OFFICIAL STATEMENT

(See "Continuing Disclosure of Information" herein)

Dated: November 4, 2008

Ratings:
Fitch: "AA"
Standard and Poor's: "AA+"
(See "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

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

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

$4,940,000
CITY OF GRAND PRAIRIE, TEXAS
(Dallas, Tarrant and Ellis Counties)
WATER AND WASTEWATER SYSTEM REVENUE BONDS, NEW SERIES 2008

Dated Date: November 1, 2008 **Due: January 15, as shown on page 2**

PAYMENT TERMS. . . Interest on the $4,940,000 City of Grand Prairie, Texas Water and Wastewater System Revenue Bonds, New Series 2008 (the "Bonds") will accrue from November 1, 2008 (the "Dated Date"), and will be payable January 15 and July 15 of each year commencing July 15, 2009, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of 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"). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas or its assigns (see "THE BONDS – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE. . . The Bonds are issued pursuant to the general laws of the State of Texas (the "State"), particularly V.T.C.A., Government Code, Chapter 1502, as amended, and an ordinance (the "Ordinance") passed by the City Council, and, together with the Previously Issued Bonds (as defined in the Ordinance), 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"), which pledge is subordinate to the pledge of and lien on such Net Revenues associated with the Priority Bonds (as defined in the Ordinance). **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 "SELECTED PROVISIONS OF THE BOND ORDINANCE").

PURPOSE. . . Proceeds from the sale of the Bonds will be used (i) for improving and extending the City's combined water and wastewater systems, and (ii) to pay the costs associated with the issuance of the Bonds.

CUSIP PREFIX: 386168

MATURITY SCHEDULE & CUSIP SUFFIX
See Schedule

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, L.L.P., San Antonio, Texas, Counsel for the Underwriters.

DELIVERY. . . It is expected that the Bonds will be available for delivery through DTC on December 9, 2008.

STIFEL NICOLAUS

RBC CAPITAL MARKETS

COASTAL SECURITIES

.

MATURITY SCHEDULE

CUSIP Prefix: 386168[(1)]

Principal Amount	Maturity 15-Jan	Interest Rate	Price or Yield	CUSIP Suffix[(1)]	Principal Amount	Maturity 15-Jan	Interest Rate	Price or Yield	CUSIP Suffix[(1)]
$ 140,000	2010	3.500%	3.000%	PU(6)	$ 240,000	2020	5.000%	5.050%	QE(1)
145,000	2011	3.750%	3.250%	PV(4)	255,000	2021	5.125%	5.190%	QF(8)
155,000	2012	4.000%	3.590%	PW(2)	270,000	2022	5.200%	5.300%	QG(6)
165,000	2013	4.000%	3.800%	PX(0)	285,000	2023	5.250%	5.370%	QH(4)
175,000	2014	4.250%	4.000%	PY(8)	300,000	2024	5.300%	5.430%	QJ(0)
185,000	2015	4.500%	4.170%	PZ(5)	320,000	2025	5.375%	5.490%	QK(7)
195,000	2016	4.625%	4.340%	QA(9)	335,000	2026	5.400%	5.540%	QL(5)
205,000	2017	4.750%	4.500%	QB(7)	355,000	2027	5.500%	5.570%	QM(3)
215,000	2018	5.000%	4.700%	QC(5)	375,000	2028	5.500%	5.600%	QN(1)
230,000	2019	5.000%	4.880%	QD(3)	395,000	2029	5.500%	5.640%	QP(6)

(Accrued Interest from November 1, 2008 to be added)

CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services. Neither the City, the Financial Advisor nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after January 15, 2019, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on January 15, 2018, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c 2-12"), as amended and in effect on the date hereof, this document constitutes an Official Statement of the City with respect to the Bonds that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis. 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 the Official Statement in accordance with, and as part of, its responsibilities to investors under federal securities laws as applied to the facts and circumstance of this transaction but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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.

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

NEITHER THE CITY, THE UNDERWRITERS, NOR THE FINANCIAL ADVISOR MAKES 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.

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

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Grand Prairie (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 Bonds are issued as $4,940,000 Water and Wastewater System Revenue Bonds, New Series 2008 (the "Bonds"). The Bonds are issued as serial bonds maturing January 15, 2010 through January 15, 2029, inclusive (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from November 1, 2008, and is payable July 15, 2009, and each January 15 and July 15 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS - Optional Redemption").

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

SECURITY FOR THE BONDS .... The Bonds, together with the Previously Issued Bonds (defined in the Ordinance), are special obligations of 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"), which pledge is subordinate to the pledge of and lien on such Net Revenues associated with the Priority Bonds (as defined in the Ordinance). **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", "- Pledged Revenues", and "SELECTED PROVISIONS OF THE BOND ORDINANCE").

REDEMPTION .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after January 15, 2019, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on January 15, 2018, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

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 herein, including the alternative minimum tax on corporations.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used (i) for improving and extending the City's combined water and wastewater systems, and (ii) to pay the costs associated with the issuance of the Bonds.

RATINGS .... The Bonds have been rated "AA" by Fitch Ratings ("Fitch") and "AA+" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), without regard to credit enhancement (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 not defaulted on its general obligation bonds since 1939 when defaults were corrected without refunding and has never defaulted on its revenue bonds.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 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
2004	141,450	21,156,854	35,138,102	7,743,408,661	$ 11,182,559	$ 2,218,755	5.04
2005	145,600	25,048,028	41,263,761	9,167,578,104	8,901,103	3,855,584	2.31
2006	156,050	27,042,651	48,148,912	9,870,567,600	15,433,897	4,852,655	3.18
2007	161,550	24,265,000	39,724,685	8,856,943,000	17,630,177	3,622,420	4.87
2008 [2]	166,650	25,635,000	44,151,814	9,356,809,823	24,537,328	4,660,286	5.27

(1) Source: City Records. Measured in gallons.
(2) Unaudited, as of 9/30/2008.

For additional information regarding the City, please contact:

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First Southwest Company
325 North St. Paul, Suite 800
Dallas, Texas 75201
(214) 953-4000

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Charles England Mayor - At Large	16 Years	May, 2010	Agent, State Farm Insurance
Mark Hepworth Place 1 - District 1	5 Months	May, 2011	Managing Partner, S&P Investors, Inc.
Jim Swafford Place 2 - District 2	10 Years	May, 2010	Retired Bank President
Bill Thorn Place 3 - District 3	3 Years	May, 2011	Real Estate Broker
Richard Fregoe Place 4 - District 4	14 Years	May, 2010	Retired Senior Executive U.S. Army/Air Force Exchange Service
Tony Shotwell Place 5 - District 5	13 Years	May, 2009	Machinery Programmer, Fabricom
Ron Jensen Place 6 - District 6	6 Years	May, 2009	President - Control Products Corporation
Ruthe Jackson Place 7 - At Large Mayor Pro-Tem	15 Years	May, 2011	Co-owner, Jackson Vending Supply
Rick Sala Place 8 - At Large	3 Years	May, 2009	Engineering/Manufacturing Consultant

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service In Grand Prairie	Total Municipal Government Experience
Tom Hart	City Manager	9 Years	33 Years
Anna Doll	Deputy City Manager	25 Years	26 Years
Tom Cox	Deputy City Manager	7 Years	17 Years
Mike Foreman	Assistant to City Manager	15 Years	24 Years
Andrew White	Assistant to City Manager	4 Years	8 Years
Don Postell	City Attorney	10 Years	23 Years
Cathy Dimaggio	City Secretary	8 Years	21 Years
Diana Ortiz, RTA	Chief Financial Officer	2 Years	22 Years
Kathleen Mercer	Budget Director	8 Years	10 Years
Ron McCuller	Public Works Director	11 Years	35 Years
Cathy Patrick, CPA, CIA	Internal Auditor	10 Years	15 Years
Tannie Camarata, CCM	Cash/Debt Manager	17 Years	17 Years
Li Jen Lee, CPA, CIA	Controller	7 Months	20 Years

CONSULTANTS AND ADVISORS

Auditors .... Weaver & Tidwell 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

$4,940,000
CITY OF GRAND PRAIRIE, TEXAS
WATER AND WASTEWATER SYSTEM REVENUE BONDS, NEW SERIES 2008

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $4,940,000 City of Grand Prairie, Texas Water and Wastewater System Revenue Bonds, New Series 2008 (the “Bonds”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of sale of the Bonds (the “Ordinance” and sometimes referred to herein as the “Bond Ordinance”) which will authorize the issuance of the Bonds, 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, 2008 was 166,650. The City covers approximately 80 square miles.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated November 1, 2008 (the “Dated Date”), and mature on January 15 in each of the years and in the amounts shown on page 2. Interest will accrue from the Dated Date and will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on January 15 and July 15 in each year, commencing July 15, 2009, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State, particularly V.T.C.A., Government Code, Chapter 1502, as amended, and by the Ordinance passed by the City Council.

PURPOSE. . . Proceeds from the sale of the Bonds will be used (i) for improving and extending the City’s combined water and wastewater systems, and (ii) to pay the costs associated with the issuance of the Bonds

SECURITY AND SOURCE OF PAYMENT. . . The Bonds are special obligations of the City payable, both as to principal and interest, solely from and, together with certain outstanding revenue bonds of the City (defined as “Previously Issued Bonds” in the Ordinance (see “SELECTED PROVISIONS OF THE BOND ORDINANCE”) and any additional obligations which may be issued in the future, defined in the Ordinance as “Additional Bonds”, which are secured by a parity lien on and pledge of the Net Revenues of the City’s Water and Wastewater System (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 Bonds, the Previously Issued Bonds, and any Additional Bonds are defined collectively as the “Bonds Similarly Secured.” See “Pledged Revenues” below.

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.

As additional security, a Reserve Fund is required to be maintained in an amount at least equal to the average annual debt service requirements of the outstanding Bonds Similarly Secured (see "SELECTED PROVISIONS OF THE BOND ORDINANCE").

PLEDGED REVENUES. . . Subject to the prior lien on and pledge of the Net Revenues of the System to the payment and security of the Priority Bonds, as defined in the Ordinance, and including the establishment and maintenance of the special funds created for the payment or security thereof under the terms and conditions in the ordinances and proceedings relating to their authorization, the Net Revenues of the System with the exception of those in excess of the amounts required for the payment of the Bonds Similarly Secured are irrevocably pledged for the payment of the Bonds Similarly Secured and interest thereon. The Bonds Similarly Secured are secured by a lien upon the Net Revenues of the System. The City has covenanted in the Ordinance not to issue additional obligations on a parity with the Priority Bonds and has reserved the right to issue obligations whose lien on the Net Revenues is subordinate to that possessed by the Bonds Similarly Secured (see "SELECTED PROVISIONS OF THE BOND ORDINANCE").

RATES . . . The City has covenanted in the Ordinance that it will at all times charge and collect rates for services rendered by the System sufficient to pay all operating, maintenance, replacement and improvement expenses, any other costs deductible in determining Net Revenues to produce Net Revenues each year in an amount equal to 1.25 times the average annual debt service on Outstanding Priority Bonds and Bonds Similarly Secured, to pay interest on and the principal of the Priority Bonds and the Bonds Similarly Secured to establish and maintain the funds provided for in the Ordinance and in the ordinances pursuant to which the Priority Bonds and Previously Issued Bonds were issued. The City has further covenanted that, if the System should become legally liable for any other indebtedness, it will fix and maintain rates and collect charges for the services of the System sufficient to discharge such indebtedness (see "SELECTED PROVISIONS OF THE BOND ORDINANCE").

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after January 15, 2019, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on January 15, 2018, 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 Bonds to be redeemed. If less than all 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 MONIES 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.

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 a paying agent, or an authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Obligations, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money together with any moneys deposited therewith, if any, to make such payment. The Ordinance provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (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.

Upon making such deposit in the manner described, such Bonds shall no longer be deemed outstanding obligations payable from the Net Revenues, but will be payable only from the funds and Government Obligations deposited in escrow and will not be considered debt of the City for purposes of applying any limitation on the City's ability to issue revenue obligations or for any other purpose.

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

DTC will act as securities depository for the 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 each such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (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 of 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 highest rating: AAA. 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 DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 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 notices be provided directly to them.

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

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

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

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

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

The information in this section concerning DTC and DTC's Book-Entry Only System has been obtained from sources that City believes to be reliable, but City takes no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, the City will have no obligation or responsibility to the Direct Participants or Indirect Participants, or the persons for which they act as nominees, with respect to the payment to or providing of notice to such Direct Participants, Indirect Participants or the persons for which they act as nominees.

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, the Financial Advisor or the Underwriters.

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

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a bank, including a commercial bank or trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. 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.

Principal of the Bonds will be payable to the registered owner at maturity or prior redemption upon presentation at the principal office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners shown on the records of the Paying Agent/Registrar on the Record Date (see "THE BONDS - Record Date for Interest Payment" herein), or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday or day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Bonds, payments of principal and interest on the Bonds will be made as described in "THE BONDS - Book-Entry-Only System" herein.

Transfer, Exchange and Registration . . . In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered owners of the Bonds, and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificate 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 transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Record Date for Interest Payment. . . The record date (the "Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the preceding month.

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

If any bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for any Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the City and the Paying Agent/Registrar a certificate to the effect that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the City and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

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

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

SOURCES OF FUNDS:	
Par Amount of Bonds	$ 4,940,000.00
Reoffering Premium	24,690.70
Accrued Interest	25,976.96
TOTAL SOURCES	$ 4,990,667.66

USES OF FUNDS:	
Deposit to Project Construction Fund	$ 4,795,000.00
Costs of Issuance[(1)]	96,492.38
Total Underwriters Discount	38,611.87
Original Issue Discount	34,586.45
Deposit to Debt Service Fund	25,976.96
TOTAL USES	$ 4,990,667.66

(1) Includes rounding amount.

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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, 2008, approximately 3.40% of the supply came from the City's wells, 89.5% from DWU and 7.10% from Fort Worth.

The City has a renewable 30-year contact with the City of Dallas, which expires in 2012, 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 ($161,503 per million gallons a day in 2008) 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 2010, 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
2004	2,291,253	3,926,081	466,458	6,683,792
2005	2,563,201	4,223,143	379,806	7,166,150
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 (1)	2,974,699	5,297,298	964,750	9,236,747

(1) Unaudited, as of 9/30/08.

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 (10/1/06)	Present (10/1/07)	Approved (10/1/08)
Classification			
Residential			
Per 1,000 gallons, total usage 3,000 gallons or less	$ 2.33	$ 1.87	$ 1.87
Per 1,000 gallons, total usage more than 3,000 gallons, and up and including 20,000 gallons	2.55	2.60	2.80
Per 1,000 gallons, all quantities over 20,000 gallons	3.87	4.00	4.50
Commercial	2.30	2.30	2.50
Industrial	2.30	2.30	2.50
Governmental	2.20	2.20	2.40
Minimum Monthly Charge (Based on Mater Size):			
5/8" or 3/4"	$ 5.25	$ 5.97	$ 6.46
1"	7.25	7.97	8.62
1 1/4"	8.25	8.97	9.71
1 1/2"	9.25	9.97	10.79
2"	14.75	16.47	17.82
3"	55.25	55.97	59.67
4"	70.25	70.97	75.90
6"	105.25	105.97	113.77
8"	145.25	145.97	157.05
10"'	152.25	152.97	164.63
12"'	160.25	160.97	174.17
Wastewater Rates (Per 1,000 Gallons)			
Classification			
Residential	$ 2.55	$ 2.60	$ 2.76
Commercial	2.60	3.08	3.25
Industrial	2.68	3.08	3.25
Governmental	2.57	2.75	2.91
Wastewater Minimum charges based on meter size			
5/8" or 3/4"	$ 3.75	$ 5.15	$ 5.55
1"	4.16	5.56	5.96
1 1/4"	4.40	5.80	6.28
1 1/2"	4.77	6.17	6.68
2"	5.15	6.55	7.09
3"	6.38	7.78	8.42
4"	11.34	12.74	13.78
6"	18.76	20.16	21.81
8"	26.18	27.58	29.84
10"	38.56	39.96	43.24
12"	45.28	46.78	50.67

TABLE 2 – AVERAGE DAILY WATER USAGE (GALLONS)

Year Ended 9/30	Average Daily Usage	Maximum Day's Use	Total Pumped In
2004	21,156,854	35,138,102	7,743,408,661
2005	25,048,028	41,263,761	9,167,578,104
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

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 9.9% in 2006/2007. 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
2004	17,303,000
2005	17,056,000
2006	15,418,200
2007	15,787,038
2008	14,176,500

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

Fiscal Year Ended 9/30	Wastewater Treatment: Operation and Maintenance	Wastewater Treatment: Debt Service	Wastewater Treatment: Subtotal	Joe Pool Intake	Joe Pool Corp of Engineers	Total
2004	2,676,536	3,480,936	6,157,472	160,163	349,084	6,666,719
2005	3,737,732	3,961,277	7,699,009	185,136	416,034	8,300,179
2006	3,221,410	4,177,739	7,399,149	44,249	380,806	7,824,204
2007	3,150,985	4,214,287	7,365,272	13,782	271,575	7,650,629
2008 (1)	3,636,123	4,009,898	7,646,021	6,810	366,430	8,019,261

(1) Unaudited, as of 9/30/08.

TABLE 4 - TEN LARGEST SYSTEM CUSTOMERS

	Fiscal Year Ended September 30, 2008 [2]			
	Total	Amount Billed		
Customers	Consumption [1]	Billed	Water	Wastewater
Bell Helicopter	80,275	$ 385,457	$ 187,176	$ 198,281
Lockheed-Martin	63,235	306,058	149,207	156,851
KMB Produce	52,966	250,008	123,289	126,719
Poly America	49,218	218,910	115,889	103,021
Avion Village	25,309	170,642	108,995	61,647
North Texas Healthcare Laundry	40,638	192,857	94,141	98,716
Lone Star Park at Grand Prairie	35,451	179,372	90,006	89,366
Mountain Creek	32,275	221,004	127,017	93,987
Apple Residential Investment	37,032	251,081	162,865	88,216
Amerisouth VI, LTD	24,754	158,144	104,805	53,340
Totals	485,928	$ 2,612,548	$ 1,436,019	$ 1,176,530

(1) In 1,000 gallons.
(2) Unaudited, as of 9/30/08.

TABLE 5 - WATER AND WASTEWATER CONDENSED STATEMENT OF OPERATIONS

	For the Fiscal Year Ended September 30,				
	2007	2006	2005	2004	2003
Revenues [1]					
Sales to Customers	$ 21,870,559	$ 25,037,377	$ 19,550,313	$ 17,318,723	$ 18,408,048
Wastewater Charges to General Customers	14,693,772	14,105,857	12,279,020	11,799,953	11,848,805
Water Surcharge/Monitoring	556,724	640,335	627,143	568,661	608,928
Impact Fees	3,825,610	2,045,256	1,933,358	1,484,692	1,232,620
Other	5,999,761	4,024,613	1,371,001	3,321,305	2,462,756
Total Revenues	$ 46,946,426	$ 45,853,438	$ 35,760,835	$ 34,493,334	$ 34,561,157
Expenses [2]					
Salaries & Personnel Benefits	$ 5,209,578	$ 4,753,053	$ 4,972,165	$ 4,487,679	$ 4,282,389
Professional Services	3,431,158	4,651,788	3,313,877	2,479,680	1,753,112
Franchise Fees	1,411,067	1,604,168	1,299,911	1,190,216	1,217,940
Water Purchase	9,218,766	9,260,747	7,051,566	6,683,792	6,157,393
Wastewater Treatment	7,524,675	7,444,990	7,831,767	6,386,274	5,472,360
Other [3]	2,521,005	2,704,795	2,390,446	2,083,134	2,921,185
Total Expenses	$ 29,316,249	$ 30,419,541	$ 26,859,732	$ 23,310,775	$ 21,804,379
Available for Debt Service	$ 17,630,177	$ 15,433,897	$ 8,901,103	$ 11,182,559	$ 12,756,778

(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 an 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 9/30/08(1)	$	4,712,164
Coverage of Average Annual Requirements based on 9/30/08 Revenue Available for Debt Service		3.01 x
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 9/30/08	$	6,364,518
Coverage of Total Requirements based on 9/30/08 Revenue Available for Debt Service		2.23 x

(1) Includes the Bonds.

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,				
	2007	2006	2005	2004	2003
Water and Sewer System	$206,451,913	$193,638,407	$187,658,043	$171,382,441	$155,530,665
Building and Equipment	16,537,816	15,456,720	14,838,288	11,331,721	9,755,917
Land	751,089	751,089	751,089	751,089	608,933
Total Value	$223,740,818	$209,846,216	$203,247,420	$183,465,251	$165,895,515
Less: Accumulated Depreciation	89,178,572	80,576,753	73,170,833	65,513,324	58,688,039
	$134,562,246	$129,269,463	$130,076,587	$117,951,927	$107,207,476
Plus: Construction in Progress	33,486,986	27,250,862	12,632,389	8,770,301	9,248,450
Net Property, Plant and Equipment	$168,049,232	$156,520,325	$142,708,976	$126,722,228	$116,455,926

TABLE 8 – CITY'S EQUITY IN THE SYSTEM

	Fiscal Year Ended September 30,				
	2007	2006	2005	2004	2003
Net Property, Plant and Equipment	$168,049,232	$156,520,325	$142,708,976	$126,722,228	$116,455,926
Cash and Investments	41,359,531	42,450,284	43,955,002	35,487,880	28,375,461
Other Assets	4,363,484	3,840,437	3,334,735	2,792,778	2,870,596
Total Assets	$213,772,247	$202,811,046	$189,998,713	$165,002,886	$147,701,983
Revenue Bonds Payable	$ 52,420,005	$ 48,376,291	$ 46,178,662	$ 32,630,000	$ 25,965,000
General Obligation Bonds Payable	28,600	56,056	85,010	232,014	124,619
Other Liabilities	5,322,138	8,745,521	5,575,931	3,767,947	4,199,710
Total Liabilities	$ 57,770,743	$ 57,177,868	$ 51,839,603	$ 36,629,961	$ 30,289,329
City's Equity in System	$156,001,504	$145,633,178	$138,159,110	$128,372,925	$117,412,654
Percent Equity in System	72.98%	71.81%	72.72%	77.80%	79.49%

TABLE 9 – PRO-FORMA DEBT SERVICE REQUIREMENTS

Year Ending 9/30	Outstanding Debt Service			The Bonds[1]			Total Outstanding Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2009	$ 3,630,000	$ 2,630,013	$ 6,260,013	$ -	$ 173,635	$ 173,635	$ 6,433,648	
2010	3,765,000	2,491,796	6,256,796	155,000	243,385	398,385	6,655,181	
2011	3,595,000	2,350,799	5,945,799	160,000	237,673	397,673	6,343,471	
2012	3,505,000	2,210,900	5,715,900	165,000	231,373	396,373	6,112,273	
2013	3,640,000	2,068,654	5,708,654	175,000	224,573	399,573	6,108,226	27.06%
2014	3,465,000	1,926,683	5,391,683	180,000	217,248	397,248	5,788,930	
2015	3,520,000	1,785,018	5,305,018	190,000	209,148	399,148	5,704,165	
2016	3,305,000	1,644,488	4,949,488	200,000	200,248	400,248	5,349,735	
2017	3,445,000	1,502,539	4,947,539	205,000	190,754	395,754	5,343,293	
2018	3,605,000	1,351,977	4,956,977	215,000	180,510	395,510	5,352,487	53.46%
2019	3,765,000	1,193,119	4,958,119	230,000	169,385	399,385	5,357,504	
2020	3,650,000	1,032,741	4,682,741	240,000	157,635	397,635	5,080,376	
2021	3,815,000	870,459	4,685,459	250,000	145,229	395,229	5,080,688	
2022	3,990,000	698,873	4,688,873	265,000	131,933	396,933	5,085,806	
2023	3,635,000	530,603	4,165,603	280,000	117,693	397,693	4,563,296	82.44%
2024	3,560,000	371,757	3,931,757	295,000	102,525	397,525	4,329,282	
2025	3,000,000	226,904	3,226,904	310,000	86,376	396,376	3,623,281	
2026	1,955,000	117,088	2,072,088	330,000	69,135	399,135	2,471,223	
2027	1,645,000	36,700	1,681,700	345,000	50,738	395,738	2,077,438	
2028	-	-	-	365,000	31,213	396,213	396,213	99.45%
2029	-	-	-	385,000	10,588	395,588	395,588	100.00%
	$64,490,000	$ 25,041,109	$89,531,109	$ 4,940,000	$ 3,180,992	$ 8,120,992	$ 97,652,101	

(1) Average life of the issue – 12.317 years.

TABLE 10 – AUTHORIZED REVENUE BONDS

None.

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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, (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 issued by a depository institution that has its main office or branch office in the State and that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, or are secured as to principal by obligations described in the preceding clauses (1) through (6) or in any other manner and amount provided by law for City deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer 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. 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, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and 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 Finance Director as the City's investment officer. The Finance Director is responsible for the City's comprehensive cash management program, including the administration of the City's investment policies. The Finance Director is responsible for considering the quality and capability of staff involved in investment management and procedures. The Finance Director shall be responsible for authorizing investments and the cash and debt manager shall account for investments and pledged collateral in order to maintain appropriate internal controls. The accounting manager shall be responsible for recording investments on the accounting records. The internal audit staff shall review and audit the accounting records for compliance with these policies.

INVESTMENT COMMITTEE

An Investment Committee consisting of the cash and debt analyst, cash and debt manager, Controller, 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 from Fitch or Standard & Poor's Ratings Services, a division of The Mc Graw- Hill Companies, Inc. ("S&P") of at least A or its equivalent.

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

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

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

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

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

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

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

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 Fitch or S&P. Collateral consisting of out-of-state bonds shall be limited to 10% of the total collateral pledged by a financial institution.

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

TABLE 11 – CURRENT INVESTMENTS

As of September 30, 2008, the following percentages of the City's investable funds were invested in the following categories of investments:

Type of Investment	%	Total Cost
TexPool and Money Market Funds	39.72%	$ 121,701,070
U.S. Treasury Bills and Notes	2.87%	8,804,089
Federal Agency and Instrumentality Notes	57.40%	175,878,530
	100.00%	$ 306,383,689

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SELECTED PROVISIONS OF THE BOND ORDINANCE

The following are certain provisions of the Ordinance. These provisions are not to be considered a full statement of the terms of the Ordinance. Accordingly, these selected provisions are qualified in their entirety by reference to the Ordinance and are subject to the full text thereof.

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:

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

(2) The term "Bonds" shall mean the water and wastewater system revenue bonds authorized by this Ordinance and designated as "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2008."

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

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

(5) 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.

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

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

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

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;

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.

(8) 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 2003", (ii) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding and Improvement Bonds, New Series 2004", (iii) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2004A", (iv) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2005", (v) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2005A", (vi) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2006", (vii) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2006-A", and (vii) "City of Grand Prairie Water and Wastewater System Revenue Bonds, New Series 2007".

(9) The term "Priority Bonds" means the Outstanding (i) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, Series 1998", (ii) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, Series 2002", and (iii) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, Series 2002-A".

(10) 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.

Pledge of Revenues. That the City hereby covenants and agrees that, subject only to the prior lien on and pledge of the Net Revenues of the System to the payment and security of the Priority Bonds (including the establishment and maintenance of the special funds created for the payment and security thereof) 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.

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 Priority Bonds and the amounts required to be deposited into the special Funds created and established for the payment and security of the Priority Bonds;

(c) 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;

(d) 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 Priority Bonds and the Outstanding Bonds Similarly Secured; and

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

<u>Revenue Fund</u>. 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:

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

<u>Second</u>: To the payment of the amounts required to be deposited in the special Funds or accounts created and established for the payment and security of the Priority Bonds in accordance with the ordinances authorizing the issuance thereof;

<u>Third</u>: 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;

<u>Fourth</u>: 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;

<u>Fifth</u>: 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

<u>Sixth</u>: 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.

The Funds created by the ordinances authorizing the Priority Bonds may be treated as funds or as accounts on the records of the City under the names assigned thereto as in such ordinances and this Ordinance or utilize the words "Waterworks and Sewer," rather than "Water and Wastewater" and the words "fund" or "account" may be used interchangeably.

<u>Interest and Sinking Fund</u>. 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.

<u>Reserve Fund</u>. 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 in full on the date of the delivery of the Bonds with the proceeds received from the sale of the Bonds.

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 payment of the Priority Bonds and 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.

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.

Further Covenants. The City further covenants and agrees by and through this Ordinance as follows:

(2) 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.

(3) 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.

(4) That other than for the payment of the Priority Bonds, 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.

Issuance of Additional Bonds.

(1) 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:

A. 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;

B. 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;

C. 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 and Priority Bonds 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;

D. 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

E. The Additional Bonds are scheduled to mature only on January 15 or July 15 or both.

(2) 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 and in the special funds created for payment and security of Outstanding Priority Bonds, 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.

(3) 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.

No Additional Obligations to be Issued on a Parity with the Priority Bonds - Obligations of Inferior Lien and Pledge. The City will not hereafter issue any additional obligations on a parity with the Priority Bonds or create or issue evidences of indebtedness for any purpose possessing a lien on the Net Revenues of the System superior to that to be possessed by the Bonds Similarly Secured. The City, however, 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.

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.

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:

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

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

(3) 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.

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.

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.

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.

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.

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.

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.

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 and (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.

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 all tax-exempt obligations, including the Bonds, owned by a corporation will be included in such corporation's adjusted current earnings for tax years beginning after 1989, for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit or a financial asset securitization investment trust (FASIT). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed 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 would cause interest on the Bonds to be includable in the gross income of the owners thereof from 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 "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service 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 Service is likely to treat the City as the "taxpayer," and the owners 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. 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.

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 original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders 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 specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

ANNUAL REPORTS. . . The City will provide certain updated financial information and operating data to certain information vendors 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 6 months after the end of each fiscal year ending in or after 2008. The City will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") approved by the staff of the United States Securities and Exchange Commission ("SEC") and to any state information depository ("SID") that is designated and approved by the State and by the SEC staff.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, 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 statements 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 each NRMSIR and any SID of the change.

The Municipal Advisory Council of Texas (the "MAC") has been designated by the State and approved by the SEC staff as a qualified SID. The address of the MAC is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78768-2177, and its telephone number is 512/476-6947. The MAC has also received SEC approval to operate, and has begun to operate, a "central post office" for information filings made by municipal issuers, such as the City. A municipal issuer may submit its information filings with the central post office, which then transmits such information to the NRMSIRs and the appropriate SID for filing. This central post office can be accessed and utilized at www.DisclosureUSA.org ("DisclosureUSA"). The City may utilize DisclosureUSA for the filing of information relating to the Bonds, unless the SEC issues a statement to the effect that its approval of the central post office has been withdrawn.

MATERIAL EVENT NOTICES. . . The City will also provide timely notices of certain events to certain information vendors. The City will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes (neither the Bonds or the Ordinance make any provision for liquidity enhancement). In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

AVAILABILITY OF INFORMATION FROM NRMSIRS AND SID. . . The City has agreed to provide the foregoing information only to NRMSIRs (or the MSRB in the case of material event notices) and any SID. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of material 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 holders 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 holders 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 holders 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 its continuing disclosure agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Bonds have been rated "AA" by Fitch and "AA+" by S&P, without regard to credit enhancements. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the City payable from a lien on the Net Revenues of the System in the manner and to the extent provided in the Ordinance and 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 form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain matters will be passed on for the Underwriters by West & Associates, L.L.P., San Antonio, Texas. The fee of West & Associates, L.L.P., as counsel to the Underwriters, is contingent upon the sale and delivery of the Bonds.

Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel 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 herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions “THE BONDS” (except under the subcaptions “Book Entry Only System”, “Bondholders’ Remedies” and “Sources and Uses of Proceeds”), “SELECTED PROVISIONS OF THE BOND ORDINANCE,” “TAX MATTERS,” “CONTINUING DISCLOSURE OF INFORMATION” (except under the subcaption “Compliance With Prior Undertakings”), and the subcaptions “OTHER INFORMATION - Registration and Qualification of Bonds for Sale”, “OTHER INFORMATION - Legal Investments And Eligibility To Secure Public Funds In Texas” and “OTHER INFORMATION - Legal Matters” (except for the last two sentences of the first paragraph thereof), and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance.

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

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.

UNDERWRITERS

The senior managing Underwriter of the Bonds is Stifel, Nicholas & Company, Inc. The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City, at an underwriting discount of $38,611.87. The Underwriters will be 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.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

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 authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriters.

/s/ CHARLES ENGLAND
Mayor
City of Grand Prairie, Texas

ATTEST:

/s/ CATHY DIMAGGIO
City Secretary

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 166,650 (January 2008), 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 (7th in terms of passengers), lies about five miles north of the City's northern border. It serves 60 million passengers and provides nonstop service to 176 domestic and international destinations (www.dfwairport.com).

POPULATION

Population reached 166,650 as of January 1, 2008, a 3.2 percent increase over the previous year. From the 1990 Census to the 2000 Census, the City's population increased 27.9 percent.

DEMOGRAPHICS

2006 Census estimates of the City racial breakdown were 61.5 percent white, 15.2 percent black, 5.8 percent Asian and Pacific Islander, 2.6 percent American Indian and Alaska native, 2 percent two or more races, and the remaining 13 percent other races.

About 41.0 percent of the population was estimated to be of Hispanic origin in 2006.

In the 1990 Census, the composition was 75.8 percent white, 9.7 percent black, 0.8 percent American Indian, Eskimo or Aleut, 3 percent Asian or Pacific Islander and 10.7 percent other race. Of these, 20.5 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 2006 median household income is estimated to be $50,131 (*American Community Survey Census*).

INDUSTRIAL BASE

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

INDUSTRY PROFILE, 2008

Industry	Percent of Total gross sales
Construction	6.2%
Finance, Insurance	0.1%
Manufacturing	33.5%
Retail	22.7%
Other Services (Ex Public Administration)	1.7%
Transportation, Warehousing	0.5%
Wholesale Trade	21.0%
Ag, forestry, fishing	0.0%
Other	0.0%
Mining	0.2%
Utilities	0.0%
Information	0.4%
Real Estate, Rental, Leasing	4.1%
Professional, Scientific, Tech Svcs	0.9%
Management of Companies, Enterprises	1.0%
Administrative, Support, Waste Mgmt, Remediation Svcs	1.4%
Educational Services	0.2%
Health Care, Social Assistance	0.4%
Arts, Entertainment, Recreation	0.9%
Accommodation, Food Services	5.1%

Source: Texas Comptroller.

LABOR FORCE

Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
1998	63,171	60,926	2,245	3.6%
1999	64,159	61,989	2,170	3.4%
2000	68,808	66,020	2,788	4.1%
2001	66,516	63,101	3,415	5.1%
2002	66,450	61,575	4,875	7.3%
2003	66,622	61,814	4,808	7.2%
2004	69,182	64,450	4,732	6.8%
2005	72,415	68,558	3,857	5.3%
2006	75,964	72,251	3,713	4.9%
2007	76,570	73,252	3,318	4.3%
2008 (1)	77,734	74,092	3,643	4.7%

Source: Texas Workforce Commission and Bureau of Labor Statistics.
(1) 2008 figures collected as of 9/30/2008.

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	2,600
Poly-America Inc	Unsupported Plastics Packaging Firm and Sheet Manufacturing	1,400
Bell Helicopter-Textron	Aircraft Manufacturing	1,300
Lone Star Park at Grand Prairie*	Racetracks	1,200
City of Grand Prairie	Public Administration	1,200
Vought Aircraft Industries, Inc.**	Aircraft Engine and Engine Parts Manufacturing	700
Siemens Energy & Automation	Switchgear and Switchboard Apparatus Manufacturing	600
Hanson Pipe & Products	Concrete Pipe Manufacturing	500
Wal-Mart	Warehouse, Clubs and Superstores	500
American Eurocopter	Aircraft Manufacturing	500
Pollock Paper Distributors	Corrugated and Solid Fiber Box Manufacturing	500
Arnold Transportation	General Freight Trucking	500
SAIA Motor Freight Line Inc	General Freight Trucking, Long-Distance, Truckload	500
VIP Printing	Commercial Lithographic Printing	400
Turborneca Engine Corp	Aircraft Engine and Engine Parts Manufacturing	400
Vecta Contract	Office Furniture Manufacturing	300
Printpak	Unsupported Plastics Packaging Firm and Sheet Manufacturing	300
Hampson Tekstars	Aerospace product and parts manufacturing	300

* Seasonal, part-time, and full-time employment
** Formerly Northrop Grumman.

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, a senior center, indoor pool, three outdoor pools, five softball and baseball complexes, two golf courses, 32 tennis courts, a soccer complex and the recently acquired lake parks on Joe Pool Lake.

Ripley’s Believe It Or Not, The Palace of Wax and Trader’s Village 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 the 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 Associates 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

Six public universities and eight independent universities, including health related education facilities, in the region totaled enrollment of 122,093 in 2006 (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 101,718 students in 2006 (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 25 elementary, seven middle, two ninth grade centers, two senior high and one alternative education schools. Students whose residences are on the Dallas County side of the City attend GPISD (GPISD's alternative campuses cover grades 9-12).

Students who reside in Tarrant County and Grand Prairie attend AISD, which is comprised 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.

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APPENDIX B

EXCERPTS FROM THE

CITY OF GRAND PRAIRIE, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2007

The information contained in this Appendix consists of excerpts from the City of Grand Prairie, Texas Annual Financial Report for the Fiscal Year Ended September 30, 2007, 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 AND TIDWELL
L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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 aggregate 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, 2007, 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 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 provides a reasonable basis for our opinions.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2008 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Prairie at September 30, 2007, 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.

The accompanying management's discussion and analysis, the and budget to actual schedules for the General Fund, Park Venue 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.

DALLAS

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AN INDEPENDENT MEMBER OF
BAKER TILLY
INTERNATIONAL

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 non-major 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 non-major 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, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 25, 2008

MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF GRAND PRAIRIE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007
(Unaudited)

As management of the City of Grand Prairie, Texas (the "City"), we offer to readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2007. 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, 2007 by $539,926,583. Of this amount, $146,220,020 may be used to meet the government's ongoing obligations to citizens and creditors *(unrestricted net assets)*.
- The City's net assets increased by $55,555,280 for the fiscal year ended September 30, 2007. Capital contributions from private developers for improvements to the City's infrastructure accounted for $9,294,966 or 16.7% of the increase in city net assets.
- The City's governmental funds reported combined ending fund balances of $122,278,703 at September 30, 2007, an increase of $35,426,593 in comparison with prior year combined fund balances. Of the governmental funds reported combined fund balances, $112,290,816 or 91.8% is available for spending within City guidelines *(unreserved fund balance)*.
- The City's unreserved fund balance for the general fund was $24,474,441 at year end or 31.3% of total general fund expenditures for the reported fiscal year.
- The City's total long-term liabilities of $264,508,085 increased by $18,300,839 or 7.4% during the reported fiscal year. In fiscal year 2007, the City issued general obligation, certificates of obligation, water and wastewater revenue, and TIF-related certificates of obligation bonds totaling a combined $28,085,000.

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 City levies and collects a one-half cent sales and use tax to finance the racetrack project.

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 five major governmental funds: General Fund, Section 8 Fund, Park Venue 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 nonmajor 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 Park Venue 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 three are major enterprise funds: the Water Wastewater Fund, the Municipal Golf Fund, and the Solid Waste 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 nonmajor 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 nonmajor governmental funds, nonmajor 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 $539,926,583 at year end. The City had total assets at year end of $828,861,265. The City's pooled cash and investments totaling $187,154,751 and capital assets (e.g., land, buildings, equipment, infrastructure, and construction in progress), net of accumulated depreciation totaling $623,070,251 represented 22.6% 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 $384,697,516 and represented 71.2% 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	
	9/30/2006	9/30/2007	9/30/2006	9/30/2007	9/30/2006	9/30/2007
Cash & investments	$ 88,878,475	$ 131,277,131	$ 55,320,722	$ 55,877,620	$ 144,199,197	$ 187,154,751
Other assets	12,203,911	12,423,781	5,244,111	6,212,483	17,448,022	18,636,264
Capital assets, net	406,669,889	426,341,023	185,220,693	196,729,228	591,890,582	623,070,251
Total assets	507,752,275	570,041,935	245,785,526	258,819,331	753,537,801	828,861,266
Current liabilities	16,118,593	22,247,674	9,896,573	6,597,928	26,015,166	28,845,602
Long-term bonded debt	173,729,702	185,791,917	59,094,071	62,458,824	232,823,773	248,250,741
Other noncurrent liabilities	7,594,665	6,955,307	2,732,894	4,883,033	10,327,559	11,838,340
Total liabilities	197,442,960	214,994,898	71,723,538	73,939,785	269,166,498	288,934,683
Net assets:						
Invested in capital assets, net of related debt	255,230,188	250,427,112	133,275,493	134,270,404	388,505,681	384,697,516
Restricted	3,034,411	5,260,954	3,671,913	3,748,093	6,706,324	9,009,047
Unrestricted	52,044,716	99,358,971	37,114,582	46,861,049	89,159,298	146,220,020
Total net assets	$ 310,309,315	$ 355,047,037	$ 174,061,988	$ 184,879,546	$ 484,371,303	$ 539,926,583

A portion of the City's net assets totaling $9,823,817 or 1.8% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizen's and creditors.

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

The City's net assets increased by $55,555,280 in fiscal year 2007. As previously mentioned, $9,294,966 or 16.7% 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 2007 compared to fiscal 2006 changes in the City's net assets were as follows:

Table 2

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/06	**9/30/07**	**9/30/06**	**9/30/07**	**9/30/06**	**9/30/07**
Revenues:						
Program revenues:						
Charges for services	$ 28,449,951	$ 25,399,502	$ 57,886,611	$ 57,066,591	$ 86,336,562	$ 82,466,093
Operating grants and contributions	33,141,279	48,052,791	737,536	1,668,944	33,878,815	49,721,735
Capital grants and contributions	8,409,834	14,027,960	4,172,710	8,109,411	12,582,544	22,137,371
General revenues:						
Property tax	54,462,317	61,443,459	-	-	54,462,317	61,443,459
Sales tax	29,289,416	31,919,487	-	-	29,289,416	31,919,487
Other tax	1,299,365	1,344,762	-	-	1,299,365	1,344,762
Franchise fees	15,658,628	11,375,535	305,907	-	15,964,535	11,375,535
Investment income	4,735,009	7,573,850	1,685,867	2,549,696	6,420,876	10,123,546
Other	71,784	-	-	-	71,784	-
Total revenues	175,517,583	201,137,346	64,788,631	69,394,642	240,306,214	270,531,988
Expenses:						
Support services	16,076,516	22,481,067	-	-	16,076,516	22,481,067
Public safety	57,826,788	70,124,744	-	-	57,826,788	70,124,744
Recreation and leisure	15,606,279	19,168,072	-	-	15,606,279	19,168,072
Development and other services	50,642,965	38,630,596	-	-	50,642,965	38,630,596
Interest on long-term debt	7,659,557	8,421,424	-	-	7,659,557	8,421,424
Water and wastewater	-	-	39,746,718	40,211,646	39,746,718	40,211,646
Municipal golf course	-	-	3,390,562	3,295,065	3,390,562	3,295,065
Solid waste	-	-	7,320,755	9,599,260	7,320,755	9,599,260
Municipal airport	-	-	2,156,251	2,010,376	2,156,251	2,010,376
Storm water utility	-	-	829,867	1,034,458	829,867	1,034,458
Total expenses	147,812,105	158,825,903	53,444,153	56,150,805	201,256,258	214,976,708
Increase in net assets before transfers	27,705,478	42,311,443	11,344,478	13,243,837	39,049,956	55,555,280
Transfers	2,128,239	2,426,279	(2,128,239)	(2,426,279)	-	-
Change in net assets	29,833,717	44,737,722	9,216,239	10,817,558	39,049,956	55,555,280
Net assets - beginning of year	280,475,598	310,309,315	164,845,749	174,061,988	445,321,347	484,371,303
Net assets - end of year	$ 310,309,315	$ 355,047,037	$ 174,061,988	$ 184,879,546	$ 484,371,303	$ 539,926,583

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 9/30/06	Fiscal Year 9/30/07	Increase (Decrease)
Governmental activities:			
Property taxes	$ 54,462,317	$ 61,443,459	$ 6,981,142
Sales taxes	29,289,416	31,919,487	2,630,071
Other taxes	1,299,365	1,344,762	45,397
Franchise fees	15,658,628	11,375,535	(4,283,093)
Investment income	4,735,009	7,573,850	2,838,841
Other	71,784	-	(71,784)
Total governmental activities	105,516,519	113,657,093	8,140,574
Business-type activities:			
Franchise fees	305,907	-	(305,907)
Investment income	1,685,867	2,549,696	863,829
Total business-type activities	1,991,774	2,549,696	557,922
Total general revenues	$ 107,508,293	$ 116,206,789	$ 8,698,496

The City's $3,702,670 total increase in investment income from prior year is entirely attributable to the change in market interest earnings rates. The City investment policy is to hold investments until maturity. Property tax revenue increased $6,981,142 due primarily to a 8.9% increase in net taxable assessed property values. Sales tax revenue increased $2,630,071 due to a state reallocation of prior years' sales tax payments. Franchise fee revenue decreased $4,589,000 because of decreased gross revenues of payors . Other revenues decreased $71,784 due to an accounting reclassification to other operating revenue accounts.

Governmental activities. Net assets for governmental activities increased by $44,737,722, thereby accounting for 80.5% of the total increase in the government's net assets. Of the increase, contributions of infrastructure by private developers to the city represented 11.4%. An increase in governmental general revenues (excludes operating transfers) compared to prior fiscal year represented 18.3% of the total increase in governmental net assets. The remaining increase represents the degree to which program revenues exceeded expenses. The City's operating grants and contributions revenues increased by $14,911,512 reflecting increases in Section 8 revenue and increases in other operating grants. Increases in charges for services resulted from a high level of development activity and increases in fines and forfeitures due to vigorous collection efforts. The $5,618,126 increase in capital grants and contributions was primarily due to a change in the method used to estimate developers' contributions.

Expenses for governmental activities also increased. Employee pay raises, rising costs of health insurance and increased interest expense due to debt issuance were the primary factors.

Business-type activities. Business-type activities increased the City's net assets by $10,817,558, accounting for 19.8 percent of the total growth in the primary government's net assets. Of the increase, contributions by private developers to the City's water and wastewater system infrastructure represented $4,283,801 or 39.6 percent. Table 2 summarizes the changes in business-type activities net assets.

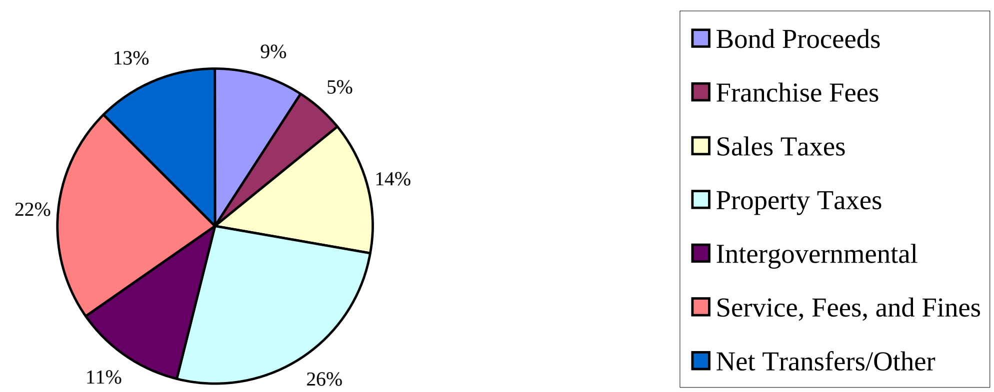
FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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.

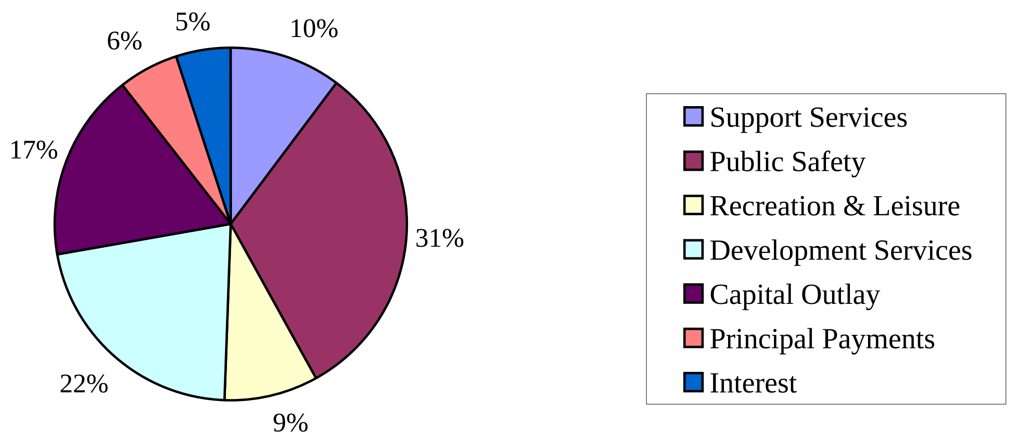
For fiscal year 2007, the City's governmental funds (excluding internal service funds) reported combined ending fund balances of $122,278,703, an increase of $35,426,593 in comparison with the prior year. The unreserved fund balance portion is 91.8% and is available for spending at the government's discretion. The remainder is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate inventories, contracts and purchase orders of the prior period - $3,912,163, and 2) to pay debt service - $6,075,724. Figures 1 and 2 that follow show the distribution of governmental funds sources of revenues - $234,326,733 and expenditures - $198,900,140 respectively, for fiscal year 2007.

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 $24,474,441, while total fund balance was $25,452,473. 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 31.3% of total general fund expenditures, while total fund balance represents 32.5% of that same amount. The City's General Fund balance increased by $452,575 in fiscal year 2007.

Fund balances of several other governmental funds changed significantly. Fund balances of the Park Venue Fund and Street Improvements Fund increased by $1,616,066 and $7,458,208, respectively, due to operating transfers. Section 8 Fund saw an increase in fund balance due to increased HUD funding and Debt Service Fund increased by $1,747,035 due to increased property tax revenue. The fund balance of the nonmajor governmental funds increased by $24,033,841 because of increased sales tax revenue and unspent proceeds of bonds issued during the year.

Proprietary funds. The City 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 $184,076,782 and $4,480,083, respectively at September 30, 2007. The City's internal service funds reported a gain before transfers and capital contributions of $1,055,505. The enterprise funds' amount invested in capital assets, net of related debt represented 72.9% of total enterprise funds net assets. The enterprise funds unrestricted net assets were 25.1% of total enterprise funds net assets. The internal service funds' amount invested in capital assets, net of related debt represented 21% of total internal service funds' net assets. The internal service funds unrestricted net assets were 79% of total internal service funds' net assets. 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 $83,779,113 and expenses of $73,763,172 (excluding transfers and capital contributions) by activity.

Figure 3 - Proprietary Funds Revenues by Activity

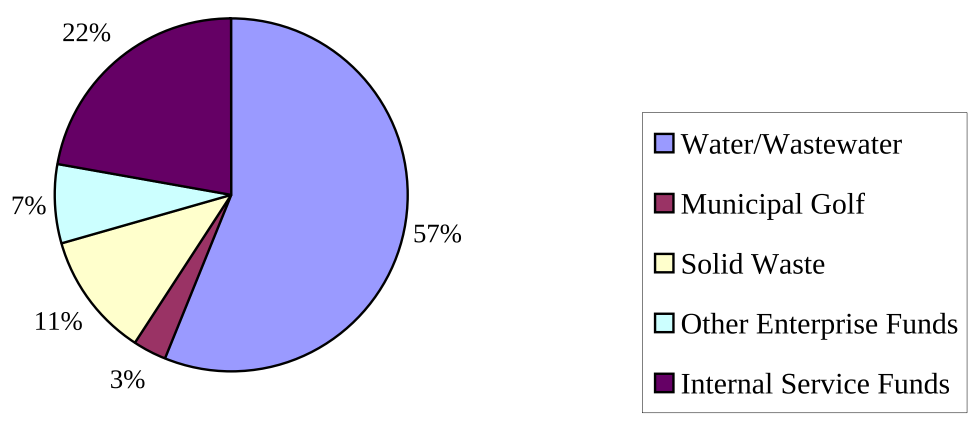
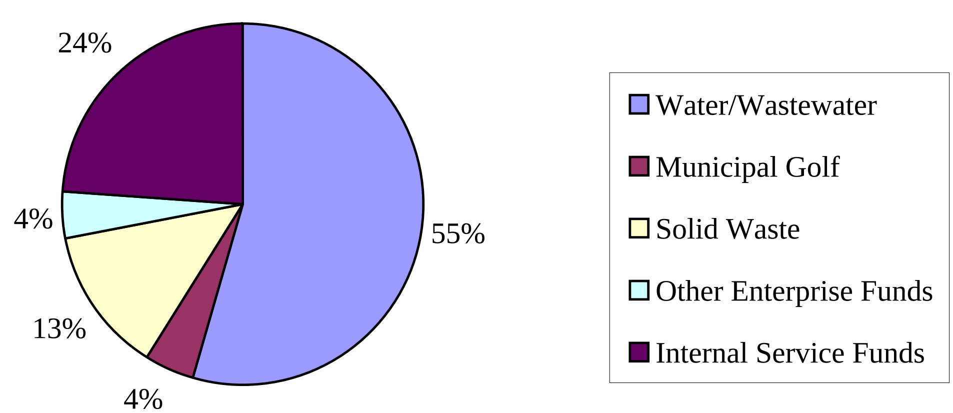


Figure 4 - Proprietary Fund Expenses by Activity



General Fund Budgetary Highlights

During the year there was a $340,023 increase in appropriations between the original and final budget. This increase was due primarily to a supplemental appropriation to the public safety departments (police, fire, etc.) for personnel costs, utilities and contract services and in development for street light costs. For the reported fiscal year, revenues exceeded budgetary estimates by $2,679,921. Expenditures were under budgetary estimates by $1,162,958. The fund realized an increase in fund balance of $452,575 due to higher than budgeted revenues for sales tax and franchise fees. The City traditionally budgets revenue conservatively which 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 $623,070,251. 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 $31,179,669 in fiscal year 2007.

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

- Private developer capital contributions of $4,283,801 to the City's streets, water, sewer, and drainage infrastructure in connection with various residential and commercial developments.

- Capital outlay totaling $1,150,087 for improvement of the City's parks and recreation facilities. Improvements were made to park facilities.

- Capital outlay totaling $8,650,775 for improvements to various streets, sidewalks, entryways, pedestrian pathways and intersections in the City.

- Water and wastewater capital improvements totaling $20,161,706

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	
	9/30/06	9/30/07	9/30/06	9/30/07	9/30/06	9/30/07
Land	$ 19,929,001	$ 24,953,662	$ 3,251,674	$ 3,251,674	$ 23,180,675	$ 28,205,336
Construction in progress	114,506,640	112,131,145	31,925,908	38,757,123	146,432,548	150,888,268
Depreciable capital assets	425,248,787	460,910,356	244,774,628	259,858,455	670,023,415	720,768,811
Accumulated depreciation	(153,014,539)	(171,654,140)	(94,731,517)	(105,138,024)	(247,746,056)	(276,792,164)
Total capital assets, net	$ 406,669,889	$ 426,341,023	$ 185,220,693	$ 196,729,228	$ 591,890,582	$ 623,070,251

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

Long-term debt. At September 30, 2007, 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	
	9/30/06	**9/30/07**	**9/30/06**	**9/30/07**	**9/30/06**	**9/30/07**
Bonded debt	173,729,702	$ 185,791,917	$ 59,094,071	$ 62,458,824	$ 232,823,773	$ 248,250,741
Accrued compensated absences	10,433,011	11,340,991	269,617	320,014	10,702,628	11,661,005
Closure and post closure liability	-	-	2,680,845	4,596,339	2,680,845	4,596,339
Total long-term debt	$ 184,162,713	$ 197,132,908	$ 62,044,533	$ 67,375,177	$ 246,207,246	$ 264,508,085
Long-term debt to net assets percentage	59%	56%	36%	36%	51%	49%

Of the total bonded debt, $166,443,220 or 67% 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 $28,085,000 in new bonded debt and repaid principal on bonds totaling $12,921,780. The City's interest expense on its bonded debt was $11,076,231 for the reported fiscal year.

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

	Moody's	Fitch IBCA
General obligation bonds	Aa3	AA
Sales tax revenue bonds	Aa3	AA
Water and wastewater revenue bonds	A1	AA-

* See Note 3.b.2 to the financial statements for more detailed information on the City's long-term debt.

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2008 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. The population growth experienced by the City has stimulated residential and commercial development activity. The continued growth in population has placed additional demands on the City to maintain or expand services. The City's unemployment rate is currently approximately 4.4% which is typical for cities in the region.

These indicators are taken into account when adopting the General Fund budget for fiscal year 2008:

- An increase in property tax assessed values for a twelfth consecutive year resulting in additional budgeted property tax revenues of $6,207,010. The City's net taxable assessed property values increased by 11.2% to $9,209,069,370 for fiscal 2007 as compared to prior fiscal year. The City did not change the property tax rate of 0.669998 per $100 taxable value for fiscal year 2007.

- A 7.3% increase in budgeted sales taxes revenues as compared to prior fiscal year budget due to an expected continued improvement to the economy. There is no change in the City's sales tax rate.

- The City's favorable bond ratings and continued low interest earnings and expense rates.

The City expects an overall increase in other general revenues of governmental activities from increased activity. Investment income is expected to remain the same as fiscal year 2007 because interest rates on new investments of surplus cash are lower than those on maturing securities.

The City's total approved operating appropriations and reserves for fiscal year 2008 is $189,890,014 an increase of $14,143,039 or 7.4% as compared to prior fiscal year original budget. The general fund approved appropriations for fiscal year 2008 is $95,502,679, an increase of $6,310,788 or 6.6% from prior year. The remaining change in total budgeted operating appropriations and reserves include increases of $2,105,715 in the Park Venue Operating Fund, $368,265 in the Solid Waste Fund, $2,014,530 in the Water Wastewater Fund and $89,159 in the Cable Fund. In addition, the City has approved an increase in debt service appropriations of $1,695,331.

The City's total approved planned capital projects for fiscal year 2008 includes $60,751,457 in appropriation requests. The fiscal year 2008 planned capital projects includes $21,610,476 for water and wastewater improvements, $18,916,992 in street and signal improvements, $200,000 in parks improvements and $1,600,000 in storm drainage improvement.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	Primary Government			GRAND PRAIRIE SPORTS FACILITIES DEVELOPMENT	GRAND PRAIRIE HOUSING FINANCE CORPORATION
ASSETS	Governmental Activities	Business-Type Activities	Total		
Current assets:					
Cash and cash equivalents	$ 9,996,933	$ 4,227,353	$ 14,224,286	$ 10,588,955	$ 330,997
Investments	21,732,438	45,776,186	67,508,624	-	-
Receivables (net of allowance for uncollectibles):					
Property tax	1,119,326	-	1,119,326	-	-
Franchise fees	2,174,680	-	2,174,680	-	-
Sales tax	5,650,939	-	5,650,939	1,883,647	-
Other receivables	1,951,643	4,384,181	6,335,824	195,353	38,529
Due from other governments	1,047,151	-	1,047,151	-	
Internal balances	(802,764)	802,764	-	-	-
Inventories and supplies	264,666	425,288	689,954	-	-
Current restricted assets:					
Cash and cash equivalents	22,802,586	38,661	22,841,247	-	1,367,539
Investments	76,745,174	5,835,420	82,580,594	-	-
Total current assets	142,682,772	61,489,853	204,172,624	12,667,955	1,737,065
Noncurrent assets:					
Lease payments receivable	-	-	-	15,998,022	-
Deferred charges	1,018,140	600,250	1,618,390	-	-
Estimated unguaranteed residential value	-	-	-	64,722,630	-
Capital assets:					
Land	24,953,662	3,251,674	28,205,336	-	1,612,851
Buildings	62,313,227	7,375,577	69,688,804	-	21,617,248
Equipment	58,436,464	21,298,666	79,735,130	-	-
Infrastructure	340,160,665	231,184,212	571,344,877	-	-
Construction in progress	112,131,145	38,757,123	150,888,268	-	-
Less accumulated depreciation	(171,654,140)	(105,138,024)	(276,792,164)	-	(5,146,445)
Total noncurrent assets	427,359,163	197,329,478	624,688,641	80,720,652	18,083,654
Total assets	570,041,935	258,819,331	828,861,265	93,388,607	19,820,719
LIABILITIES					
Current liabilities:					
Accounts payable	3,970,584	745,203	4,715,787	5,226	136,638
Accrued liabilities	12,875,926	3,371,928	16,247,854	-	534,488
Unearned revenue	1,015,480	166,619	1,182,099	-	-
Customer deposits	-	2,280,858	2,280,858	-	48,384
Noncurrent liabilities:					
Due within one year:					
Accrued compensated absences	4,385,684	33,320	4,419,004	-	-
Current portion of long term debt	10,093,067	3,448,522	13,541,589	-	217,360
Due in more than one year:					
Accrued compensated absences	6,955,307	286,694	7,242,001	-	-
Closure and postclosure liability	-	4,596,339	4,596,339	-	-
Construction loan payable	-	-	-	-	3,299,095
Long term debt	175,698,850	59,010,302	234,709,152	-	13,730,000
Total liabilities	214,994,898	73,939,785	288,934,683	5,226	17,965,965
Invested in capital assets (net of related debt)	250,427,112	134,270,404	384,697,516	-	1,531,760
Restricted for:					
Debt service	5,260,954	3,748,093	9,009,047	-	90,106
Facility lease	-	-	-	80,901,461	-
Unrestricted	99,358,971	46,861,049	146,220,020	12,481,920	232,888
Total net assets	$ 355,047,037	$ 184,879,546	$ 539,926,583	$ 93,383,381	$ 1,854,754

See accompanying notes to basic financial statements.

CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

		Program Revenues		
FUNCTIONS/ACTIVITY	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
Support services	$ 22,481,067	$ 11,369,944	$ 1,198,320	$ -
Public safety services	70,124,744	5,453,931	3,049,540	-
Recreation and leisure services	19,168,072	4,843,898	-	-
Development services and other	38,630,596	3,731,729	43,804,931	14,027,960
Interest on long-term debt	8,421,424	-	-	-
Total governmental activities	158,825,903	25,399,502	48,052,791	14,027,960
Business-type activities:				
Water and wastewater	40,211,646	41,221,192	-	8,109,411
Municipal golf course	3,295,065	2,637,807	-	-
Solid waste	9,599,260	9,023,648	-	-
Municipal airport	2,010,376	1,492,202	1,668,944	-
Storm water	1,034,458	2,691,742	-	-
Total business-type activities	56,150,805	57,066,591	1,668,944	8,109,411
Total primary government	$ 214,976,708	$ 82,466,093	$ 49,721,735	$ 22,137,371
Component units:				
Grand Prairie Sports Facilities Development	3,974,639	1,683,578	-	(875,193)
Grand Prairie Housing Finance Corporation	5,533,278	3,711,527	-	-
Component units:	$ 9,507,917	$ 5,395,105	$ -	$ (875,193)

General revenues:
Taxes:
Property tax
Sales tax
Hotel/motel tax and other taxes
Franchise fees base on gross receipt
Investment income
Transfers
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.

(Continued)

Net (Expense) Revenue and Changes in Net Assets Primary Government: Governmental Activities	Business-Type Activities	Total	GRAND PRAIRIE SPORTS FACILITIES DEVELOPMENT	GRAND PRAIRIE HOUSING FINANCE CORPORATION
$ (9,912,803)	$ -	$ (9,912,803)	$ -	$ -
(61,621,273)	-	(61,621,273)	-	-
(14,324,174)	-	(14,324,174)	-	-
22,934,024	-	22,934,024	-	-
(8,421,424)	-	(8,421,424)	-	-
(71,345,650)	-	(71,345,650)	-	-
-	9,118,957	9,118,957	-	-
-	(657,258)	(657,258)	-	-
-	(575,612)	(575,612)	-	-
-	1,150,770	1,150,770	-	-
-	1,657,284	1,657,284	-	-
-	10,694,141	10,694,141	-	-
(71,345,650)	10,694,141	(60,651,509)	-	-
			(3,166,254)	-
			-	(1,821,751)
			(3,166,254)	(1,821,751)
61,443,459	-	61,443,459	-	-
31,919,487	-	31,919,487	10,953,969	-
1,344,762	-	1,344,762	-	-
11,375,535	-	11,375,535	-	-
7,573,850	2,549,696	10,123,546	537,927	44,570
2,426,279	(2,426,279)	-	-	-
116,083,372	123,417	116,206,789	11,491,896	44,570
44,737,722	10,817,558	55,555,280	8,325,642	(1,777,181)
310,309,315	174,061,988	484,371,303	85,057,739	3,631,935
$ 355,047,037	$ 184,879,546	$ 539,926,583	$ 93,383,381	$ 1,854,754

(Concluded)

CITY OF GRAND PRAIRIE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	General	Park Venue	Section 8	Street Improvements	Debt Service
ASSETS					
Cash and cash equivalents	$ 5,322,906	$ 476,443	$ 2,167,734	$ 54,437	$ 1,064,569
Investments	18,829,976	11,296,550	1,976,739	20,890,557	3,956,052
Property tax receivable	814,432	-	-	-	304,894
Sales tax receivable	3,767,293	941,823	-	-	-
Franchise fees receivable	2,174,680	-	-	-	-
Other receivables	5,367	44,802	-	-	-
Due from other governments	-	-	-	-	-
Total assets	$ 30,914,654	$ 12,759,618	$ 4,144,473	$ 20,944,994	$ 5,325,515
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 1,434,572	$ 937,701	$ 11,445	$ 318,876	$ 1,327
Accrued liabilities	3,456,775	323,242	39,981	682,600	498
Deferred revenue	570,834	16,400	876,918	-	237,047
Total liabilities	5,462,181	1,277,343	928,344	1,001,476	238,872
Fund Balance:					
Reserved for:					
Encumbrances	978,032	-	-	-	-
Bond debt service	-	-	-	-	5,086,643
Unreserved, designated for:					
Capital projects	-	-	-	19,943,518	-
Unreserved, undesignated in:					
General Fund	24,474,441	-	-	-	-
Special Revenue Funds	-	11,482,275	3,216,129	-	-
Total fund balance	25,452,473	11,482,275	3,216,129	19,943,518	5,086,643
Total liabilities and fund balance	$ 30,914,654	$ 12,759,618	$ 4,144,473	$ 20,944,994	$ 5,325,515

(Continued)

See accompanying notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
$ 18,813,403	$ 27,899,492
38,625,276	95,575,150
-	1,119,326
941,823	5,650,939
-	2,174,680
1,901,474	1,951,643
1,047,151	1,047,151
$ 61,329,127	$ 135,418,381
$ 1,038,630	$ 3,742,551
3,070,670	7,573,766
122,162	1,823,361
4,231,462	13,139,678
2,934,131	3,912,163
989,081	6,075,724
16,391,350	36,334,868
-	24,474,441
36,783,103	51,481,507
57,097,665	122,278,703
$ 61,329,127	$ 135,418,381

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CITY OF GRAND PRAIRIE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

Total fund balance - total governmental funds		$ 122,278,703
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 $927,262.		425,413,763
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.		807,881
Interest payable on long term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.		(1,051,817)
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 $802,764).		3,677,419
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	$ (70,284,620)	
Certificates of obligation	(86,119,781)	
Sales tax revenue bonds	(29,540,000)	
Unamortized bond issuance costs	1,018,140	
Unamortized bond premium/discount, net, and loss on refunding	152,484	
Compensated Absences	(11,305,135)	(196,078,912)
Net assets of governmental activities		$ 355,047,037

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, 2007

	General	Park Venue	Section 8	Street Improvements	Debt Service Fund
REVENUE					
Property tax	$ 37,907,961	$ -	$ -	$ -	$ 14,866,875
Sales tax	20,965,517	5,476,985	-	-	-
Other taxes	246,717	-	-	-	-
Franchise fees	11,375,535	-	-	-	-
Charges for goods and service	4,520,543	2,122,867	-	-	-
Licenses and permits	2,678,297	-	-	-	-
Fines and forfeitures	5,232,676	-	-	-	-
Special assessments	-	-	-	-	-
Intergovernmental revenue	697,385	-	20,670,636	-	-
General and administrative revenue	2,504,081	-	-	-	-
Investment income	1,268,309	726,985	59,894	847,003	318,901
Contributions	-	14,031	-	-	-
Other	626,950	120	133,111	222,931	-
Total revenue	88,023,971	8,340,988	20,863,641	1,069,934	15,185,776
EXPENDITURES					
Current operations:					
Support services	10,058,549	-	-	-	20,000
Public safety services	52,462,808	-	-	-	-
Recreation and leisure services	1,899,944	10,520,045	-	-	-
Development services and other	13,018,662	-	20,360,270	272,858	-
Capital outlay	764,017	1,150,087	252,317	8,650,775	-
Debt service:					
Principal retirement	-	1,128,175	-	-	7,274,644
Interest charges	-	1,653,594	-	-	5,004,779
Total expenditures	78,203,980	14,451,901	20,612,587	8,923,633	12,299,423
Excess (deficiency) of revenue over (under) expenditures	9,819,991	(6,110,913)	251,054	(7,853,699)	2,886,353
OTHER FINANCING SOURCES (USES)					
Transfers in	1,866,616	7,919,178	34,724	4,689,450	87,062
Transfers out	(11,246,442)	(192,199)	(166,910)	(365,000)	(1,323,793)
Sale of capital assets	12,410	-	-	-	-
Premium on debt issued	-	-	-	-	97,413
Bonds issued	-	-	-	10,987,457	-
Total other financing sources (uses)	(9,367,416)	7,726,979	(132,186)	15,311,907	(1,139,318)
Net change in fund balance	452,575	1,616,066	118,868	7,458,208	1,747,035
Fund balance - beginning of year	24,999,898	9,866,209	3,097,261	12,485,310	3,339,608
Fund balance - end of the year	$ 25,452,473	$ 11,482,275	$ 3,216,129	$ 19,943,518	$ 5,086,643

(Continued)

See accompanying notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
$ 8,490,264	$ 61,265,100
5,476,985	31,919,487
1,098,045	1,344,762
-	11,375,535
1,823,554	8,466,964
167,553	2,845,850
574,808	5,807,484
1,379,597	1,379,597
5,230,565	26,598,586
-	2,504,081
4,170,830	7,391,922
4,706,553	4,720,584
16,851,518	17,834,630
49,970,272	183,454,582
7,353,332	17,431,881
1,570,539	54,033,347
2,349,621	14,769,610
3,415,841	37,067,631
18,760,050	29,577,246
1,230,000	9,632,819
1,692,273	8,350,646
36,371,656	170,863,180
13,598,616	12,591,402
14,705,298	29,302,328
(14,742,616)	(28,036,960)
-	12,410
-	97,413
10,472,543	21,460,000
10,435,225	22,835,191
24,033,841	35,426,593
33,063,824	86,852,110
$ 57,097,665	$ 122,278,703

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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, 2007

Net change in fund balances - total governmental funds		35,426,593
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.		29,577,246
The net effect of various transactions involving capital assets (ie., sales, trade ins, and contributions) is to increase net assets.		8,810,313
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 expenditure in governmental funds.		(18,639,601)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Bonds issued, net of premium on issuance and issuance costs	(21,304,322)	
Bond principal retirement	9,632,819	
Amortization of deferred charges	(192,792)	(11,864,295)
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.		(896,931)
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.		178,359
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest.		(70,778)
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 amount allocated to business-type activities and depreciation expense.		2,216,816
Change in net assets of governmental activities		$44,737,722

See accompanying notes to basic financial statements.

CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007

	Business-Type Activities Enterprise Funds					Governmental Activities
	Water Wastewater	Municipal Golf	Solid Waste	Other Nonmajor	Total	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	$ 2,591,941	$ 23,626	$ 1,104,959	$ 506,827	$ 4,227,353	$ 4,674,027
Investments	33,195,681	868,926	8,366,575	3,345,004	45,776,186	2,902,462
Accounts receivable, net	3,388,640	1,809	666,323	327,409	4,384,181	-
Inventories and supplies	378,071	-	-	47,217	425,288	264,666
Deferred charges	596,773	3,477	-	-	600,250	-
Current restricted assets:						
Cash and cash equivalents	-	-	-	38,661	38,661	226,000
Investments	5,571,909	212,196	-	51,315	5,835,420	-
Total current assets	45,723,015	1,110,034	10,137,857	4,316,433	61,287,339	8,067,155
Capital assets:						
Land	751,089	568,284	1,748,378	183,923	3,251,674	737,566
Buildings	2,361,045	1,854,835	726,069	2,433,628	7,375,577	1,477,875
Equipment	14,176,771	1,109,475	5,478,469	533,951	21,298,666	1,666,557
Infrastructure	206,451,913	8,051,689	7,022,002	9,658,608	231,184,212	16,672
Construction in progress	33,486,986	2,026,287	1,047,515	2,196,335	38,757,123	-
Less accumulated depreciation	(89,178,572)	(4,924,577)	(5,049,902)	(5,984,973)	(105,138,024)	(2,971,408)
Total capital assets	168,049,232	8,685,993	10,972,531	9,021,472	196,729,228	927,262
Total assets	213,772,247	9,796,027	21,110,388	13,337,905	258,016,567	8,994,417
LIABILITIES						
Current liabilities:						
Accounts payable	376,546	117,524	76,683	174,450	745,203	228,035
Accrued liabilities	1,991,161	349,101	281,933	153,037	2,775,232	4,024,343
Accrued compensated absences	-	11,311	-	22,009	33,320	34,588
Unearned revenue	-	-	-	166,619	166,619	-
Current liabilities payable from restricted assets:						
Customer deposits	2,228,737	-	806	51,315	2,280,858	-
Accrued liabilities	540,932	42,439	-	13,325	596,696	226,000
Current portion of long term debt	3,043,600	309,922	-	95,000	3,448,522	-
Total current liabilities	8,180,976	830,297	359,422	675,755	10,046,450	4,512,966
Noncurrent liabilities:						
Accrued compensated absences	184,762	31,478	54,197	16,257	286,694	1,268
Closure and postclosure liability	-	-	4,596,339	-	4,596,339	-
Long term debt	49,405,005	7,385,297	-	2,220,000	59,010,302	-
Total noncurrent liabilities	49,589,767	7,416,775	4,650,536	2,236,257	63,893,335	1,268
Total liabilities	57,770,743	8,247,072	5,009,958	2,912,012	73,939,785	4,514,234
NET ASSETS						
Invested in capital assets (net of related debt)	115,600,627	990,774	10,972,531	6,706,472	134,270,404	927,262
Restricted for debt service	3,343,171	309,922	-	95,000	3,748,093	-
Unrestricted	37,057,706	248,259	5,127,899	3,624,421	46,058,285	3,552,921
Total net assets	$ 156,001,504	$ 1,548,955	$ 16,100,430	$ 10,425,893	$ 184,076,782	$ 4,480,183
Reconciliation to government-wide Statement of Net Assets: Adjustments to reflect the consolidations of internal service funds activities related to enterprise funds					802,764	(802,764)
Net assets of business-type activities					$ 184,879,546	$ 3,677,419

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, 2007

	Business-Type Activities Enterprise Funds					Governmental Activities
	Water Wastewater	Municipal Golf	Solid Waste	Other Nonmajor	Total	Internal Service Funds
OPERATING REVENUE						
Sales to customers	$ 21,870,559	$ 1,873,731	$ 9,012,845	$ 4,183,253	$ 36,940,388	$ 3,676,068
Wastewater charges to customers	13,741,142	-	-	-	13,741,142	-
Water and wastewater fees	952,630	-	-	-	952,630	-
Wastewater surcharges	556,724	-	-	-	556,724	-
Intergovernmental revenue	-	-	-	1,668,944	1,668,944	-
Insurance premiums	-	-	-	-	-	14,773,564
Miscellaneous	4,100,137	764,076	10,803	691	4,875,707	1,489
Total operating revenue	41,221,192	2,637,807	9,023,648	5,852,888	58,735,535	18,451,121
OPERATING EXPENSE						
Salaries and personal benefits	5,209,578	1,016,626	1,555,420	545,799	8,327,423	1,071,643
Supplies and miscellaneous purchases	476,176	315,182	465,859	717,878	1,975,095	2,256,508
Purchased services	2,954,982	1,144,644	6,301,088	961,473	11,362,187	1,042,447
Insurance costs	-	-	-	-	-	13,093,476
Water purchases	9,218,766	-	-	-	9,218,766	-
Wastewater treatment	7,524,675	-	-	-	7,524,675	-
Miscellaneous	376,915	2,053	80,570	17,167	476,705	36,247
Depreciation	8,632,799	476,324	841,117	557,793	10,508,033	76,823
Franchise fees	1,411,067	-	206,226	107,660	1,724,953	-
General and administrative costs	2,144,090	-	171,305	27,211	2,342,606	-
Total operating expense	37,949,048	2,954,829	9,621,585	2,934,981	53,460,443	17,577,144
Operating income (loss)	3,272,144	(317,022)	(597,937)	2,917,907	5,275,092	873,977
NONOPERATING REVENUE (EXPENSE)						
Impact fees	3,825,610	-	-	-	3,825,610	-
Investment income	1,899,624	65,830	421,949	162,293	2,549,696	181,928
Gain on property disposition	-	-	35,223	-	35,223	-
Interest expense	(2,262,598)	(340,236)	(12,898)	(109,853)	(2,725,585)	-
Total nonoperating revenue (expense)	3,462,636	(274,406)	444,274	52,440	3,684,944	181,928
Income (loss) before contributions and transfers	6,734,780	(591,428)	(153,663)	2,970,347	8,960,036	1,055,905
Transfers in	786,615	647,825	11,369	54,000	1,499,809	1,225,718
Transfers out	(1,436,870)	-	(711,325)	(1,777,893)	(3,926,088)	(64,807)
Capital contributions	4,283,801	-	-	-	4,283,801	-
Change in net assets	10,368,326	56,397	(853,619)	1,246,454	10,817,558	2,216,816
Net assets - beginning of the year	145,633,178	1,492,558	16,954,049	9,179,439	173,259,224	2,263,367
Net assets - end of the year	$ 156,001,504	$ 1,548,955	$ 16,100,430	$ 10,425,893	$ 184,076,782	$ 4,480,183

Reconciliation to government-wide Statement of Activities:
The City no longer allocates internal service funds' change in net assets to business-type activities

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, 2007

	Business-Type Activities--Enterprise Funds					Governmental Activities
	Water Wastewater	Municipal Golf Course	Solid Waste	Other Nonmajor	Total	Internal Service Funds
Cash flows from operating activities:						
Cash received from customers	$ 36,857,616	$ 1,871,922	$ 8,662,028	$ 5,879,101	$ 53,270,667	$ 3,676,068
Cash received from other funds for services	-	-	-	33,254	33,254	14,773,564
Cash payments to suppliers for goods and services	(21,958,181)	(1,342,302)	(4,946,075)	(1,514,187)	(29,760,745)	(16,058,676)
Cash payments to employees for services	(5,179,849)	(1,013,757)	(1,556,900)	(526,520)	(8,277,026)	(1,060,594)
Cash payments to other funds for services	(1,411,067)	-	(206,226)	(107,660)	(1,724,953)	-
Other operating cash receipts (payments)	(269,880)	962,501	(273,574)	(214,050)	204,997	862,437
Net cash provided (used) by operating activities	8,038,639	478,364	1,679,253	3,549,938	13,746,194	2,192,799
Cash flows from noncapital financing activities:						
Transfers from other funds	786,615	647,825	11,369	54,000	1,499,809	1,225,718
Transfers to other funds	(1,436,870)	-	(711,325)	(1,777,893)	(3,926,088)	(64,807)
Net cash provided (used) by noncapital financing activities	(650,255)	647,825	(699,956)	(1,723,893)	(2,426,279)	1,160,911
Cash flows from capital and related financing activities:						
Capital outlays	(20,161,706)	(768,410)	(802,676)	(283,776)	(22,016,568)	-
Impact fees received	3,825,610	-	-	-	3,825,610	-
Contributions	4,283,801	-	-	-	4,283,801	-
Proceeds from disposal of capital assets	-	-	35,223	-	35,223	-
Interest paid on bonds and line of credit	(2,262,598)	(340,236)	(12,898)	(109,853)	(2,725,585)	-
Repayment of principal on bonds	(2,642,639)	(303,675)	(257,830)	(90,000)	(3,294,144)	-
Proceeds from issuance of bonds	6,658,897	-	-	-	6,658,897	-
Net cash used by capital and related financing activities	(10,298,635)	(1,412,321)	(1,038,181)	(483,629)	(13,232,766)	-
Cash flows from investing activities:						
Investment earnings received on cash and investments	1,899,624	65,830	421,949	162,293	2,549,696	181,928
Purchase of investments	(345,662)	(11,607)	(303,750)	(1,484,543)	(2,145,562)	(9,152)
Sale of investments	1,361,349		-	-	1,361,349	730,080
Net cash provided (used) by investing activities	2,915,311	54,223	118,199	(1,322,250)	1,765,483	902,856
Net increase (decrease) in cash and cash equivalents	5,060	(231,909)	59,315	20,166	(147,368)	4,256,566
Cash and cash equivalents - beginning of year	2,586,881	255,535	1,045,644	525,322	4,413,382	643,461
Cash and cash equivalents - end of year	$ 2,591,941	$ 23,626	$ 1,104,959	$ 545,488	$ 4,266,014	$ 4,900,027

	Water Wastewater	Municipal Golf Course	Solid Waste	Other Nonmajor	Total	Internal Service Funds
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:						
Net operating income (loss)	$ 3,272,144	(317,022)	$ (597,937)	$ 2,917,907	5,275,092	$ 873,977
Adjustments to net operating income (loss) to net cash provided (used) by operating activities:						
Depreciation and amortization	8,632,799	476,324	841,117	557,793	10,508,033	76,823
Change in assets and liabilities:						
(Increase) in customer accounts receivable	(449,263)	(1,809)	(350,817)	-	(801,889)	-
(Increase) in other accounts receivable	-	-	-	(111,331)	(111,331)	-
Decrease in inventories and supplies	6,342	-	-	18,453	24,795	105,720
Increase in accounts payable	354,166	117,524	76,683	173,922	722,295	228,035
Increase (Decrease) in other accrued liabilities	(3,993,102)	200,478	(203,807)	(30,955)	(4,027,386)	977,650
Increase in interfund liabilities	-	-	-	-	-	(80,455)
Increase in customer deposits	185,824	-	-	4,870	190,694	-
Increase (Decrease) in accrued compensated abse	29,729	2,869	(1,480)	19,279	50,397	11,049
Increase in closure and post closure payable	-	-	1,915,494	-	1,915,494	-
Net cash provided (used) by operating activities	$ 8,038,639	478,364	$ 1,679,253	$ 3,549,938	$ 13,746,194	$ 2,192,799

Noncash investing, capital, and financing activities:
The Water and Wastewater Fund received $4,283,801 in noncash contributions from private developers consisting of water and wastewater infrastructure improvements. The change in fair value of investments for Water Wastewater, Municipal Golf, and Solid Waste was $338,100, $9,143, and $71,505, respectively. The change in fair value of investments was $6,760 for other enterprise funds and $12,812 for internal service funds.

See accompanying notes to basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Introduction

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

The services provided by the City are diverse. The financial position, results of operations and budgets (where legally adopted) of these multi-faceted services are all included in the City's financial "reporting entity," as more fully described in the immediately subsequent section of this Note.

The City reports in accordance with accounting principles generally accepted in the United States of America ("GAAP") as established by the Governmental Accounting Standards Board ("GASB") and the Financial Accounting Standards Board ("FASB"). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide concise explanation, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses, and other information considered important to gaining a clear picture of the City's financial position and results of operations as of and for the fiscal year ended September 30, 2007.

b. Financial Reporting Entity

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

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

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

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

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

1) Component Unit – Sports Corporation

Although the Sports Corporation is legally, financially and administratively autonomous, its Board of Directors are 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.

Sales and use tax received from the City prior to issuance of the Sports Corporation's permanent financing, limited to $2,750,000, was used to fund capitalized costs.

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, 2007 financial statements for the Sports Corporation may be obtained at its administrative office.

2) 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, 2006 financial statements for HFC may be obtained from the City.

3) <u>Related Autonomous Entities</u>

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 all of the non-fiduciary 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 activates 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, 2006 to September 30, 2007. 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 are 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. 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, 2007, are as follows: general fund, park venue fund, street improvement fund, section 8 fund, a debt service fund, water/wastewater fund, municipal golf course fund, and solid waste 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.

Park Venue Fund: This fund accounts for the operation and construction of the City’s park system. Approved by the Grand Prairie voters, a one-quarter cent sales and use tax was levied for the benefit of the Park Venue Fund. Transfers of the General Fund in the amount of the base period expenditures and approved increases are made to the Park Venue Fund annually.

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 funds include 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 wastewater treatment is provided by the TRA. The contracts with DWU and TRA are discussed elsewhere in the Notes.

Municipal Golf Course Fund: accounts for the operations and maintenance of the Prairie Lakes Golf Course and the Tangle Ridge Golf Course. Revenues are generated through fees charged to users. The Prairie Lakes Course land was purchased from Texas Utilities in September 2000. The Tangle Ridge Golf Course, located in South Grand Prairie, opened in October 1995. Revenues are generated through user fees for debt service and operations.

Solid Waste Fund: This fund accounts for the operations of the City's refuse collection and disposal services. Revenues are generated through user charges. Refuse collection services are provided by the City through a private contractor; however, the City owns and operates the sanitary landfill. The City accrues for landfill closure and post closure care costs (see Note 3.b.3).

d. Measurement Focus and Basis of Accounting

1) Governmental Funds

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

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

- Sales taxes are collected by the State and remitted to the City monthly in 60 days arrears. The City recognizes sales taxes revenues when collected from the State.

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) Proprietary Funds

The accrual basis of accounting and flow of economic resources measurement focus are used in all proprietary fund types. Under the accrual basis of accounting, revenues are recognized when earned, and expenses (including depreciation) are recorded when the liability is incurred. 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 *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	20-50 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, Park Venue 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. The employee's right to use accumulated vacation and to receive an accumulated vacation payment upon termination vests after six months of employment. Fire and police civil service employees and other employees hired prior to 1976 are paid up to 90 days sick leave upon retirement. The valuation of the frozen civil service sick leave is at current pay rates, while the valuation of the frozen noncivil service sick leave was at 1985 wage levels. 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 administers a self-insured retention program for workers' compensation, general liability, property, law enforcement, and employee health care claims. All such claims are accounted for within the Risk Management Fund, an internal service fund. The City's workers' compensation liability coverage is up to $200,000 per occurrence subject to an annual aggregate retention of $850,000 in fiscal year 2006. All liability coverages (i.e. general, automobile, law enforcement, errors and omissions, and aviation) have a $50,000 self-insured retention and are generally subject to the following limits of liability:

General liability: $1,000,000/$2,000,000 each occurrence/annual aggregate

Law enforcement liability: $3,000,000/$6,000,000 each occurrence/annual aggregate

Errors & omissions: $3,000,000/$6,000,000 each occurrence/annual aggregate

Automobile liability: $3,000,000 each occurrence

Airport general liability: $10,000,000/$10,000,000 each occurrence/annual aggregate

The City has its workers' compensation, liability, property, and airport insurance coverages with the Texas Municipal League Intergovernmental Risk Pool (the "TML Risk Pool"), a public entity risk pool currently operating as a common risk management and insurance program for more than 2,000 members. The City pays annual premiums to the TML Risk Pool for such insurance coverage. The TML Risk Pool is self-sustaining through annual member premiums and stop loss reinsurance coverage through various commercial insurers for excess claims.

The City offers group health coverage to its employees and retirees in a managed care plan administered by United Health Care using an escrow account funded by the City with both employee and City contributions. The City allows retired employees 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 length of service with the City at the time of retirement. The City retains risk for up to $150,000 per covered enrollee 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 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 interfund 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 periodically to consider the effects of inflation, plan benefit designs, recent claim settlement trends (including frequency and amount of pay-outs), 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 accrued liabilities estimate including the IBNR claims liability estimate for the Risk Management Fund as of September 30, 2007 was $3,920,507. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. The changes in the fund's IBNR claims and other minor accrued liability amount in each of the last two fiscal years was:

	Beginning of Fiscal Year Liability	Claims and Change in Estimates	Claim Payments	End of Fiscal Year Liability
2007	$ 2,698,976	$ 13,224,710	$ 12,003,179	$ 3,920,507
2006	2,768,768	12,521,165	12,590,957	2,698,976

7) Depository Contract

The City operates under a depository contract in accordance with State law. All of the City's demand deposit accounts are interest bearing.

8) Deferred Revenue

At fiscal year-end four 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 $570,834 and $237,047, respectively. Because the total amount of $807,881 represents unavailable revenue, they are included as property tax revenue at the 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 $122,162 and $16,400, respectively. Because the total amount of $138,562 represents unearned revenue, these amounts are presented at both the fund level and government-wide level. In the Section 8 special revenue fund, deferred revenue is reported for a new program that begins in November 2007. Because the total amount of $876,918 represents unearned revenue, these amounts are presented at both the fund level and government-wide level.

f. New Accounting Principles

The GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* to establish criteria governments should use to determine whether certain transactions should be reported as a sale or a collateralized borrowing. Such transactions are likely to comprise the sale of delinquent taxes, certain mortgages, student loans, or future revenues such as those arising from tobacco settlement agreements. There has been considerable diversity in practice in the manner that such transactions have been reported. The requirements of this Statement are incorporated in this report.

The GASB issued Statement No. 49, which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. As of September 30, 2007, the City plans to implement the provisions of the Statement in fiscal year 2009.

The GASB issued Statement No. 50, which more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 27, Accounting for Pensions by State and Local Governmental Employers, to conform with requirements of Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

As of September 30, 2007, the City plans to implement the provisions of the Statement in fiscal year 2008.

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, Park Venue 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.

All budgets are prepared on the cash and encumbrances financial flow basis. That is, revenues are budgeted in the year receipt is expected, 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.

The differences between the City's budget-basis and GAAP-basis actual revenues and expenditures are due to accruals recorded in GAAP-basis, while encumbrances are reported in the budget-basis, and differences in classification.

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, Park Venue, and Section 8 Funds. The council made several budgetary appropriations throughout the year. Significant budgetary appropriations made in the general fund include: $1,778,622 in public safety for increases in personnel costs, utilities and motor fuel; and, $366,217 in development services for street lights.

d. Deficit Fund Equity

As of September 30, 2007 the City had no funds with deficit fund equities.

3. DETAILED NOTES ON ALL FUNDS

a. Assets

1) <u>Deposits, Investments and Investment Policies</u>

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, 2007.

The City's investments are stated at fair value, using the following methods and assumptions as of September 30, 2007:

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 (see below),

   (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 respective funds 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 $21,996,728 in TexPool as of September 30, 2007. 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 market 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 market 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)	20 (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	20 (b)
8. Public Funds Investment Pool	20

(a) Total agency investments limited to no more than 70% 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 20% to reduce risk.

In addition, the City may invest in callable securities but shall limit the total amount to no more than 25% of the portfolio.

The City's carrying amount of cash, cash equivalents and investments as of September 30, 2007 as reflected in the primary government's financial statements, are:

	Unrestricted	Restricted	Total
Cash	$ 5,736,616	$ 226,000	$ 5,962,616
Pooled investments:			
Cash equivalents	8,487,670	22,615,247	31,102,917
Investments	67,508,624	82,580,594	150,089,218
Total pooled investments	75,996,294	105,195,841	181,192,135
Total	$ 81,732,910	$ 105,421,841	$ 187,154,751

At year-end, the bank balance of the City's unrestricted cash was $811,233. Of the bank balance, $200,000 was covered by federal depository insurance and $611,233 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 $31,102,917 were also covered by collateral held by the City's agent in the City's name.

As of September 30, 2007, the City had the following investments:

	Fair Value	Weighted Average Maturity (Days)	Credit Risk
Federal Farm Credit Bank	$ 26,045,938	439	AAA
Federal Home Loan Bank	33,065,000	505	AAA
Freddie Mac	25,048,918	575	AAA
Federal National Mortgage Assoc.	22,924,062	490	AAA
U. S. Treasury Notes	42,953,983	261	
TexPool	21,996,728	1	AAAm
Money market funds	9,157,506	1	AAAm
Total	$ 181,192,135	325	

Portfolio weighted average maturity

Maturities of the City's investments at September 30, 2007 were as follows:

Cash equivalents	$ 31,154,234
Under 30 days	1,998,750
30 days to 60 days	5,980,290
61 days to 90 days	5,995,545
91 days to 1 year	55,867,725
After 1 year	80,195,591
Total	$ 181,192,135

The City did not invest in any securities different from the categories mentioned above during the 2006-2007 fiscal year.

At September 30, 2007, the carrying amount of the Sports Corporation's deposits included in cash and cash equivalents was $70,909 while the bank balance of the Sports Corporation's deposits was $71,059. 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.

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, 2007 was $10,518,046 in money market funds. These amounts are not categorized in accordance with GASB Statement No. 3 because they are not evidenced by securities that exist in physical or book entry form.

The bank balance of HFC at December 31, 2006, including restricted cash, totaled $387,965 all of which was covered by FDIC insurance and collateral held by the depository institution in HFC's name. Restricted cash of $56,968 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, 2007 are summarized below for governmental activities:

	Balance October 1, 2006	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2007
Non-depreciable capital assets:				
Land	$ 19,929,001	$ 5,304,492	$ (279,831)	$ 24,953,662
Construction in progress	114,506,640	23,459,749	(25,835,244)	112,131,145
Total non-depreciable capital assets	134,435,641	28,764,241	(26,115,075)	137,084,807
Depreciable capital assets:				
Buildings	62,021,682	291,545	-	62,313,227
Equipment	53,335,431	5,691,316	(590,283)	58,436,464
Infrastructure	309,891,674	30,545,841	(276,850)	340,160,665
Total depreciable capital assets	425,248,787	36,528,702	(867,133)	460,910,356
Less accumulated depreciation for				
Buildings	(21,779,021)	(1,961,369)	-	(23,740,390)
Equipment	(27,695,572)	(2,611,444)	-	(30,307,016)
Infrastructure	(103,539,946)	(14,066,788)	-	(117,606,734)
Total accumulated depreciation	(153,014,539)	(18,639,601)	-	(171,654,140)
Total depreciable capital assets, net	272,234,248	17,889,101	(867,133)	289,256,216
Governmental activities capital assets, net	$ 406,669,889	$ 46,653,342	$ (26,982,208)	$ 426,341,023

Capital asset balances for business-type activities for the year ended September 30, 2007 are summarized below:

	Balance October 1, 2006	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2007
Non-depreciable capital assets				
Land	$ 3,251,674	$ -	$ -	$ 3,251,674
Construction in progress	31,925,908	16,035,298	(9,204,083)	38,757,123
Total non-depreciable capital assets	35,177,582	16,035,298	(9,204,083)	42,008,797
Depreciable capital assets				
Buildings	7,301,177	74,400	-	7,375,577
Equipment	19,503,627	1,840,927	(45,888)	21,298,666
Infrastructure	217,969,824	13,214,388	-	231,184,212
Total depreciable capital assets	244,774,628	15,129,715	(45,888)	259,858,455
Less accumulated depreciation for				
Buildings	(3,719,227)	(249,464)	-	(3,968,691)
Equipment	(8,286,615)	(1,529,154)	101,527	(9,714,242)
Infrastructure	(82,725,675)	(8,729,415)	-	(91,455,090)
Total accumulated depreciation	(94,731,517)	(10,508,033)	101,527	(105,138,023)
Total depreciable capital assets, net	150,043,111	4,621,682	55,639	154,720,432
Business-type activities' capital assets, net	$ 185,220,693	$ 20,656,980	$ (9,148,444)	$ 196,729,229

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

Support Services	$ 2,619,079	Water and Wastewater	$ 8,632,799
Public Safety Services	8,176,420	Municipal Golf	476,324
Recreation and Leisure Services	2,234,963	Solid Waste	841,117
Development Services	5,609,139	Other Business-type	557,793
Total governmental	$ 18,639,601	Total business-type	$ 10,508,033

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

	Balance October 1, 2006	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2007
Equipment	$ 310,078	$ -	$ -	$ 310,078
Less accumulated depreciation	(310,078)	-	-	(310,078)
Total	$ -	$ -	$ -	$ -

See Note b.8. for further description of the Sports Corporation's debt structure and operations.

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

	Balance January 1, 2006	Additions/ Completions	Disposals/ Reclasses	Balance December 31, 2006
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	21,239,620	377,628	-	21,617,248
Less accumulated depreciation	(4,104,807)	(1,041,638)	-	(5,146,445)
Total depreciable capital assets, net	17,134,813	(664,010)	-	16,470,803
Housing Finance Corporation capital asset, net	$ 18,747,664	$ (664,010)	$ -	$ 18,083,654

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 811 administered by TMRS, an agent multiple-employer public employee retirement system.

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 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. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost 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, 2006 valuation is effective for rates beginning January 2008).

Actuarial Valuation Date	December 31, 2006	December 31, 2005	December 31, 2004
Actuarial Value of Assets	$ 167,101,197	$ 157,030,678	$ 152,470,087
Actuarial Accrued Liability	208,328,802	194,053,949	187,718,712
Percentage Funded	80.2%	80.9%	81.2%
Unfunded (over-funded) Actuarial Accrued Liability (UAAL)	$ 41,227,605	$ 37,023,271	$ 35,248,625
Annual Covered Payroll	56,817,617	53,849,572	52,997,624
UAAL as a Percentage of Covered Payroll	72.6%	68.8%	66.5%
Net Pension Obligation (NPO) at the Beginning of Period	$ -	$ -	$ -
Annual Pension Cost:			
Annual Required Contribution (ARC)	$ 7,577,405	$ 7,715,790	$ 7,222,849
Contribution Made	7,577,405	7,715,790	7,222,849
NPO at the End of the Period	$ -	$ -	$ -

(* To ensure the most accurate future rates are determined for the City, TMRS provided plan provisions as of 5/04/07 to the actuary in calculating the 12/31/06 valuation.)

Actuarial Assumptions - The City also uses the following assumptions

Actuarial Valuation Date	December 31, 2006	December 31, 2005	December 31, 2004
Actuarial Cost Method	Unit Credit	Unit Credit	Unit Credit
Amortization Method	Level of Percent of Payroll	Level of Percent of Payroll	Level of Percent of Payroll
Remaining Amortization Period	25 Years/Open	25 Years/Open	25 Years/Open
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Investment Rate of Return	7%	7%	7%
Projected Salary Increases	None	None	None
Includes Inflation At	3.5%	3.5%	3.5%
Cost-of-Living Adjustments	None	None	None

The City of Grand Prairie is one of 811 municipalities having their benefit plan administered by TMRS. Each of the 811 municipalities have an annual actuarial valuation performed. All assumptions for the 12/31/06 valuations are contained in the 2006 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, 2006	Borrowings or Increase	Payments or Decrease	Balance September 30, 2007	Due Within One Year
Governmental Activities					
General obligation bonds	$ 71,436,114	$ 4,000,000	$ (5,151,494)	$ 70,284,620	$ 5,017,990
Certificates of obligation bonds	72,251,106	17,460,000	(3,591,325)	86,119,781	4,140,077
Sale tax revenue bonds	30,430,000	-	(890,000)	29,540,000	935,000
Issuance premiums/discounts, net	195,385	97,413	(45,356)	247,442	-
Deferred loss on refunding	(582,903)	-	182,977	(399,926)	-
Compensated absences	10,433,011	5,305,408	(4,397,428)	11,340,991	4,385,684
Total governmental activities	184,162,713	26,862,821	(13,892,626)	197,132,908	14,478,751
Business-Type Activities					
General obligation bonds	4,758,886	-	(455,286)	4,303,600	198,600
Certificates of obligation bonds	5,958,894	-	(223,675)	5,735,219	234,922
Water and wastewater revenue bonds	48,300,000	6,625,000	(2,610,000)	52,315,000	3,015,000
Issuance premiums/discounts, net	77,525	33,896	(6,416)	105,005	
Deferred loss on refunding	(1,234)	-	1,234	-	
Closure and post closure liability	2,680,845	1,915,494	-	4,596,339	-
Compensated absences	269,617	51,875	(1,478)	320,014	33,220
Total business-type activities	62,044,533	8,626,265	(3,295,621)	67,375,177	3,481,742
Total primary government	$ 246,207,246	$ 35,489,086	$ (17,188,247)	$ 264,508,085	$ 17,960,493
Component Unit Activities					
Sports Corporation:					
Taxable sales tax bonds	$ 7,215,000	$ -	$ (7,215,000)	$ -	$ -
Deferred loss on refunding/discount	(48,123)	-	48,123	-	-
Housing Finance Corporation:					
Notes payable	3,134,948	275,000	(53,493)	3,356,455	57,360
Revenue bonds	13,890,000	-	-	13,890,000	160,000
Total component units	$ 24,191,825	$ 275,000	$ (7,220,370)	$ 17,246,455	$ 217,360

In 2004, the City renewed its $7.5 million lines of credit; $5 million general obligation line of credit and $2.5 water and wastewater system line of credit with Bank of America, Texas for a three-year term. As of September 30, 2007, 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 refundings, sales tax revenue bonds, certificates of obligation bonds, a line of credit, and accrued compensated absence. The certificates of obligation bonds includes bonds issued in 2007 for Tax Increment Financing Zones No. 1,2 and 3 projects.

(i) General Obligation Debt

In September 2006 the City issued $4,000,000 in General Obligation Bonds Series 2006A. The proceeds of the bonds were used to provide $4,000,000 of capital funds, and to pay the cost of issuance.

In September 2006 the City issued $11,947,500 in Certificates of Obligation Bonds Series 2006A. The proceeds of the bonds were used to provide capital funds for governmental activities improvements and to pay the cost of issuance.

In September 2006 the City issued $5,512,500 in Certifcates of Certificates of Obligation Bonds Series 2006A. The proceeds were used for Tax Increment Financing Zones No. 1,2 and 3 projects.

At September 30, 2007, general obligation bonds authorized and unissued amounted to $39,198,000. When issued, the proceeds will be allocated to various specified improvements.

(ii) Sales Tax Debt

Sales Tax Revenue Bonds were issued in prior years to finance improvements to the City's municipal parks and recreation system. The bonds are secured by a ¼ cent sales tax approved by the voters in November 1999 and effective in April 2000.

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 1997-A	4.4-6.4	1997	2018	$ 2,710,000	$ -
Series 1998-A	4.0-5.0	1998	2019	16,179,364	7,781,400
Series 1999	5.5	1998	2011	12,096,630	1,508,220
Series 2000	5.25-7.25	2000	2020	4,435,000	785,000
Series 2001	4.5-5.5	2001	2021	5,000,000	3,950,000
Series 2002	4.5-5.0	2002	2022	6,550,000	5,455,000
Series 2002-A	3.9-4.875	2002	2022	9,900,000	8,155,000
Series 2003	2.0-4.60	2003	2023	11,025,000	8,630,000
Series 2003-A	2.0-4.30	2003	2014	5,875,000	1,845,000
Series 2004	2.0-4.50	2004	2024	4,855,000	4,315,000
Series 2004-A	2.0-4.75	2004	2024	6,170,000	5,250,000
Series 2005 Refunding	2.75-4.50	2005	2025	14,260,000	13,355,000
Series 2005-A	3.75-4.25	2005	2025	2,215,000	2,055,000
Series 2006	3.9-5.0	2006	2026	3,300,000	3,200,000
Series 2006-A	4.125-4.375	2006	2027	4,000,000	4,000,000
Total general obligation bonds					70,284,620
Certificates of obligation bonds:					
Tax and revenue bonds:					
Series 1997-A	4.60-5.75	1997	2018	1,515,000	-
Series 1998-A	3.60-5.00	1998	2019	7,270,000	4,480,000
Series 2000	4.9-6.9	2000	2020	2,760,000	250,000
Series 2000-A	5.0-5.5	2000	2020	3,800,000	2,955,000
Series 2001	4.5-5.5	2001	2021	5,900,000	4,270,000
Series 2002-C	3.85-4.75	2002	2022	2,650,000	1,555,000
Series 2003-A	2.0-5.0	2003	2028	4,960,000	4,415,000
Series 2004	2.5-4.45	2004	2024	2,894,000	2,130,960
Series 2004-B	2.0-4.75	2004	2024	8,280,000	7,060,000
Series 2005	2.75-4.50	2005	2025	2,935,000	2,375,000
Series 2006	4.0-5.50	2006	2026	8,291,250	7,893,000
Series 2006-A	4.125-4.375	2006	2027	11,947,500	11,947,500
Total tax and revenue bonds					49,331,460
Tax and tax increment bonds					
Series 2001	LIBOR + .55% *	2000	2022	17,900,000	15,800,000
Series 2002B	4.5-5.0	2001	2020	2,800,000	2,250,000
Series 2003B	2.0-5.0	2003	2020	1,030,000	845,000
Series 2003C	2.0-5.0	2003	2020	4,340,000	3,550,000
Series 2004B	2.0-4.75	2004	2024	1,170,000	995,000
Series 2005A	2.75-4.50	2005	2020	710,000	635,000
Series 2006	4.0-5.50	2006	2020	1,575,000	1,500,000
Series 2006-A	4.125-4.375	2006	2020	2,498,470	2,498,470
Series 2006-A	4.125-4.375	2006	2020	1,468,000	1,468,000
Series 2006-A	4.125-4.375	2006	2020	1,546,030	1,546,030
Total tax and tax increment bonds					31,087,500
Parks & recreation bonds					
Series 2004	2.5-4.45	2004	2024	484,000	430,821
Series 2004B	2.0-4.75	2004	2024	5,915,000	5,270,000
Total parks & recreation					5,700,821
Total certificate of obligation bonds					86,119,781
Sales tax revenue bonds:					
Series 2000	5.4-7.4	2000	2025	3,670,000	560,000
Series 2000A	5.0-5.5	2000	2026	5,200,000	1,090,000
Series 2001	4.125-5.125	2001	2027	11,055,000	9,430,000
Series 2001A	4.125-5.0	2001	2027	8,500,000	7,450,000
Series 2002	4.0-5.0	2002	2027	5,000,000	4,405,000
Series 2005	3.5-4.25	2005	2026	6,705,000	6,605,000
Total sales tax revenue bonds					29,540,000
Premiums/discounts, net	N/A	N/A	N/A	N/A	247,442
Deferred loss on refunding	N/A	N/A	N/A	N/A	(399,926)
Compensated absences	N/A	N/A	N/A	N/A	11,340,991
Total governmental long-term debt					$ 197,132,908

* Debt service rate was 5.8675% at September 30, 2007.
(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, 2006	Borrowings or Increase	Payments or Decrease	Balance September 30, 2007	Due Within One Year
General obligation bonds:					
Series 1997-A	$ 120,000	$ -	$ (120,000)	$ -	$ -
Series 1998-A	8,678,944	-	(897,544)	7,781,400	936,400
Series 1999	1,927,170	-	(418,950)	1,508,220	436,590
Series 2000	955,000	-	(170,000)	785,000	180,000
Series 2001	4,145,000	-	(195,000)	3,950,000	205,000
Series 2002	5,695,000	-	(240,000)	5,455,000	255,000
Series 2002-A	8,530,000	-	(375,000)	8,155,000	390,000
Series 2003	9,250,000	-	(620,000)	8,630,000	645,000
Series 2003-A	2,810,000	-	(965,000)	1,845,000	480,000
Series 2004	4,500,000	-	(185,000)	4,315,000	190,000
Series 2004-A	5,560,000	-	(310,000)	5,250,000	320,000
Series 2005 Refunding	13,830,000	-	(475,000)	13,355,000	670,000
Series 2005-A	2,135,000	-	(80,000)	2,055,000	80,000
Series 2006	3,300,000	-	(100,000)	3,200,000	105,000
Series 2007-A	-	4,000,000	-	4,000,000	125,000
Total general obligation bonds	71,436,114	4,000,000	(5,151,494)	70,284,620	5,017,990
Certificates of obligation bonds:					
Tax and revenue bonds:					
Series 1997-A	45,000	-	(45,000)	-	-
Series 1998-A	4,755,000	-	(275,000)	4,480,000	285,000
Series 2000	305,000	-	(55,000)	250,000	55,000
Series 2000-A	3,100,000	-	(145,000)	2,955,000	155,000
Series 2001	4,480,000	-	(210,000)	4,270,000	220,000
Series 2002-C	1,630,000	-	(75,000)	1,555,000	75,000
Series 2003-A	4,555,000	-	(140,000)	4,415,000	145,000
Series 2004	2,320,860	-	(189,900)	2,130,960	93,229
Series 2004-B	7,470,000	-	(410,000)	7,060,000	425,000
Series 2005	2,655,000	-	(280,000)	2,375,000	190,000
Series 2006	8,291,250	-	(398,250)	7,893,000	418,000
Series 2006-A		11,947,500	-	11,947,500	323,500
	39,607,110	11,947,500	(2,223,150)	49,331,460	2,384,729
Tax and tax increment bonds:					
Series 2001	16,380,000	-	(580,000)	15,800,000	620,000
Series 2002-B	2,370,000	-	(120,000)	2,250,000	125,000
Series 2003-B	895,000	-	(50,000)	845,000	50,000
Series 2003-C	3,755,000	-	(205,000)	3,550,000	210,000
Series 2004B	1,055,000	-	(60,000)	995,000	60,000
Series 2005-A	675,000	-	(40,000)	635,000	40,000
Series 2006	1,575,000	-	(75,000)	1,500,000	75,000
Series 2006-A	-	2,498,470	-	2,498,470	147,470
Series 2006-A	-	1,468,000	-	1,468,000	83,000
Series 2006-A	-	1,546,030	-	1,546,030	101,030
	26,705,000	5,512,500	(1,130,000)	31,087,500	1,511,500
Parks & recreation bonds:					
Series 2004	448,996	-	(18,175)	430,821	18,848
Series 2004B	5,490,000	-	(220,000)	5,270,000	225,000
	5,938,996	-	(238,175)	5,700,821	243,848
Total certificate of obligation bonds	72,251,106	17,460,000	(3,591,325)	86,119,781	4,140,077
Sales tax revenue bonds:					
Series 2000	655,000	-	(95,000)	560,000	100,000
Series 2000-A	1,210,000	-	(120,000)	1,090,000	130,000
Series 2001	9,730,000	-	(300,000)	9,430,000	310,000
Series 2001-A	7,650,000	-	(200,000)	7,450,000	210,000
Series 2002	4,535,000	-	(130,000)	4,405,000	135,000
Series 2005	6,650,000	-	(45,000)	6,605,000	50,000
Total sales tax revenue bonds	30,430,000	-	(890,000)	29,540,000	935,000
Premiums/discounts, net	195,385	97,413	(45,356)	247,442	-
Deferred loss on refunding	(582,903)	-	182,977	(399,926)	-
Compensated absences:	10,433,011	5,305,408	(4,397,428)	11,340,991	4,385,684
Total	$ 184,162,713	$ 26,862,821	$ (13,892,626)	$ 197,132,908	$ 14,478,751

* Debt service rate was 5.8675% at September 30, 2007.
(Does not include unamortized premiums, discounts, or deferred loss on refunding)

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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WE HAVE EXAMINED into the legality and validity of the issuance of the "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2008" (the "Bonds"), dated November 1, 2008, in the principal amount of $4,940,000, by the City of Grand Prairie, Texas (the "City"), which Bonds are issuable in fully registered form only. The Bonds have stated maturities of January 15 in the years specified in the ordinance authorizing the issuance of the Bonds (the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds, and interest thereon accrues from the dates, at the rates, and in the manner and is payable on the dates, all as provided in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the City solely to pass upon the legality and validity of the issuance of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exemption of the interest on the Bonds from federal income taxes and none other. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data or other material relating to the financial condition or capabilities of the City. Our examinations into the legality and validity of the Bonds included a review of the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the City relating to the authorization and issuance of the Bonds, including the Ordinance, customary certifications and opinions of officials of the City and other pertinent showings, and an examination of the Bond executed and delivered initially by the City, which we found to be in due form and properly executed.

BASED UPON OUR EXAMINATIONS, IT IS OUR OPINION that the Bonds have been duly authorized by the City in compliance with the Constitution and laws of the State of Texas now in force, and the Bonds issued in compliance with the provisions of the Ordinance are valid and legally binding special obligations of the City, in accordance with the terms thereof, 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 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 general principles of equity. The Ordinance provides certain conditions under which the City may issue additional obligations payable from the same source and secured in the same manner as the Bonds.

IT IS FURTHER OUR OPINION THAT, assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance and in reliance upon representations and certifications of the City made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the

Internal Revenue Code of 1986, as amended to the date hereof, of the owners thereof pursuant to section 103 of such Code, existing regulations, published rulings, and court decisions thereunder, and (2) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on all tax-exempt obligations, such as the Bonds, owned by a corporation will be included in such corporation's adjusted current earnings for tax years beginning after 1989 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 upon 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 interest in a FASIT, individual recipients of Social Security or Railroad Retirement Benefits, 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 upon existing law, which is subject to change. Such opinions are further based upon 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.

Financial Advisory Services
Provided By

First Southwest Company