OFFICIAL STATEMENT

Dated November 1, 2011

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

NEW ISSUE - Book-Entry-Only

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

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

$11,020,000
CITY OF GRAND PRAIRIE, TEXAS
(Dallas, Tarrant and Ellis Counties)
WATER AND WASTEWATER SYSTEM REFUNDING AND IMPROVEMENT BONDS, NEW SERIES 2011A

Dated Date: November 1, 2011 **Due: January 15, as shown on page 2**

PAYMENT TERMS. . . Interest on the $11,020,000 City of Grand Prairie, Texas, Water and Wastewater System Refunding and Improvement Bonds, New Series 2011A (the "Bonds") will accrue from November 1, 2011 (the "Dated Date"), will be payable January 15 and July 15 of each year, until maturity or prior redemption, commencing January 15, 2012, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a stated maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are authorized and issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Vernon's Texas Codes Annotated ("V.T.C.A."), Government Code, Chapters 1207 and 1502, as amended, and an ordinance (the "Ordinance" or the "Bond Ordinance") passed by the City Council, and, together with the Outstanding Previously Issued Bonds (defined herein), are special obligations of the City of Grand Prairie, Texas (the "City"), payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the City's Water and Wastewater System (the "System"). **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - Authority for Issuance" and "THE BONDS – Security and Source of Payment").

PURPOSE. . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding System debt as shown on Schedule I (the "Refunded Obligations") hereto for a debt service savings, (ii) improve and extend the City's combined water and wastewater system and (iii) pay the costs associated with the issuance of the Bonds.

CUSIP PREFIX: 386168

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY. . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters 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"). Certain legal matters will be passed upon for the Underwriters by West & Associates, LLP, Dallas, Texas, Counsel for the Underwriters.

DELIVERY. . . It is expected that the Bonds will be available for delivery through DTC on November 22, 2011.

STIFEL, NICOLAUS & COMPANY, INCORPORATED

COASTAL SECURITIES **STEPHENS, INC.**

MATURITY SCHEDULE

CUSIP Prefix: 386168[1]

Principal Amount	Maturity 15-Jan	Interest Rate	Initial Yield	CUSIP Suffix[1]
$ 580,000	2013	2.000%	0.600%	RY6
885,000	2014	2.000%	0.875%	RZ3
915,000	2015	3.000%	1.200%	SA7
585,000	2016	3.000%	1.520%	SB5
685,000	2017	3.000%	1.800%	SC3
715,000	2018	5.000%	2.125%	SD1
750,000	2019	4.000%	2.430%	SE9
780,000	2020	4.000%	2.710% [2]	SF6
815,000	2021	4.000%	2.930% [2]	SG4
840,000	2022	4.000%	3.125% [2]	SH2
875,000	2023	3.150%	3.300%	SJ8
895,000	2024	3.300%	3.460%	SK5
215,000	2025	3.500%	3.600%	SL3
225,000	2026	3.600%	3.720%	SM1
235,000	2027	3.700%	3.830%	SN9
240,000	2028	3.800%	3.930%	SP4
250,000	2029	4.000%	4.030%	SQ2
260,000	2030	4.000%	4.100%	SR0
275,000	2031	4.000%	4.150%	SS8

(Accrued Interest from November 1, 2011 to be added)

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

(2) Yield shown is yield to first call date, January 15, 2019.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after January 15, 2020, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on January 15, 2019, 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").

No dealer, broker, salesman or other person has been authorized by the City or the Underwriters 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 Underwriters.

The information set forth or included in this Official Statement has been provided by the City and from other sources believed by the City to be reliable. While the Underwriters have performed a review sufficient to form a reasonable basis for their belief in the accuracy and completeness of the key representations of the City contained in this Official Statement, the Underwriters do not guarantee the accuracy or completeness of the Official Statement. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City 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. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have 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 Underwriters do not guarantee the accuracy or completeness of such information.

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

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE 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.

NEITHER THE CITY, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS 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 PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Grand Prairie (the "City") 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 the City").

THE BONDS .... The $11,020,000 City of Grand Prairie, Texas Water and Wastewater System Refunding and Improvement Bonds, New Series 2011A (the "Bonds") are issued as serial bonds maturing on January 15 in each of the years 2013 through 2031 (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from November 1, 2011 (the "Dated Date"), and is payable January 15, 2012, and each January 15 and July 15 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds").

AUTHORITY FOR ISSUANCE.......... The Bonds are authorized and issued pursuant to the Constitution and general laws of the State, particularly V.T.C.A., Government Code, Chapters 1207 and 1502, as amended, and an ordinance passed by the City Council of the City (the "Ordinance") (see "THE BONDS - Authority for Issuance").

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS .... The Bonds constitute special obligations of the City, and, together with the Outstanding Previously Issued Bonds, are payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the City's Water and Wastewater System (the "System"). **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (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 January 15, 2020, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on January 15, 2019 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 – Tax Exemption" herein including the alternative minimum tax on corporations.

USE OF PROCEEDS……………… Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding System debt as shown on Schedule I hereto for a debt service savings, (ii) improve and extend the City's combined water and wastewater system, and (iii) pay the costs associated with the issuance of the Bonds.

RATINGS .... The Bonds have been rated "AAA" stable outlook by Standard and Poor's Ratings Services, a Standard and Poor's Financial Services LLC business ("S&P") and "AA+" stable outlook by Fitch Ratings ("Fitch") (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 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").

PAYMENT RECORD .... The City has never defaulted on payments of its revenue debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 30-Sep	Estimated City Population	Water Usage (1) Average Day Usage	Peak Day Usage	Total Usage	Net Available For Debt Service	Average Annual Debt Service Requirements	Coverage of Debt
2007	161,550	24,265,000	39,724,685	8,856,943,000	$ 17,630,177	$ 3,622,420	4.87
2008	166,650	25,635,000	44,151,814	9,356,809,823	15,682,411	4,660,286	3.37
2009	168,500	25,450,905	43,362,871	9,289,580,390	14,778,092	4,560,938	3.24
2010	175,396	22,893,436	40,412,439	8,356,104,040	15,438,894	4,534,360	3.40

(1) Source: City Staff.

For additional information regarding the City, please contact:

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

or

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

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

	Length of Service	Term Expires	Occupation
Charles England Mayor - At Large	19 Years	May 2013	Agent, State Farm Insurance
Mark Hepworth Place 1 - District 1	4 Years	May 2014	Managing Partner, S&P Investors, Inc.
Jim Swafford Place 2 - District 2 Mayor Pro-Tem	13 Years	May 2013	Retired Bank President
Bill Thorn Place 3 - District 3	6 Years	May 2014	Real Estate Broker
Richard Fregoe Place 4 - District 4	17 Years	May 2013	Retired Senior Executive U.S. Army/Air Force Exchange Service
Tony Shotwell Place 5 - District 5	16 Years	May 2012	Machinery Programmer, Rheaco, Inc
Ron Jensen Place 6 - District 6	9 Years	May 2012	President - Control Products Corporation
Ruthe Jackson Place 7 - At Large Deputy Mayor Pro-Tem	18 Years	May 2014	Co-owner, Jackson Vending Supply
Greg Giessner Place 8 - At Large	3 Years	May 2012	Agent, Farmers Insurance

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service In Grand Prairie	Total Municipal Government Experience
Tom Hart	City Manager	12 Years	36 Years
Anna Doll	Deputy City Manager	28 Years	29 Years
Tom Cox	Deputy City Manager	10 Years	20 Years
Andrew White	Assistant to City Manager	7 Years	11 Years
Don Postell	City Attorney	13 Years	26 Years
Cathy Dimaggio	City Secretary	11 Years	24 Years
Diana Ortiz, RTA	Chief Financial Officer	5 Years	25 Years
Kathleen Mercer	Budget Director	11 Years	13 Years
Ron McCuller	Public Works Director	14 Years	38 Years
Cathy Patrick, CPA, CIA	Internal Auditor	13 Years	18 Years
Tannie Camarata, CTP	Cash/Debt Manager	21 Years	21 Years
Li Jen Lee, CPA, CIA	Controller	4 Years	23 Years

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

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

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

Financial Advisor.. First Southwest Company
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$11,020,000
CITY OF GRAND PRAIRIE, TEXAS
WATER AND WASTEWATER SYSTEM REFUNDING AND IMPROVEMENT BONDS, NEW SERIES 2011A

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $11,020,000 City of Grand Prairie, Texas, Water and Wastewater System Refunding and Improvement Bonds, New Series 2011A (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted on the date of sale of the Bonds which authorizes the issuance of the Bonds (the "Ordinance"), except as otherwise indicated herein (see "SELECTED PROVISIONS OF THE BOND ORDINANCE").

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

DESCRIPTION OF THE CITY. . . The City is a political subdivision and 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 (the "City Council") who are elected for staggered three-year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), 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 1990 Census population for the City was 99,616, while the 2000 Census population was 127,427. The population as of January, 2011 was 175,960. The City covers approximately 80 square miles.

PLAN OF FINANCING

PURPOSE… Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding Water and Wastewater System debt as shown on Schedule I hereto for a debt service savings, (ii) improve and extend the City's combined water and wastewater system, and (iii) pay the costs associated with the issuance of the Bonds.

REFUNDED OBLIGATIONS. . . The principal and interest due on the Refunded Obligations are to be paid on the redemption date of such Refunded Obligations, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent"). The Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters and other available funds of the City, the City will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on the redemption date. Such funds will be held uninvested by the Escrow Agent in a special escrow account (the "Escrow Fund"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

The Escrow Agent, as paying agent for the Refunded Obligations, will certify at the time of delivery of the Bonds that the funds deposited to the Escrow Fund are sufficient to pay, on the date of redemption, the principal of and interest due on the Refunded Obligations.

By the deposit of the of the proceeds from the sale of the Bonds and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of the Refunded Obligations in accordance with State law, and as a result of such defeasance, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Fund and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from System revenues nor for the purpose of applying any limitation on the issuance of debt.

In the Escrow Agreement, the City covenants to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

USE OF BOND PROCEEDS… Proceeds from the sale of the Bonds, together with other City funds, are expected to be expended as follows:

SOURCES OF FUNDS:	
Par Amount of Bonds	$ 11,020,000.00
Accrued Interest	22,163.02
Net Premium	469,745.10
Transfer from prior Debt Service Fund	107,625.90
TOTAL SOURCES	$ 11,619,534.02
USES OF FUNDS:	
Deposit to Escrow Fund	$ 7,751,455.00
Deposit to Project Fund	3,650,000.00
Costs of Issuance	125,000.00
Total Underwriters' Discount	69,480.86
Deposit to Debt Service Fund	23,598.16
TOTAL USES	$ 11,619,534.02

THE BONDS

DESCRIPTION OF THE BONDS. . . The Bonds are dated November 1, 2011 (the "Dated Date"), and mature on January 15 in each of the years and in the amounts shown on page 2 hereof, as provided in the Ordinance. Interest on the unpaid principal amounts of the Bonds accrues from the Dated Date, will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on January 15, 2012 and each January 15 and July 15 thereafter 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 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 authorized and issued pursuant to the Constitution and general laws of the State, particularly V.T.C.A., Government Code, Chapters 1207 and 1502, as amended, and the Ordinance passed by the City Council.

SECURITY AND SOURCE OF PAYMENT. . . The Bonds are special obligations of the City, and, together with the Outstanding Previously Issued Bonds (defined below), are payable, both as to principal and interest, from a lien on and pledge of the Net Revenues of the System after the payment of maintenance and operating expenses. Maintenance and operating expenses include contractual payments which under State laws and their provisions are established as operating expenses. The City has reserved the right to issue additional obligations (the "Additional Bonds") payable on a parity with the Bonds from a lien on and pledge of the Net Revenues in the manner and to the extent as provided in the Ordinance (see "SELECTED PROVISIONS OF THE BOND ORDINANCE"). The Bonds, the Previously Issued Bonds and any Additional Bonds are collectively referred to as the "Bonds Similarly Secured".

The Bonds are not a charge upon any other income or revenues of the City and **shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City**. The Ordinance does not create a lien or mortgage on the System, except the Net Revenues, and any judgment against the City may not be enforced by levy and execution against any property owned by the City.

RESERVE FUND…In the Ordinance, the City covenants to maintain a Reserve Fund for the purposes of (i) finally retiring the last of the Bonds Similarly Secured and (ii) paying principal of and interest on the Bonds Similarly Secured in the event moneys on hand in the Interest and Sinking Fund are insufficient for such purpose. All funds deposited in the Reserve Fund excluding earnings and income derived or received from deposits or investments which may be transferred to the Revenue Fund (defined below) during such periods as there is on deposit in the Reserve Fund the Required Reserve (defined below) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured (whether at maturity, upon a mandatory redemption date or any interest payment date) when other funds available for such purposes are insufficient. In addition, during such time as the Reserve Fund contains the total Required Reserve, the City may, at its option, withdraw all surplus in the Reserve Fund resulting from the investment of the Required Reserve and deposit such investment earnings in the Revenue Fund; provided, however, that to the extent the investment earnings are derived from proceeds of bonds used to fund all or a portion of the Required Reserve, such investment earnings may only be used for the same purposes for which said bond proceeds may be used.

The City has agreed to accumulate and, when accumulated, continuously maintain in the Reserve Fund an amount equal to the lesser of (i) the average annual debt service (calculated on a Fiscal Year basis) for all Bonds Similarly Secured then Outstanding, as determined on the date each series of Additional Bonds are delivered or incurred, as the case may be, or (ii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to Subsection (d) of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder (the "Required Reserve").

In accordance with the provisions of the ordinances authorizing the issuance of the Previously Issued Bonds, the Required Reserve is $4,201,281.21 (the "Current Reserve"), all of which amount is currently on deposit in the Reserve Fund. By reason of the issuance of the Bonds, the Required Reserve will be $4,368,286.72. Following the delivery of the Bonds, appropriate City officials will cause monthly deposits to be made to the Reserve Fund on or before the first (1st) day of each month (beginning December 1, 2011) from Net Revenues of the System in an amount equal to one-sixtieth (1/60th) of the additional amount required to be maintained in the Reserve Fund until the total Required Reserve is fully funded.

For more detailed information on the Reserve Fund, see "SELECTED PROVISIONS OF THE BOND ORDINANCE."

PLEDGED REVENUES. . . All of the Net Revenues of the System with the exception of those in excess of the amounts required to establish and maintain the Reserve Fund and Interest and Sinking Fund are irrevocably pledged for the payment of the Bonds Similarly Secured and interest thereon. The Bonds Similarly Secured are equally and ratably secured by a lien on and pledge of the Net Revenues of the System (see "SELECTED PROVISIONS OF THE BOND ORDINANCE").

FLOW OF FUNDS… There has been created and established and shall be maintained on the books of the City, and accounted for separate and apart from all other funds of the City, a special fund entitled the "City of Grand Prairie, Texas, Water and Wastewater System Revenue Fund" (the "Revenue Fund"). All revenues of the System shall be credited to the Revenue Fund immediately upon receipt and revenues deposited to said Revenue Fund shall be pledged and appropriated to the following uses and in the priority shown below:

First: To the payment of all necessary and reasonable maintenance and operation expenses of the System as said expenses are defined by law;

Second: To the payment, equally and ratably, of the amounts required to be deposited in the Interest and Sinking Fund created and established for the payment of principal of and interest on the Bonds Similarly Secured as the same becomes due and payable;

Third: To the payment of the amounts required to be deposited in the Reserve Fund created and to be maintained for the benefit and security of the Bonds Similarly Secured in accordance with the provisions of the Ordinance or any other ordinance relating to the issuance of Bonds Similarly Secured;

Fourth: To the payment of any other indebtedness payable from and secured, in whole or in part, by a lien on and claim against the Net Revenues of the System; and

Fifth: Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provisions for the payment thereof, may be appropriated and used for any other purpose now or hereafter permitted by law.

See "SELECTED PROVISIONS OF THE ORDINANCE - Revenue Fund".

ADDITIONAL BONDS…In addition to the right to issue bonds of inferior lien as authorized by law, the City reserves the right to issue Additional Bonds, for the purpose of improving, extending, equipping and repairing the System and for the purpose of refunding in any lawful manner, any part or all of the Bonds Similarly Secured or other obligations of the City eligible to be refunded under the laws of the State of Texas as such laws now or hereafter may exist. The Additional Bonds shall be secured by and payable from a lien on and pledge of the Net Revenues in the same manner and to the same extent as any then Outstanding Bonds Similarly Secured, and the Additional Bonds then proposed to be issued shall in all respects be on a parity and of equal dignity as to lien and right. Additional Bonds may be issued in one or more installments; provided, however, that none of the Additional Bonds shall be issued unless and until the following conditions have been met, to wit:

(i) The City is not then in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of the Outstanding Bonds Similarly Secured;

(ii) Each of the special Funds created for the payment and security of the Bonds Similarly Secured contains the amount of money then required to be on deposit therein;

(iii) The City has secured from a certified public accountant a certificate showing that the Net Earnings for either the completed Fiscal Year next preceding the date of the Additional Bonds or a consecutive twelve-month period out of the last fifteen months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis at the time of the issuance of Additional Bonds) of all Bonds Similarly Secured which will be Outstanding after the issuance of the proposed Additional Bonds. However, (A) should the certificate of the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and (B) a change in the rates and charges for services afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant's certificate, and (C) an independent engineer or engineering firm having a national reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings covered by the accountant's certificate would have been, in his or their opinion, equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis) of the Outstanding Bonds Similarly Secured after giving effect to the issuance of the Bonds, and Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph (iii) shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect;

(iv) The ordinance authorizing the Additional Bonds (A) requires that deposits shall be made into the Interest and Sinking Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due; and (B) provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be an amount equal to the Required Reserve for all Outstanding Bonds Similarly Secured theretofore issued and to be Outstanding after the issuance of said Additional Bonds; and

(v) The Additional Bonds are scheduled to mature only on January 15 or July 15 or both.

The term "Net Earnings", as used above, means all income, revenues and receipts derived from the operation or by reason of the ownership of the System, including grants, gifts, contributions in aid of construction (but excluding meter deposits), interest earned on invested moneys in the special Funds created therein for the payment and security of Bonds Similarly Secured, after deduction of maintenance and operation expenses but not deducting depreciation, and other expenditures which, under standard accounting practice, should be classified as capital expenditures. See "SELECTED PROVISIONS OF THE ORDINANCE - Additional Bonds"

RATES. . .The City has covenanted in the Ordinance that it will at all times charge and collect rates for services rendered by the System to (a) pay for all maintenance, operation, debt service, depreciation, replacement and betterment charges of the System; (b) pay the interest on and principal of the Bonds Similarly Secured and the amounts required to be deposited into the special Funds created and established for the payment and security of the Bonds Similarly Secured; (c) 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 Similarly Secured; and (d) pay all outstanding, legally incurred indebtedness against the System, as and when the same become due.

For more detailed information on the System rates and charges, see "SELECTED PROVISIONS OF THE BOND ORDINANCE".

OPTIONAL REDEMPTION OF THE BONDS. . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after January 15, 2020, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on January 15, 2019, 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. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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 the 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

BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE, PROVIDED THAT MONEYS FOR THE PAYMENT OF THE REDEMPTION PRICE AND THE INTEREST ACCRUED ON THE PRINCIPAL AMOUNT TO BE REDEEMED TO THE DATE OF REDEMPTION ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR.

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.

DEFEASANCE. . .The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or an authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, which have been certified by an independent accounting firm 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, for the Bonds. The Ordinance provides that "Government Securities" means (a) 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, (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 (see "SELECTED PROVISIONS OF THE BOND ORDINANCE").

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security 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. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, 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 owners of the Bonds in any manner not detrimental to the interests of such 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 in aggregate principal amount of the Bonds then outstanding, 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 Bonds, no such amendment, addition, or rescission may (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, the redemption price therefor, 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 for consent to any such amendment, addition or rescission.

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 other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the 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 Standard & Poor's a rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com 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.

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 Underwriters.

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 for the Bonds 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, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (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 prior 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 Bond certificates will be delivered to the Holders and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar, and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate designated amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to issue or transfer to an assignee of a Holder any Bond called for redemption, in whole or in part, within 45 days of the date fixed for the redemption of such Bond; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond called for redemption in part.

RECORD DATE FOR INTEREST PAYMENT. . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the fifteenth day of the preceding month.

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

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 Net 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.

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THE SYSTEM

WATER SYSTEM

The City's water supply is obtained from City-owned wells, from Dallas Water Utilities ("DWU") and from the City of Fort Worth. During the year ended September 30, 2010, approximately 0.10% of the supply came from the City's wells, 90.2% from DWU and 9.70% from Fort Worth.

The City has a renewable 30-year contact with the City of Dallas, which expires in 2039, for the purchase of water. The City may take up to any amount, but is currently committed to a minimum amount of 33.8 million gallons a day, and pays a fixed demand charge plus a variable charge. The demand charge is based on current maximum demand or the highest demand established during the five preceding years. Thus, if the City were to stop purchasing water from Dallas, its obligation to pay the demand charge ($187,263 per million gallons a day in 2010) would extend for five years. The maximum amount of water the City may take may be increased in future years as needed.

A contract with the city of Fort Worth, effective until the year 2031, provides the City with 2.5 million gallons per day for the balance of the term of the contract.

The amounts paid to outside agencies during the last five fiscal years are as follows:

Year Ended 9/30	Dallas Water Utilities Volume Charges	Dallas Water Utilities Demand Charges	City of Ft.Worth Volume Charges	Total Cost of Water Purchased
2006	$ 2,840,265	$ 5,378,568	$ 1,041,913	$ 9,260,746
2007	2,575,226	5,513,319	1,052,450	9,140,995
2008	2,785,551	5,458,801	1,063,445	9,307,797
2009	3,119,852	5,893,558	1,348,977	10,362,387
2010	2,883,426	6,083,691	1,133,008	10,100,125

The City operates wells in 11 locations, with a total pumping capacity of 9,194,115 gallons per day (GPD). In addition, the City operates 24 pumps in nine locations with a production capacity of 64,728,000 GPD. Storage capacity consists of 31.0 million gallons of elevated storage and 15.9 million gallons of ground and underground storage.

The water distribution system consists of approximately 648 miles of water lines and 5,600 fire hydrants. DWU provides two water distribution locations, the North Connection, with a maximum allotment of 20.0 million GPD, and the South Connection, with a maximum allotment of 50.0 million GPD.

FUTURE WATER SUPPLY

The City entered into a contract with the Trinity River Authority (the "TRA") and the cities of Cedar Hill and Duncanville to finance the construction of a water intake facility at the Joe Pool Lake. The project, now completed, is not treated as a joint venture by the City since the asset is owned and managed by TRA. TRA provides financing, management, and operations and the cities reimburse it for total costs as follows:

Grand Prairie	33.22%
Duncanville	19.22%
Cedar Hill	47.56%
Total	100.00%

According to the terms of a contract between the City and TRA, the City is entitled to 10.56% of the raw water yield of Joe Pool Lake, which is now filled. The reservoir will yield 15.1 million gallons of water a day. The City began paying in 1994 (because of use of water for Tangle Ridge Golf Course) for its prorated share of the project over a 50-year amortization period beginning ten years from the date the reservoir was full. It is estimated that the City's total liability will be approximately $7,032,000. The reservoir started filling with water in January 1986 and filled August 1989.

The City has also entered into a contract with TRA and the cities of Duncanville and Cedar Hill for the lease of a site for, and the eventual construction of, a water treatment plant at Joe Pool Lake. No construction on the plant is currently scheduled. The City's share of the plant will be 33.33%.

TABLE 1 – WATER AND WASTEWATER RATES

The City's policy provides for a 2.00 coverage ratio of all debt service requirements of the System, compared to a 1.25 coverage ratio for Bonds Similarly Secured, which is required by the Bond Ordinance. In addition, the policy states that the City will strive to maintain working capital at 25% of budgeted expenditures. It is the City's goal to set water and wastewater rates to achieve compliance with these policies.

Water Rates (Per 1,000 Gallons)	Previous (10/1/2010)	Present (10/1/2011) (1)
Classification		
Residential		
Per 1,000 gallons, total usage 3,000 gallons or less	$ 0.12	$ 0.12
Per 1,000 gallons, total usage more than 3,000 gallons, and up and including 20,000 gallons	2.93	3.16
Per 1,000 gallons, all quantities over 20,000 gallons	5.03	5.43
Commercial	2.94	3.18
Industrial	2.94	3.18
Governmental	2.64	2.86
Fire Hydrant	5.81	6.27
Minimum Monthly Charge (Based on Mater Size):		
5/8" or 3/4"	$ 10.26	$ 11.08
1"	13.19	14.25
1 1/4"	15.79	17.05
1 1/2"	17.13	18.50
2"	27.10	29.27
3"	84.05	90.77
4"	104.21	112.55
6"	156.22	168.72
8"	217.43	234.82
10"'	226.85	245.00
12"'	238.70	257.80
Wastewater Rates (Per 1,000 Gallons)		
Classification		
Residential	$ 2.87	$ 3.10
Commercial	3.48	3.76
Industrial	3.48	3.76
Governmental	3.07	3.32
Wastewater Minimum charges based on meter size		
5/8" or 3/4"	$ 9.35	$ 10.10
1"	10.13	10.94
1 1/4"	11.81	12.75
1 1/2"	12.31	13.29
2"	14.11	15.24
3"	20.89	22.56
4"	27.71	29.93
6"	43.01	46.45
8"	60.86	65.73
10"	77.90	84.13
12"	87.29	94.27

(1) Pending approval, subject to change.

Table 2 – AVERAGE DAILY WATER USAGE (Gallons)

Year Ended 9/30	Average Daily Usage	Maximum Day's Use	Total Pumped In
2006	27,042,651	48,148,912	9,870,567,600
2007	24,265,000	39,724,685	8,856,943,000
2008	25,635,000	44,151,814	9,356,809,823
2009	25,450,905	43,362,871	9,289,580,390
2010	22,893,436	40,412,439	8,356,104,040

WASTEWATER SYSTEM

The City does not operate any wastewater treatment facilities. The City operates its own collection system with 590 miles of sewer lines, which consists of gravity-flow sewer mains which collect in sub-mains, flow into lift stations, and pump into high elevation force mains and truck mains, which connects to TRA interceptors. The City operates and maintains one lift station with 3,000 gallons per minute (GPM) capacity which pumps into a 12” force main, two lift stations with 1,800 GPM total capacity which pump into a 6” force main and one lift station with 120 GPM capacity which pumps into a 2” force main and one lift station with 90 GPM which pumps to a TRA interceptor. All of the City’s wastewater is treated by TRA.

The City has a contract with TRA, which will expire in 2023, for wastewater treatment. The City is billed for its prorated share of TRA’s total wastewater treatment costs, which was 11.26% in 2009/2010. 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.

TABLE 3 – AVERAGE DAILY WASTEWATER FLOW (GALLONS)

Fiscal Year Ended 9/30	Average Daily Flow
2006	15,418,200
2007	15,787,038
2008	14,176,500
2009	15,090,031
2010	15,184,720

The amounts paid to TRA during the last five fiscal years are as follows:

Fiscal	Wastewater Treatment						
Year Ended 9/30	Operation and Maintenance	Debt Service	Subtotal	Joe Pool Intake	Joe Pool Corp of Engineers	Water Storage Tank	Total
2006	$3,267,251	$4,177,739	$7,444,990	$44,249	$380,806	$ -	$7,870,045
2007	3,150,985	4,009,898	7,646,021	13,782	271,575	-	7,650,629
2008	3,628,734	4,009,898	7,638,632	6,810	366,430	-	8,011,872
2009	3,687,602	4,849,504	8,537,106	6,450	370,440	-	8,913,996
2010	3,803,188	5,678,184	9,487,372	24,000	395,860	-	9,907,232

TABLE 4 – TEN LARGEST SYSTEM CUSTOMERS

	Fiscal Year Ended September 30, 2010			
	Total	Amount Billed		
Customers	Consumption (1)	Billed	Water	Wastewater
Bell Helicopter	92,711	$ 502,007	$ 252,734	$ 249,273
North Texas Healthcare Laundry	59,994	321,718	162,515	159,203
Apple Residential Investment	56,140	419,983	287,886	132,097
Lockheed-Martin	48,700	273,307	135,232	138,075
Poly America	41,080	212,559	113,753	98,805
KMB Produce	35,374	187,831	96,715	91,116
Lone Star Park at Grand Prairie	30,631	179,660	94,034	85,627
Manor Redevelopment	29,437	241,176	151,612	89,564
Mountain Creek	28,985	243,349	157,108	86,242
Amerisouth VI, LTD	27,869	228,593	153,038	75,555
Totals	450,921	$ 2,810,183	$ 1,604,627	$ 1,205,557

(1) In 1,000 gallons.

TABLE 5 – WATER AND WASTEWATER CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Revenues (1)					
Sales to Customers	$ 27,286,204	$ 27,499,827	$ 24,727,528	$ 21,870,559	$ 25,037,377
Wastewater Charges to Customers	17,212,075	16,464,165	15,385,150	14,693,772	14,105,857
Water Surcharge/Monitoring	601,095	594,851	589,489	556,724	640,335
Impact Fees	1,174,693	1,073,689	2,250,784	3,825,610	2,045,256
Other	1,670,055	2,902,368	4,683,852	5,999,761	4,024,613
Total Revenues	$ 47,944,122	$ 48,534,900	$ 47,636,803	$ 46,946,426	$ 45,853,438
Expenses (2)					
Salaries & Personnel Benefits	$ 5,924,300	$ 5,810,814	$ 5,741,064	$ 5,209,578	$ 4,753,053
Professional Services	4,423,934	3,748,373	4,451,387	3,431,158	4,651,788
Franchise Fees	1,770,765	1,784,329	1,594,601	1,411,067	1,604,168
Water Purchase	10,209,116	10,456,160	9,214,660	9,218,766	9,260,747
Wastewater Treatment	9,576,287	8,260,418	8,359,440	7,524,675	7,444,990
Other (3)	4,136,047	3,696,714	2,593,240	2,521,005	2,704,795
Total Expenses	$ 36,040,449	$ 33,756,808	$ 31,954,392	$ 29,316,249	$ 30,419,541
Available for Debt Service	$ 11,903,673	$ 14,778,092	$ 15,682,411	$ 17,630,177	$ 15,433,897

(1) Includes operating and non-operating revenue.
(2) Excludes depreciation and debt service expense.
(3) Includes payments with respect to TRA Water Contract Bonds secured by surplus revenues and, if needed, by and ad valorem tax.

TABLE 6 - COVERAGE AND FUND BALANCES

Average Annual Principal and Interest Requirements, all Water and Wastewater System Revenue Bonds, Fiscal Year Ended 9/30/2012	$ 4,368,287
Coverage of Average Annual Requirements based on 9/30/2010 Revenue Available for Debt Service	2.73x
Total Principal and Interest Requirements of all debt obligations paid from Water and Wastewater Treatment Fund (Water and Wastewater System Revenue Bond, Contract and Tax Obligations issued for System Improvements), Fiscal Year Ended 9/30/2012	$ 6,218,888
Coverage of Total Requirements based on 9/30/2010 Revenue Available for Debt Service	1.91x

Note: There are some differences between the way revenue and expenses are reported for coverage calculation purposes and GAAP. Therefore, the revenue and expense amounts listed above are not in compliance with GAAP, but are in compliance with bond ordinance requirements for coverage calculation purposes. These differences include:

1. Depreciation is considered an operating expense for financial reporting purposes but not for coverage calculation purposes.
2. Non-operating revenues are included in other revenues.

TABLE 7 - VALUE OF THE SYSTEM

	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Water and Sewer System	$238,422,344	$ 226,700,877	$ 210,058,015	$ 206,451,913	$ 193,638,407
Building and Equipment	19,099,178	18,505,746	17,522,640	16,537,816	15,456,720
Land	1,395,750	851,686	804,555	751,089	751,089
Total Value	$258,917,272	$ 246,058,309	$ 228,385,210	$ 223,740,818	$ 209,846,216
Less: Accumulated Depreciation	117,990,043	107,860,082	98,258,593	89,178,572	80,576,753
	$140,927,229	$ 138,198,227	$ 130,126,617	$ 134,562,246	$ 129,269,463
Plus: Construction in Progress	37,571,886	39,328,522	43,217,167	33,486,986	27,250,862
Net Property, Plant and Equipment	$178,499,115	$ 177,526,749	$ 173,343,784	$ 168,049,232	$ 156,520,325

TABLE 8 – CITY'S EQUITY IN SYSTEM

	Fiscal Year Ended September 30,				
	2010	2009	2008	2007	2006
Net Property, Plant and Equipment	$ 178,499,115	$ 177,526,749	$ 173,343,784	$ 168,049,232	$ 156,520,325
Cash and Investments	60,585,286	58,798,046	55,517,060	41,359,531	42,450,284
Other Assets	5,289,564	5,852,959	4,505,243	4,363,484	3,840,437
Total Assets	$ 244,373,965	$ 242,177,754	$ 233,366,087	$ 213,772,247	$ 202,811,046
Revenue Bonds Payable	$ 66,871,956	$ 65,798,205	$ 64,499,324	$ 52,420,005	$ 48,376,291
General Obligation Bonds Payable	-	-	-	28,600	56,056
Other Liabilities	6,243,348	6,932,599	6,684,256	5,322,138	8,745,521
Total Liabilities	$ 73,115,304	$ 72,730,804	$ 71,183,580	$ 57,770,743	$ 57,177,868
City's Equity in System	$ 171,258,661	$ 169,446,950	$ 162,182,507	$ 156,001,504	$ 145,633,178
Percent Equity in System	70.08%	69.97%	69.50%	72.98%	71.81%

DEBT INFORMATION

TABLE 9 – PRO-FORMA DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service[1]			The Bonds			Total Water & Wastewater System Debt Service	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total D/S		
2012	$ 3,880,000	$ 2,070,821	$ 5,950,821	$ -	$ 268,067	$ 268,067	$ 6,218,888	
2013	3,265,000	1,952,746	5,217,746	580,000	374,138	954,138	6,171,883	
2014	3,065,000	1,844,910	4,909,910	885,000	359,488	1,244,488	6,154,398	
2015	3,085,000	1,737,715	4,822,715	915,000	336,913	1,251,913	6,074,627	
2016	3,200,000	1,625,719	4,825,719	585,000	314,413	899,413	5,725,131	29.57%
2017	3,325,000	1,507,162	4,832,162	685,000	295,363	980,363	5,812,524	
2018	3,465,000	1,380,814	4,845,814	715,000	267,213	982,213	5,828,026	
2019	3,605,000	1,245,376	4,850,376	750,000	234,338	984,338	5,834,713	
2020	3,470,000	1,104,896	4,574,896	780,000	203,738	983,738	5,558,634	
2021	3,620,000	959,795	4,579,795	815,000	171,838	986,838	5,566,633	61.83%
2022	3,785,000	805,179	4,590,179	840,000	138,738	978,738	5,568,917	
2023	3,415,000	652,602	4,067,602	875,000	108,156	983,156	5,050,759	
2024	3,445,000	506,385	3,951,385	895,000	79,608	974,608	4,925,992	
2025	3,590,000	355,160	3,945,160	215,000	61,078	276,078	4,221,237	
2026	2,575,000	221,466	2,796,466	225,000	53,265	278,265	3,074,731	92.01%
2027	2,290,000	115,580	2,405,580	235,000	44,868	279,868	2,685,448	
2028	675,000	51,795	726,795	240,000	35,960	275,960	1,002,755	
2029	705,000	23,134	728,134	250,000	26,400	276,400	1,004,534	
2030	325,000	4,204	329,204	260,000	16,200	276,200	605,404	
2031	-	-	-	275,000	5,500	280,500	280,500	100.00%
	$ 54,785,000	$ 18,165,459	$ 72,950,459	$ 11,020,000	$ 3,395,276	$ 14,415,276	$ 87,365,734	

(1) Excludes the Refunded Obligations.

TABLE 10 – AUTHORIZED REVENUE BONDS

None.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (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 of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended (the "PFIA")) (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or (ii) that are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the PFIA; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) 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 an equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or an equivalent by either (a) two nationally recognized credit rating agencies or (b) 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, (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio 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, (12) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or 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.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

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

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

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity 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 has designated the Chief Financial Officer as the City's investment officer. The Chief Financial Officer is responsible for the City's comprehensive cash management program, including the administration of the City's investment policies. The Chief Financial Officer is responsible for considering the quality and capability of staff involved in investment management and procedures. The Chief Financial Officer 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, Chief Financial Officer, and Deputy City Manager shall meet as frequently as necessary to review the City's investment portfolio. The Committee shall also meet as necessary to add or delete a financial institution or broker/dealer from the list of institutions with which the City may do business or to conduct other business. The committee shall also meet to review prospectuses, financial statements and other performance data on money market mutual funds and shall formulate recommendations on the advisability of investing in specific funds for the consideration of the City Council.

Any three of the five Investment Committee members constitute a quorum. The cash 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 by at least two nationally recognized credit rating agencies, of at least A or its equivalent.

4. Public Funds Investment Pool consisting of the above securities plus the following securities created under the Interlocal Cooperation Act which has entered into a contract approved (by resolution) by the City Council to provide investment services to the city.

    a. Commercial paper with a stated maturity of 90 days or less from the date of its issuance that either:

is rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies, or

is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof.

b. Prime domestic bankers' acceptances meaning a bankers' acceptance with a stated maturity of 270 days or less from the date of its issuance that will be, in accordance with its terms, liquidated in full at maturity, that is eligible for collateral for borrowing from a Federal Reserve Bank, and that is accepted by a bank organized and existing under the laws of the United States or any state the short-term obligation of which (or of a bank holding company of which the bank is the largest subsidiary) is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency.

5. An SEC-registered, no-load money market mutual fund approved (by resolution) by the City Council with a dollar-weighted average portfolio maturity of 90 days or less whose assets consist exclusively of the obligations that are described in section 1-3 plus 4a and 4b and whose investment objectives include seeking to maintain a stable net asset value of $1 per share. By State law, the City is not authorized to invest in the aggregate more than 80% of its monthly average fund balance, excluding bond proceeds, in money market mutual funds described in this subsection or to invest its funds or funds under its control, excluding bond proceeds, in any one money market mutual fund in an amount that exceeds 20% of the total assets of the money market mutual funds.

6. Collateralized or insured certificates of deposit and other evidences of deposit at federally insured banks in the State.

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

B. Diversification

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

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

The asset mix requirements are as follows:

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

* Total Agency investments limited to no more than 100% of the total portfolio.
** Limited by State law to 80% of monthly average fund balance, excluding bond proceeds.

C. Qualifying Institutions

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

D. Collateral Securities for Certificates of Deposit and Demand Accounts

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

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

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

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

TABLE 11 – CURRENT INVESTMENTS

As of September 30, 2011, the following percentages of the City's investable funds were invested in the following categories of investments:

Type of Investment	Percentage	Total Cost
Local Government Pool and Money Market Funds	47.15%	$ 112,190,094
Federal Agency and Instrumentality Notes	52.85%	125,734,599
	100.00%	$ 237,924,693

SELECTED PROVISIONS OF THE BOND ORDINANCE

Section 10. Definitions. For 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:

(a) The term "Additional Bonds" shall mean the additional parity revenue bonds which the City reserves the right to issue in this Ordinance.

(b) The term "Bonds" shall mean the water and wastewater system revenue refunding and improvement bonds authorized by this Ordinance and designated as "City of Grand Prairie, Texas, Water and Wastewater System Refunding and Improvement Bonds, New Series 2011A."

(c) The term "Bonds Similarly Secured" means the Bonds, the Previously Issued Bonds and Additional Bonds.

(d) The term "Fiscal Year" shall mean the twelve months' period ending September 30 of each year, unless otherwise designated by the City.

(e) The term "Net Revenues" means all income, revenues and receipts of every nature derived from and received by virtue of the operation of the System (including interest income and earnings received from the investment of moneys in the special Funds created by or maintained under this Ordinance) after deducting and paying, and making provisions for the payment of, current expenses of maintenance and operation thereof, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such expenses for repairs and extensions as in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the System in operation and to render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair any obligations payable from the Net Revenues of the System, shall be deducted in determining "Net Revenues." Contractual payments for the purchase of water or the treatment of sewage shall be a maintenance and operating expense of the System to the extent provided in the contract incurred therefor and as may be authorized by law. Depreciation shall never be considered as an expense of operation and maintenance.

(f) The term "Ordinance" means this Ordinance under which the Bonds are authorized.

(g) The terms "Outstanding" and "outstanding", when used in this Ordinance with respect to Bonds, Previously Issued Bonds or Additional Bonds means, as of the date of determination, all bonds theretofore issued and delivered, except:

(1) those bonds theretofore canceled by the paying agent/registrar or delivered to the paying agent/registrar for cancellation;

(2) those bonds for which payment has been duly provided by the City of the irrevocable deposit with the paying agent/registrar, or an authorized escrow agent, of money, or government securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to the ordinance authorizing such bonds or irrevocably provided to be given to the satisfaction of the paying agent/registrar, or waived;

(3) those bonds that have been mutilated, destroyed, lost or stolen and replacement bonds have been registered and delivered in lieu thereof as provided in the ordinance authorizing such bonds.

(h) The term "Previously Issued Bonds" means the Outstanding (i) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding and Improvement Bonds, New Series 2004" (a portion of which bonds are to be refunded by the Bonds), (ii) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2004A" (a portion of which bonds are to be refunded by the Bonds), (iii) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2005," (iv) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2005A," (v) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2006," (vi) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2006-A," (vii) "City of Grand Prairie Water and Wastewater System Revenue Bonds, New Series 2007," (viii) "City of Grand Prairie Water and Wastewater System Revenue Bonds, New Series 2008," (ix) "City of Grand Prairie Water and Wastewater System Revenue Bonds, New Series 2010," and (x) "City of Grand Prairie Water and Wastewater System Revenue Refunding Bonds, New Series 2011."

(i) The term "System" means the City's existing combined waterworks and sewer systems, including all properties (real, personal or mixed and tangible or intangible) owned, operated, maintained and vested in, the City for the supply, treatment and distribution of treated water for domestic, commercial, industrial and other uses and the collection and treatment of water-carried wastes, together with all future additions, extensions, replacements and improvements thereto.

Section 11. Pledge of Revenues. That the City hereby covenants and agrees that, under the terms and conditions of the ordinances and proceedings pertaining to their authorization, the Net Revenues of the System, with the exception of those in excess of the amounts required for the payment and security of the Bonds Similarly Secured, are hereby irrevocably pledged to the payment and security of the Bonds Similarly Secured, including the establishment and maintenance of the special funds created and established for the payment and security thereof, all as hereinafter provided, and it is hereby ordained that the Bonds Similarly Secured, and the interest thereon, shall constitute a lien on the Net Revenues of the System and be valid and binding without any filing or recording except for the filing of this Ordinance in the records of the City.

V.T.C.A., Government Code, Chapter 1208, as amended, applies to the issuance of the Bonds and the pledge of the revenues granted by the City under this Section of this Ordinance, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are Outstanding and unpaid such that the pledge of the revenues granted by the City under this Section of this Ordinance is to be subject to the filing requirements of V.T.C.A., Business & Commerce Code, Chapter 9, as amended, then in order to preserve to the Holders of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of V.T.C.A., Business & Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

Section 12. Rates and Charges. For the benefit of the original purchasers as well as the ultimate owners of the Bonds and other Bonds Similarly Secured and in addition to all provisions and covenants in the law of the State of Texas and in this

Ordinance, it is expressly stipulated that the City shall, at all times while any of the Bonds Similarly Secured are outstanding and unpaid, maintain rates and collect charges for the facilities and services afforded by the System, as required by V.T.C.A., Government Code, Chapter 1502, as amended, which will provide revenues sufficient at all times to:

(a) pay for all maintenance, operation, debt service, depreciation, replacement and betterment charges of the System;

(b) pay the interest on and principal of the Bonds Similarly Secured and the amounts required to be deposited into the special Funds created and established for the payment and security of the Bonds Similarly Secured;

(c) 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 Similarly Secured; and

(d) pay all outstanding, legally incurred indebtedness against the System, as and when the same become due.

Section 13. Revenue Fund. The City again covenants that it will deposit, as collected, all revenues of every nature derived from the operation of the System into a separate account known as the "City of Grand Prairie, Texas, Water and Wastewater System Revenue Fund (herein called the "Revenue Fund") heretofore established which shall be kept separate and apart from all other funds of the City, and, further, that said Revenue Fund shall be pledged and appropriated to the following uses and in the order of precedence shown:

First: To the payment of all necessary and reasonable maintenance and operation expenses of the System as said expenses are defined by law;

Second: To the payment, equally and ratably, of the amounts required to be deposited in the Interest and Sinking Fund created and established for the payment of principal of and interest on the Bonds Similarly Secured as the same becomes due and payable;

Third: To the payment of the amounts required to be deposited in the Reserve Fund created and to be maintained for the benefit and security of the Bonds Similarly Secured in accordance with the provisions of this Ordinance or any other ordinance relating to the issuance of Bonds Similarly Secured;

Fourth: To the payment of any other indebtedness payable from and secured, in whole or in part, by a lien on and claim against the Net Revenues of the System; and

Fifth: Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provisions for the payment thereof, may be appropriated and used for any other purpose now or hereafter permitted by law.

Section 14. Interest and Sinking Fund. The following provisions shall govern the establishment, maintenance and use of the "City of Grand Prairie, Texas, New Series Water and Wastewater System Interest and Sinking Fund" (the "Interest and Sinking Fund"). The City covenants that from the funds in the Revenue Fund, the City shall pay into the Interest and Sinking Fund during each year in which any of the Bonds Similarly Secured are outstanding, an amount equal to one hundred percent (100%) of the amount required to meet the principal and interest payments falling due on or before the next interest payment, maturity or redemption date of the Bonds Similarly Secured, such payments to be made in substantially equal monthly installments. If the revenues of the System in any month, after deductions for maintenance and operation expenses, are then insufficient to make the required payments into the Interest and Sinking Fund, then the amount of any deficiency in the payment shall be added to the amount otherwise required to be paid into the Interest and Sinking Fund in the next month. All moneys paid into the Interest and Sinking Fund shall be deposited in the City's depository bank, and the Mayor, Mayor Pro Tem, City Manager, Chief Financial Officer or City Secretary, any one or more of said officials of the City, shall cause the depository bank, not later than any principal or interest payment date, to transfer the amount then to become due to the paying agent. Said moneys not invested shall be continuously secured by a valid pledge to the City of direct obligations of the United States of America having an aggregate market value, exclusive of accrued interest, at all times at least equal to such Interest and Sinking Fund, provided however, that as to the amount on deposit in said fund which is allocated to the Bonds Similarly Secured and not invested, the deposit may also be secured by a valid pledge of (a) general obligations (i) issued by the State of Texas, or any city, county, school district, or road district of such state which have been approved by the Attorney General of Texas and which have investment quality, according to a nationally recognized rating agency and (ii) which have a maturity of twenty (20) years or less, or (b) general or special obligations of the City of Grand Prairie which have been approved by the Attorney General of Texas, or (c) Government National Mortgage Association fully modified pass through mortgage certificates, having a market value at all times equal to such deposit, to the extent not covered by the Federal Deposit Insurance Corporation.

Section 15. Reserve Fund. The following provisions shall govern the establishment, maintenance and use of the "City of Grand Prairie, Texas, New Series Water and Wastewater System Reserve Fund" (the "Reserve Fund"). There shall continue to be established and maintained a Reserve Fund for the purposes of (i) finally retiring the last of the Bonds Similarly Secured and (ii) paying principal of and interest on the Bonds Similarly Secured in the event moneys on hand in the Interest and Sinking Fund are insufficient for such purpose.

The amount to be accumulated in the Reserve Fund shall equal to the average annual debt service requirements (calculated on a Fiscal Year basis) on all outstanding Bonds Similarly Secured (the "Required Reserve"). The Required Reserve shall be established and maintained with Net Revenues of the System or other lawfully available funds of the City, the proceeds of sale of Bonds Similarly Secured or by depositing to the credit of the Reserve Fund, to the extent permitted by law, one or more surety bonds or insurance policies issued by a company or institution having a rating in the highest rating category by two nationally recognized rating agencies or services, or any combination thereof. The City hereby covenants and agrees that the additional amount of the Required Reserve to be deposited in the Reserve Fund in connection with the issuance of the Bonds shall be funded by monthly installments from funds in the Revenue Fund in an amount of not less than 1/60th of the additional amount required to be maintained in said Fund and with the first payment to be made on or before December, 2011 and the subsequent payments to be made on or before the 1st day of each month thereafter.

As and when Additional Bonds are delivered or incurred, the Required Reserve shall be increased, if required, to an amount equal to the lesser of (i) the average annual debt service requirements calculated on a Fiscal Year basis for all Bonds Similarly Secured then Outstanding, as determined on the date each series of Additional Bonds is delivered or incurred, as the case may be, or (ii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to Subsection (d) of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated (i) by depositing to the credit of the Reserve Fund (immediately after the delivery of the then proposed Additional Bonds) cash or an additional surety bond or insurance policy or revised surety bond or revised insurance policy with coverage in an amount sufficient to provide for the new Required Reserve to be fully or partially funded, or (ii) at the option of the City, by making monthly deposits from funds in the Revenue Fund on or before the 1st day of each month following the month of delivery of the then proposed Additional Bonds, of not less than 1/60th of the additional amount to be maintained in said Fund by reason of the issuance of the Additional Bonds then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash or provided by a surety bond or insurance policy.)

When and so long as the cash and investments in the Reserve Fund and/or coverage afforded by a surety bond or insurance policy held for the account of the Reserve Fund total not less than the Required Reserve, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve (or so much thereof as shall then be required to be contained therein if Additional Bonds have been issued and the City has elected to accumulate all or a portion of the Required Reserve with Net Revenues), the City covenants and agrees to cause monthly deposits to be made to the Reserve Fund on or before the 1st day of each month (beginning the month next following the month the deficiency in the Required Reserve occurred by reason of a draw on the Reserve Fund or as a result of a reduction in the market value of investments held for the account of the Reserve Fund) from Net Revenues of the System in an amount equal to either (1) 1/60th of the Required Reserve until the total Required Reserve then required to be maintained in said Fund has been fully restored or (2) the amounts to pay principal of and interest on Bonds Similarly Secured held by an insurer, or evidenced by an instrument of assignment entitling an insurer to payment of principal of and interest on Bonds Similarly Secured, as a result of payments or draws made on a surety bond or insurance policy held for the account of the Reserve Fund and such payments will result in the principal of and/or interest on such Bonds Similarly Secured to be paid, as well as the restoration and replenishment of the surety bond or insurance policy coverage representing all or a portion of the Required Reserve. The City further covenants and agrees that, subject only to the payments to be made to the Interest and Sinking Fund, the Net Revenues of the System shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amounts as required by the terms of this Ordinance and any other ordinance pertaining to the issuance of Additional Bonds.

During such time as the Reserve Fund contains the total Required Reserve, the City may, at its option, withdraw all surplus in the Reserve Fund resulting from the investment of the Required Reserve and deposit such investment earnings in the Revenue Fund; provided, however, that to the extent the investment earnings are derived from proceeds of bonds used to fund all or a portion of the Required Reserve such investment earnings may only be used for the same purposes for which said bond proceeds may be used.

Section 16. Investment of Certain Funds. The Interest and Sinking Fund may be invested in investments authorized by the Public Funds Investment Act, V.T.C.A., Government Code, Chapter 2256, as amended, and the City's investment policy. All moneys resulting from the investment of said fund shall be transferred to the Revenue Fund as received.

The Reserve Fund may be invested or reinvested from time to time in investments authorized by the Public Funds Investment Act, V.T.C.A., Government Code, Chapter 2256, as amended, and the City's investment policy. All moneys resulting from the investment of the Reserve Fund shall be transferred to the Revenue Fund as the same are received.

Section 17. <u>Further Covenants</u>. The City further covenants and agrees by and through this Ordinance as follows:

(a) That the Bonds shall be special obligations of the City, and the registered owners thereof shall never have the right to demand payment out of any funds raised or to be raised by taxation.

(b) That it has the lawful power to pledge the revenues supporting the Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas, and that the Bonds issued under this Ordinance shall be ratably secured in such manner that no one Bond shall have preference over any other Bond or Bonds or Bonds Similarly Secured.

(c) That other than for the payment of the Bonds and the Previously Issued Bonds, the Net Revenues have not been in any manner pledged to the payment of any debt or obligation of the City or the System, other than debt or obligations which have a lien on or pledge of the Net Revenues subordinate to the lien on and pledge of such Net Revenues to the Bonds Similarly Secured.

Section 18. <u>Issuance of Additional Bonds</u>.

(a) That, in addition to the right to issue bonds of inferior lien as authorized by law, the City reserves the right to issue Additional Bonds, for the purpose of improving, extending, equipping and repairing the System and for the purpose of refunding in any lawful manner, any part or all of the Bonds Similarly Secured or other obligations of the City eligible to be refunded under the laws of the State of Texas as such laws now or hereafter may exist. The Additional Bonds shall be secured by and payable from a lien on and pledge of the Net Revenues in the same manner and to the same extent as any then Outstanding Bonds Similarly Secured, and the Additional Bonds then proposed to be issued shall in all respects be on a parity and of equal dignity as to lien and right. Additional Bonds may be issued in one or more installments; provided, however, that none of the Additional Bonds shall be issued unless and until the following conditions have been met, to wit:

(i) The City is not then in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of the Outstanding Bonds Similarly Secured;

(ii) Each of the special Funds created for the payment and security of the Bonds Similarly Secured contains the amount of money then required to be on deposit therein;

(iii) The City has secured from a certified public accountant a certificate showing that the Net Earnings for either the completed Fiscal Year next preceding the date of the Additional Bonds or a consecutive twelve-month period out of the last fifteen months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis at the time of the issuance of Additional Bonds) of all Bonds Similarly Secured which will be Outstanding after the issuance of the proposed Additional Bonds. However, (A) should the certificate of the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and (B) a change in the rates and charges for services afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant's certificate, and (C) an independent engineer or engineering firm having a national reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings covered by the accountant's certificate would have been, in his or their opinion, equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis) of the Outstanding Bonds Similarly Secured after giving effect to the issuance of the Bonds, and Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph (iii) shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect;

(iv) The ordinance authorizing the Additional Bonds (A) requires that deposits shall be made into the Interest and Sinking Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due; and (B) provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be an amount equal to the Required Reserve for all Outstanding Bonds Similarly Secured theretofore issued and to be Outstanding after the issuance of said Additional Bonds; and

(v) The Additional Bonds are scheduled to mature only on January 15 or July 15 or both.

(b) The term "Net Earnings," as used in this Ordinance shall mean all income, revenues, and receipts derived from the operation or by reason of the ownership of the System, including grants, gifts, contributions in aid of construction (but excluding meter deposits), interest earned on invested moneys in the special Funds created therein for the payment and security of Bonds Similarly Secured, after deduction of maintenance and operation expenses but not deducting depreciation, and other expenditures which, under standard accounting practice, should be classified as capital expenditures.

(c) Wherever, in this Ordinance, the City reserves the right to issue Additional Bonds, such term shall also include, mean and refer to any other forms or types of obligations, whether now existing or hereafter authorized, which may be made lawfully payable from and secured by the Net Revenues.

Section 19. Obligations of Inferior Lien and Pledge. The City retains the right to create and issue evidences of indebtedness whose lien on the Net Revenues of the System shall be subordinate to that possessed by the Bonds Similarly Secured.

Section 20. Maintenance and Operation - Insurance. The City shall maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. So long as any Bonds are outstanding, the City agrees to maintain insurance for the benefit of the holder or holders thereof on the System of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business. Nothing in this Ordinance shall be construed as requiring the City to expend any funds derived from sources other than the operation of the System, but nothing therein shall be construed as preventing the City from doing so.

Section 21. Records - Accounts - Accounting Reports. The City covenants and agrees that so long as any Bonds, or any interest thereon, remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of its System separate and apart from all other records and accounts; complete and correct entries shall be made of all transactions relating to the System, in accordance with generally accepted accounting principles except as provided by V.T.C.A., Government Code, Chapter 1502, as amended; and registered owners shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto, and to inspect the System and all properties comprising same. The City further agrees that 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 of national reputation. Each such audit, in addition to whatever other matters may be thought proper by the accountant, shall particularly include the following:

(a) A detailed statement of the income and expenditures of the System for such Fiscal Year.

(b) A balance sheet as of the end of such Fiscal Year.

(c) The accountant's comments regarding the manner in which the City has carried out the requirements of this Ordinance and his recommendations for any changes or improvements in the operation, records and accounts of the System.

Expenses incurred in making the audits referred to hereinabove are to be regarded as maintenance and operation expenses and paid as such. Copies of the aforesaid annual audit shall be immediately furnished, upon request, to the original purchaser or any subsequent owner of the Bonds.

Section 22. Excess Revenues. As provided in Section 13 hereof, all revenues in excess of those required to establish and maintain the Interest and Sinking Fund and the Reserve Fund as required, may be used for any proper City purpose now or heretofore permitted by law.

Section 23. Security of Funds. All funds for which provision is made by the Ordinance shall be secured in the manner and to the fullest extent permitted by law for the security of public funds and the funds created by the Ordinance shall be used only for the purposes therein specified.

Section 24. Remedy in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly 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 this Ordinance, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, registered owner or owners of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in this Ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedy provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

Section 25. Bonds are Special Obligations. The Bonds are and shall be special obligations of the City payable from the pledged Net Revenues, and the holder or holders thereof shall never have the right to demand payment of the Bonds out of funds raised or to be raised by taxation.

Section 26. Bonds are Negotiable Instruments. Each of the Bonds authorized shall be deemed and construed to be a "Security" and as such a negotiable instrument within the meaning of Article 8 of the Texas Uniform Commercial Code.

Section 27. Competition - Sale of System. So far as it legally may, the City covenants and agrees, for the protection and security of the Bonds, and the registered owner or owners thereof from time to time, that it will not grant a franchise for the operation of any competing system in the City until all Bonds shall have been retired. Neither the System, nor a substantial part thereof, shall be sold while the Bonds are outstanding, but nothing in this Ordinance shall prevent the sale or disposal of properties constituting a part of the System which are no longer useful in connection with the operation thereof.

Section 28. Satisfaction of Obligation of the 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 revenues under this Ordinance and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Bonds or any principal amount(s) thereof 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 or the principal amount(s) thereof at maturity or to the redemption date therefor, 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 Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities 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 principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The City covenants that no deposit of moneys or Government Securities 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 (the "Code"), or regulations adopted pursuant thereto.

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited 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, or applicable redemption date, 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. The provisions of this paragraph are subject to the applicable unclaimed property law of the State of Texas.

The term "Government Securities," as used herein, means (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 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 (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.

Section 29. Ordinance to Constitute Contract - Amendment. The provisions of this Ordinance shall constitute a contract between the City, and the Holders; and, the City shall not amend or repeal any of the provisions of this Ordinance except as permitted in this Section and Section 46 hereof. The City may, without the consent of or notice to any Holder, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the registered owner or owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, with the written consent of the registered owner or owners holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, the City may amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all registered owners of Outstanding Bonds, 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, the redemption price therefor, 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 for consent to any such amendment, addition or rescission.

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.

On September 12, 2011, President Obama submitted to Congress the "American Jobs Act of 2011" (the "American Jobs Act"), which, if enacted, could result in additional federal income tax being imposed on certain owners of tax-exempt obligations, including the Bonds, for tax years beginning on or after January 1, 2013. As proposed, the American Jobs Act would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest, to 28 percent irrespective of the actual marginal tax rate imposed on such taxpayers. The American Jobs Act or other proposed legislation, if enacted, could directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. The introduction or enactment of the American Jobs Act or other proposed legislation could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to the American Jobs Act or other pending or proposed tax legislation.

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 specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports. . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 11 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 2011.

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 paying agent/registrar or the change of name of a trustee or paying agent/registrar, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

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

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

LIMITATIONS AND AMENDMENTS. . . The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell 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 underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the registered and beneficial owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the 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 "AAA" stable outlook by Standard and Poor's Ratings Services, a Standard and Poor's Financial Services LLC business ("S&P") and "AA+" stable outlook by Fitch Ratings ("Fitch") without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (V.T.C.A, Chapter 1201, Government Code, as amended) provides that the Bonds are negotiable instruments, investment securities governed by V.T.C.A., Chapter 8, Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in obligations such as the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, V.T.C.A., Chapter 2256, Government Code, as amended, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a nationally recognized rating agency, this requirement does not apply, however, to the purchase of obligations such as the Bonds for interest and sinking funds of such entities (see "OTHER INFORMATION – Ratings" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The City has 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 the Bonds for such purposes. The City has made no review of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS

The City will furnish to the Underwriters a complete transcript of proceedings 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 special 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 to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of 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 appearing under the captions and subcaptions "PLAN OF FINANCING – Refunded Obligations", "THE BONDS" (except for the subcaptions "Book-Entry-Only System" and "Registered Owners' Remedies"), "SELECTED PROVISIONS OF THE BOND ORDINANCE," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") and the subcaptions "Legal Investments and Eligibility to Secure Public Funds in Texas", "Registration and Qualification of Bonds for Sale" and "Legal Opinions" (except for the last sentence of the first paragraph thereof) under the caption "OTHER INFORMATION"), and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions are accurate and fair descriptions of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to 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 legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by West & Associates LLP, Dallas, Texas, Counsel for the Underwriters, whose fee is contingent on the sale and delivery of the Bonds.

The 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 that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISOR

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at an underwriting discount of $69,480.86. The Underwriters are obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

FORWARD-LOOKING STATEMENT 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.

MISCELLANEOUS

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

The Ordinance authorizes the issuance of the Bonds and approves 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 Underwriters.

Charles England
Mayor
City of Grand Prairie, Texas

ATTEST:

Cathy Dimaggio
City Secretary
City of Grand Prairie, Texas

Schedule I

SCHEDULE OF REFUNDED BONDS

Water and Wastewater System Revenue Refunding and Improvement Bonds, New Series 2004

Original Dated Date	Original Maturity Date	Interest Rates	Amount
3/1/2004	1/1/2013	4.000%	$ 500,000
	1/1/2014	4.000%	520,000
	1/1/2015	4.000%	550,000
	1/1/2016	4.000%	205,000
	1/1/2017	4.000%	210,000
	1/1/2018	4.000%	220,000
	1/1/2019	4.000%	230,000
	1/1/2020	4.100%	240,000
	1/1/2021	4.200%	250,000
	1/1/2022	4.300%	260,000
	1/1/2023	4.400%	270,000
	1/1/2024	4.450%	280,000
			$ 3,735,000

Water and Wastewater System Revenue Bonds, New Series 2004A

Original Dated Date	Original Maturity Date	Interest Rates	Amount
8/15/2004	1/1/2013	4.000%	$ 250,000
	1/1/2014	4.000%	260,000
	1/1/2015	4.000%	270,000
	1/1/2016	4.000%	285,000
	1/1/2017	4.500%	295,000
	1/1/2018	4.500%	310,000
	1/1/2019	4.500%	325,000
	1/1/2020	4.500%	340,000
	1/1/2021	4.500%	355,000
	1/1/2022	4.500%	370,000
	1/1/2023	4.625%	390,000
	1/1/2024	4.750%	405,000
			$ 3,855,000

The Refunded Bonds will be redeemed on January 15, 2012 at a price of par plus accrued interest.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION

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

TRANSPORTATION

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

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

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

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

- SH 161: a four and six-lane north-south tollway to run 10.5 miles through Grand Prairie from the northern City limits to I-20. The frontage of the highway is under construction.

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

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

POPULATION

The estimated population for 2011 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 2000 Census, are 58.0 percent ages 20 and older, 5.0 percent older than 64, and 42.0 percent younger than 20.

The 2009 median household income was estimated to be $49,542 (*American Community Survey Census*).

INDUSTRIAL BASE

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

INDUSTRY PROFILE, 2010

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

Source: Texas Comptroller.

LABOR FORCE

The City's Household Employment Annual Averages

Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
2007	75,797	72,455	3,342	4.4%
2008	76,670	72,637	4,033	5.3%
2009	77,411	70,987	6,424	8.3%
2010	78,893	71,848	7,045	8.9%
2011 (1)	79,596	72,703	6,893	8.7%

Source: Texas Workforce Commission.
(1) 2011 based on average through August 2011.

EMPLOYERS

Company	Product-Service	Estimated Employees
Grand Prairie ISD	Administration of Education Programs	3,200
Lockheed Martin Missiles and Fire Control	Research & Development in the Physical, Engineering & Sciences	3,000
Poly-America Inc	Unsupported Plastics Packaging Firm and Sheet Manufacturing	2,000
Bell Helicopter-Textron	Aircraft Manufacturing	1,300
City of Grand Prairie	Public Administration	1,100
Lone Star Park at Grand Prairie	Racetracks	1,000
Triumph Aero Structures - Vought	Aircraft Engine and Engine Parts Manufacturing	750
Wal-Mart	Warehouse, Clubs and Superstores	600
Siemens Energy & Automation	Switchgear and Switchboard Apparatus Manufacturing	500
American Eurocopter	Aircraft Manufacturing	500
Republic National Distributing	Wine and Distilled Beverage Wholesaler	500
Hanson Pipe & Products	Concrete Pipe Manufacturing	400
Office Depot	Retail	400
Texas Dept. of Health and Human Resources	Administration of Human Resources Program	400

RECREATION

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

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

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

- One of three Class 1 horse-racing tracks in Texas, Lone Star Park at Grand Prairie opened for live races in April 1997. The track's simulcast pavilion opened in mid-1996.

- Professional Sports: the Dallas Cowboys of the National Football League, the Texas Rangers of Major League Baseball, the Dallas Mavericks of the National Basketball Association, the Dallas Stars of the National Hockey League, the FC Dallas of Major League Soccer and the Grand Prairie Air Hogs of the American Associate of Independent Baseball. All have home games within 5-25 minutes of the City.

- NCAA-event schools: Southern Methodist University and Texas Christian University in Dallas and Fort Worth.

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

EDUCATION

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

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

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

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

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

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

APPENDIX B

EXCERPTS FROM THE

CITY OF GRAND PRAIRIE, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2010

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, 2010, 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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weaver

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, 2010, 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. Those financial statements were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Grand Prairie Housing Finance Corporation is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011 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.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Prairie at September 30, 2010, 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.

AN INDEPENDENT
MEMBER OF BAKER TILLY
INTERNATIONAL

WEAVER AND TIDWELL LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
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The accompanying management's discussion and analysis, and budget to actual schedules for the General Fund, Crime Tax Sales Tax Fund and Section 8 Fund and schedule of funding progress are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 25, 2011

MANAGEMENT'S DISCUSSION & ANALYSIS

Grand Prairie
TEXAS
Dream Big Play Hard

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, 2010. 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, 2010, by $632,962,206. Of this amount, $198,297,079 may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net assets).

- The City's net assets increased by $19,257,710 for the fiscal year ended September 30, 2010. Capital contributions from private developers for improvements to the City's infrastructure accounted for $1,809,525 or 9.4% of the increase in city net assets.

- The City's governmental funds reported combined ending fund balances of $142,204,155 at September 30, 2010, a decrease of $46,882,292 in comparison with prior year combined fund balances. Of the governmental funds reported combined fund balances, $130,113,759 or 91.5% is available for spending within City guidelines (unreserved fund balance).

- The City's unreserved fund balance for the general fund was $29,794,717 at year end or 36.1% of total general fund expenditures for the reported fiscal year.

- The City's total long-term liabilities of $396,997,715 decreased by $19,246,481 or 4.6% during the reported fiscal year. In fiscal year 2010, the City issued general obligation, certificates of obligation, water and wastewater revenue, and TIF-related certificates of obligation and Sales Tax Revenue bonds totaling a combined $25,810,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety, recreation and leisure, development services, and the general government support services. Development services includes among other services the City's planning, public works, transportation, housing, and community development activities. The business-type activities of the City include water and wastewater system, a solid waste sanitary landfill, a storm water drainage utility system, a municipal airport, and municipal golf courses.

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

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

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

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

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

The City has six major governmental funds: General Fund, Crime Tax Fund, Crime Tax Sales Tax 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, Section 8 Fund and Crime Tax Sales Tax Fund to demonstrate compliance with this budget.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $632,962,206 at year end. The City had total assets at year end of $1,054,792,016. The City's pooled cash and investments totaling $234,716,455 and capital assets (e.g., land, buildings, equipment, infrastructure, and construction in progress), net of accumulated depreciation totaling $793,359,840 represented 22.3% and 75.2%, 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 $420,644,171 and represented 66.5% of the City's total net assets at year end. The City uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Table 1 below is a summary of the City's net assets at year end compared to the prior year.

Table 1

Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2009	9/30/2010	9/30/2009	9/30/2010	9/30/2009	9/30/2010
Cash & investments	$ 210,680,613	$ 156,257,723	$ 75,067,343	$ 78,458,732	$ 285,747,956	$ 234,716,455
Other assets	18,021,087	18,123,329	8,514,414	8,592,392	26,535,501	26,715,721
Capital assets, net	545,271,707	584,505,973	207,958,725	208,853,867	753,230,432	793,359,840
Total assets	773,973,407	758,887,025	291,540,482	295,904,991	1,065,513,889	1,054,792,016
Current liabilities	27,452,769	17,411,068	8,089,000	7,421,027	35,541,769	24,832,095
Long-term bonded debt	322,855,239	301,058,520	75,007,956	75,642,433	397,863,195	376,700,953
Other noncurrent liabilities	13,229,933	14,855,322	5,174,496	5,441,440	18,404,429	20,296,762
Total liabilities	363,537,941	333,324,910	88,271,452	88,504,900	451,809,393	421,829,810
Net assets:						
Invested in capital assets, net of related debt	271,217,903	286,120,135	139,067,912	134,524,036	410,285,815	420,644,171
Restricted	9,471,982	9,792,214	3,673,504	4,228,742	13,145,486	14,020,956
Unrestricted	129,745,581	129,649,766	60,527,614	68,647,313	190,273,195	198,297,079
Total net assets	410,435,466	425,562,115	203,269,030	207,400,091	613,704,496	632,962,206

A portion of the City's net assets totaling $14,020,956 or 2.3% 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 $19,257,710 in fiscal year 2010. As previously mentioned, $1,809,525 or 9.4% 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 2010 compared to fiscal 2009 changes in the City's net assets were as follows:

Table 2

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2009	9/30/2010	9/30/2009	9/30/2010	9/30/2009	9/30/2010
Revenues:						
Program revenues:						
Charges for services	$ 35,205,336	$ 35,277,584	$ 63,372,257	$ 65,085,186	$ 98,577,593	$ 100,362,770
Operating grants and contributions	28,333,421	31,232,753	468,397	-	28,801,818	31,232,753
Capital grants and contributions	5,795,714	9,112,664	4,745,551	2,444,475	10,541,265	11,557,139
General reveues:						
Property tax	76,687,029	75,091,425	-	-	76,687,029	75,091,425
Sales tax	40,376,226	39,891,881	-	-	40,376,226	39,891,881
Other tax	1,231,899	1,232,928	-	-	1,231,899	1,232,928
Franchise fees	12,531,556	12,060,211	-	-	12,531,556	12,060,211
Investment income	6,688,474	1,844,371	2,063,618	425,937	8,752,092	2,270,308
Total Revenues	206,849,655	205,743,817	70,649,823	67,955,598	277,499,478	273,699,415
Expenses:						
Support services	17,647,031	17,278,851	-	-	17,647,031	17,278,851
Public safety	70,728,042	81,872,640	-	-	70,728,042	81,872,640
Recreation and leisure	24,302,491	21,517,961	-	-	24,302,491	21,517,961
Development and other services	56,491,002	58,153,994	-	-	56,491,002	58,153,994
Interst on long-term debt	12,141,929	10,618,864	-	-	12,141,929	10,618,864
Water and wastewater	-	-	46,025,037	48,888,158	46,025,037	48,888,158
Municipal airport	-	-	1,758,664	1,999,196	1,758,664	1,999,196
Municipal golf course	-	-	3,336,554	3,488,564	3,336,554	3,488,564
Storm water utility	-	-	1,344,716	1,692,009	1,344,716	1,692,009
Solid waste	-	-	8,316,221	8,931,468	8,316,221	8,931,468
Total expenses	181,310,495	189,442,310	60,781,192	64,999,395	242,091,687	254,441,705
Increase in net assets before transfers	25,539,160	16,301,507	9,868,631	2,956,203	35,407,791	19,257,710
Transfers-monetary	(1,112,837)	(1,542,012)	1,112,837	1,542,012	-	-
Transfers-capital assets	-	367,154	-	(367,154)	-	-
Change in net assets	24,426,323	15,126,649	10,981,468	4,131,061	35,407,791	19,257,710
Net assets - beginning of year -as previously stated	386,009,143	410,435,466	192,287,562	203,269,030	578,296,705	613,704,496
Net assets - end of year	$ 410,435,466	$ 425,562,115	$ 203,269,030	$ 207,400,091	$ 613,704,496	$ 632,962,206

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 9/30/2009	Fiscal Year 9/30/2010	Increase (Decrease)
Governmental activities:			
Property taxes	$ 76,687,029	$ 75,091,425	$ (1,595,604)
Sales taxes	40,376,226	39,891,881	(484,345)
Other taxes	1,231,899	1,232,928	1,029
Franchise fees	12,531,556	12,060,211	(471,345)
Investment income	6,688,474	1,844,371	(4,844,103)
Total governmental activities	137,515,184	130,120,816	(7,394,368)
Business-type activities:			
Investment income	2,063,618	425,937	(1,637,681)
Total business-type activities	2,063,618	425,937	(1,637,681)
Total general revenues	$ 139,578,802	$ 130,546,753	$ (9,032,049)

Governmental activities. Governmental activities increased the City's net assets by $15,126,649 thereby accounting for 79% of the total growth in net assets. Although revenues fell short of projections, sound fiscal management, departmental budget cuts and greater use of operating grants provided for the positive change in net assets before transfers. Total revenue for governmental activities (excluding transfers from business-type activities) decreased from the previous year by $11,105,838. General Revenue which is primarily made up property taxes, sales taxes, and franchise fees had a net decrease of $7,394,368. Property tax revenue declined by $1,595,604 due to a 1.84% drop in net taxable property values. Sales tax collections also declined by $484,345 due to the continued impact of the recessed economy. Franchise fee revenue decreased $471,345 as a result of lower gross revenues in the utility industry. In addition, investment income decreased by $4,844,103 resulting from lower interest rates and a lower portfolio balance.

Net assets of governmental operations account for 67% of total net assets. Of the total increase, contributions of infrastructure by private developers to the city represented 9.4%. Program revenues of the city include operating grants and contributions, and, capital grants and contributions. Both revenue types incurred an increase from prior year by $2,899,332 and $3,316,950, respectively. This was achieved by accessing a greater amount of grant funding opportunities.

Business-type activities. Business-type activities increased the City's net assets by $4,131,061, accounting for 21% of the total growth in the primary government's net assets. Although total revenue for the business-type activities decreased from the previous year by $2,694,224, sound fiscal management, departmental budget cuts and use of grants provided for the positive change in net assets before transfers. Of the increase, impact fees by private developers to the City's water and wastewater system infrastructure represented $1,174,693 or 6.1%. Net assets for business type activities represent 33% of total net assets. Table 2 summarizes the changes in business-type activities net assets.

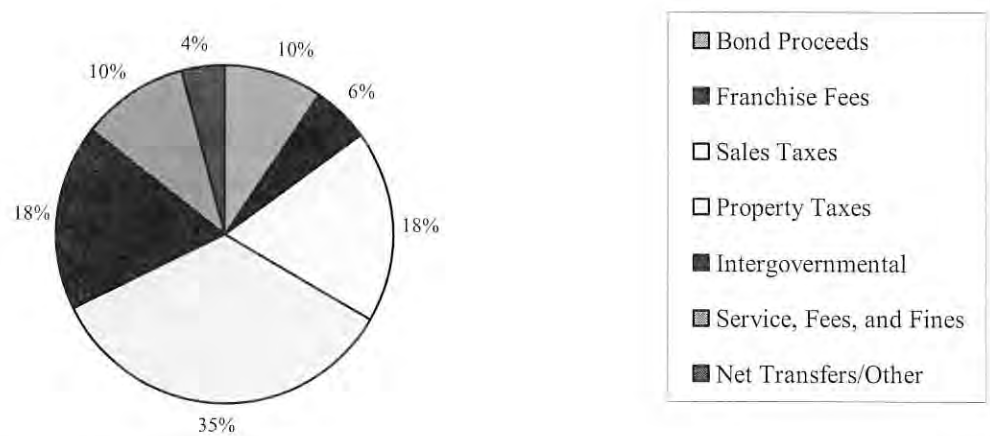
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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.

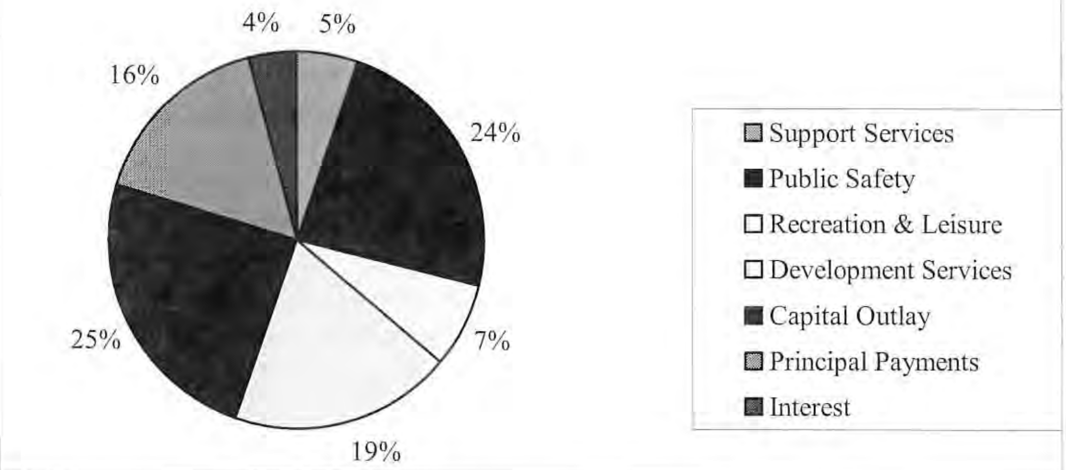
For fiscal year 2010, the City's governmental funds (excluding internal service funds) reported combined ending fund balances of $142,204,155, a decrease of $46,882,292 in comparison with the prior year. The unreserved fund balance portion is 90.4% and is available for spending at the government's discretion. The remainder is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate inventories, contracts and purchase orders of the prior period ($2,503,922), 2) to pay debt service ($10,544,284), and 3) for prepaid items ($548,013). Figures 1 and 2 that follow show the distribution of governmental funds' sources of revenues and expenditures, $280,614,965 and $327,534,198, respectively, for fiscal year 2010.

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

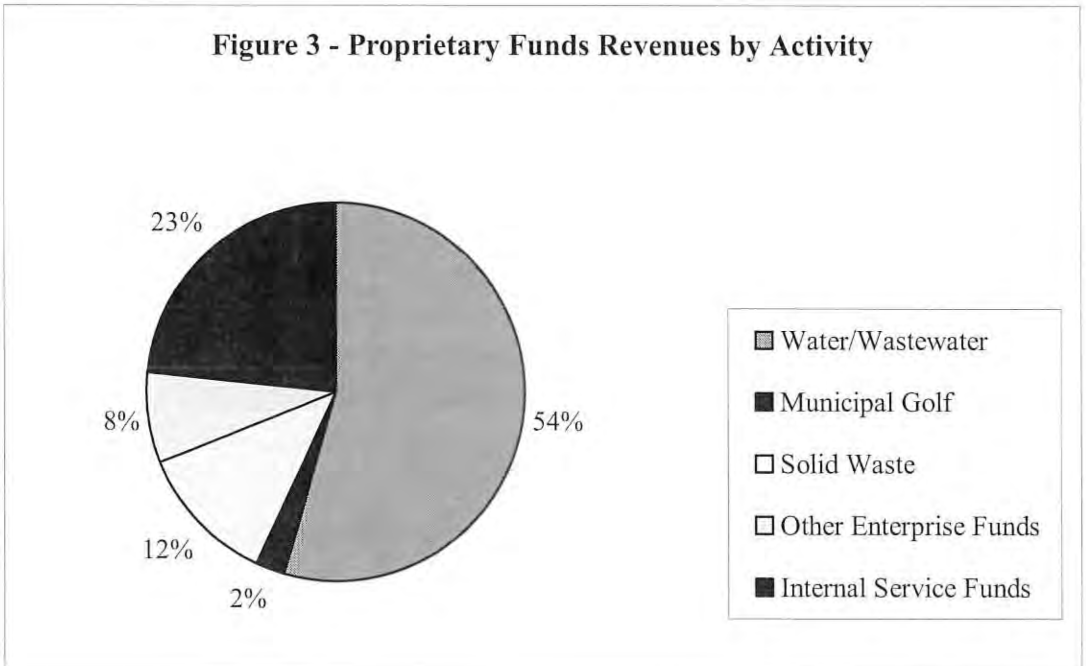


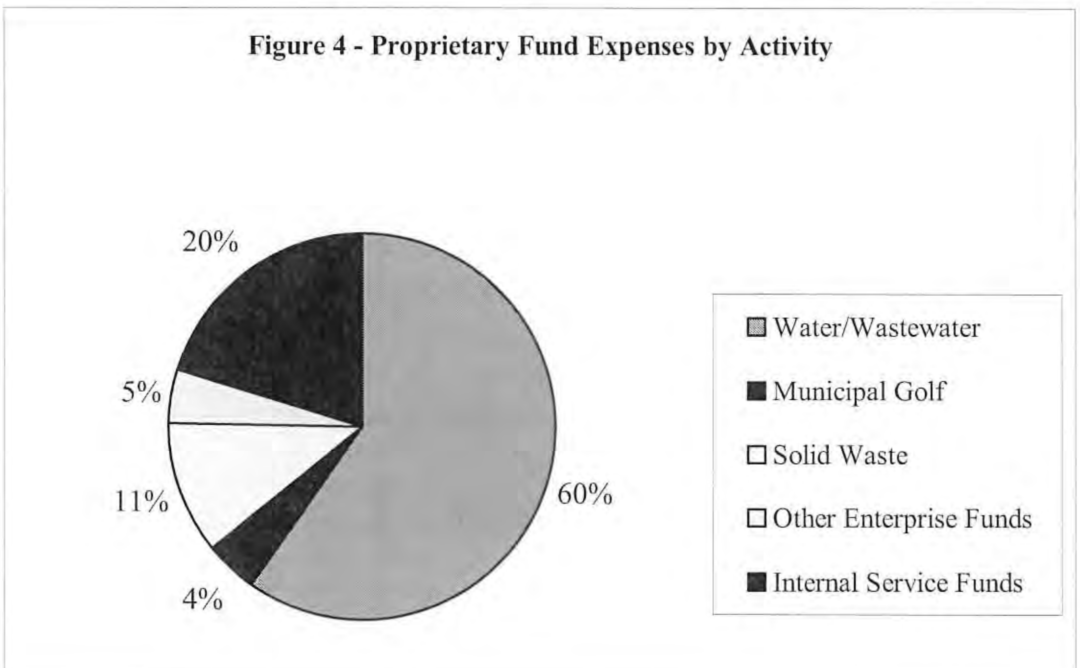
The General Fund is the chief operating fund of the City. At the fiscal year end, unreserved fund balance of the General Fund was $29,794,717, while total fund balance was $30,101,515. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 35.8% of total general fund expenditures, while total fund balance represents 36.5% of that same amount. The City's General Fund balance decreased (planned reduction) by $244,542 in fiscal year 2010.

Fund balances of several other governmental funds changed significantly. Fund balance in the Street Improvements Fund increased by $6,512,394 from the receipt of bond sale proceeds. Additionally, Section 8 Fund resulted in an increase of $1,570,831 to its fund balance due to increased HUD funding, and, the Debt Service Fund increased by $322,783 due from revenues exceeding disbursements combined with a debt refunding. The fund balance in the non-major governmental funds decreased by $25,672,045 for capital project expenditures.

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 $205,023,959 and $13,693,525, respectively at September 30, 2010. The enterprise funds' amount invested in capital assets, net of related debt represented 66% of total enterprise funds net assets. The internal service funds' amount invested in capital assets, net of related debt represented 6.4% of total internal service funds' net assets. The enterprise funds' unrestricted net assets were 32% of their total net assets, and, internal service funds' unrestricted net assets were 93.6% of their total funds' net assets. The City's enterprise funds reported a small income before contributions and transfers of $55,939 while the internal service funds reported a gain of $3,501,873. The gain was primarily attributable to the Risk Management and Employee Insurance funds that managed premiums and claims to a favorable level. 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 $85,857,488 and expenses of $82,299,676 (excluding transfers and capital contributions) by activity.





General Fund Budgetary Highlights

For the reported fiscal year, revenues fell short of budgetary estimates by $784,961. Expenditures were under budgetary estimates by $3,320,598 resulting from a city-wide effort in cost containment and reduction in expenditures as the recessed economy continued. These measures served the city well as the fund realized a small decrease in fund balance of $244,542. 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 $793,359,840. This investment includes land, buildings, improvements other than buildings (includes infrastructure), machinery and equipment, and construction in progress. The City's capital assets increased by $40,129,408 in fiscal year 2010.

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

- Private developer capital contributions of $1,809,525 to the City's streets, water, sewer, and drainage infrastructure in connection with various residential and commercial developments.
- Capital outlay totaling $26,070,279 for equipment, and improvements in the Crime Tax District.
- Capital outlay totaling $7,395,963 for Street Improvement Fund includes various streets, sidewalks, entryways, pedestrian pathways and intersections in the City.
- Water and wastewater capital improvements totaling $37,571,886.

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	
	9/30/2009	9/30/2010	9/30/2009	9/30/2010	9/30/2009	9/30/2010
Land	$ 28,867,864	$ 32,289,616	$ 3,352,271	$ 3,903,835	$ 32,220,135	$ 36,193,451
Construction in progress	203,657,688	123,933,812	44,542,771	40,849,790	248,200,459	164,783,602
Depreciable capital assets	523,227,024	664,694,472	286,757,923	302,309,163	809,984,947	967,003,635
Accumulated depreciation	(210,480,869)	(236,411,927)	(126,694,240)	(138,208,921)	(337,175,109)	(374,620,848)
Total capital assets, net	$ 545,271,707	$ 584,505,973	$ 207,958,725	$ 208,853,867	$ 753,230,432	$ 793,359,840

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

Long-term debt. At September 30, 2010, the City had the following long-term liabilities excluding amounts due within one year:

Table 5

Long-Term Debt*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2009	9/30/2010	9/30/2009	9/30/2010	9/30/2009	9/30/2010
Bonded debt	$ 322,855,239	$ 301,058,520	$ 75,007,956	$ 75,642,433	$ 397,863,195	$ 376,700,953
Accrued compensated absences	12,455,737	12,828,553	376,092	370,309	12,831,829	13,198,862
Other Post Employment Benefit	544,453	1,814,706	-	-	544,453	1,814,706
Pollution liability	206,315	212,063	-	-	206,315	212,063
Closure and post closure liability	-	-	4,798,404	5,071,131	4,798,404	5,071,131
Total long-term debt	$ 336,061,744	$ 315,913,842	$ 80,182,452	$ 81,083,873	$ 416,244,196	$ 396,997,715
Long-term debt to net assets percentage	82%	74%	39%	39%	68%	63%

Of the total bonded debt, $255,564,260 or 67.8% is debt backed by the full faith and credit of the government with a property tax pledge.

During the reported fiscal year, the City issued $25,810,000 in new bonded debt and repaid principal on bonds totaling $46,487,210. The City's interest expense on its bonded debt was $13,990,843 for the reported fiscal year.

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+	AA+

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2011 budget, tax rates and fees that will be charged for the business-type activities. One of the biggest factors has been the national economy. Growth rates fell off amid the national mortgage credit crisis and economic recession. Building and development declined both in the residential and commercial sectors. Although the City is largely built out and mature, there are still several areas available mainly in higher end, residential growth including a 1,000 acre peninsula on Joe Pool Lake. Also, due to the future construction of frontage roads along the interstates and the extension of a toll road through the City, commercial and retail activity is expected to bolster the City for some time. The City has experienced above-average population growth since 2000, which has placed additional demands on the City to maintain or expand services. The City's unemployment rate is currently approximately 8.7% which is below the national unemployment rate of 9.3% for the same period.

These indicators are taken into account when adopting the General Fund budget for fiscal year 2011:

- A decrease in property tax assessed values of 3.02% resulting in less property tax revenues. The lower assessed valuations result in a decrease in budgeted revenues totaling $1,881,222 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 2010.

- A 6.4% decrease in budgeted sales tax revenues as compared to prior fiscal year budget due to the recessed economy. 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 an overall decrease in other general revenues of governmental activities from the general economic impact to all service sectors. Investment income is expected to decrease from fiscal year 2010 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 2011 is $201,597,685, an increase of $3,090,291 or 1.56% as compared to prior fiscal year original budget. The general fund approved appropriations for fiscal year 2011 is $97,215,524, a decrease of $882,402 or .89% from prior year. The remaining change in total budgeted operating appropriations and reserves includes an increase of $293,066 in the Water Wastewater Fund, $1,190,611 in various Parks' Funds and $2,188,743 in Storm Water Utility Fund.

The City's total approved planned capital projects for fiscal year 2011 includes $35,433,091 in appropriation requests. The fiscal year 2011 planned capital projects includes $7,075,823 for water and wastewater improvements, $17,490,831 in street and signal improvements, $956,100 in parks improvements and $3,014,500 in storm drainage improvements.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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Basic Financial Statements

CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government			GRAND PRAIRIE SPORTS FACILITIES DEVELOPMENT	GRAND PRAIRIE HOUSING FINANCE CORPORATION
ASSETS	Governmental Activities	Business-Type Activities	Total		
Cash and cash equivalents	$ 32,649,137	$ 16,483,901	$ 49,133,038	$ 8,461,551	$ 281,122
Investments	12,147,281	49,826,932	61,974,213	4,512,911	175,000
Receivables (net of allowance for uncollectibles):					
Property tax	2,118,142	-	2,118,142	-	-
Sales tax	4,405,816	-	4,405,816	-	-
Franchise fees	5,053,922	-	5,053,922	-	-
Lease payments receivable	-	-	-	228,966	-
Other receivables	2,987,375	4,812,614	7,799,989	25,368	-
Due from other governments	3,291,836	-	3,291,836	-	-
Internal balances	(2,376,132)	2,376,132	-	-	-
Inventories and supplies	106,916	501,468	608,384	-	-
Prepaids	556,729	17,345	574,074	-	33,872
Deferred charges	1,978,725	884,833	2,863,558	-	-
Restricted assets:	-	-			
Cash and cash equivalents	59,821,003	5,416,395	65,237,398	-	1,242,301
Investments	51,640,302	6,731,504	58,371,806	-	-
Lease payments receivable	-	-	-	15,361,804	-
Estimated unguaranteed residual value	-	-	-	55,917,419	-
Capital assets:					
Land	32,289,616	3,903,835	36,193,451	-	1,612,851
Buildings	178,854,815	9,527,911	188,382,726	-	20,475,995
Equipment	70,955,698	24,502,857	95,458,555	-	-
Infrastructure	414,883,959	268,278,395	683,162,354	-	-
Construction in progress	123,933,812	40,849,790	164,783,602	-	-
Less accumulated depreciation	(236,411,927)	(138,208,921)	(374,620,848)	-	(5,647,513)
Total capital assets	584,505,973	208,853,867	793,359,840	-	16,441,333
Total assets	758,887,025	295,904,991	1,054,792,016	84,508,019	18,173,628
LIABILITIES					
Current liabilities:					
Accounts payable	4,913,954	2,958,966	7,872,920	596	149,753
Accrued liabilities	10,554,538	1,664,944	12,219,482	-	1,981,312
Customer deposits	27,862	2,563,145	2,591,007	-	42,501
Unearned revenue	1,914,714	233,972	2,148,686	-	-
Noncurrent liabilities:					
Due within one year:					
Accrued compensated absences	4,884,467	360,753	5,245,220	-	-
Current portion of long term debt	19,738,945	4,365,316	24,104,261	-	223,986
Environmental remediation obligation	212,063	-	212,063	-	-
Due in more than one year:					
Accrued compensated absences	7,944,086	9,556	7,953,642	-	-
OPEB liability	1,814,706	-	1,814,706	-	-
Closure and postclosure liability	-	5,071,131	5,071,131	-	-
Long term debt	281,319,575	71,277,117	352,596,692	-	17,129,495
Total liabilities	333,324,910	88,504,900	421,829,810	596	19,527,047
Invested in capital assets (net of related debt)	286,120,135	134,524,036	420,644,171	-	(1,625,871)
Restricted for:					
Debt service	9,792,214	4,228,742	14,020,956	-	-
Facility lease	-	-	-	71,508,189	-
Replacement reserve	-	-	-	-	85,517
Unrestricted	129,649,766	68,647,313	198,297,079	12,999,234	186,935
Total net assets	$ 425,562,115	$ 207,400,091	$ 632,962,206	$ 84,507,423	$ (1,353,419)

See accompanying notes to basic financial statements.

CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

		Program Revenues		
FUNCTIONS/ACTIVITY	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
Support services	$ 17,278,851	$ 10,929,541	$ 349	$ -
Public safety services	81,872,640	12,823,754	2,247,677	-
Recreation and leisure services	21,517,961	7,112,226	328,018	-
Development services and other	58,153,994	4,412,063	28,656,709	9,112,664
Interest on long-term debt	10,618,864	-	-	-
Total governmental activities	189,442,310	35,277,584	31,232,753	9,112,664
Business-type activities:				
Water and wastewater	48,888,158	46,459,483	-	2,303,162
Municipal airport	1,999,196	1,759,319	-	141,313
Golf	3,488,564	2,080,152	-	-
Storm water	1,692,009	4,685,730	-	-
Solid waste	8,931,468	10,100,502	-	-
Total business-type activities	64,999,395	65,085,186	-	2,444,475
Total primary government	$ 254,441,705	$ 100,362,770	$ 31,232,753	$ 11,557,139
Component units:				
Grand Prairie Sports Facilities Development	3,631,811	1,546,294	31,244	-
Grand Prairie Housing Finance Corporation	5,927,674	5,201,471	-	-
Component units:	$ 9,559,485	$ 6,747,765	$ 31,244	$ -

General revenues:
Taxes:
Property tax
Sales tax
Hotel/motel tax and other taxes
Franchise fees based on gross receipt
Investment income
Transfers-monetary
Transfers-capital assets
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.

Net (Expense) Revenue and Changes in Net Assets Primary Government			GRAND PRAIRIE SPORTS FACILITIES DEVELOPMENT	GRAND PRAIRIE HOUSING FINANCE CORPORATION
Governmental Activities	Business-Type Activities	Total		
$ (6,348,961)	$ -	$ (6,348,961)	$ -	$ -
(66,801,209)	-	(66,801,209)	-	-
(14,077,717)	-	(14,077,717)	-	-
(15,972,558)	-	(15,972,558)	-	-
(10,618,864)	-	(10,618,864)	-	-
(113,819,309)	-	(113,819,309)	-	-
-	(125,513)	(125,513)	-	-
-	(98,564)	(98,564)	-	-
-	(1,408,412)	(1,408,412)	-	-
-	2,993,721	2,993,721	-	-
-	1,169,034	1,169,034	-	-
-	2,530,266	2,530,266	-	-
(113,819,309)	2,530,266	(111,289,043)	-	-
			(2,054,273)	
				(726,203)
			(2,054,273)	(726,203)
75,091,425	-	75,091,425	-	-
39,891,881	-	39,891,881	-	-
1,232,928	-	1,232,928	-	-
12,060,211	-	12,060,211	-	-
1,844,371	425,937	2,270,308	100,639	3,790
(1,542,012)	1,542,012	-	-	-
367,154	(367,154)	-	-	-
128,945,958	1,600,795	130,546,753	100,639	3,790
15,126,649	4,131,061	19,257,710	(1,953,634)	(722,413)
410,435,466	203,269,030	613,704,496	86,461,057	(631,006)
$ 425,562,115	$ 207,400,091	$ 632,962,206	$ 84,507,423	$ (1,353,419)

CITY OF GRAND PRAIRIE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General	Crime Tax	Crime tax Sales Tax	Section 8	Street Improvements
ASSETS					
Cash and cash equivalents	$ 27,557,453	$ 923,748	$ 381,980	$ 3,197,547	$ 24,811,968
Investments	1,198,351	-	3,509,991	2,911,396	4,654,076
Property tax receivable	1,520,997	-	-	-	-
Sales tax receivable	3,524,907	-	817,854	-	-
Franchise fees receivable	2,410,242	-	-	-	-
Other receivables	2,061,968	-	-	-	-
Prepaids	185,629	-	-	5,701	-
Due from other funds	1,000,000	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	$ 39,459,547	$ 923,748	$ 4,709,825	$ 6,114,644	$ 29,466,044
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 1,810,367	$ 463,738	$ -	$ 42,684	$ 488,340
Accrued liabilities	4,025,983	-	-	83,715	134,061
Customer deposits	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	3,521,682	-	-	-	347,070
Total liabilities	9,358,032	463,738	-	126,399	969,471
Fund Balance:					
Reserved for:					
Encumbrances	121,169	-	-	-	-
Bond debt service	-	-	-	-	-
Prepaids	185,629	-	-	5,701	-
Unreserved, designated for:					
Capital projects	-	460,010	-	-	28,496,573
Unreserved, undesignated in:					
General Fund	29,794,717	-	-	-	-
Special Revenue Funds	-	-	4,709,825	5,982,544	-
Total fund balance	30,101,515	460,010	4,709,825	5,988,245	28,496,573
Total liabilities and fund balance	$ 39,459,547	$ 923,748	$ 4,709,825	$ 6,114,644	$ 29,466,044

See accompanying notes to basic financial statements.

Debt Service	Other Governmental Funds	Total Governmental Funds
$ 7,090,826	$ 23,212,364	$ 87,175,886
409,928	40,154,911	52,838,653
597,145	-	2,118,142
-	63,055	4,405,816
-	2,643,680	5,053,922
4,512	920,895	2,987,375
-	356,683	548,013
-	-	1,000,000
-	3,291,836	3,291,836
$ 8,102,411	$ 70,643,424	$ 159,419,643
$ -	$ 1,997,833	$ 4,802,962
-	1,629,450	5,873,209
-	27,862	27,862
-	1,000,000	1,000,000
528,892	1,113,811	5,511,455
528,892	5,768,956	17,215,488
-	876,930	998,099
7,573,519	2,970,765	10,544,284
-	356,683	548,013
-	31,635,028	60,591,611
-	-	29,794,717
-	29,035,062	39,727,431
7,573,519	64,874,468	142,204,155
$ 8,102,411	$ 70,643,424	$ 159,419,643

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CITY OF GRAND PRAIRIE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

Total fund balance - total governmental funds		$ 142,204,155
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 $881,425.		583,624,548
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.		3,596,741
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.		(1,280,961)
Internal service funds are used by management to charge cost of certain activities, such as employee health insurance, risk management insurance, and fleet management, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets (net of amount allocated to business-type activities of $2,376,132).		11,317,393
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	$ (92,907,260)	
Certificates of obligation	(101,222,541)	
Sales tax revenue bonds	(27,270,000)	
Sales tax venue revenue bonds	(27,240,000)	
Sales tax venue certificates of obligation	(52,670,000)	
Unamortized bond issuance costs	1,978,725	
Unamortized bond premium/discount, net, and loss on refunding	(330,754)	
Unamortized loss of refunding	582,035	
Compensated absences	(12,793,197)	
Other post employment benefits	(1,814,706)	
Environmental remediation obligation	(212,063)	(313,899,761)
Net assets of governmental activities		$ 425,562,115

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, 2010

	General	Crime Tax	Crime tax Sales Tax	Section 8	Street Improvements
REVENUE					
Property tax	$ 42,598,742	$ -	$ -	$ -	$ -
Sales tax	19,844,420	-	4,637,138	-	-
Other taxes	244,522	-	-	-	-
Franchise fees	12,060,211	-	-	-	-
Charges for goods and services	4,688,438	-	-	54,117	-
Licenses and permits	2,228,316	-	-	197,326	-
Fines and forfeitures	5,569,652	-	-	-	-
Intergovernmental revenue	783,901	-	-	24,478,098	-
General and administrative revenue	3,960,074	-	-	-	-
Investment income	248,021	215,018	-	49,481	352,072
Contributions	-	-	-	-	-
Other	407,693	-	-	32,134	22,786
Total revenue	92,633,990	215,018	4,637,138	24,811,156	374,858
EXPENDITURES					
Current operations:					
Support services	9,932,982	-	-	-	-
Public safety services	58,308,024	2,296,783	20,598	-	-
Recreation and leisure services	1,946,463	-	-	-	739,224
Development services and other	11,633,268	-	-	23,150,973	-
Capital outlay	659,078	26,070,279	-	147,514	7,395,963
Debt service:					
Principal retirement	-	-	7,130,000	-	-
Interest charges	-	-	894,270	-	106,319
Total expenditures	82,479,815	28,367,062	8,044,868	23,298,487	8,241,506
Excess (deficiency) of revenue over (under) expenditures	10,154,175	(28,152,044)	(3,407,730)	1,512,669	(7,866,648)
OTHER FINANCING SOURCES (USES)					
Transfers in-monetary	1,652,799	2,149,329	38,732	494,639	8,537,802
Transfers out-monetary	(12,529,436)	-	-	(436,477)	(228,760)
Premium on debt issued	-	-	-	-	-
Bonds issued	-	-	-	-	6,070,000
Refunding bond issued	-	-	-	-	-
Payment for refunded debt	-	-	-	-	-
Sale of capital assets	477,920	-	-	-	-
Sale of assets held for resale	-	-	-	-	-
Total other financing sources (uses)	(10,398,717)	2,149,329	38,732	58,162	14,379,042
Net change in fund balance	(244,542)	(26,002,715)	(3,368,998)	1,570,831	6,512,394
Fund balance - beginning of year	30,346,057	26,462,725	8,078,823	4,417,414	21,984,179
Fund balance - end of the year	$ 30,101,515	$ 460,010	$ 4,709,825	$ 5,988,245	$ 28,496,573

See accompanying notes to basic financial statements.

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
$ 16,262,503	$ 16,828,663	$ 75,689,908
-	15,410,323	39,891,881
-	988,406	1,232,928
-	-	12,060,211
-	7,754,623	12,497,178
-	181,209	2,606,851
-	1,742,201	7,311,853
-	13,430,558	38,692,557
-	-	3,960,074
78,470	824,659	1,767,721
-	1,580,532	1,580,532
-	1,704,466	2,167,079
16,340,973	60,445,640	199,458,773
-	3,860,924	13,793,906
-	2,676,403	63,301,808
-	16,400,873	19,086,560
-	15,631,846	50,416,087
-	31,339,195	65,612,029
8,924,291	13,369,000	29,423,291
6,816,299	3,025,000	10,841,888
15,740,590	86,303,241	252,475,569
600,383	(25,857,601)	(53,016,796)
247,240	46,904,408	60,024,949
(636,406)	(47,926,401)	(61,757,480)
22,713	14,227	36,940
-	1,355,000	7,425,000
13,390,000	-	13,390,000
(13,301,147)	-	(13,301,147)
-	27,203	505,123
-	(188,881)	(188,881)
(277,600)	185,556	6,134,504
322,783	(25,672,045)	(46,882,292)
7,250,736	90,546,513	189,086,447
$ 7,573,519	$ 64,874,468	$ 142,204,155

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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, 2010

Net change in fund balances - total governmental funds		$ (46,882,292)
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.		65,612,028
The net effect of various transactions involving capital assets (ie., sales, trade ins, and contributions) is to decrease net assets.		(825,707)
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 $50,204.		(26,679,779)
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.		799,097
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	(20,149,474)	
Bond principal retirement	42,128,291	
Amortization bond related cost (deferred charge, premium/discount, deferred loss)	(208,144)	21,770,673
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	(372,035)	
Change in accrued interest	116,705	
Change in Other Post Employment Benefit	(1,270,253)	
Change in Pollution Remediation Obligation	(5,748)	(1,531,331)
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.		(598,483)
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 revenue of the internal service funds is reported with governmental activities net of the amount allocated to business-type activities ($597,102).		3,180,134
Reassignement of the capital asset between governmental and business type activities is reported as a transfer in change in net assets and is not recorded in fund statements		282,310
Change in net assets of governmental activities		$ 15,126,649

See accompanying notes to basic financial statements.

CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Water Wastewater	Other Nonmajor	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	$ 11,305,517	$ 5,178,384	$ 16,483,901	$ 5,091,684
Investments	37,665,788	12,161,144	49,826,932	10,948,930
Accounts receivable, net	3,962,082	850,532	4,812,614	-
Prepaids	10,392	6,953	17,345	8,716
Inventories and supplies	449,746	51,722	501,468	106,916
Deferred charges	867,344	17,489	884,833	-
Current restricted assets:				
Cash and cash equivalents	4,882,477	533,918	5,416,395	202,569
Investments	6,731,504	-	6,731,504	-
Total current assets	65,874,850	18,800,142	84,674,992	16,358,815
Capital assets:				
Land	1,395,750	2,508,085	3,903,835	737,566
Buildings	2,361,045	7,166,866	9,527,911	1,477,875
Equipment	16,738,133	7,764,724	24,502,857	16,672
Infrastructure	238,422,344	29,856,051	268,278,395	2,012,264
Construction in progress	37,571,886	3,277,904	40,849,790	-
Less accumulated depreciation	(117,990,043)	(20,218,878)	(138,208,921)	(3,362,952)
Total capital assets	178,499,115	30,354,752	208,853,867	881,425
Total assets	244,373,965	49,154,894	293,528,859	17,240,240
LIABILITIES				
Current liabilities:				
Accounts payable	2,362,703	596,263	2,958,966	110,992
Accrued liabilities	581,972	452,544	1,034,516	3,400,367
Accrued compensated absences	213,702	147,051	360,753	33,603
Unearned revenue	-	233,972	233,972	-
Current liabilities payable from restricted assets:				
Customer deposits	2,502,762	60,383	2,563,145	-
Accrued liabilities	582,209	48,219	630,428	-
Current portion of long-term debt	3,940,000	425,316	4,365,316	-
Total current liabilities	10,183,348	1,963,748	12,147,096	3,544,962
Noncurrent liabilities:				
Accrued compensated absences	-	9,556	9,556	1,753
Closure and postclosure liability	-	5,071,131	5,071,131	-
Long-term debt	62,931,956	8,345,161	71,277,117	-
Total noncurrent liabilities	62,931,956	13,425,848	76,357,804	1,753
Total liabilities	73,115,304	15,389,596	88,504,900	3,546,715
NET ASSETS				
Invested in capital assets (net of related debt)	112,939,761	21,584,275	134,524,036	881,425
Restricted for debt service	4,228,742	-	4,228,742	-
Unrestricted	54,090,158	12,181,023	66,271,181	12,812,100
Total net assets	$ 171,258,661	$ 33,765,298	$ 205,023,959	$ 13,693,525
Reconciliation to government-wide Statement of Net Assets:				
Adjustments to reflect the consolidations of internal service funds activities related to enterprise funds			2,376,132	
Net assets of business-type activities			$ 207,400,091	

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, 2010

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Wastewater	Other Nonmajor	Total	Internal Service Funds
OPERATING REVENUE				
Sales to customers	$ 27,286,204	$ 18,728,804	$ 46,015,008	$ 3,706,810
Wastewater charges to customers	17,212,075	-	17,212,075	-
Water and wastewater fees	779,269	-	779,269	-
Wastewater surcharges	601,095	-	601,095	-
Intergovernmental revenue	-	141,313	141,313	-
Insurance premiums	-	-	-	16,186,046
Miscellaneous	582,008	19,200	601,208	106,762
Total operating revenue	46,460,651	18,889,317	65,349,968	19,999,618
OPERATING EXPENSE				
Salaries and personal benefits	5,924,300	3,816,994	9,741,294	1,205,458
Supplies and miscellaneous purchases	619,631	1,488,030	2,107,661	2,302,395
Purchased services	4,423,934	6,907,370	11,331,304	748,111
Insurance costs	-	-	-	12,129,980
Water purchases	10,209,116	-	10,209,116	-
Wastewater treatment	9,576,287	-	9,576,287	-
Miscellaneous	580,707	642,716	1,223,423	143,562
Depreciation	10,376,554	2,211,646	12,588,200	50,204
Franchise fees	1,770,765	489,292	2,260,057	-
General and administrative costs	2,935,709	437,549	3,373,258	-
Total operating expense	46,417,003	15,993,597	62,410,600	16,579,710
Net operating income	43,648	2,895,720	2,939,368	3,419,908
NONOPERATING REVENUE (EXPENSE)				
Investment income	308,778	117,159	425,937	76,651
Gain (loss) on property disposition	(1,168)	(122,301)	(123,469)	5,314
Interest expense	(2,790,699)	(395,198)	(3,185,897)	-
Total nonoperating revenue (expense)	(2,483,089)	(400,340)	(2,883,429)	81,965
Income before contributions and transfers	(2,439,441)	2,495,380	55,939	3,501,873
Capital contributions-Impact fees	1,174,693	-	1,174,693	-
Capital contributions	1,128,469	-	1,128,469	-
Transfer in-capital assets	9,099	8,201	17,300	84,855
Transfer out-capital assets	(43,810)	(340,644)	(384,454)	(11)
Transfer in-monetary	17,902,197	5,120,964	23,023,161	190,519
Transfer out-monetary	(15,919,496)	(5,561,653)	(21,481,149)	-
Change in net assets	1,811,711	1,722,248	3,533,959	3,777,236
Net assets - beginning of the year	169,446,950	32,043,050	201,490,000	9,916,289
Net assets - end of the year	$ 171,258,661	$ 33,765,298	$ 205,023,959	$ 13,693,525

Reconciliation to government-wide Statement of Activities:	
Change in net assets of enterprise funds	3,533,959
Adjustments to reflect the consolidations of internal service funds activities related to enterprise funds	597,102
Change in net assets of business-type activities	$ 4,131,061

See accompanying notes to basic financial statements.

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CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-Type Activities-Enterprise Funds			Governmental Activities
	Water Wastewater	Other Nonmajor	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	$ 45,396,595	$ 18,754,702	$ 64,151,297	$ 20,012,291
Cash received from Intergovernmental	-	84,322	84,322	(619,347)
Cash payments to suppliers for goods and services	(24,985,975)	(8,494,825)	(33,480,800)	(15,171,122)
Cash payments to employees for services	(5,927,248)	(3,819,830)	(9,747,078)	(1,204,679)
Cash payments to other funds for services	(4,706,474)	(684,987)	(5,391,461)	(9,149)
Other operating cash (payments)	1,301	(482,144)	(480,843)	-
Net cash provided by operating activities	9,778,199	5,357,238	15,135,437	3,007,994
Cash flows from noncapital financing activities:				
Transfers from other funds	17,902,197	5,120,964	23,023,161	190,518
Transfers to other funds	(15,919,496)	(5,561,653)	(21,481,149)	-
Net cash provided by (used in) non-capital financing activities	1,982,701	(440,689)	1,542,012	190,518
Cash flows from capital and related financing activities:				
Capital outlays	(10,373,204)	(2,466,866)	(12,840,070)	(11,679)
Proceeds from intergovernmental for capital project	514,223	-	514,223	-
Proceeds from capital assets disposals	(1,168)	(122,301)	(123,469)	5,314
Interest paid on bonds and line of credit	(2,788,775)	(401,118)	(3,189,893)	-
Repayment of principal on bonds	(3,921,249)	(439,274)	(4,360,523)	-
Impact fees received	1,174,693	-	1,174,693	-
Proceeds from issuance of bonds	4,995,000	-	4,995,000	-
Contribution	118,041	-	118,041	-
Net cash (used in) capital and related and related financing activities	(10,282,439)	(3,429,559)	(13,711,998)	(6,365)
Cash flows from investing activities:				
Investment earnings received on cash and investments	597,894	175,746	773,640	104,165
Sale of investments	38,195,639	12,851,085	51,046,724	12,264,681
(Purchase) of investments	(29,265,584)	(13,274,788)	(42,540,372)	(15,814,681)
Net cash provided by (used in) investing activities	9,527,949	(247,957)	9,279,992	(3,445,835)
Net increase (decrease) in cash and equivalents	11,006,410	1,239,033	12,245,443	(253,688)
Cash and cash equivalents - beginning of year	5,181,584	4,473,269	9,654,853	5,547,941
Cash and cash equivalents - end of year	$ 16,187,994	$ 5,712,302	$ 21,900,296	$ 5,294,253
Reconciliation of income from operations to net cash provided by operating activities:				
Net operating income	$ 43,648	$ 2,895,720	$ 2,939,368	$ 3,419,908
Adjustments to net operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	10,376,554	2,211,646	12,588,200	50,204
Changes in assets and liabilities:				
(Increase) Decrease in other accounts receivable	32,159	(35,912)	(3,753)	12,674
(Increase) Decrease in inventories and supplies	15,089	(2,437)	12,652	16,884
(Decrease) in accounts payable	(666,679)	(102,288)	(768,967)	(492,457)
Increase (Decrease) in accrued liabilities	(104,974)	284,012	179,038	-
Increase in customer deposits	85,350	4,822	90,172	-
Increase in deferred revenue	-	104,511	104,511	-
Increase (Decrease) in accrued compensated absences	(2,948)	(2,836)	(5,784)	781
Net cash provided by operating activities	$ 9,778,199	$ 5,357,238	$ 15,135,437	$ 3,007,994
Noncash investing, capital and financing activities:				
Contributions of capital assets from developers	$ 1,010,428	$ -	$ -	$ -
Transfers-capital assets	$ (34,711)	$ (332,443)	$ (367,154)	$ 84,844

See accompanying notes to basic financial statements.

Grand Prairie
TEXAS
Dream Big Play Hard

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NOTES TO BASIC FINANCIAL STATEMENTS

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

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

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

<u>Primary Government</u> – 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.

<u>Blended Component Units</u> – 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.

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

1) Blended Component Unit

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 Unit

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. The one-half cent sales and use tax may be used to pay 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, 2010 financial statements for the Sports Corporation may be obtained at its administrative office.

3) Discretely Presented Component Unit

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. Complete separate December 31, 2009 financial statements for HFC may be obtained from the City.

4) 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, 2009 to September 30, 2010. 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, 2010, are as follows: general fund, crime tax fund, street improvement fund, section 8 fund, a debt service fund, and water/wastewater fund. Non-major funds are reported in the aggregate as "Other Funds." The various funds are summarized by type in the fund financial statements.

Major governmental funds include the following:

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

Crime Tax CIP Fund: This fund accounts for the construction of the City's new public safety building.

Crime Tax Sales Tax Fund: Approved by the Grand Prairie voters, a one-quarter cent sales and use tax was levied for the benefit of the Crime Control District. Proceeds from the one-quarter-cent sales tax is being used to pay for debt issued to construct the public safety building.

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

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

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

Major enterprise fund includes the following:

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

d. Measurement Focus and Basis of Accounting

1) Governmental Funds

The City uses the modified accrual basis of accounting and the flow of current financial resources measurement focus for all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when both "measurable and available." Measurable means knowing, or being capable of calculating or estimating the amount to be received. Available means collectible within the current period or soon enough thereafter to pay current liabilities (generally 60 days). Also, under the modified accrual basis of accounting, expenditures (including capital outlay) are recorded in the period when the related fund liability is incurred, except for general obligation bond principal and interest which is recorded when due rather than when incurred.

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

- Sales taxes are collected by the State and remitted to the City monthly in 60 days arrears. The City recognizes sales tax revenues when measurable and available under 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, and Park Venue Fund pursuant to City ordinances. The Sports Corporation 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.

- 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) <u>Proprietary Funds</u>

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

The accounting objectives for proprietary funds are the determination of net income, financial position and cash flows. Proprietary fund equity is segregated into (1) invested in capital assets, net of related debt; (2) restricted net assets, and (3) unrestricted net assets.

Proprietary funds distinguish operating revenues and expenses from the non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and the City's internal service funds are charges to customers for water sales, utility charges, and municipal golf course fees. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

- Equipment Services Fund – accounts for a full range of services in managing and maintaining the City's fleet of vehicles and equipment.

- Risk Management Fund - accounts for premiums, deductibles and claims for the City's property, liability and workers compensation and employee health and life insurance programs. The City reports all risk financing activities in the Risk Management Fund.

e. Assets, Liabilities, Fund Balance/Net Assets and Other

1) Pooled Cash, Investments and Temporary Deposits

The City's cash, investments and temporary deposits are pooled for investment. Interest earnings are allocated to the City's funds during the year based upon the City's adopted budget. For purposes of the statements of cash flows, the City considers cash on hand, demand deposits and investments with original maturities of three months or less to be cash equivalents.

2) Inventories

Inventory is recorded at cost when purchased, with a corresponding reservation of fund balance shown for governmental fund-type inventories, 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, Crime Tax 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. Encumbrances are reported as a reservation of fund balance on the governmental funds' balance sheet, and on October 1, each year are carried forward, along with the prior year's related appropriation, and added to the new year's budget.

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

5) Compensated Absences

Employees are granted vacation benefits in varying amounts, depending on tenure with the City. These benefits accumulate pro rata by pay period. Employees may not use vacation leave before it is earned. Payment for unused vacation will be made at the termination of employment, retirement or death of employees. Fire and police civil service employees who have completed their introductory period are paid up to 90 days sick leave upon separation of employment, excluding indefinite suspensions. The valuation of the civil service sick leave is at current pay rates. Other non-civil service employees hired prior to September 30, 1976 are paid up to 90 days sick leave upon retirement. The valuation of the frozen non-civil service sick leave was at the employees' wage level on September 30, 1985. 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 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 2009 actuarial report, as of September 30, 2010, was $2,236,466. Below is the change as reported in this most recent report.

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, 2010 were $1,071,212.

	Beginning of Fiscal Year Liability	Claims and Change in Estimates	Claim Payments	End of Fiscal Year Liability
2010	$3,826,928	$10,109,522	$10,628,772	$3,307,678
2009	3,579,302	8,969,890	8,722,264	3,826,928

7) Post Employment Benefits Other than Pension Benefits

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

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

TMRS Retirement / Plan option may include:

- Service retirement, 25 yrs of TMRS creditable service at any age, or
- Age 60 and 5 years of TMRS creditable service
- Disability/Medical retirement at any age, if approved by TMRS

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

Benefits

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

Active employees do not contribute to the retiree health care premium.

Retiree benefits begin on the first day of the month following retirement. If a retiree is not eligible for employer-paid retiree health benefits, they may purchase medical coverage through COBRA. The rate will depend on the coverage level and the plan they select (i.e., Employee Only, Employee + Spouse, etc.). The rate is determined by the rate structure in place at that time + a 2% administrative fee. The City of Grand Prairie does not contribute to any portion of the COBRA premium.

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

Spouse Coverage

Retired before 1/1/2010: A spouse who is on the employee's plan at the time of retirement may continue on the plan until the spouse reaches age 65. Spouse coverage continues after the employee reaches the age 65 and after the death of the employee until the spouse reaches the age of 65, as well. Spouse coverage continues even though the employee becomes Medicare eligible.

Rates for spouse coverage are dependent upon the employee's years of service with the City of Grand Prairie. Spouses receive the same benefits as the employee. Surviving spouses of deceased active members are not eligible for retiree health care benefits.

Employees retiring from TMRS effective 12/31/2009 (for a 1/1/10 effective date) or later, and who wish to cover dependents during retirement, must have the dependents covered on their City plan for two full years prior to retirement. (For instance, to cover a spouse effective 1/1/10 for retirement, the spouse must have been covered under your employee plan continuously since 1/1/08).

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. A retiree may purchase coverage for dependents through COBRA. The rate will depend on the coverage level and the plan they select (i.e., Employee Only, Employee + Spouse, etc.). The rate is determined by the rate structure in place at that time + a 2% administrative fee. The City of Grand Prairie does not contribute to any portion of the COBRA premium.

Medicare

Covered participants are not required to apply for Medicare when eligible, but may remain on the City's insurance. Retirees, however, are required to move off the City's medical plan when they reach age 65 or become Medicare eligible. The City does not contribute to the retiree Medicare premiums.

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 2010 Monthly Health Care Premiums (Employee Pays Portion)

Group	Monthly Health Care Premium	
Gold (Under Age 65)	**PRIOR TO 12/01/2005**	**AFTER 11/30/2005**
Employee Only	$531	$577
Employee plus Spouse	$1,082	$1,175
Employee plus Child(ren)	$850	$921
Family	$1,558	$1,686
Silver (Under Age 65)		
Employee Only	$455	$501
Employee plus Spouse	$908	$1,001
Employee plus Child(ren)	$714	$785
Family	$1,299	$1,427
Bronze (Under Age 65)		
Employee Only	$417	$463
Employee plus Spouse	$838	$931
Employee plus Child(ren)	$636	$707
Family	$1,156	$1,284
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	$ 2,128,596
Interest on OPEB obligation	24,500
Adjustment to ARC	(22,699)
Annual OPEB cost (expense) end of year	2,130,397
Net estimated employer contributions	860,144
Increase in net OPEB obligation	1,270,253
Net OPEB obligation as of beginning of the year	544,453
Net OPEB obligation (asset) as of end of the year	$ 1,814,706

Funding status and funding progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45, as of December 31, 2009 is as follows:

Actuarial Valuation Date as of December 31, 2009	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
		$ 25,220,971	$ 25,220,971	0%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by $25,220,971 at December 31, 2009.

Actuarial methods and assumptions

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

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

Actuarial Methods and Assumptions

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

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

Fiscal Year Ended	Employer Annual Required Contribution	Employer Amount Contributed	Interest on NOO (9) x 4.5%	ARC Adjustment (9) / (6)	Amortization Factor	OPEB cost (2)+(4)-(5)	Change in NOO (7) - (3)	NOO Balance NOO + (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
09/30/08	$ 1,477,994	$ 990,121	$ -	$ -	23.9854	$ 1,477,994	$ 487,873	$ 487,873
09/30/09	$ 1,522,334	$ 1,467,368	$ 21,954	$ 20,340	23.9854	$ 1,523,948	$ 56,580	$ 544,453
09/30/10	$ 2,128,596	$ 860,144	$ 24,500	$ 22,699	23.9854	$ 2,130,397	$ 1,270,253	$ 1,814,706

8) Environmental Remediation Obligations

The City has recorded a liability and an asset related to environmental remediation in the amount of $212,063, on the Statement of Net Assets and on the Statement of Activities. The estimates of the liabilities are prepared by the Environmental Professional Group and by the City's Environmental Quality Manager and based on a range of expected outlays, net of expected cost recoveries, if any, for the type and amount of pollution contamination detected. The estimates are reviewed and adjusted periodically for price changes, additional contamination and any other changes detected.

- The City of Grand Prairie owns land and is responsible for the asbestos abatement at 121 and 125 East Main Street. The City is expecting the Voluntary Cleanup Program closure in FY2011. The land was acquired for a future parking lot for the Uptown Theater.

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

- The City of Grand Prairie owns land and was responsible for the cleanup of heavy metal contamination in the soils and groundwater at Gun Range-Hardrock Road. The cleanup is completed. The land was acquired for a future police department gun range.

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

Environmental remediation liability activity in fiscal year 2010 was as follows:

Property Description	Beginning Balance 10/1/2009	Additions	Reductions	Ending Balance 9/30/2010	Current Portion
121 and 125 East Main Street	$ 66,315	$ -	$ 61,315	$ 5,000	$ 5,000
100 Block West Church Street	115,000	-	100,152	14,848	14,848
Gun Range-Hardrock Road	25,000	-	25,000	-	-
Police Station-801 Conover St	-	192,215	-	192,215	192,215
Total	$ 206,315	$ 192,215	$ 186,467	$ 212,063	$ 212,063

9) Depository Contract

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

10) Deferred Revenue

At fiscal year-end five funds reported deferred revenue. In the General Fund and Debt Service Fund, deferred revenue is reported for property tax receivables expected to be collected later than 60-days after the end of the fiscal year. These amounts are $3,067,850 and $528,892, respectively. Because the total amount of $3,596,742 represents earned revenue, they are included as property tax revenue at the government-wide level. Also in the General Fund, pipeline lease deposits of $453,832 are reported as deferred revenue until the agreement is fulfilled. In the Street Improvement Fund, $347,070 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. In the Other Special Revenue funds and the Parks Venue special revenue fund, deposits for scheduled rentals and upcoming events are recorded as deferred income until the rental periods or events are completed. These amounts are $985,538 and $128,273, respectively. And, because the total amount of $1,113,811 represents unearned revenue, these amounts are presented at both the fund level and government-wide level.

f. New Accounting Principles

The GASB has issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

The GASB has issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Effective date: For periods beginning after June 15, 2009.

The GASB has issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

The GASB has issued Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies." This Statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

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, Cable Operation Fund and Section 8 Fund. The expenditures budgeted in each fund may not exceed the budgeted revenues, including beginning fund balance.

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, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The amounts in Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual for the general fund are reported on this 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. Therefore, both expenditures related to prior year encumbrances and encumbrances outstanding at the end of the current year are called expenditures for budgetary reporting purposes.

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, Crime Tax, and Section 8 Funds.

d. Deficit Fund Equity

As of September 30, 2010, the City had no funds with deficit fund equity.

3. DETAILED NOTES ON ALL FUNDS

a. Assets

1) Deposits, Investments and Investment Policies

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

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

Authorized investments include obligations of the United States or its agencies and instrumentalities (except for mortgage pass-through securities), repurchase agreements, municipal securities, public funds investment pools, SEC regulated money market mutual funds and collateralized or insured certificates of deposit.

The investment policies require that repurchase agreements be made pursuant to a master agreement, the collateral is a U. S. Treasury bill, note or bond; the security is held in safekeeping by the City's custodial agent; and the investment is transacted "delivery vs. payment" so that the City's interest in the underlying security is perfected. The City does not invest in reverse repurchase agreements. No City monies were invested in repurchase agreements at September 30, 2010.

The City's investments are stated at fair value, using the following methods and assumptions as of September 30, 2010:

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,

   (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 $101,824,630 in TexPool as of September 30, 2010. 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 operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. 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's policy is to hold investments until maturity or until fair values equal or exceed cost.

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

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

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

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

The asset mix requirements are as follows:

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

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

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

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

The City's carrying amount of cash, cash equivalents and investments as of September 30, 2010 as reflected in the primary government's financial statements, are:

	Unrestricted	Restricted	Total
Cash	$ (720,386)	$ 202,569	$ (517,817)
Pooled Investments			
Cash and cash equivalents	49,853,424	65,034,829	114,888,253
Investments	61,974,213	58,371,806	120,346,019
Total pooled investments	111,827,637	123,406,635	235,234,272
Total	$ 111,107,251	$ 123,609,204	$ 234,716,455

At year-end, the bank balance of the City's unrestricted cash was $717,483. The City's deposit was a credit balance primarily consisting of outstanding checks. Of the bank balance, $250,000 was covered by federal depository insurance and $467,483 was covered by collateral held by the City's agent in the City's name. Statutes require collateral pledged for deposits to be held in the City's name by the trust department of a bank.

The City's cash equivalents of $114,888,253 were also covered by collateral held by the City's agent in the City's name.

As of September 30, 2010, the City had the following investments:

	Fair Value	Weighted Average Maturity (Days)	Credit Risk
Federal Farm Credit Bank	$ 27,208,100	717	AAA
Federal Home Loan Bank	49,317,063	653	AAA
Federal Home Loan Mortgage Corp.	26,787,711	722	AAA
Federal National Mortgage Assoc.	17,033,145	801	AAA
TexPool	101,824,630	1	AAAm
TexStar	12,791,563	1	AAAm
Money market funds	272,060	1	AAAm
Total	$ 235,234,272	*359	

*Potfolio Weighted Average Maturity

Maturities of the City's investments at September 30, 2010 were as follows:

Cash equivalents	$ 114,888,253
Under 30 days	-
30 days to 60 days	-
61 days to 90 days	5,024,129
91 days to 1 year	13,264,633
After 1 year	102,057,257
Total	$ 235,234,272

The City did not invest in any securities different from the categories mentioned above during the 2009-2010 fiscal year.

At September 30, 2010, the carrying amount of the Sports Corporation's deposits included in cash and cash equivalents was $57,157 while the bank balance of the Sports Corporation's deposits was $57,531. The bank balance was entirely covered by Federal depository insurance or collateral held by the Sports Corporation's agent in the Sports Corporation's name.

As of September 30, 2010, the Corporation had the following investments:

	Fair Value	Weighted Average Maturity (Days)	Credit Risk
TexPool	$ 8,404,394	1	AAAm
U.S. Governmental Obligations	4,512,911	892	AAA
Total	$ 12,917,305	312	

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, 2010 was $8,404,394 in the Public Funds Investment Pool (TexPool) and $4,512,911 in U.S agency instrumentalities.

The bank balance of HFC at December 31, 2009, including restricted cash, totaled $323,623 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 $281,122. Restricted cash of $42,501 "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. The remaining restricted cash amount comprises tenant security deposits.

2) Capital Assets

Capital assets balances and transactions for the year ended September 30, 2010 are summarized below for governmental activities:

	Balance October 1, 2009	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2010
Non-depreciable capital assets:				
Land	$ 28,867,864	$ 3,421,752	$ -	$ 32,289,616
Construction in progress	203,657,688	58,669,007	(138,392,883)	123,933,812
Total non-depreciable capital assets	232,525,552	62,090,759	(138,392,883)	156,223,428
Depreciable capital assets:				
Buildings	82,965,963	232,092	95,656,760	178,854,815
Equipment	63,209,790	4,009,379	3,736,529	70,955,698
Infrastructure	377,051,271	805,022	37,027,666	414,883,959
Total depreciable capital assets	523,227,024	5,046,493	136,420,955	664,694,472
Less accumulated depreciation for:				
Buildings	(27,777,361)	(4,718,743)	29,678	(32,466,426)
Equipment	(33,512,803)	(4,346,060)	765,359	(37,093,504)
Infrastructure	(149,190,705)	(17,665,180)	3,888	(166,851,997)
Total accumulated depreciation	(210,480,869)	(26,729,983)	798,925	(236,411,927)
Total depreciable capital assets, net	312,746,155	(21,683,490)	137,219,880	428,282,545
Governmental activities capital assets, net	$ 545,271,707	$ 40,407,269	$ (1,173,003)	$ 584,505,973

Note: Additions include developers contribution ($799,097) and transfers ($710,615).

Capital asset balances for business-type activities for the year ended September 30, 2010 are summarized below:

	Balance October 1, 2009	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2010
Non-depreciable capital assets				
Land	$ 3,352,271	$ 551,564	$ -	$ 3,903,835
Construction in progress	44,542,771	11,046,365	(14,739,346)	40,849,790
Total non-depreciable capital assets	47,895,042	11,597,929	(14,739,346)	44,753,625
Depreciable capital assets				
Buildings	9,635,838	8,111	(116,038)	9,527,911
Equipment	24,440,949	1,420,012	(1,358,104)	24,502,857
Infrastructure	252,681,136	1,010,428	14,586,831	268,278,395
Total depreciable capital assets	286,757,923	2,438,551	13,112,689	302,309,163
Less accumulated depreciation for:				
Buildings	(4,508,536)	(343,058)	92,932	(4,758,662)
Equipment	(11,815,397)	(1,561,636)	981,333	(12,395,700)
Infrastructure	(110,370,307)	(10,683,506)	(746)	(121,054,559)
Total accumulated depreciation	(126,694,240)	(12,588,200)	1,073,519	(138,208,921)
Total depreciable capital assets, net	160,063,683	(10,149,649)	14,186,208	164,100,242
Business-type activities' capital assets, net	$ 207,958,725	$ 1,448,280	$ (553,138)	$ 208,853,867

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

Support Services	$ 3,245,091	Water and Wastewater	$ 10,376,554
Public Safety Services	19,048,413		
Recreation and Leisure Services	635,907		
Development Services	3,800,572	Other Business-type	2,211,646
Total governmental	$ 26,729,983	Total business-type	$ 12,588,200

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

	Balance Ocober 1, 2009	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2010
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, 2009	Additions/ Completions	Disposals/ Reclasses	Balance December 31, 2009
Non-depreciable capital assets:				
Land	$ 1,612,851	$ -	$ -	$ 1,612,851
Total non-depreciable capital assets	1,612,851	-	-	1,612,851
Depreciable capital assets:				
Buildings	20,755,383	497,168	(776,556)	20,475,995
Less accumulated depreciation	(5,508,425)	(928,429)	789,341	(5,647,513)
Total depreciable capital assets, net	15,246,958	(431,261)	12,785	14,828,482
Housing Finance Corporation assets, net	$ 16,859,809	$ (431,261)	$ 12,785	$ 16,441,333

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

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit (a theoretical amount) which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Plan provisions for the City were as follows (as of 4/19/07*):

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

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

Contributions - Under the state law governing TMRS, the actuary annually determines the City contribution rate. For the December 31, 2009 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, 2009, valuation is effective for rates beginning January 2011).

Actuarial Valuation Date	December 31, 2009	December 31, 2008	December 31, 2007
Actuarial Value of Assets	$ 195,807,917	$ 184,115,536	$ 174,692,032
Actuarial Accrued Liability	283,654,428	270,661,623	252,870,914
Percentage Funded	69.0%	68.0%	69.1%
Unfunded (over-funded) Actuarial Accrued Liability (UAAL)	$ 87,846,511	$ 86,546,087	$ 78,178,882
Annual Covered Payroll	66,030,734	67,018,137	61,880,950
UAAL as a percentage of Covered Payroll	133.0%	129.1%	126.3%
Net Pension Obligation (NPO) at the Beginning of the period	$ -	$ -	$ -
Annual Pension Cost:			
Annual Required Contribution (ARC)	$ 9,792,823	$ 8,955,152	$ 8,203,635
Contribution Made	9,792,823	8,955,152	8,203,635
NPO at the End of the Period	$ -	$ -	$ -

* To ensure the most accurate future rates are determined for the City, TMRS adopted new actuarial cost method and assumptions at their December 2007 meeting, to be effective for the December 31, 2009 valuation.

Actuarial Assumptions – The City also uses the following assumptions:

Actuarial Valuation Date	December 31, 2009	December 31, 2008	December 31, 2007
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	28 Years/Closed	29 Years/Closed	30 Years/Closed
Amortization Period for new Gains/Losses	30 Years	30 Years	30 Years
Asset Valuation Method	10-year Smoothed Market	Amortized Cost	Amortized Cost
Investment Rate of Return	7.5%	7.5%	7.0%
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 of Grand Prairie is one of 837 municipalities having their benefit plan administered by TMRS. Each of the 837 municipalities has an annual actuarial valuation performed. All assumptions for the December 31, 2009 valuations are contained in the 2009 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, 2009	Borrowings or Increase	Payments or Decrease	Balance September 30, 2010	Due Within One Year
Governmental Activities					
General obligation bonds	$ 93,109,470	$ 5,480,000	$ (5,682,210)	$ 92,907,260	$ 6,113,861
Certificates of obligation bonds	107,703,622	1,945,000	(8,426,081)	101,222,541	8,615,084
Sales tax revenue bonds	27,620,000	13,390,000	(13,740,000)	27,270,000	970,000
Sales tax venue revenue bonds	34,390,000	-	(7,150,000)	27,240,000	1,960,000
Sales tax venue certificates of obligation	59,800,000	-	(7,130,000)	52,670,000	2,080,000
Issuance premiums/discounts, net	351,344	36,940	(57,530)	330,754	-
Deferred loss on refunding	(119,197)	(596,147)	133,309	(582,035)	-
Compensated absences	12,455,737	5,189,471	(4,816,655)	12,828,553	4,884,467
Other post employment benefits	544,453	1,270,253	-	1,814,706	-
Environmental remediation liability	206,315	192,215	(186,467)	212,063	212,063
Total governmental activities	336,061,744	26,907,732	(47,055,634)	315,913,842	24,835,475
Business-Type Activities					
General obligation bonds	5,407,000	-	(180,000)	5,227,000	290,399
Certificates of obligation bonds	3,796,378	-	(258,921)	3,537,457	134,917
Water and wastewater revenue bonds	65,800,000	4,995,000	(3,920,000)	66,875,000	3,940,000
Issuance premiums/discounts, net	4,578	-	(1,602)	2,976	-
Closure and post closure liability	4,798,404	272,727	-	5,071,131	-
Compensated absences	376,092	440,894	(446,677)	370,309	360,753
Total business-type activities	80,182,452	5,708,621	(4,807,200)	81,083,873	4,726,069
Total primary government	$ 416,244,196	$ 32,616,353	$ (51,862,834)	$ 396,997,715	$ 29,561,544
Component Unit Activities					
Housing Finance Corporation:					
Notes payable	3,414,546	41,760	(66,131)	3,390,175	70,680
Revenue bonds	13,810,000	-	-	13,810,000	-
Total component units	$ 17,224,546	$ 41,760	$ (66,131)	$ 17,200,175	$ 70,680

In 2007, 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, 2010, 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

On February 2, 2010 the City issued $5,480,000 in General Obligation Improvement Bonds, Series 2010 for infrastructure improvement and, $1,945,000 in Combination Tax and Revenue Certificates of Obligation, Series 2010 for infrastructure and TIF projects.

(ii) Bond Refunding

Early in fiscal year 2010 the City executed an advance refunding of $12,705,000 of Sales Tax Revenue Bonds. The bonds were refunded with a single issue of $13,390,000 Sales Tax Subordinate Lien Revenue Bonds, Series 2009. The proceeds of the refunding bonds provided resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability was removed from the City's financial records in fiscal year 2010. The reacquisition price exceeded the net carrying amount of the old debt by $596,147. 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 $966,566 and to obtain an economic gain of $897,136.

(iii) Defeased Debt Outstanding

At September 30, 2010, 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
Sales Tax Revenue Bonds	$	5,920,000
General Obligation Bonds		2,585,000
Certificates of Obligation		2,790,000
General Obligation Refunding Bonds		50,740
	$	11,345,740

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 1998-A	4.0-5.0	1998	2019	$ 16,179,364	$ -
Series 1999	5.5	1998	2011	12,096,630	379,260
Series 2000	5.25-7.25	2000	2020	4,435,000	215,000
Series 2001	4.5-5.5	2001	2021	5,000,000	730,000
Series 2002	4.5-5.0	2002	2022	6,550,000	4,655,000
Series 2002-A	3.9-4.875	2002	2022	9,900,000	6,925,000
Series 2003	2.0-4.60	2003	2023	11,025,000	6,635,000
Series 2003-A	2.0-4.30	2003	2014	5,875,000	365,000
Series 2004	2.0-4.50	2004	2024	4,855,000	3,730,000
Series 2004-A	2.0-4.75	2004	2024	6,170,000	4,255,000
Series 2005 Refunding	2.75-4.50	2005	2025	14,260,000	11,280,000
Series 2005-A	3.75-4.25	2005	2025	2,215,000	1,805,000
Series 2006	3.9-5.0	2006	2026	3,300,000	2,870,000
Series 2006-A	4.125-4.375	2006	2027	4,000,000	3,610,000
Series 2007	4.0-4.50	2007	2027	33,098,000	31,263,000
Series 2008	4.0-5.50	2009	2029	8,985,000	8,710,000
Series 2010	2.0-4.25	2010	2030	5,480,000	5,480,000
Total general obligation bonds					92,907,260
Certificates of obligation bonds:					
Tax and revenue bonds:					
Series 1998-A	3.60-5.00	1998	2019	7,270,000	-
Series 2000	4.9-6.9	2000	2020	2,760,000	70,000
Series 2000-A	5.0-5.5	2000	2020	3,800,000	185,000
Series 2001	4.5-5.0	2001	2021	5,900,000	790,000
Series 2002-C	3.85-4.75	2002	2022	2,650,000	1,315,000
Series 2003-A	2.0-5.0	2003	2028	4,960,000	3,965,000
Series 2004	2.5-4.45	2004	2024	2,894,000	1,844,612
Series 2004-B	2.0-4.75	2004	2024	8,280,000	5,745,000
Series 2005	2.75-4.50	2005	2025	2,935,000	2,005,000
Series 2006	4.0-5.50	2006	2026	8,291,250	6,760,000
Series 2006-A	4.125-4.375	2006	2027	11,947,500	10,902,000
Series 2007	4.0-4.50	2007	2027	6,610,000	5,655,000
Series 2008A	4.0-5.50	2009	2029	13,185,000	12,560,000
Series 2010	2.0-4.25	2010	2030	590,000	590,000
Total tax and revenue bonds					52,386,612
Tax and tax increment bonds					
Series 2001	3 month LIBOR = 31%	2000	2022	17,900,000	13,800,000
Series 2002B	4.5-5.0	2001	2020	2,800,000	1,850,000
Series 2003B	2.0-5.0	2003	2020	1,030,000	690,000
Series 2003C	2.0-5.0	2003	2020	4,340,000	2,895,000
Series 2004B	2.0-4.75	2004	2024	1,170,000	805,000
Series 2005A	2.75-4.50	2005	2020	710,000	515,000
Series 2006	4.0-5.50	2006	2020	1,575,000	1,260,000
Series 2006-A	4.125-4.375	2006	2020	2,498,470	2,028,000
Series 2006-A	4.125-4.375	2006	2020	1,468,000	1,205,000
Series 2006-A	4.125-4.375	2006	2020	1,546,030	1,260,000
Series 2007	4.0-4.50	2007	2011	1,200,000	315,000
Series 2007	4.0-4.50	2007	2011	8,075,000	2,375,000
Series 2007	4.0-4.50	2007	2017	1,235,000	910,000
Series 2008A	4.0-5.50	2008	2021	10,550,000	9,865,000
Series 2008A	4.0-5.50	2008	2019	1,500,000	1,375,000
Series 2010	2.0-4.25	2010	2020	1,355,000	1,355,000
Total tax and tax increment bonds					42,503,000
Parks & recreation bonds					
Series 2004	2.5-4.45	2004	2024	484,000	372,929
Series 2004B	2.0-4.75	2004	2024	5,915,000	4,580,000
Series 2008A	4.0-5.50	2008	2029	1,425,000	1,380,000
Total parks & recreation					6,332,929
Sales Tax Venue CO's					
Series 2007A Crime Control	12 month LIBOR * 62.075 + .75	2007	2017	5,000,000	5,000,000
Series 2008 Crime Control	6 month LIBOR * 62.075+ 1.07	2008	2024	54,800,000	47,670,000
Total sales tax venue bonds					52,670,000
Total certificate of obligation bonds					153,892,541
Sales tax revenue bonds:					
Series 2000	5.4-7.4	2000	2025	3,670,000	-
Series 2000A	5.0-5.5	2000	2026	5,200,000	155,000
Series 2001	4.125-5.125	2001	2027	11,055,000	2,535,000
Series 2001A	4.125-5.0	2001	2027	8,500,000	760,000
Series 2002	4.0-5.0	2002	2027	5,000,000	3,975,000
Series 2005	3.5-4.25	2005	2026	6,705,000	6,455,000
Serier 2009	3.77	2009	2027	13,390,000	13,390,000
Total sales tax revenue bonds					27,270,000
Sales Tax Venue Bonds					
Series 2007 Taxable Baseball	12 month LIBOR +.61%	2007	2019	16,850,000	12,355,000
Series 2007 Senior Center	12 month LIBOR * 62.075 + .75	2007	2019	3,000,000	3,000,000
Series 2008 Senior Center	6 month LIBOR * 62.075+ 1.28	2008	2024	16,850,000	11,885,000
Total sales tax venue bonds					27,240,000
Premiums/discounts, net	N/A	N/A	N/A	N/A	330,754
Deferred loss on refunding	N/A	N/A	N/A	N/A	(582,035)
Compensated absences	N/A	N/A	N/A	N/A	12,828,553
Other Post Employment Benefit	N/A	N/A	N/A	N/A	1,814,706
Environmental remediation liability	N/A	N/A	N/A	N/A	212,063
Total governmental long-term debt					$ 315,913,842

(Does not include unamortized premiums, discounts, or deferred loss on refunding)

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

	Balance October 1, 2009	Borrowings or Increase	Payments or Decrease	Balance September 30, 2010	Due Within One Year
General obligation bonds:					
Series 1998-A	$ 510,000	$ -	$ (510,000)	$ -	$ -
Series 1999	736,470	-	(357,210)	379,260	379,260
Series 2000	415,000	-	(200,000)	215,000	215,000
Series 2001	950,000	-	(220,000)	730,000	230,000
Series 2002	4,935,000	-	(280,000)	4,655,000	295,000
Series 2002-A	7,355,000	-	(430,000)	6,925,000	450,000
Series 2003	7,310,000	-	(675,000)	6,635,000	705,000
Series 2003-A	875,000	-	(510,000)	365,000	145,000
Series 2004	3,930,000	-	(200,000)	3,730,000	205,000
Series 2004-A	4,600,000	-	(345,000)	4,255,000	355,000
Series 2005 Refunding	11,995,000	-	(715,000)	11,280,000	750,000
Series 2005-A	1,890,000	-	(85,000)	1,805,000	90,000
Series 2006	2,985,000	-	(115,000)	2,870,000	120,000
Series 2006-A	3,745,000	-	(135,000)	3,610,000	140,000
Series 2007	31,893,000	-	(630,000)	31,263,000	1,539,601
Series 2008	8,985,000	-	(275,000)	8,710,000	290,000
Series 2010	-	5,480,000	-	5,480,000	205,000
Total general obligation bonds	93,109,470	5,480,000	(5,682,210)	92,907,260	6,113,861
Certificates of obligation bonds:					
Tax and revenue bonds:					
Series 1998-A	310,000	-	(310,000)	-	-
Series 2000	135,000	-	(65,000)	70,000	70,000
Series 2000-A	360,000	-	(175,000)	185,000	185,000
Series 2001	1,030,000	-	(240,000)	790,000	250,000
Series 2002-C	1,400,000	-	(85,000)	1,315,000	85,000
Series 2003-A	4,120,000	-	(155,000)	3,965,000	160,000
Series 2004	1,941,171	-	(96,559)	1,844,612	99,889
Series 2004-B	6,200,000	-	(455,000)	5,745,000	470,000
Series 2005	2,095,000	-	(90,000)	2,005,000	100,000
Series 2006	7,035,000	-	(275,000)	6,760,000	295,000
Series 2006-A	11,273,000	-	(371,000)	10,902,000	391,000
Series 2007	5,655,000	-	-	5,655,000	-
Series 2008A	13,185,000	-	(625,000)	12,560,000	645,000
Series 2010	-	590,000	-	590,000	20,000
	54,739,171	590,000	(2,942,559)	52,386,612	2,770,889
Tax and tax increment bonds:					
Series 2001	14,515,000	-	(715,000)	13,800,000	765,000
Series 2002-B	1,990,000	-	(140,000)	1,850,000	145,000
Series 2003-B	745,000	-	(55,000)	690,000	55,000
Series 2003-C	3,120,000	-	(225,000)	2,895,000	235,000
Series 2004B	870,000	-	(65,000)	805,000	65,000
Series 2005-A	555,000	-	(40,000)	515,000	45,000
Series 2006	1,345,000	-	(85,000)	1,260,000	90,000
Series 2006-A	2,192,000	-	(164,000)	2,028,000	169,000
Series 2006-A	1,295,000	-	(90,000)	1,205,000	95,000
Series 2006-A	1,355,000	-	(95,000)	1,260,000	100,000
Series 2007	620,000	-	(305,000)	315,000	315,000
Series 2007	4,660,000	-	(2,285,000)	2,375,000	2,375,000
Series 2007	1,020,000	-	(110,000)	910,000	115,000
Series 2008A	10,550,000	-	(685,000)	9,865,000	715,000
Series 2008A	1,500,000	-	(125,000)	1,375,000	130,000
Series 2010	-	1,355,000	-	1,355,000	120,000
	46,332,000	1,355,000	(5,184,000)	42,503,000	5,534,000
Parks & recreation bonds:					
Series 2004	392,451	-	(19,522)	372,929	20,195
Series 2004B	4,815,000	-	(235,000)	4,580,000	245,000
Series 2008A	1,425,000	-	(45,000)	1,380,000	45,000
	6,632,451	-	(299,522)	6,332,929	310,195
Total certificate of obligation bonds	107,703,622	1,945,000	(8,426,081)	101,222,541	8,615,084
Sales tax revenue bonds:					
Series 2000	355,000	-	(355,000)	-	-
Series 2000-A	820,000	-	(665,000)	155,000	155,000
Series 2001	8,795,000	-	(6,260,000)	2,535,000	355,000
Series 2001-A	7,020,000	-	(6,260,000)	760,000	250,000
Series 2002	4,125,000	-	(150,000)	3,975,000	155,000
Series 2005	6,505,000	-	(50,000)	6,455,000	55,000
Series 2009	-	13,390,000	-	13,390,000	-
Total sales tax revenue bonds	27,620,000	13,390,000	(13,740,000)	27,270,000	970,000
Sales tax venue revenue bonds:					
Series 2007	14,540,000	-	(2,185,000)	12,355,000	1,485,000
Series 2007	3,000,000	-	-	3,000,000	180,000
Series 2007A certificate of obligation bonds	5,000,000	-	-	5,000,000	635,000
Series 2008	16,850,000	-	(4,965,000)	11,885,000	295,000
Series 2008 certificate of obligation bonds	54,800,000	-	(7,130,000)	47,670,000	1,445,000
Total sales tax venue bonds	94,190,000	-	(14,280,000)	79,910,000	4,040,000
Premiums/discounts, net	351,344	36,940	(57,530)	330,754	-
Deferred loss on refunding	(119,197)	(596,147)	133,309	(582,035)	-
Compensated absences:	12,455,737	5,189,471	(4,816,655)	12,828,553	4,884,467
Other post employment benefits	544,453	1,270,253		1,814,706	-
Environmental remediation liability	206,315	192,215	(186,467)	212,063	212,063
Total	$ 336,061,744	$ 26,907,732	$ (47,055,634)	$ 315,913,842	$ 24,835,475

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
2011	$ 6,113,861	$ 3,834,709	$ 9,948,570	$ 2,655,889	$ 2,138,117	$ 4,794,006	$ 5,534,000	$ 3,161,859	$ 8,695,859
2012	6,247,942	3,584,529	9,832,471	2,759,218	2,028,216	4,787,434	2,994,000	2,905,666	5,899,666
2013	6,402,175	3,328,502	9,730,677	2,690,878	1,915,993	4,606,871	3,134,000	2,689,958	5,823,958
2014	6,515,848	3,065,064	9,580,912	2,524,207	1,804,900	4,329,107	3,294,000	2,458,813	5,752,813
2015	6,703,800	2,797,976	9,501,776	2,412,537	1,700,860	4,113,397	3,464,000	2,211,559	5,675,559
2016	6,771,752	2,522,377	9,294,129	2,509,196	1,597,700	4,106,896	3,644,000	1,947,509	5,591,509
2017	7,023,743	2,237,529	9,261,272	2,507,526	1,490,632	3,998,158	3,839,000	1,664,364	5,503,364
2018	6,865,734	1,945,357	8,811,091	2,629,185	1,379,340	4,008,525	3,899,000	1,363,606	5,262,606
2019	6,852,405	1,658,615	8,511,020	2,762,515	1,260,580	4,023,095	4,114,000	1,044,701	5,158,701
2020	5,850,000	1,389,669	7,239,669	2,886,174	1,134,846	4,021,020	4,157,000	708,724	4,865,724
2021	5,315,000	1,142,268	6,457,268	3,289,833	996,571	4,286,404	2,795,000	391,394	3,186,394
2022	4,830,000	913,703	5,743,703	3,411,492	845,397	4,256,889	1,635,000	122,625	1,757,625
2023	3,755,000	719,233	4,474,233	3,193,152	694,833	3,887,985	-	-	-
2024	3,370,000	558,494	3,928,494	3,264,810	545,907	3,810,717	-	-	-
2025	2,850,000	416,899	3,266,899	2,765,000	405,274	3,170,274	-	-	-
2026	2,565,000	292,225	2,857,225	2,725,000	276,178	3,001,178	-	-	-
2027	2,415,000	176,648	2,591,648	2,265,000	158,098	2,423,098	-	-	-
2028	1,015,000	95,198	1,110,198	930,000	79,464	1,009,464	-	-	-
2029	1,065,000	43,065	1,108,065	980,000	28,208	1,008,208	-	-	-
2030	380,000	8,075	388,075	40,000	850	40,850	-	-	-
	$ 92,907,260	$ 30,730,135	$ 123,637,395	$ 49,201,612	$ 20,481,964	$ 69,683,576	$ 42,503,000	$ 20,670,778	$ 63,173,778

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

Certificates of Obligation Bonds	$ 49,201,612
Parks/Cemetery Certificates of Obligation Bonds	9,517,929
	$ 58,719,541

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

Certificates of Obligation Bonds	$ 52,386,612
Parks and Recreation Certificates of Obligation Bonds	6,332,929
	$ 58,719,541

Parks/Cemetery Certificates of Obligation			Venue Sales Tax Revenue Bonds			Park Venue Sales Tax Revenue Bonds			Total		
Principal	Interest	Total	Principal	Interest	Total	Principal (1)	Interest	Total	Principal	Interest	Total
$ 425,195	$ 428,019	$ 853,214	$ 4,040,000	$ 2,850,201	$ 6,890,201	$ 970,000	$ 1,092,554	$ 2,062,554	$ 19,738,945	$ 13,505,459	$ 33,244,404
445,868	411,671	857,539	4,475,000	2,693,260	7,168,260	1,010,000	1,049,612	2,059,612	17,932,028	12,672,954	30,604,982
462,214	393,780	855,994	4,950,000	2,502,155	7,452,155	1,235,000	1,004,216	2,239,216	18,874,267	11,834,604	30,708,871
482,887	374,576	857,463	5,465,000	2,303,007	7,768,007	1,360,000	951,644	2,311,644	19,641,942	10,958,004	30,599,946
503,561	354,189	857,750	6,020,000	2,085,315	8,105,315	1,425,000	894,948	2,319,948	20,528,898	10,044,847	30,573,745
529,907	331,795	861,702	6,625,000	1,854,138	8,479,138	1,480,000	837,357	2,317,357	21,559,855	9,090,876	30,650,731
550,580	307,390	857,970	7,250,000	1,586,651	8,836,651	1,550,000	778,976	2,328,976	22,720,849	8,065,542	30,786,391
581,926	281,576	863,502	5,730,000	1,306,233	7,036,233	1,615,000	716,984	2,331,984	21,320,845	6,993,096	28,313,941
602,599	254,461	857,060	6,350,000	1,122,165	7,472,165	1,680,000	652,218	2,332,218	22,361,519	5,992,740	28,354,259
633,946	225,823	859,769	6,805,000	921,585	7,726,585	1,745,000	584,659	2,329,659	22,077,120	4,965,306	27,042,426
665,292	195,506	860,798	7,465,000	701,698	8,166,698	1,830,000	509,995	2,339,995	21,360,125	3,937,432	25,297,557
696,638	163,671	860,309	8,170,000	464,354	8,634,354	1,920,000	431,074	2,351,074	20,663,130	2,940,824	23,603,954
722,985	130,025	853,010	6,565,000	204,533	6,769,533	2,005,000	351,518	2,356,518	16,241,137	2,100,142	18,341,279
764,331	94,066	858,397	-	-	-	2,100,000	264,804	2,364,804	9,499,141	1,463,271	10,962,412
315,000	67,383	382,383	-	-	-	2,195,000	174,203	2,369,203	8,125,000	1,063,759	9,188,759
330,000	50,888	380,888	-	-	-	2,215,000	84,435	2,299,435	7,835,000	703,726	8,538,726
340,000	33,637	373,637	-	-	-	935,000	19,685	954,685	5,955,000	388,068	6,343,068
360,000	15,491	375,491	-	-	-	-	-	-	2,305,000	190,153	2,495,153
105,000	3,080	108,080	-	-	-	-	-	-	2,150,000	74,353	2,224,353
-	-	-	-	-	-	-	-	-	420,000	8,925	428,925
$ 9,517,929	$ 4,117,027	$ 13,634,956	$ 79,910,000	$ 20,595,295	$ 100,505,295	$ 27,270,000	$ 10,398,882	$ 37,668,882	$ 301,309,801	$ 106,994,081	$ 408,303,882

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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 1998	4.3-5.0	1998	2019	3,575,000	$ 2,090,000
Series 2002	4.5-5.0	2002	2022	4,100,000	2,915,000
Series 2002-A	4.0-4.5	2002	2022	2,650,000	1,830,000
Series 2003	2.0-4.6	2003	2023	12,610,000	3,925,000
Series 2004	2.5-4.45	2004	2024	7,110,000	4,670,000
Series 2004-A	2.0-4.75	2004	2024	5,615,000	4,330,000
Series 2005	2.75-4.50	2005	2025	5,725,000	4,690,000
Series 2005-A	3.5-4.25	2005	2025	10,230,000	8,295,000
Series 2006	4.0-5.5	2006	2026	4,840,000	4,285,000
Series 2006-A	4.25-4.375	2006	2027	6,625,000	5,980,000
Series 2007	4.0-4.50	2007	2027	15,845,000	14,085,000
Series 2008	3.5-5.50	2009	2029	4,940,000	4,785,000
Series 2010	0.0-2.587	2010	2030	4,995,000	4,995,000
Total revenue bonds					66,875,000
Premiums/discounts, net					(3,043)
Compensated absences					213,702
Total water and wastewater long-term debt					67,085,659
Solid waste					
Closure and post closure liability	N/A	N/A	N/A	N/A	5,071,131
Compensated absences	N/A	N/A	N/A	N/A	77,297
Total solid waste long-term debt					5,148,428
Municipal airport					
General obligation bonds:					
Series 1998B	3.25-4.9	1998	2012	1,238,648	120,000
Certificates of obligation bonds:					
Series 2004A	2.25-5.0	2004	2024	2,120,000	1,905,000
Compensated absences	N/A	N/A	N/A	N/A	26,673
Total municipal airport long-term debt					2,051,673
Municipal golf					
General obligation bonds:					
Series 2002	4.5-5.0	2002	2022	835,000	835,000
Series 2004A	2.0-4.75	2004	2024	3,510,000	2,790,000
Series 2007	4.0-4.50	2007	2019	1,482,000	1,482,000
Total general obligation bonds					5,107,000
Certificate of obligation bonds:					
Series 1998B	3.6-5.0	1998	2019	2,600,000	-
Series 2004	2.50-4.45	2004	2024	717,000	552,457
Series 2004B	2.0-4.75	2004	2024	1,215,000	940,000
Series 2006	4.0-5.50	2006	2026	153,750	140,000
Total certificate of obligation bonds					1,632,457
Premiums/discounts, net	N/A	N/A	N/A	N/A	6,019
Compensated absences	N/A	N/A	N/A	N/A	38,174
Total municipal golf long-term debt					6,783,650
Allocation from internal service funds					
Compensated absences					35,356
Storm Water					
Compensated absences					14,463
Total business-type activities' long-term debt					$ 81,083,873

(Does not include unamortized premiums, discounts, or deferred loss on refunding)

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

	Balance October 1, 2009	Borrowings or Increase	Payments or Decrease	Balance September 30, 2010	Due Within One Year
Water and wastewater					
Revenue bonds:					
Series 1998	$ 2,270,000	$ -	$ (180,000)	$ 2,090,000	$ 190,000
Series 2002	3,090,000	-	(175,000)	2,915,000	185,000
Series 2002-A	1,940,000	-	(110,000)	1,830,000	120,000
Series 2003	4,975,000	-	(1,050,000)	3,925,000	765,000
Series 2004	5,110,000	-	(440,000)	4,670,000	455,000
Series 2004-A	4,555,000	-	(225,000)	4,330,000	235,000
Series 2005	4,910,000	-	(220,000)	4,690,000	230,000
Series 2005-A	8,700,000	-	(405,000)	8,295,000	415,000
Series 2006	4,455,000	-	(170,000)	4,285,000	180,000
Series 2006-A	6,205,000	-	(225,000)	5,980,000	235,000
Series 2007	14,650,000	-	(565,000)	14,085,000	585,000
Series 2008	4,940,000	-	(155,000)	4,785,000	160,000
Series 2010	-	4,995,000	-	4,995,000	185,000
Total revenue bonds	65,800,000	4,995,000	(3,920,000)	66,875,000	3,940,000
Premiums/discount, net	(1,795)	-	(1,248)	(3,043)	-
Compensated absences	216,650	256,141	(259,089)	213,702	213,702
Total water and wastewater long-term debt	66,014,855	5,251,141	(4,180,337)	67,085,659	4,153,702
Solid waste					
Closure and post closure liability	4,798,404	272,727	-	5,071,131	-
Compensated absences	65,649	96,104	(84,456)	77,297	77,297
Total solid waste long-term debt	4,864,053	368,831	(84,456)	5,148,428	77,297
Municipal airport					
General obligation bonds:					
Series 1998-B	170,000	-	(50,000)	120,000	55,000
Certificates of Obligation					
Series 2004A	1,955,000	-	(50,000)	1,905,000	50,000
Compensated absences	31,049	14,807	(19,183)	26,673	17,117
Total municipal airport long-term debt	2,156,049	14,807	(119,183)	2,051,673	122,117
Municipal golf					
General obligation bonds:					
Series 2002	835,000	-	-	835,000	-
Series 2004A	2,920,000	-	(130,000)	2,790,000	130,000
Series 2007	1,482,000	-	-	1,482,000	105,399
Total general obligation bonds	5,237,000	-	(130,000)	5,107,000	235,399
Certificate of obligation bonds:					
Series 1998-A	125,000	-	(125,000)	-	-
Series 2004	581,378	-	(28,921)	552,457	29,917
Series 2004B	990,000	-	(50,000)	940,000	50,000
Series 2006	145,000	-	(5,000)	140,000	5,000
Total certificate of obligation bonds	1,841,378	-	(208,921)	1,632,457	84,917
Premiums/discount, net	6,373	-	(354)	6,019	-
Compensated absences	50,129	50,758	(62,713)	38,174	38,174
Total municipal golf long-term debt	7,134,880	50,758	(401,988)	6,783,650	358,490
Storm water					
Compensated absences	12,615	23,084	(21,236)	14,463	14,463
Total business-type activities' long-term debt	$ 80,182,452	$ 5,708,621	$ (4,807,200)	$ 81,083,873	$ 4,726,069

(Does not include unamortized premiums, discounts, or deferred loss on refunding)

(i) Water and Wastewater System Debt

In July 2010 the City issued $4,995,000 in Water Wastewater System Revenue Bonds, Series 2010. The proceeds of the bonds were used to provide $4,995,000 of capital funds, and to pay the cost of issuance.

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, 2010, 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
2011	$ 3,940,000	$ 2,662,858	$ 6,602,858
2012	3,860,000	2,522,211	6,382,211
2013	4,010,000	2,373,164	6,383,164
2014	3,850,000	2,223,847	6,073,847
2015	3,920,000	2,073,650	5,993,650
2016	3,720,000	1,923,099	5,643,099
2017	3,870,000	1,769,899	5,639,899
2018	4,050,000	1,606,724	5,656,724
2019	4,230,000	1,433,866	5,663,866
2020	4,130,000	1,258,276	5,388,276
2021	4,315,000	1,079,405	5,394,405
2022	4,510,000	889,719	5,399,719
2023	4,180,000	701,901	4,881,901
2024	4,130,000	522,234	4,652,234
2025	3,590,000	355,160	3,945,160
2026	2,575,000	221,466	2,796,466
2027	2,290,000	115,580	2,405,580
2028	675,000	51,795	726,795
2029	705,000	23,134	728,134
2030	325,000	4,204	329,204
Total	$ 66,875,000	$ 23,812,192	$ 90,687,192

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, 2010, compliance with this requirement can be demonstrated as follows:

Revenue (1)	$	47,944,122
Operating expense (excluding depreciation):		
Water purchased		10,209,116
Sewage disposal contract		9,576,287
Other		16,255,046
Total expense (2)		36,040,449
Available for debt service	$	11,903,673
Average annual principal and interest requirements, all water and wastewater revenue bonds at September 30, 2010	$	4,534,360
Coverage of average annual requirements based on September 30, 2010 revenue available for debt service		2.63

(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
2011	$ 235,399	$ 217,493	$ 452,892
2012	257,058	209,568	466,626
2013	267,825	200,702	468,527
2014	314,152	190,586	504,738
2015	331,200	179,356	510,556
2016	343,248	167,481	510,729
2017	356,257	154,976	511,233
2018	374,266	141,622	515,888
2019	397,595	118,426	516,021
2020	405,000	93,044	498,044
2021	425,000	74,369	499,369
2022	445,000	54,794	499,794
2023	465,000	34,028	499,028
2024	490,000	11,637	501,637
Total	$ 5,107,000	$ 1,848,082	$ 6,955,082

Certificate of Obligation Bonds:

Fiscal Year	Principal	Interest	Total
2011	$ 84,916	$ 68,017	$ 152,933
2012	90,914	64,844	155,758
2013	92,908	61,198	154,106
2014	93,905	57,387	151,292
2015	99,904	53,473	153,377
2016	106,897	49,187	156,084
2017	112,894	44,479	157,373
2018	114,889	39,592	154,481
2019	120,886	34,520	155,406
2020	127,880	29,136	157,016
2021	129,875	23,515	153,390
2022	136,869	17,646	154,515
2023	143,864	11,360	155,224
2024	150,858	4,613	155,471
2025	10,000	900	10,900
2026	15,000	338	15,338
Total	$ 1,632,459	$ 560,205	$ 2,192,664

(iii) Municipal Airport Long-Term Debt

Municipal Airport Fund long-term debt consists 1998 general obligation refunding bonds, 2004 Certificates of Obligations and accrued compensated absences. The long-term debt is being repaid solely from airport revenues.

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

General Obligation Bonds:

Fiscal Year	Principal	Interest	Total
2011	$ 55,000	$ 5,825	$ 60,825
2012	65,000	3,185	68,185
Total	$ 120,000	$ 9,010	$ 129,010

Certificate of Obligation Bonds:

Fiscal Year	Principal	Interest	Total
2011	$ 50,000	$ 88,248	$ 138,248
2012	45,000	86,291	131,291
2013	115,000	83,035	198,035
2014	120,000	78,260	198,260
2015	125,000	72,972	197,972
2016	130,000	67,072	197,072
2017	140,000	60,660	200,660
2018	145,000	53,891	198,891
2019	150,000	46,979	196,979
2020	160,000	39,710	199,710
2021	170,000	31,830	201,830
2022	175,000	23,375	198,375
2023	185,000	14,375	199,375
2024	195,000	4,875	199,875
Total	$ 1,905,000	$ 751,573	$ 2,656,573

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

The HFC has a general obligation note payable to a bank which was used to construct the Cotton Creek and Willow Tree Learning Center. The note bears a rate of 7% and is payable in equal monthly installments of $19,380 through July 1, 2027.

In December, 2003, the HFC issued Independent Senior Living Center Revenue Bonds for $13,890,000 to finance the construction and operations of its planned Senior Living Center facility. The bonds bear interest rates from 7.5% to 7.75% and are payable semi-annually with interest only through July 1, 2008. 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, 2009 follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Note payable	$ 2,410,402	$ -	$ (64,131)	$ (2,000)	$ 2,344,271
Line of Credit	-	153,306	-	-	153,306
Revenue bonds	13,810,000	-	-	-	13,810,000
Developer loan	1,004,144	41,760	-	-	1,045,904
Total	$ 17,224,546	$ 195,066	$ (64,131)	$ (2,000)	$ 17,353,481

Future maturities of the debt are as follows:

Fiscal Year Ending	Note Payable		Revenue Bonds	
December 31	Principal	Interest	Principal	Interest
2010	$ 70,680	$ 161,879	$ -	$ -
2011	75,791	156,769	215,000	1,011,788
2012	80,824	151,736	230,000	995,288
2013	87,133	145,427	245,000	977,850
2014	93,431	139,129	265,000	959,100
2015-2019	578,778	584,022	1,665,000	4,457,853
2020-2024	820,491	342,309	2,425,000	3,697,806
2025-2029	537,143	63,542	3,560,000	2,574,744
2030-2034	-	-	4,575,000	930,969
Total	$ 2,344,271	$ 1,744,813	$ 13,180,000	$ 15,605,398

The above schedule does not agree with the financial statements as it does not include the $630,000 in principal forgiven as discussed in the following subsequent event.

Subsequent event to HFC:

In July of 2010, the Organization successfully completed a reissuance of the 2003 Independent Senior Living Center Revenue Bonds curing the default that existed related to the bonds. The effect of the reissuance is that a gain will be recognized in the financial statements in 2010 of approximately $2,080,000 related to forgiven principal and interest.

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, 2009, outstanding conduit debt was as follows:

Bond Series	Original Issue Amount	Outstanding Amount
2001 Single-Family Mortgage Revenue Bonds	$ 14,160,000	$ 1,861,222
2003 Senior Living Center	13,810,000	13,810,000
2004B Single-Family Mortgage Revenue & Refunding Bonds	7,500,000	3,851,557
	Total	$ 19,522,779

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 $5,071,131 in the Solid Waste Fund. The total liability represents the cumulative amount reported to date based on the use of 34.69% of the estimated capacity of the landfill.

The City will recognize the remaining estimated cost of closure and post closure care of $9,693,166 as the remaining estimated capacity is filled. The City expects to close the landfill in year 2064. Actual cost may be higher or lower due to inflation, changes in technology or changes in regulations.

c. Fund Equity and Net Assets

1) Reserved Fund Balance

Reservations of fund equity show amounts that are not available for expenditure or are legally restricted for specific uses. The purpose for each reserve is indicated by the account title on the face of the balance sheet for the governmental fund financial statements.

2) Designated Fund Balance

Designations of fund equity are used to show the amounts within unreserved fund balance for governmental funds which are intended to be used for specific purposes and reflect tentative managerial plans, but are not legally restricted.

3) 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.

4) Net Assets: Restricted for Debt Service

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 of the debt service funds that consists of assets with constraints placed on their use by the bond covenants.

5) 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.

d. Interfund Transactions

The composition of interfund balances as of September 30, 2010, 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	$ 1,000,000.00	$ -
Other Special Revenue Funds	-	1,000,000.00
	$ 1,000,000.00	$ 1,000,000.00

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	Crime Tax	Section 8	Street Improvements	Debt Service	Storm Water Utility	Nonmajor Governmental Funds
Transfers out:							
General Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,529,436
Crime Tax	-	-	-	-	-	-	-
Section 8	-	-	-	-	50,000	-	386,477
Street Improvements	-	-	-	-	-	-	228,760
Debt Service	-	-	-	-	-	-	-
Nonmajor Governmental Funds	1,652,799	2,188,061	494,639	8,537,802	197,240	31,416	30,159,791
Internal Service Funds	-	-	-	-	-	-	-
Water/wastewater	-	-	-	-	-	-	1,322,885
Solid Waste	-	-	-	-	-	-	377,059
Nonmajor Enterprise Funds	-	-	-	-	-	-	1,900,000
Total	$ 1,652,799	$ 2,188,061	$ 494,639	$ 8,537,802	$ 247,240	$ 31,416	$ 46,904,408

	Transfers In					
	Water Wastewater	Municipal Golf	Internal Service Funds	Solid Waste	Municipal Airport	Total
Transfers out:						
General Fund	$ -	$ -	$ -	$ -	$ -	$ 12,529,436
Crime Tax	-	-	-	-	-	-
Section 8	-	-	-	-	-	436,477
Street Improvements	-	-	-	-	-	228,760
Debt Service	-	636,406	-	-	-	636,406
Nonmajor Governmental Funds	3,305,586	671,899	190,519	218,655	277,994	47,926,401
Internal Service Funds	-	-	-	-	-	-
Water/wastewater	14,596,611	-	-	-	-	15,919,496
Solid Waste	-	-	-	1,834,023	-	2,211,082
Nonmajor Enterprise Funds	-	-	-	-	1,450,571	3,350,571
Total	$ 17,902,197	$ 1,308,305	$ 190,519	$ 2,052,678	$ 1,728,565	$ 83,238,629

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	$	2,935,709
Solid Waste Funds		310,301
Section 8 Housing Grant Fund		172,103
Storm Water Funds		69,820
Other Nonmajor Governmental Funds		186,454
Total to General Fund	$	3,674,387

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	$	1,770,765
Solid Waste Funds		301,868
Storm Water Funds		187,424
Total	$	2,260,057

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	$	1,161,400
Solid Waste Funds		77,059
Total	$	1,238,459

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. The agreement states that upon completion of the project, MEC 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
2011	$	1,452,000
2012		1,560,900
2013		1,597,200
2014		1,597,200
2015		1,597,200
Thereafter		21,152,784
		28,957,284
Less interest		13,366,514
Net present value	$	15,590,770

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, 2010 was $3,395,444. Additional contingent rentals are recorded as revenue when received. During the year ended September 30, 2010, the Corporation incurred additional costs for improvements to the leased facilities of $31,244 and received contribution revenue of $31,244, for a total addition to the cost of the facility of $62,488. This amount increased the unguaranteed residual value of the lease.

Management believes that there have not been events which impaired the residual value of the lease.

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, 2010 as follows:

		2010
Nominal interest on the lease	$	1,454,400
Amortization of the lease		(211,635)
Net interest		1,242,765
Contingent rentals received (includes rent for simulcast facility prior to completion of project)		252,254
Total lease rental and interest	$	1,495,019

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 2012, 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 ($187,263 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 11.26% during fiscal year 2010. 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 Sports Corporation, Lone Star and Lone Star Jockey Club Development Corp. ("LSJC") entered into an agreement (the "Master Agreement") to design and develop a pari-mutuel horse racetrack (the "Facility"). 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. MEC Lone Star currently holds the license to operate the "Class 1" racetrack.

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. Global Gaming is in the process of obtaining a license from the Texas Racing Commission. Once the licensing process is completed, the sale of MEC Lone Star will be completed.

Under the terms of the purchase agreement Global Gaming has agreed to assume the lease agreement between Lone Star and the Corporation. Until then MEC Lone Star will operate under the Chapter 11 bankruptcy protection with DIP financing provided by MEC, Inc. The licensing process is not expected to be completed until sometime in mid 2011.

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.

Subsequent Event for the baseball stadium – 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, 2010. The City's total committed but unexpended expenditures for such authorized capital projects at year-end approximates $42,956,835. 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	$	2,180,555
Capital assets		9,108,134
Total assets		11,288,689
Current liabilities		452,820
Long-term liabilities		1,929,556
Total liabilities		2,382,376
Net assets invested in capital assets, net of related debt		7,083,134
Unrestricted net assets		1,823,179
Total net assets	$	8,906,313
Condensed statement of revenue, expense and changes in net assets:		
Sales to customers	$	1,773,061
Other revenue		142,120
Total operating revenue		1,915,181
Depreciation		422,127
Other operating expenses		1,491,410
Total operating expenses		1,913,537
Investment income		17,034
Sale of capital assets		(14,549)
Interest expense		(98,734)
Total nonoperating revenue (expense)		(96,249)
Income (loss) before transfers		(94,605)
Transfers in		1,728,565
Transfers out		(1,450,571)
Change in net assets		183,389
Net assets at the beginning of the year		8,722,924
Net assets at the end of the year	$	8,906,313
Condensed statement of cash flows:		
Net cash provided (used) by:		
Operating activities	$	425,592
Noncapital financing activities		277,994
Capital and related financing activities		(1,978,778)
Investing activities		1,532,512
Beginning cash and cash equivalent balances		1,118,927
Ending cash and cash equivalent balances	$	1,376,247

6. SUBSEQUENT EVENTS

On January 18, 2011, the City Council issued:

- $14,930,000 General Obligation Refunding & Improvement Bonds, Series 2011. The proceeds are to be used to fund $695,000 of fire and street improvements, and to refund $14,290,000 General Obligation and Certificate of Obligation Bonds.

- $6,305,000 Combination Tax & Revenue Certificate of Obligation Bonds, Series 2011. The proceeds are to be used to fund fire and street improvements.

- $8,940,000 Water & Wastewater System Revenue Refunding Bonds, Series 2011. The proceeds are to be used to refund $9,500,000 Water & Wastewater System Revenue Bonds.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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Telephone: 214 855 8000 • Facsimile: 214 855 8200

[Closing Date]

IN REGARD to the authorization and issuance of the "City of Grand Prairie, Texas, Water and Wastewater System Refunding and Improvement Bonds, New Series 2011A," dated November 1, 2011, in the principal amount of $11,020,000 (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 January 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"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings of the City in connection with the issuance of the Bonds, including the Ordinance, (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, together with the outstanding and unpaid "Previously Issued Bonds" (identified and defined in the Ordinance), are payable solely from and equally and ratably secured by a lien on

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and pledge of the Net Revenues (as defined in the Ordinance) of the City's combined Water and Wastewater System, such lien and pledge, however, being junior and subordinate to the lien on and pledge of such Net Revenues to the payment and security of the Priority Bonds (identified and defined in the Ordinance), except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

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