred revenue	2,850,687	(10,942)	2,839,745	-
Increase in accrued compensated absences	3,502	14,835	18,337	5,327
Net cash provided by (used in) operating activities	$ 17,086,152	$ 7,122,157	$ 24,208,309	$ (2,919,861)
Noncash investing, capital and financing activities:				
Contributions of capital assets from developers	$ 392,851			

NOTES TO BASIC FINANCIAL STATEMENTS

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 GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

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

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

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

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

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

Component Unit – Grand Prairie Crime Control and Prevention District

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

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

Component Unit – Sports Corporation

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

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

The Act provides that the City may levy a one-half cent sales and use tax for the benefit of the Sports Corporation if the tax is authorized by a majority of the qualified voters in an election. On January 18, 1992, a majority of the voters approved a proposition to levy and collect an additional one-half cent sales and use 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, 2012 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, 2011. Complete separate December 31, 2011 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, 2011 to September 30, 2012. 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, 2012, are as follows: general fund, section 8 fund, street improvement fund, a debt service fund, and water/wastewater fund. Non-major funds are reported in the aggregate as "Other Funds." The various funds are summarized by type in the fund financial statements.

Major governmental funds include the following:

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

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

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

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

Major enterprise fund includes the following:

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

d. Measurement Focus and Basis of Accounting

1) <u>Governmental Funds</u>

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 60 days in arrears. The City recognizes sales taxes revenues using the modified accrual basis. Additional amounts estimated to be collectible in time to be a resource payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with General Accepted Accounting Principles have been recognized as revenue. The City allocates its sales taxes revenues to the General Fund, Street Maintenance Fund, Baseball Stadium, Summit Venue, and Park Venue Fund pursuant to City ordinances. The Crime Control and Prevention District receives monthly sales taxes revenues from the State separate from the City.

- Franchise fees are remitted regularly by franchise owners for gas, electric, telephone and cable utilities. Franchise fees are also paid by the City's Water and Wastewater Fund, Solid Waste Fund and Storm Water Utility Fund. The fees are not taxes, but compensate the City for the use of public right-of-way by the utilities. Amounts earned but not collected at fiscal year-end are recorded as accounts receivable. Amounts earned at fiscal year-end and collected within 60 days are recorded as revenue.

- Property taxes are billed and collected by the Dallas County Tax Assessor based on assessed taxable values each January 1 as determined by the Dallas Central Appraisal District using exemptions approved by the City. Taxes are levied and due on the next October 1 and are past due after February 1 of the following year. Tax liens are automatic on January 1 for each year of tax levy. Property tax receivables are recorded on October 1 when taxes are assessed with a reserve estimate for un-collectibles. Property tax revenues are recorded as the taxes are collected. Delinquent tax payments are recognized as revenue when both measurable and available. Additional amounts estimated to be collectible in time to be a resource payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with General Accepted Accounting Principles have been recognized as revenue (amounts received within 60 days of year-end).

- 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) <u>Pooled Cash, Investments and Temporary Deposits</u>

The City's cash, investments and temporary deposits are pooled for investment. Interest earnings are recorded in the General Fund unless it is required by regulations or agreements to allocate to certain funds. In FY2012, the funds receiving allocation of interest earnings were: Section 8 Fund, Debt Service Fund, Police Seizure Fund, Public Improvement Districts Fund, and the Water/Wastewater Fund. For purposes of the statements of cash flows, the City considers cash on hand, demand deposits and investments with original maturities of three months or less to be cash equivalents.

2) <u>Inventories</u>

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. As of September 30th, 2012 the City had $214,449 of General Fund balance assigned to encumbrances.

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

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 31, 2011 actuarial report, as of September 30, 2012, was $2,728,668.

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, 2012 were $1,241,246.

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

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2012	$ 3,372,165	$ 14,945,750	$ 14,348,001	$ 3,969,914
2011	$ 3,307,678	$ 12,013,558	$ 11,949,071	$ 3,372,165

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 years 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

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

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

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

Child / Dependent Coverage

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

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 2012 Monthly Health Care Premiums (Employee Pays Portion)

Group	Monthly Health Care Premium PRIOR TO 12/1/2005	Monthly Health Care Premium AFTER 11/30/2005
Gold (Under Age 65)		
Employee Only	$531	$577
Employee plus Spouse	$1,082	$1,175
Surviving Spouse	$551	$598
Employee plus Child(ren)	$850	$921
Family	$1,558	$1,686
Silver (Under Age 65)		
Employee Only	$455	$501
Employee plus Spouse	$908	$1,001
Surviving Spouse	$455	$500
Employee plus Child(ren)	$714	$785
Family	$1,299	$1,427
Bronze (Under Age 65)		
Employee Only	$417	$463
Employee plus Spouse	$838	$931
Surviving Spouse	$421	$468
Employee plus Child(ren)	$636	$707
Family	$1,156	$1,284

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	$ 2,294,853
Interest on OPEB obligation	127,082
Adjustment to ARC	(115,187)
Annual OPEB cost (expense) end of year	2,306,748
Net estimated employer contributions	1,421,514
Increase in net OPEB obligation	885,234
Net OPEB obligation as of beginning of the year	2,824,044
Net OPEB obligation (asset) as of end of the year	$ 3,709,278

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	2,130,397	40.4%	1,814,706
2011	2,122,449	52.4%	2,824,044
2012	2,306,748	61.6%	3,709,278

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, 2012 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a % of Payroll
9/30/2012		$ 29,395,343	$ 29,395,343	0%	$ 62,017,533	47.40%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by $29,395,343 at September 30, 2012.

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:

Acturarial Methods and Assumptions

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

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

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

8) Environmental Remediation Obligations

The City has recorded a liability and an asset related to environmental remediation in the amount of $162,888, 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 is the process of redeveloping Fire Station #1 located at 510-516 West Main Street. The City is responsible for removal of underground storage tanks contaminates found in soil and groundwater.

- The City of Grand Prairie owns land and was responsible for the asbestos abatement and leak petroleum storage tank (LPST) at 100 West Church Street. The asbestos abatement completed in FY2010. LPST closure received from Texas Commission on Environmental Quality (TCEQ) in FY2012.

- The City of Grand Prairie owns the building and is responsible for the asbestos abatement at 317 College Street. The Council Chambers renovation process was completed in June 2012.

Environmental remediation liability activity in fiscal year 2012 was as follows:

Property Description	Beginning Balance 9/30/2011	Additions	Reductions	Ending Balance 9/30/2012	Current Portion
Fire Station #1 510-516 West Main St	$ -	$ 199,980	$ 39,476	$ 160,504	$ 160,504
100 Block West Church St	9,830	-	7,446	2,384	2,384
Council Chamber - 317 College St	38,000	-	38,000	-	-
Total	$ 47,830	$ 199,980	$ 84,922	$ 162,888	$ 162,888

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 $2,806,942 and $538,018, respectively. Because the total amount of $3,344,960 represents earned revenue, they are included as property tax revenue at the government-wide level. Also in the General Fund, pipeline lease deposits of $911,695 are reported as deferred revenue until the agreement is fulfilled. In the Street Improvement Fund, $269,013 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 $2,972,760; of this amount, $139,175 is recorded in the Park Venue Fund for rental deposits on events to be held in a subsequent fiscal year; $815,442 is recorded in the Cemetery on deposits held for customers who have scheduled pre-need arrangements, $1,901,077 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, $103,366 is recorded in CDBG for revenues received from program specific housing projects that are scheduled to be completed in a subsequent fiscal year, $1,200 and $12,500 recorded in PID and CAP lending funds, respectively.

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, 2012, the City had no funds with deficit fund equity.

3. DETAILED NOTES ON ALL FUNDS

a. Assets

1) Deposits, Investments and Investment Policies

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

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

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

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

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, 2012.

The City's investments are stated at fair value, using the following methods and assumptions as of September 30, 2012:

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 $82,193,132 in TexPool as of September 30, 2012. 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 $12,828,652 in TexSTAR as of September 30, 2012. 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 its exposure to 50% to reduce risk.

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

The City's carrying amount of cash, cash equivalents and investments as of September 30, 2012 as reflected in the primary government's financial statements, are:

	Unrestricted	Restricted	Total
Cash	$ 1,160,249	$ 215,896	$ 1,376,145
Pooled Investments			
Cash and cash equivalents	86,088,817	8,932,967	95,021,784
Investments	114,565,439	7,667,679	122,233,118
Total pooled investments	200,654,256	16,600,646	217,254,902
Total	$ 201,814,505	$ 16,816,542	$ 218,631,047

Chapter 2257 Collateral for Public Funds of the Government Code requires that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. On November 9, 2010, the FDIC issued a Final Rule implementing Section 343 of the Dodd-Frank Wall Street Reform and Consumer protection Act that provides for unlimited insurance coverage of noninterest-bearing transaction accounts. Beginning December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account at all FDIC-insured institutions. The unlimited insurance coverage is available to all depositors; including consumers, businesses, and government entities at all FDIC banks including the City's depository Wells Fargo Bank, N.A. All of the 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 $2,034,370.

The City's cash equivalents of $95,021,784 were also covered by collateral held by the City's agent in the City's name.

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

	Fair Value	Weighted Average Maturity (Days)	Credit Risk
Federal Farm Credit Bank	$ 44,046,756	616	AAA
Federal Home Loan Bank	45,147,944	575	AAA
Federal Home Loan Mortgage Corp.	26,030,600	707	AAA
Federal National Mortgage Assoc.	7,007,818	665	AAA
TexPool	82,193,132	1	AAAm
TexStar	12,828,652	1	AAAm
Total	$ 217,254,902	*351	

*Portfolio Weighted Average Maturity

Maturities of the City's investments at September 30, 2012 were as follows:

Cash equivalents	$ 95,021,784
Under 30 days	-
30 days to 60 days	-
61 days to 90 days	2,006,740
91 days to 1 year	20,059,112
After 1 year	100,167,266
Total	$ 217,254,902

The City did not invest in any securities different from the categories mentioned above during the 2011-2012 fiscal year.

At September 30, 2012, the carrying amount of the Sports Corporation's deposits included in cash and cash equivalents was $250,107 while the bank balance of the Sports Corporation's deposits was $255,096. 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, 2012, the Corporation had the following investments:

	Fair Value	Weighted Average Maturity (Days)	Credit Risk
TexPool	$ 8,185,431	1	AAAm
U.S. Governmental Obligations	6,009,955	803	AAA
Total	$ 14,195,386	340	

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, 2012 was $8,185,431 in the Public Funds Investment Pool (TexPool) and $6,009,955 in U.S agency instrumentalities.

The bank balance of HFC at December 31, 2011, including restricted cash, totaled $638,703 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 $587,477. Restricted cash of $51,226 "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 145,514, reserves of $112,595, and bonds held by a trustee of $1,002,703 as a debt service reserve.

2) Capital Assets

Capital assets balances and transactions for the year ended September 30, 2012 are summarized below for governmental activities:

	Balance October 1, 2011	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2012
Non-depreciable capital assets:				
Land	$ 34,262,571	$ 1,724,427	$ (162,613)	$ 35,824,385
Construction in progress	37,359,555	38,406,033	(23,943,699)	51,821,889
Total non-depreciable capital assets	71,622,126	40,130,460	(24,106,312)	87,646,274
Depreciable capital assets:				
Buildings	177,388,793	2,596,339	(33,988)	179,951,144
Equipment	81,011,292	4,910,012	(3,711,997)	82,209,307
Infrastructure	491,336,681	19,948,542	(344,352)	510,940,871
Total depreciable capital assets	749,736,766	27,454,893	(4,090,337)	773,101,322
Less accumulated depreciation for:				
Buildings	(35,796,696)	(5,583,852)	27,469	(41,353,079)
Equipment	(41,412,140)	(5,867,828)	2,801,264	(44,478,704)
Infrastructure	(191,858,177)	(24,838,732)	293,733	(216,403,176)
Total accumulated depreciation	(269,067,013)	(36,290,412)	3,122,466	(302,234,959)
Total depreciable capital assets, net	480,669,753	(8,835,519)	(967,871)	470,866,363
Governmental activities capital assets, net	$ 552,291,879	$ 31,294,941	$ (25,074,183)	$ 558,512,637

Additions include developers contribution $809,186.

Capital asset balances for business-type activities for the year ended September 30, 2012 are summarized below:

	Balance October 1, 2011	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2012
Non-depreciable capital assets:				
Land	$ 4,113,384	$ 43,322	$ -	$ 4,156,706
Construction in progress	8,807,010	9,015,994	(5,463,090)	12,359,914
Total non-depreciable capital assets	12,920,394	9,059,316	(5,463,090)	16,516,620
Depreciable capital assets:				
Buildings	10,987,546	446,905	-	11,434,451
Equipment	24,608,339	1,548,937	(147,475)	26,009,801
Infrastructure	309,492,998	5,126,898	(294,999)	314,324,897
Total depreciable capital assets	345,088,883	7,122,740	(442,474)	351,769,149
Less accumulated depreciation for:				
Buildings	(5,108,467)	(442,652)	-	(5,551,119)
Equipment	(13,367,610)	(1,498,903)	147,475	(14,719,038)
Infrastructure	(131,992,871)	(12,105,763)	132,519	(143,966,115)
Total accumulated depreciation	(150,468,948)	(14,047,318)	279,994	(164,236,272)
Total depreciable capital assets, net	194,619,935	(6,924,578)	(162,480)	187,532,877
Governmental activities capital assets, net	$ 207,540,329	$ 2,134,738	$ (5,625,570)	$ 204,049,497

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

Support services	$ 2,746,167	Water and wastewater	$ 11,899,267
Public safety services	5,254,958		
Recreation and leisure services	6,071,005		
Development services	22,172,385	Other business-type	2,148,051
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	45,897		
Total governmental	$ 36,290,412	Total business-type	$ 14,047,318

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

	Balance October 1, 2011	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2012
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, 2011	Additions/ Completions	Disposals/ Reclasses	Balance December 31, 2011
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	19,982,040	374,976	(508,166)	19,848,850
Less accumulated depreciation	(5,803,190)	(889,409)	508,166	(6,184,433)
Total depreciable capital assets, net	14,178,850	(514,433)	-	13,664,417
Housing Finance Corporation assets, net	$ 15,791,701	$ (514,433)	$ -	$ 15,277,268

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 847 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 4/19/2007*):

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.

Contributions - Under the state law governing TMRS, the actuary annually determines the City contribution rate. For the December 31, 2011 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, 2011, valuation is effective for rates beginning January 1, 2012).

The funded status as of December 31, 2011, the most recent actuarial valuation date, and two preceding years is presented below:

Actuarial Valuation Date	December 31, 2011	December 31, 2010	December 31, 2009
Actuarial Value of Assets	$ 323,972,818	$ 299,459,271	$ 195,807,917
Actuarial Accrued Liability (AAL)	385,345,197	365,426,666	283,654,428
Funded Ratio	84.1%	81.9%	69.0%
Unfunded AAL (UAAL)	$ 61,372,379	$ 65,967,395	$ 87,846,511
Annual Covered Payroll	64,693,060	65,426,278	66,030,734
UAAL as a percentage of Covered Payroll	94.9%	100.8%	133.0%
Net Pension Obligation (NPO) at the Beginning of the period	$ -	$ -	$ -
Annual Pension Cost			
Annual Required Contribution (ARC)	$ 11,720,530	$ 10,466,084	$ 9,792,823
Contribution Made	11,720,530	10,466,084	9,792,823
NPO at the End of the Period	$ -	$ -	$ -

Actuarial Assumptions – The City also uses the following assumptions:

Actuarial Valuation Date	December 31, 2011	December 31, 2010	December 31, 2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level of Percent of Payroll	Level of Percent of Payroll	Level of Percent of Payroll
Remaining Amortization Period	26.1 Years/Closed	27.1 Years/Closed	28 Years/Closed
Amortization Period for new Gains/Losses	30 Years	30 Years	30 Years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.0%	7.0%	7.5%
Projected Salary Increases	Service	Service	Service
Inflation	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1% (3.0% CPI)	2.1% (3.0% CPI)	2.1% (3.0% CPI)

Note: The TMRS Board of Trustees has adopted a 10-year smoothing method with a 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 2011	Plan Year 2012
Active employees	Yes	Yes
Retirees	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2012, 2011, and 2010 were $19,803, $20,495 and $19,608, respectively, which equaled the required contributions each year.

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

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2009	0.03%	0.03%	100%
2010	0.03%	0.03%	100%
2011	0.03%	0.03%	100%

The City of Grand Prairie is one of 847 municipalities having their benefit plan administered by TMRS. Each of the 847 municipalities has an annual actuarial valuation performed. All assumptions for the December 31, 2011 valuations are contained in the 2011 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, 2011	Borrowings or Increase	Payments or Decrease	Balance September 30, 2012	Due Within One Year
Governmental Activities					
General obligation bonds	$ 91,693,399	$ 27,400,000	$ (27,022,941)	$ 92,070,458	$ 7,532,175
Certificates of obligation bonds	94,652,457	8,975,000	(23,747,457)	79,880,000	5,145,000
Sales tax revenue bonds	26,300,000	-	(1,010,000)	25,290,000	1,235,000
Sales tax venue revenue bonds	20,390,000	-	(5,485,000)	14,905,000	2,425,000
Sales tax venue certificates of obligation	46,225,000	-	(5,330,000)	40,895,000	2,600,000
Issuance premiums/discounts, net	536,595	2,664,794	(220,469)	2,980,920	-
Deferred loss on refunding	(544,731)	(771,900)	89,125	(1,227,506)	-
Compensated absences	13,154,156	5,392,507	(5,038,433)	13,508,230	4,883,568
Other post employment benefits	2,824,044	885,234	-	3,709,278	-
Environmental remediation liability	47,830	199,980	(84,922)	162,888	162,888
Total governmental activities	295,278,750	44,745,615	(67,850,097)	272,174,268	23,983,631
Business-Type Activities					
General obligation bonds	4,936,601	1,170,000	(3,772,058)	2,334,543	197,825
Certificates of obligation bonds	3,402,540	-	(1,462,540)	1,940,000	120,000
Water and wastewater revenue bonds	62,375,000	11,020,000	(11,470,000)	61,925,000	3,845,000
Issuance premiums/discounts, net	98,871	578,203	(40,708)	636,366	-
Deferred loss on refunding	(154,466)	-	12,872	(141,594)	-
Closure and post closure liability	5,317,993	298,245	-	5,616,238	-
Compensated absences	380,014	514,791	(496,454)	398,351	380,417
Total business-type activities	76,356,553	13,581,239	(17,228,888)	72,708,904	4,543,242
Total primary government	$ 371,635,303	$ 58,326,854	$ (85,078,985)	$ 344,883,172	$ 28,526,873
Component Unit Activities					
Housing Finance Corporation:					
Notes payable	$ 3,427,248	$ 45,552	$ (37,251)	$ 3,435,549	$ 48,158
Line of Credit	163,656	-	(24,844)	138,812	138,812
Revenue bonds	8,630,000	-	(140,000)	8,490,000	150,000
Subordinate Revenue bonds	4,550,000	-	-	4,550,000	-
Total component units	$ 16,770,904	$ 45,552	$ (202,095)	$ 16,614,361	$ 336,970

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, 2012, 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 November 22, 2011 the City issued $30,115,000 in General Obligation Refunding and Improvement Bonds, Series 2011A, of which $530,000 was for public safety and street improvements and $29,585,000 was for a current refunding of prior issues. The City also issued $7,430,000 in Combination Tax and Revenue Certificates of Obligation, Series 2011A for fire, street, and other City structure improvements.

(ii) Bond Refunding

The refunding bonds mentioned above and approximately $8,782,008 of cash on hand were utilized to facilitate both a current refunding and an advance refunding of $39,740,000 of prior issued 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 2012. The reacquisition price exceeded the net carrying amount of the old debt by $771,901. 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 $14,793,312 and to obtain an economic gain of $3,566,273.

(iii) Defeased Debt Outstanding

At September 30, 2012. 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
General Obligation Bonds	$ 1,095,000
Certificates of Obligation	3,475,000
General Obligation Refunding Bonds	2,000,000
	$ 6,570,000

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	$ -
Series 2002-A	3.9-4.875	2002	2022	9,900,000	-
Series 2004	2.0-4.50	2004	2024	4,855,000	-
Series 2004-A	2.0-4.75	2004	2024	6,170,000	-
Series 2005 Refunding	2.75-4.50	2005	2025	14,260,000	7,360,000
Series 2005-A	3.75-4.25	2005	2025	2,215,000	525,000
Series 2006	3.9-5.0	2006	2026	3,300,000	2,625,000
Series 2006-A	4.125-4.375	2006	2027	4,000,000	3,320,000
Series 2007	4.0-4.50	2007	2027	33,098,000	27,940,458
Series 2008	4.0-5.50	2009	2029	8,985,000	8,120,000
Series 2010	2.0-4.25	2010	2030	5,480,000	5,065,000
Series 2011	2.0-5.3	2011	2031	11,550,000	9,970,000
Series 2011A	2.0-5.0	2011	2025	27,145,000	27,145,000
Total general obligation bonds					92,070,458
Certificates of obligation bonds:					
Tax and revenue bonds:					
Series 2002-C	3.85-4.75	2002	2022	2,650,000	-
Series 2004	2.5-4.45	2004	2024	2,894,000	-
Series 2004-B	2.0-4.75	2004	2024	8,280,000	-
Series 2005	2.75-4.50	2005	2025	2,935,000	1,050,000
Series 2006	4.0-5.50	2006	2026	8,291,250	5,875,000
Series 2006-A	4.125-4.375	2006	2027	11,947,500	10,100,000
Series 2007	4.0-4.50	2007	2027	6,610,000	5,400,000
Series 2008A	4.0-5.50	2009	2029	13,185,000	11,240,000
Series 2010	2.0-4.25	2010	2030	590,000	550,000
Series 2011	2.0-5.3	2011	2031	6,305,000	6,080,000
Series 2011A	2.0-4.0	2011	2031	7,430,000	7,430,000
Total tax and revenue bonds					47,725,000
Tax and tax increment bonds					
Series 2001	3 month LIBOR +.31%	2000	2022	17,900,000	12,215,000
Series 2002B	4.5-5.0	2001	2020	2,800,000	-
Series 2004B	2.0-4.75	2004	2024	1,170,000	-
Series 2005A	2.75-4.50	2005	2020	710,000	320,000
Series 2006	4.0-5.50	2006	2020	1,575,000	1,075,000
Series 2006-A	4.125-4.375	2006	2020	2,498,470	1,685,000
Series 2006-A	4.125-4.375	2006	2020	1,468,000	1,010,000
Series 2006-A	4.125-4.375	2006	2020	1,546,030	-
Series 2007	4.0-4.50	2007	2017	1,235,000	675,000
Series 2008A	4.0-5.50	2008	2021	10,550,000	8,405,000
Series 2008A	4.0-5.50	2008	2019	1,500,000	1,110,000
Series 2010	2.0-4.25	2010	2020	1,355,000	1,110,000
Series 2011	2.0-5.3	2011	2020	655,000	585,000
Series 2011	2.0-5.3	2011	2020	2,725,000	2,445,000
Series 2011A	2.0-5.0	2011	2025	1,545,000	1,520,000
Total tax and tax increment bonds					32,155,000
Parks & recreation bonds					
Series 2004	2.5-4.45	2004	2024	484,000	-
Series 2004B	2.0-4.75	2004	2024	5,915,000	-
Series 2008A	4.0-5.50	2008	2029	1,425,000	-
Total parks & recreation					-
Sales Tax Venue CO's					
Series 2007A Crime Control	12 month LIBOR * 62.075 + .75	2007	2017	5,000,000	3,705,000
Series 2008 Crime Control	6 month LIBOR * 62.075+ 1.07	2008	2024	54,800,000	37,190,000
Total sales tax venue bonds					40,895,000
Total certificate of obligation bonds					120,775,000
Sales tax revenue bonds:					
Series 2001	4.125-5.125	2001	2027	11,055,000	1,810,000
Series 2001A	4.125-5.0	2001	2027	8,500,000	510,000
Series 2002	4.0-5.0	2002	2027	5,000,000	3,655,000
Series 2005	3.5-4.25	2005	2026	6,705,000	6,345,000
Serier 2009	3.77	2009	2027	13,390,000	12,970,000
Total sales tax revenue bonds					25,290,000
Sales Tax Venue Bonds					
Series 2007 Taxable Baseball	12 month LIBOR +.61%	2007	2019	16,850,000	5,980,000
Series 2007 Senior Center	12 month LIBOR * 62.075 + .75	2007	2019	3,000,000	2,420,000
Series 2008 Senior Center	6 month LIBOR * 62.075+ 1.28	2008	2024	16,850,000	6,505,000
Total sales tax venue bonds					14,905,000
Premiums/discounts, net	N/A	N/A	N/A	N/A	2,980,920
Deferred loss on refunding	N/A	N/A	N/A	N/A	(1,227,506)
Compensated absences	N/A	N/A	N/A	N/A	13,508,230
Other Post Employment Benefit	N/A	N/A	N/A	N/A	3,709,278
Environmental remediation liability	N/A	N/A	N/A	N/A	162,888
Total governmental long-term debt					$ 272,174,268

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

	Balance October 1, 2011	Borrowings or Increase	Payments or Decrease	Balance September 30, 2012	Due Within One Year
General obligation bonds:					
Series 2002	$ 4,360,000	$ -	$ (4,360,000)	$ -	$ -
Series 2002-A	6,475,000	-	(6,475,000)	-	-
Series 2004	3,525,000	-	(3,525,000)	-	-
Series 2004-A	3,900,000	-	(3,900,000)	-	-
Series 2005 Refunding	10,530,000	-	(3,170,000)	7,360,000	1,075,000
Series 2005-A	1,715,000	-	(1,190,000)	525,000	100,000
Series 2006	2,750,000	-	(125,000)	2,625,000	130,000
Series 2006-A	3,470,000	-	(150,000)	3,320,000	155,000
Series 2007	29,723,399	-	(1,782,941)	27,940,458	1,867,175
Series 2008	8,420,000	-	(300,000)	8,120,000	315,000
Series 2010	5,275,000	-	(210,000)	5,065,000	215,000
Series 2011	11,550,000	-	(1,580,000)	9,970,000	1,655,000
Series 2011A		27,400,000	(255,000)	27,145,000	2,020,000
Total general obligation bonds	91,693,399	27,400,000	(27,022,941)	92,070,458	7,532,175
Certificates of obligation bonds:					
Tax and revenue bonds:					
Series 2002-C	1,230,000	-	(1,230,000)	-	-
Series 2004	1,744,723	-	(1,744,723)	-	-
Series 2004-B	5,275,000	-	(5,275,000)	-	-
Series 2005	1,905,000	-	(855,000)	1,050,000	105,000
Series 2006	6,465,000	-	(590,000)	5,875,000	295,000
Series 2006-A	10,511,000	-	(411,000)	10,100,000	431,000
Series 2007	5,655,000	-	(255,000)	5,400,000	265,000
Series 2008A	11,915,000	-	(675,000)	11,240,000	520,000
Series 2010	570,000	-	(20,000)	550,000	20,000
Series 2011	6,305,000	-	(225,000)	6,080,000	225,000
Series 2011A	-	7,430,000	-	7,430,000	305,000
	51,575,723	7,430,000	(11,280,723)	47,725,000	2,166,000
Tax and tax increment bonds:					
Series 2001	13,035,000	-	(820,000)	12,215,000	880,000
Series 2002-B	1,705,000	-	(1,705,000)	-	-
Series 2004B	740,000	-	(740,000)	-	-
Series 2005-A	470,000	-	(150,000)	320,000	45,000
Series 2006	1,170,000	-	(95,000)	1,075,000	95,000
Series 2006-A	1,859,000	-	(174,000)	1,685,000	184,000
Series 2006-A	1,110,000	-	(100,000)	1,010,000	105,000
Series 2006-A	1,160,000	-	(1,160,000)	-	-
Series 2007	795,000	-	(120,000)	675,000	125,000
Series 2008A	9,150,000	-	(745,000)	8,405,000	775,000
Series 2008A	1,245,000	-	(135,000)	1,110,000	140,000
Series 2010	1,235,000	-	(125,000)	1,110,000	125,000
Series 2011	655,000	-	(70,000)	585,000	65,000
Series 2011	2,725,000	-	(280,000)	2,445,000	285,000
Series 2011A	-	1,545,000	(25,000)	1,520,000	155,000
	37,054,000	1,545,000	(6,444,000)	32,155,000	2,979,000
Parks & recreation bonds:					
Series 2004	352,734	-	(352,734)	-	-
Series 2004B	4,335,000	-	(4,335,000)	-	-
Series 2008A	1,335,000	-	(1,335,000)	-	-
	6,022,734	-	(6,022,734)	-	-
Total certificate of obligation bonds	94,652,457	8,975,000	(23,747,457)	79,880,000	5,145,000
Sales tax revenue bonds:					
Series 2001	2,180,000	-	(370,000)	1,810,000	390,000
Series 2001-A	510,000	-	-	510,000	-
Series 2002	3,820,000	-	(165,000)	3,655,000	175,000
Series 2005	6,400,000	-	(55,000)	6,345,000	190,000
Series 2009	13,390,000	-	(420,000)	12,970,000	480,000
Total sales tax revenue bonds	26,300,000	-	(1,010,000)	25,290,000	1,235,000
Sales tax venue revenue bonds:					
Series 2007	8,800,000	-	(2,820,000)	5,980,000	1,660,000
Series 2007	2,715,000	-	(295,000)	2,420,000	310,000
Series 2007A certificate of obligation bonds	4,365,000	-	(660,000)	3,705,000	685,000
Series 2008	8,875,000	-	(2,370,000)	6,505,000	455,000
Series 2008 certificate of obligation bonds	41,860,000	-	(4,670,000)	37,190,000	1,915,000
Total sales tax venue bonds	66,615,000	-	(10,815,000)	55,800,000	5,025,000
Premiums/discounts, net	536,595	2,664,794	(220,469)	2,980,920	-
Deferred loss on refunding	(544,731)	(771,901)	89,126	(1,227,506)	-
Compensated absences:	13,154,156	5,392,507	(5,038,433)	13,508,230	4,883,568
Other post employment benefits	2,824,044	885,234	-	3,709,278	-
Environmental remediation liability	47,830	199,980	(84,922)	162,888	162,888
Total	$ 295,278,750	$ 44,745,614	$ (67,850,096)	$ 272,174,268	$ 23,983,631

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
2013	$ 7,532,175	$ 3,689,321	$ 11,221,496	$ 2,166,000	$ 2,005,392	$ 4,171,392	$ 2,979,000	$ 2,564,209	$ 5,543,209
2014	7,375,848	3,420,104	10,795,952	2,256,000	1,922,019	4,178,019	3,109,000	2,349,520	5,458,520
2015	7,378,800	3,125,436	10,504,236	2,361,000	1,835,539	4,196,539	3,264,000	2,118,103	5,382,103
2016	7,486,753	2,823,333	10,310,086	2,446,000	1,746,368	4,192,368	3,424,000	1,869,927	5,293,927
2017	7,758,743	2,511,695	10,270,438	2,431,000	1,654,129	4,085,129	3,604,000	1,603,422	5,207,422
2018	7,680,734	2,180,046	9,860,780	2,456,000	1,559,202	4,015,202	3,644,000	1,319,034	4,963,034
2019	7,697,405	1,862,070	9,559,475	2,566,000	1,458,263	4,024,263	3,839,000	1,017,911	4,856,911
2020	6,745,000	1,558,770	8,303,770	2,673,000	1,349,409	4,022,409	3,862,000	700,155	4,562,155
2021	6,240,000	1,275,095	7,515,095	3,060,000	1,228,034	4,288,034	2,795,000	391,394	3,186,394
2022	5,770,000	1,032,979	6,802,979	3,205,000	1,092,702	4,297,702	1,635,000	122,625	1,757,625
2023	4,670,000	820,806	5,490,806	3,120,000	953,094	4,073,094	-	-	-
2024	4,240,000	629,006	4,869,006	3,265,000	810,144	4,075,144	-	-	-
2025	3,200,000	465,956	3,665,956	3,420,000	658,028	4,078,028	-	-	-
2026	2,790,000	329,645	3,119,645	3,525,000	498,382	4,023,382	-	-	-
2027	2,650,000	202,568	2,852,568	3,095,000	345,309	3,440,309	-	-	-
2028	1,265,000	108,993	1,373,993	1,800,000	229,590	2,029,590	-	-	-
2029	1,110,000	49,463	1,159,463	1,890,000	138,512	2,028,512	-	-	-
2030	430,000	12,025	442,025	990,000	68,725	1,058,725	-	-	-
2031	50,000	1,325	51,325	1,000,000	23,087	1,023,087	-	-	-
	$ 92,070,458	$ 26,098,636	$ 118,169,094	$ 47,725,000	$ 19,575,928	$ 67,300,928	$ 32,155,000	$ 14,056,300	$ 46,211,300

Fiscal	Venue Sales Tax Revenue Bonds			Park Venue Sales Tax Revenue Bonds			Total		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	$ 5,025,000	$ 1,296,278	$ 6,321,278	$ 1,235,000	$ 1,004,216	$ 2,239,216	$ 18,937,175	$ 10,559,416	$ 29,496,591
2014	5,515,000	1,755,790	7,270,790	1,360,000	951,644	2,311,644	19,615,848	10,399,077	30,014,925
2015	6,035,000	1,535,742	7,570,742	1,425,000	894,948	2,319,948	20,463,800	9,509,768	29,973,568
2016	5,360,000	1,303,315	6,663,315	1,480,000	837,357	2,317,357	20,196,753	8,580,300	28,777,053
2017	5,125,000	1,104,768	6,229,768	1,550,000	778,976	2,328,976	20,468,743	7,652,990	28,121,733
2018	5,625,000	935,230	6,560,230	1,615,000	716,984	2,331,984	21,020,734	6,710,496	27,731,230
2019	6,190,000	754,505	6,944,505	1,680,000	652,218	2,332,218	21,972,405	5,744,967	27,717,372
2020	6,130,000	559,094	6,689,094	1,745,000	584,659	2,329,659	21,155,000	4,752,087	25,907,087
2021	5,550,000	362,321	5,912,321	1,830,000	509,995	2,339,995	19,475,000	3,766,839	23,241,839
2022	5,245,000	158,894	5,403,894	1,920,000	431,074	2,351,074	17,775,000	2,838,274	20,613,274
2023	-	-	-	2,005,000	351,518	2,356,518	9,795,000	2,125,418	11,920,418
2024	-	-	-	2,100,000	264,804	2,364,804	9,605,000	1,703,954	11,308,954
2025	-	-	-	2,195,000	174,203	2,369,203	8,815,000	1,298,187	10,113,187
2026	-	-	-	2,215,000	84,435	2,299,435	8,530,000	912,462	9,442,462
2027	-	-	-	935,000	19,685	954,685	6,680,000	567,562	7,247,562
2028	-	-	-	-	-	-	3,065,000	338,583	3,403,583
2029	-	-	-	-	-	-	3,000,000	187,975	3,187,975
2030	-	-	-	-	-	-	1,420,000	80,750	1,500,750
2031	-	-	-	-	-	-	1,050,000	24,412	1,074,412
	$ 55,800,000	$ 9,765,937	$ 65,565,937	$ 25,290,000	$ 8,256,716	$ 33,546,716	$ 253,040,458	$ 77,753,517	$ 330,793,975

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	$ -
Series 2004-A	2.0-4.75	2004	2024	5,615,000	-
Series 2005	2.75-4.50	2005	2025	5,725,000	4,220,000
Series 2005-A	3.5-4.25	2005	2025	10,230,000	7,450,000
Series 2006	4.0-5.5	2006	2026	4,840,000	3,915,000
Series 2006-A	4.25-4.375	2006	2027	6,625,000	5,500,000
Series 2007	4.0-4.50	2007	2027	15,845,000	12,890,000
Series 2008	3.5-5.50	2009	2029	4,940,000	4,460,000
Series 2010	0.0-2.587	2010	2030	4,995,000	4,620,000
Series 2011	2.0-4.25	2011	2031	8,940,000	7,850,000
Series 2011A	2.0-5.0	2011	2031	11,020,000	11,020,000
Total revenue bonds					61,925,000
Premiums/discounts, net					530,343
Deferred loss on refunding					(141,594)
Compensated absences					221,704
Total water and wastewater long-term debt					62,535,453
Solid waste					
Closure and post closure liability	N/A	N/A	N/A	N/A	5,616,238
Compensated absences	N/A	N/A	N/A	N/A	78,986
Total solid waste long-term debt					5,695,224
Municipal airport					
General obligation bonds:					
Series 1998B	3.25-4.9	1998	2012	1,238,648	-
Certificates of obligation bonds:					
Series 2004A	2.25-5.0	2004	2024	2,120,000	1,810,000
Compensated absences	N/A	N/A	N/A	N/A	36,800
Total municipal airport long-term debt					1,846,800
Municipal golf					
General obligation bonds:					
Series 2002	4.5-5.0	2002	2022	835,000	-
Series 2004A	2.0-4.75	2004	2024	3,510,000	-
Series 2007	4.0-4.50	2007	2019	1,482,000	1,254,543
Series 2011A	2.0-5.0	2011	2025	1,170,000	1,080,000
Total general obligation bonds					2,334,543
Certificate of obligation bonds:					
Series 2004	2.50-4.45	2004	2024	717,000	-
Series 2004B	2.0-4.75	2004	2024	1,215,000	-
Series 2006	4.0-5.50	2006	2026	153,750	130,000
Total certificate of obligation bonds					130,000
Premiums/discounts, net	N/A	N/A	N/A	N/A	106,023
Compensated absences	N/A	N/A	N/A	N/A	44,005
Total municipal golf long-term debt					2,614,571
Storm Water					
Compensated absences					16,856
Total business-type activities' long-term debt					$ 72,708,904

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

	Balance October 1, 2011	Borrowings or Increase	Payments or Decrease	Balance September 30, 2012	Due Within One Year
Water and wastewater					
Revenue bonds:					
Series 2004	$ 4,215,000	$ -	$ (4,215,000)	$ -	$ -
Series 2004-A	4,095,000	-	(4,095,000)	-	-
Series 2005	4,460,000	-	(240,000)	4,220,000	250,000
Series 2005-A	7,880,000	-	(430,000)	7,450,000	445,000
Series 2006	4,105,000	-	(190,000)	3,915,000	200,000
Series 2006-A	5,745,000	-	(245,000)	5,500,000	255,000
Series 2007	13,500,000	-	(610,000)	12,890,000	635,000
Series 2008	4,625,000	-	(165,000)	4,460,000	175,000
Series 2010	4,810,000	-	(190,000)	4,620,000	195,000
Series 2011	8,940,000	-	(1,090,000)	7,850,000	1,110,000
Series 2011A	-	11,020,000	-	11,020,000	580,000
Total revenue bonds	62,375,000	11,020,000	(11,470,000)	61,925,000	3,845,000
Premiums/discount, net	93,206	469,744	(32,607)	530,343	-
Deferred loss on refunding	(154,466)	-	12,872	(141,594)	-
Compensated absences	218,202	296,006	(292,504)	221,704	221,704
Total water and wastewater long-term debt	62,531,942	11,785,750	(11,782,239)	62,535,453	4,066,704
Solid waste					
Closure and post closure liability	5,317,993	298,245	-	5,616,238	-
Compensated absences	72,720	124,433	(118,167)	78,986	78,986
Total solid waste long-term debt	5,390,713	422,678	(118,167)	5,695,224	78,986
Municipal airport					
General obligation bonds:					
Series 1998-B	65,000	-	(65,000)	-	-
Certificates of Obligation					
Series 2004A	1,855,000	-	(45,000)	1,810,000	115,000
Compensated absences	36,299	21,002	(20,501)	36,800	18,866
Total municipal airport long-term debt	1,956,299	21,002	(130,501)	1,846,800	133,866
Municipal golf					
General obligation bonds:					
Series 2002	835,000	-	(835,000)	-	-
Series 2004A	2,660,000	-	(2,660,000)	-	-
Series 2007	1,376,601	-	(122,058)	1,254,543	127,825
Series 2011A	-	1,170,000	(90,000)	1,080,000	70,000
Total general obligation bonds	4,871,601	1,170,000	(3,707,058)	2,334,543	197,825
Certificate of obligation bonds:					
Series 2004	522,540	-	(522,540)	-	-
Series 2004B	890,000	-	(890,000)	-	-
Series 2006	135,000	-	(5,000)	130,000	5,000
Total certificate of obligation bonds	1,547,540	-	(1,417,540)	130,000	5,000
Premiums/discount, net	5,665	108,459	(8,101)	106,023	-
Compensated absences	39,270	46,860	(42,125)	44,005	44,005
Total municipal golf long-term debt	6,464,076	1,325,319	(5,174,824)	2,614,571	246,830
Storm water					
Compensated absences	13,523	26,490	(23,157)	16,856	16,856
Total business-type activities' long-term debt	$ 76,356,553	$ 13,581,239	$ (17,228,888)	$ 72,708,904	$ 4,543,242

(i) Water and Wastewater System Debt

On November 22, 2011 the City issued $11,020,000 in Water and Wastewater system Refunding and Improvement Bonds, Series 2011A, of which $3,630,000 was for the City's combined water and wastewater system and $7,390,000 was for a current refunding of prior issues.

The refunding bonds mentioned above were used to refund $7,590,000 of prior issued debt. As a result, the refunded bonds were defeased and the liability was removed from the City's financial records in fiscal year 2012. This current refunding was undertaken to reduce total debt service payments over the next thirteen years by approximately $580,656 and to obtain an economic gain of $541,384.

- <u>Defeased Debt Outstanding</u>

At September 30, 2012, all of the previously defeased debt has been paid off.

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, 2012, 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
2013	$ 3,845,000	$ 2,326,883	$ 6,171,883
2014	3,950,000	2,204,398	6,154,398
2015	4,000,000	2,074,627	6,074,627
2016	3,785,000	1,940,131	5,725,131
2017	4,010,000	1,802,525	5,812,525
2018	4,180,000	1,648,026	5,828,026
2019	4,355,000	1,480,713	5,835,713
2020	4,250,000	1,308,634	5,558,634
2021	4,435,000	1,131,633	5,566,633
2022	4,625,000	943,917	5,568,917
2023	4,290,000	759,759	5,049,759
2024	4,340,000	585,992	4,925,992
2025	3,805,000	416,237	4,221,237
2026	2,800,000	274,731	3,074,731
2027	2,525,000	160,448	2,685,448
2028	915,000	87,755	1,002,755
2029	955,000	49,534	1,004,534
2030	585,000	20,404	605,404
2031	275,000	5,500	280,500
Total	$ 61,925,000	$ 19,221,847	$ 81,146,847

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, 2012, compliance with this requirement can be demonstrated as follows:

Revenue (1)	$	58,701,075
Operating expense (excluding depreciation):		
Water purchased		10,951,192
Sewage disposal contract		11,581,458
Other		17,835,299
Total expense (2)		40,367,949
Available for debt service	$	18,333,126
Average annual principal and interest requirements, all water and wastewater revenue bonds at September 30, 2012	$	4,270,887
Coverage of average annual requirements based on September 30, 2012 revenue available for debt service		4.29

(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
2013	$ 197,825	$ 93,370	$ 291,195
2014	239,152	86,817	325,969
2015	251,200	79,014	330,214
2016	263,248	70,827	334,075
2017	276,257	62,192	338,449
2018	284,266	52,823	337,089
2019	297,595	34,680	332,275
2020	95,000	18,895	113,895
2021	100,000	14,520	114,520
2022	105,000	10,760	115,760
2023	110,000	6,800	116,800
2024	115,000	2,300	117,300
Total	$ 2,334,543	$ 532,998	$ 2,867,541

Certificate of Obligation Bonds:

Fiscal Year	Principal	Interest	Total
2013	$ 5,000	$ 5,538	$ 10,538
2014	5,000	5,262	10,262
2015	5,000	5,025	10,025
2016	10,000	4,725	14,725
2017	10,000	4,325	14,325
2018	10,000	3,919	13,919
2019	10,000	3,500	13,500
2020	10,000	3,075	13,075
2021	10,000	2,650	12,650
2022	10,000	2,219	12,219
2023	10,000	1,781	11,781
2024	10,000	1,344	11,344
2025	10,000	900	10,900
2026	15,000	337	15,337
Total	$ 130,000	$ 44,600	$ 174,600

(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:

Certificate of Obligation Bonds:

Fiscal Year	Principal	Interest	Total
2013	$ 115,000	$ 83,035	$ 198,035
2014	120,000	78,260	198,260
2015	125,000	72,973	197,973
2016	130,000	67,072	197,072
2017	140,000	60,660	200,660
2018	145,000	53,891	198,891
2019	150,000	46,979	196,979
2020	160,000	39,710	199,710
2021	170,000	31,830	201,830
2022	175,000	23,375	198,375
2023	185,000	14,375	199,375
2024	195,000	4,875	199,875
Total	$ 1,810,000	$ 577,035	$ 2,387,035

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

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

In December, 2003, the HFC issued Independent Senior Living Center Revenue Bonds for $13,890,000 to finance the construction and operations of its planned Senior Living Center facility. The bonds bear interest rates from 7.5% to 7.75% and are payable semi-annually with interest only through July 1, 2010. 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, 2011 follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Note payable	$ 2,339,585	$ -	$ (37,251)	$ 2,302,334	$ 48,158
Line of Credit	163,656	-	(24,844)	138,812	138,812
Revenue bonds	8,630,000	-	(140,000)	8,490,000	150,000
Subordinate bonds	4,550,000	-	-	4,550,000	-
Developer loan	1,087,663	45,552	-	1,133,215	-
Total	$ 16,770,904	$ 45,552	$ (202,095)	$ 16,614,361	$ 336,970

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
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	62,118	140,371	200,000	600,181
2017-2021	2,027,337	422,272	1,270,000	2,740,903
2022-2026	-	-	1,855,000	2,158,181
2027-2031	-	-	2,715,000	1,298,513
2032-2034	-	-	1,775,000	210,025
Total	$ 2,302,334	$ 1,159,717	$ 8,490,000	$ 9,542,591

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, 2011, outstanding conduit debt was as follows:

Bond Series	Original Issue Amount	Outstanding Amount
2001 Single-Family Mortgage Revenue Bonds	$ 14,160,000	$ -
2004B Single-Family Mortgage Revenue & Refunding Bonds	7,500,000	2,395,086
2003 Re-Offering Senior Living Center Priority	8,630,000	8,490,000
2003 Re-Offering Senior Living Center Subordinate	4,550,000	4,550,000
	Total	$ 15,435,086

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 $5,616,238 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 $9,608,854 as the remaining estimated capacity is filled. The City expects to close the landfill in year 2063. 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 pursuant to constraints imposed by the City Council Ordinance action. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end.
- Assigned – comprises amounts intended to be used by the government for specific purposes. The City Council has delegated responsibility to assign fund balances to the City Manager or his designee. Intent can be expressed by the governing body or

by an official or body to which the governing body delegates the authority. In governmental funds, other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

- Unassigned – the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

The City of Grand Prairie shall approve all commitments by the City Council Ordinance 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	$ 1,035	$ -	$ -	$ -	$ -	$ 98,473	$ 99,508
Spendable:							
Restricted for:							
Section 8	-	4,244,724	-	-	-	-	4,244,724
Street Improvements	-	-	18,569,139	-	-	-	18,569,139
Debt Service	-	-	-	7,578,472	-	-	7,578,472
Fire Capital	-	-	-	-	3,982,785	-	3,982,785
Park Venue	-	-	-	-	-	7,536,617	7,536,617
Senior Center	-	-	-	-	-	1,142,216	1,142,216
Hotel Motel	-	-	-	-	-	1,266,828	1,266,828
Police seizure	-	-	-	-	-	996,166	996,166
Tax Increment Financing	-	-	-	-	-	5,093,763	5,093,763
Lake/Parks	-	-	-	-	-	2,899,744	2,899,744
Baseball stadium	-	-	-	-	-	1,178,204	1,178,204
Streets	-	-	-	-	-	2,795,223	2,795,223
Crime fund operations	-	-	-	-	-	2,258,085	2,258,085
Cemetery	-	-	-	-	-	557,174	557,174
Grants	-	-	-	-	-	5,632,775	5,632,775
Other purposes	-	-	-	-	-	928,594	928,594
Other Special Revenue	-	-	-	-	-	2,434,961	2,434,961
Public Improvement Districts	-	-	-	-	-	1,130,610	1,130,610
Total Restricted	-	4,244,724	18,569,139	7,578,472	3,982,785	35,850,960	70,226,080
Committed to:							
Municipal Facilities	-	-	-	-	1,799,054	-	1,799,054
CAP Lending	-	-	-	-	8,328,351	-	8,328,351
Drainage Capital	-	-	-	-	7,032,700	-	7,032,700
Other Capital projects	-	-	-	-	8,202,923	-	8,202,923
Pool Investment	524,836	-	-	-	-	-	524,836
Cemetery	-	-	-	-	-	960,202	960,202
Economic Development	-	-	-	-	-	79,161	79,161
Total Committed	524,836	-	-	-	25,363,028	1,039,363	26,927,227
Assigned to:							
Encumbrances	214,449	-	-	-	-	-	214,449
Home Match Cash Fund	279,599	-	-	-	-	-	279,599
Employee Welfare	32,742	-	-	-	-	-	32,742
Library Memorials	17,934	-	-	-	-	-	17,934
At Risk Youths	34,720	-	-	-	-	-	34,720
Impact Grand Prairie	53	-	-	-	-	-	53
Anti Drug Program	12,924	-	-	-	-	-	12,924
Greg Hunter Scholarship	49,220	-	-	-	-	-	49,220
Police Memorials	6,984	-	-	-	-	-	6,984
Shattered Dreams	2,756	-	-	-	-	-	2,756
State Training (Police)	15,191	-	-	-	-	-	15,191
Animal Shelter Contributions	257,677	-	-	-	-	-	257,677
Parks Education Foundation	1,450	-	-	-	-	-	1,450
Westchester Park	12,740	-	-	-	-	-	12,740
Uptown Trust	99,613	-	-	-	-	-	99,613
First Offender Program	19,026	-	-	-	-	-	19,026
Kirby Creek Accessibility Garden	51,480	-	-	-	-	-	51,480
Take a Load Off Facility	199,043	-	-	-	-	-	199,043
US Marshals Service Agreement	89,043	-	-	-	-	-	89,043
Baseball Repair & Maintenance	40,000	-	-	-	-	-	40,000
Other projects	12,533	-	-	-	-	-	12,533
Total Assigned	1,449,177	-	-	-	-	-	1,449,177
Unassigned	25,938,708	-	-	-	-	-	25,938,708
Total fund balances:	$ 27,913,756	$ 4,244,724	$ 18,569,139	$ 7,578,472	$ 29,345,813	$ 36,988,796	$ 124,640,700

d. Interfund Transactions

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

1) Interfund Receivables/Payables

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

	Due from Other Funds	Due to Other Funds
General Fund	$ 200,000	$ -
CDBG Fund	-	100,000
Equipment Services Fund	-	100,000
	$ 200,000	$ 200,000

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

2) Interfund Transfers

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

	Transfers In				
	General Fund	Section 8	Street Improvements	Debt Service	Nonmajor Governmental Funds
Transfers out:					
General Fund	$ -	$ -	$ -	$ 4,790,337	$ 11,783,385
Section 8	-	-	-	50,000	-
Street Improvements	-	-	-	-	3,348,836
Debt Service	-	-	-	-	-
Nonmajor Governmental Funds	1,917,373	-	9,213,852	2,161,266	4,737,798
Internal Service Funds	-	-	-	-	-
Water/wastewater	-	-	-	-	2,560,366
Nonmajor Enterprise Funds	-	-	-	-	5,052,214
Total	$ 1,917,373	$ -	$ 9,213,852	$ 7,001,603	$ 27,482,599

	Transfers In				
	Water Wastewater	Municipal Golf	Solid Waste	Municipal Airport	Total
Transfers out:					
General Fund	$ -	$ -	$ -	$ -	$ 16,573,722
Section 8	-	-	-	-	50,000
Street Improvements	-	-	-	-	3,348,836
Debt Service	-	368,054	-	-	368,054
Nonmajor Governmental Funds	16,000	4,060,633	-	-	22,106,922
Internal Service Funds	-	-	-	-	-
Water/wastewater	-	-	-	-	2,560,366
Nonmajor Enterprise Funds	-	-	-	-	5,052,214
Total	$ 16,000	$ 4,428,687	$ -	$ -	$ 50,060,114

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.

3) Cost Reimbursements

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

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

Fund	Amount
Water and Wastewater Funds	$ 2,979,458
Solid Waste Funds	319,626
Section 8 Housing Grant Fund	158,918
Storm Water Funds	71,044
Airport Fund	53,818
Other Nonmajor Governmental Funds	358,390
Total to General Fund	$ 3,941,254

4) Franchise Fees

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

Fund	Amount
Water and Wastewater Funds	$ 2,193,337
Solid Waste Funds	311,793
Storm Water Funds	205,033
Total	$ 2,710,163

5) Payments in Lieu of Property Taxes

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

Fund	Amount
Water and Wastewater Funds	$ 1,195,941
Solid Waste Funds	80,513
Total	$ 1,276,454

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
2013	$ 1,597,200
2014	1,597,200
2015	1,597,200
2016	1,597,200
2017	1,716,990
Thereafter	17,838,591
	25,944,381
Less interest	10,942,106
Net present value	$ 15,002,275

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, 2012 was $3,624,884. 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, 2012 as follows:

Nominal interest on the lease	$ 1,563,300
Amortization of the lease	(359,529)
Net interest	1,203,771
Contingent rentals received (includes rent for simulcast facility prior to completion of project)	223,357
Total lease rental and interest	$ 1,427,128

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 ($202,785 per million gallons per day) would extend for five years. The maximum may be increased in future years as needed. Grand Prairie has two intake points for City of Dallas water with a contractual right obligating the City of Dallas to meet Grand Prairie’s needs. Existing pipelines will provide up to 55 million gallons per day.

e. Wastewater Treatment Contract

The City has a 50 year contract with TRA, which will expire in 2023, for wastewater treatment. The City is billed for its prorated share of total wastewater costs, which was 12.72% during fiscal year 2012. 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, 2012. The City's total committed but unexpended expenditures for such authorized capital projects at year-end approximates $38,294,864. Funding for these contracts will be received through various capital projects funds and enterprise funds.

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	$ 2,575,788
Capital assets	9,639,472
Total assets	12,215,260
Current liabilities	475,652
Long-term liabilities	1,712,934
Total liabilities	2,188,586
Net assets invested in capital assets, net of related debt	7,829,472
Unrestricted net assets	2,197,202
Total net assets	$ 10,026,674
Condensed statement of revenue, expense and changes in net assets:	
Sales to customers	$ 1,618,740
Intergovernmental revenue	346,940
Other revenue	1,082,867
Total operating revenue	3,048,547
Depreciation	472,133
Other operating expenses	2,076,211
Total operating expenses	2,548,344
Interest expense	(89,789)
Total nonoperating revenue (expense)	(89,789)
Income before transfers	410,414
Transfers out	(271,701)
Change in net assets	138,713
Net assets at the beginning of the year	9,887,961
Net assets at the end of the year	$ 10,026,674
Condensed statement of cash flows:	
Net cash provided (used) by:	
Operating activities	$ 1,092,652
Noncapital financing activities	(271,701)
Capital and related financing activities	(1,893,877)
Investing activities	491,649
Beginning cash and cash equivalent balances	1,203,485
Ending cash and cash equivalent balances	$ 622,208

6. SUBSEQUENT EVENTS

On October 16, 2012 the City Council issued:

- $495,000 in Water and Wastewater System Revenue Bonds, New Series 2012. The proceeds are to be used for construction and will remain in the Texas Water Development Board Clean Water State Revolving Fund (Tier III) until committed.
- $87,000 in the Loan Forgiveness Portion of the Water and Wastewater System Revenue Bonds, New Series 2012.

On December 11, 2012 the City Council issued:

- $8,755,000 in General Obligation Refunding Bonds, Series 2012. The proceeds are to be used to refund General Obligation and Combination Tax and Revenue Certificate of Obligation Bonds.

The City has evaluated all other events or transactions that occurred after September 30, 2012 up through February 28, 2013, the date the financial statements were available to be issued.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[Closing Date]

IN REGARD to the authorization and issuance of the "City of Grand Prairie, Texas, Sales Tax Revenue Refunding Bonds, Series 2013," dated April 1, 2013, in the principal amount of $11,060,000 (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, 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 dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings of the City in connection with the issuance of the Bonds, including the Ordinance, (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 and are payable solely from and equally and ratably secured by a lien on and pledge of the Pledged Revenues (as defined in the Ordinance) including receipts from a local sales and use tax,

except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the 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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