

OFFICIAL STATEMENT

Dated November 3, 2015

Ratings:
Fitch: "AAA"
Standard & Poor's: "AAA"
(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 BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$4,155,000
CITY OF GRAND PRAIRIE, TEXAS
(Dallas, Tarrant and Ellis Counties)
WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, NEW SERIES 2015

Dated Date: November 1, 2015

Due: January 15, as shown on page 2

Interest to accrue from the Delivery Date

PAYMENT TERMS. . . Interest on the \$4,155,000 City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding Bonds, New Series 2015 (the "Bonds") will accrue from the "Delivery Date", estimated to be November 24, 2015, will be payable January 15 and July 15 of each year, until maturity or prior redemption, commencing January 15, 2016, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a stated maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

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

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

CUSIP PREFIX: 386168

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

LEGALITY. . . The Bonds are offered for delivery when, as and if issued and received by the Underwriter (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by its counsel, Andrews Kurth LLP, Austin, Texas.

DELIVERY. . . It is expected that the Bonds will be available for delivery through DTC on November 24, 2015.

BOSC, INC.
A subsidiary of BOK Financial Corporation

MATURITY SCHEDULE

CUSIP Prefix: 386168⁽¹⁾

	<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
\$	315,000	1/15/2017	3.000%	0.500%	UH9
	245,000	1/15/2018	3.000%	0.800%	UJ5
	120,000	1/15/2019	4.000%	1.000%	UK2
	385,000	1/15/2020	2.500%	1.200%	UL0
	390,000	1/15/2021	2.500%	1.440%	UM8
	405,000	1/15/2022	2.250%	1.680%	UN6
	420,000	1/15/2023	4.000%	1.900%	UP1
	440,000	1/15/2024	4.000%	2.130%	UQ9
	455,000	1/15/2025	4.000%	2.280%	UR7
	480,000	1/15/2026	4.000%	2.490%	US5
	500,000	1/15/2027	4.000%	2.700% ⁽²⁾	UT3

(Interest to accrue from Delivery Date.)

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

(2) Priced to first optional redemption date of January 15, 2026.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Bonds having stated maturities on January 15, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on January 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption of the Bonds").

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No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

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

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

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

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

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

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT PURSUANT TO ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OF COMPLETENESS OF SUCH INFORMATION.

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

OFFICIAL STATEMENT SUMMARY

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

- THE CITY**..... The City of Grand Prairie (the “City”) is a political subdivision and municipal corporation of the State of Texas (the “State”), located in Dallas, Tarrant and Ellis Counties, Texas. The City covers approximately 80 square miles (see “INTRODUCTION - Description of the City”).
- THE BONDS** The \$4,155,000 City of Grand Prairie, Texas Water and Wastewater System Revenue Refunded Bonds, New Series 2015 (the “Bonds”) are issued as serial bonds maturing on January 15 in each of the years 2017 through 2027 (see “THE BONDS - Description of the Bonds”).
- PAYMENT OF INTEREST** Interest on the Bonds accrues from the “Delivery Date” estimated to be November 24, 2015, and is payable January 15, 2016, and each July 15 and January 15 thereafter until maturity or prior redemption (see “THE BONDS - Description of the Bonds” and “THE BONDS – Redemption of the Bonds”).
- AUTHORITY FOR ISSUANCE** The Bonds are authorized and issued pursuant to the Constitution and general laws of the State, particularly Texas, Government Code, Chapter 1207, as amended, and an ordinance passed by the City Council of the City (the “Ordinance”) (see “THE BONDS - Authority for Issuance”).
- SECURITY AND SOURCE OF PAYMENT FOR THE BONDS** The Bonds constitute special obligations of the City, and, together with the Outstanding Bonds Similarly Secured, are payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the City’s Water and Wastewater System (the “System”). **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see “THE BONDS - Security and Source of Payment”).
- REDEMPTION OF THE BONDS**..... The City reserves the right, at its option, to redeem Bonds having stated maturities on January 15, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on January 15, 2026 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS - Optional Redemption of the Bonds”).
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “TAX MATTERS” herein, including the alternative minimum tax on corporations.
- USE OF PROCEEDS**..... Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City’s Water and Wastewater System outstanding debt as shown on Schedule I hereto, for a debt service savings, and (ii) pay the costs associated with the issuance of the Bonds.
- RATINGS** The Bonds have been rated “AAA” by Fitch Ratings (“Fitch”) and “AAA” by Standard and Poor’s Ratings Services, a Standard and Poor’s Financial Services LLC business (“S&P”) (see “OTHER INFORMATION – Ratings”).
- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).
- PAYMENT RECORD** The City has never defaulted on its revenue bonds.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 30-Sep	Estimated City Population	Water Usage ⁽¹⁾			Net Available For Debt Service	Average Annual Debt Service Requirements	Coverage of Debt
		Average Day Usage	Peak Day Usage	Total Usage			
2010	175,396	22,893,436	40,412,439	8,356,104,040	11,903,673	4,534,360	2.63
2011	175,960	27,883,942	40,645,201	10,177,638,838	16,633,985	4,358,417	3.82
2012	179,476	23,927,897	42,138,818	8,733,682,560	18,333,129	4,270,887	4.29
2013	179,630	23,500,103	39,519,048	8,577,537,610	18,371,162	4,182,279	4.39
2014	181,230	22,967,566	37,716,995	8,383,161,546	18,058,089	4,341,922	4.16

(1) Source: City Staff.

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OFFICIAL STATEMENT
RELATING TO
\$4,155,000
CITY OF GRAND PRAIRIE, TEXAS
WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, NEW SERIES 2015

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$4,155,000 City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding Bonds, New Series 2015 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted on the date of sale of the Bonds which authorizes the issuance of the Bonds (the "Ordinance"), except as otherwise indicated herein (see "SELECTED PROVISIONS OF THE BOND ORDINANCE").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City of Grand Prairie, Texas (the "City") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, First Southwest Company, LLC, 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 2000 Census population for the City was 127,427, while the 2010 Census population was 169,350. The estimated 2015 population is 182,610. The City covers approximately 80 square miles.

PLAN OF FINANCING

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

REFUNDED BONDS. . . The principal and interest due on the Refunded Bonds are to be paid on the interest payment date and respective redemption dates of such Refunded Bonds from funds to be deposited pursuant to a certain Special Escrow Agreement (the "Escrow Agreement") between the City and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent"). The Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriter and other available City funds, if any are necessary, the City will deposit with the Escrow Agent an amount that will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund"). Pending the disbursement of moneys held in the Escrow Fund, amounts deposited to the credit of the Escrow Fund may be invested in direct obligations of the United States of America which mature on or before the redemption dates of the Refunded Bonds and are not subject to prior redemption. All earnings realized from the investment of such funds will be remitted to the City by the Escrow Agent. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds.

By the deposit of a portion of the Bond proceeds with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Bonds in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrow Fund and such Refunded Bonds will not be deemed as being outstanding obligations of the City payable from the Net Revenues of the System nor for the purpose of applying any limitation on the issuance of debt.

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

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

SOURCES OF FUNDS:

Par Amount of Bonds	\$ 4,155,000.00
Premium	391,434.05
Transfer from Prior Issue Debt Service Fund	<u>63,685.42</u>
TOTAL SOURCES:	<u>\$ 4,610,119.47</u>

USES OF FUNDS:

Deposit to Refunding Escrow Fund	\$ 4,490,528.13
Costs of Issuance	91,961.81
Underwriters' Discount	<u>27,629.53</u>
TOTAL USES:	<u>\$ 4,610,119.47</u>

THE BONDS

DESCRIPTION OF THE BONDS. . . The Bonds are dated November 1, 2015, and mature on January 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the unpaid principal amounts of the Bonds accrues from the Delivery Date, estimated to be November 24, 2015, will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on January 15, 2016 and each July 15 and January 15 thereafter until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein).

AUTHORITY FOR ISSUANCE. . . The Bonds are authorized and issued pursuant to the Constitution and general laws of the State, particularly V.T.C.A., Government Code, Chapter 1207, as amended, and the Ordinance passed by the City Council.

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

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

RESERVE FUND....All funds deposited in the Reserve Fund, excluding earnings and income derived or received from deposits or investments which may be transferred to the System Fund (as defined in the Ordinance) during such periods as there is on deposit in the Reserve Fund the Required Reserve (defined below), shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured (whether at maturity, upon a mandatory or an optional redemption date or any interest payment date) when other funds available for such purposes are insufficient. In addition, funds in the Reserve Fund may be used, to the extent not required to maintain the "Required Reserve", to pay, or provide for the payment of, the final principal amount of a series of Bonds Similarly Secured so that such series of Bonds Similarly Secured is no longer deemed to be "Outstanding" as such term is defined in the Ordinance.

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

In accordance with the provisions of the ordinances authorizing the issuance of the Previously Issued Bonds, the Required Reserve is \$4,164,860 (the "Current Reserve"). Currently the City has two surety policies provided by National Public Finance Corporation in

the total amount of \$1,691,625 solely for the benefit of the Water and Wastewater System Revenue Bonds, New Series 2006A and the Water and Wastewater System Revenue Bonds, New Series 2007. Additionally, the City has \$2,358,177 in cash deposited in the Reserve Fund for the benefit of Water and Wastewater System Revenue Bonds, New Series 2008, Water and Wastewater System Revenue Bonds, New Series 2010, Water and Wastewater System Revenue Refunding Bonds, New Series 2011, Water and Wastewater System Revenue and Improvement Bonds, New Series 2011A, Water and Wastewater System Revenue Refunding Bonds, New Series 2013, Water and Wastewater System Revenue Bonds, New Series 2013A and Water and Wastewater System Revenue Bonds, New Series 2014. By reason of the issuance of the Bonds, the Required Reserve will be \$4,196,983. The cash requirement will be \$3,301,543 for the benefit of all Water and Wastewater System Revenue Bonds, New Series 2008, Water and Wastewater System Revenue Bonds, New Series 2010, Water and Wastewater System Revenue Refunding Bonds, New Series 2011, Water and Wastewater System Revenue and Improvement Bonds, New Series 2011A, Water and Wastewater System Revenue Refunding Bonds, New Series 2013, Water and Wastewater System Revenue Bonds, New Series 2013A and Water and Wastewater System Revenue Bonds, New Series 2014 and the Bonds. Therefore, additional monthly cash deposits shall be required to be made to the Reserve Fund by reason of the issuance of the Bonds.

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

PLEDGED REVENUES. . . All of the Net Revenues of the System with the exception of those in excess of the amounts required for the payment and security of the Bonds Similarly Secured, are irrevocably pledged for the payment of the Bonds Similarly Secured, including the establishment and maintenance of the special funds created and established for the payment and security thereof. The Bonds Similarly Secured are equally and ratably secured by a lien on and pledge of the Net Revenues of the System (see “SELECTED PROVISIONS OF THE BOND ORDINANCE”).

RATES. . . The City has covenanted in the Ordinance that it will at all times charge and collect rates for services rendered by the System to produce gross revenues in each Fiscal Year sufficient to: (i) pay for all maintenance, operation, debt service, depreciation, replacement and betterment charges of the System; (ii) 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; (iii) produce Net Revenues each year in an amount reasonably estimated to be not less than 1.25 times the average annual principal and interest requirements of the Outstanding Bonds Similarly Secured; and (iv) pay all outstanding, legally incurred indebtedness against the System, as and when the same become due.

For more detailed information on the System rates and charges, see “SELECTED PROVISIONS OF THE BOND ORDINANCE – Rates and Charges”.

OPTIONAL REDEMPTION OF THE BONDS. . . The City reserves the right, at its option, to redeem Bonds having stated maturities on January 15, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on January 15, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of the Bonds to be redeemed. If less than all of the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

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

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

DEFEASANCE. . . The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or an authorized escrow agent, in trust (1) money sufficient to make such payment 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 to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds.

The Ordinance provides that “Government Obligations” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under applicable laws of the State of Texas. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

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

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

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

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry

transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement. . . In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners

should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

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

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

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

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

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

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

REGISTERED OWNERS’ REMEDIES. . . The Ordinance provides that in the event the City (a) defaults in payments to be made to the Interest and Sinking Fund or the Reserve Fund as required by the Ordinance or (b) defaults in the observance or performance of

any other of the covenants, conditions or obligations set forth in the Ordinance, the Holder or Holders of any Bond shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in the Ordinance. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. The enforcement of such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the pledged Net Revenues, such provisions are subject to construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

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, 2014, approximately 0.0% of the supply came from the City’s wells, 90.02% from DWU and 9.98% from Fort Worth.

The City has a renewable 30-year contact with the City of Dallas, which expires in 2042, 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 (\$223,308 per million gallons a day in 2014) would extend for five years. The maximum amount of water the City may take may be increased in future years as needed.

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

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

Year Ended	Dallas Water Utilities		City of Ft. Worth		Total Cost of Water Purchased
	Volume Charges	Demand Charges	Volume Charges	Cedar Hill/Midlothian	
2010	\$2,883,426	\$6,083,691	\$1,241,999	\$ -	\$10,209,116
2011	3,342,225	6,329,489	1,247,711	0	10,919,425
2012	2,780,668	6,758,580	1,411,944	0	10,951,192
2013	2,901,935	6,854,133	1,168,588	0	10,924,656
2014	2,770,594	7,062,206	1,648,226	369,888	11,850,914

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	<u>100.00%</u>

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%.

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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)	Prior (10/01/2014)	Present (10/01/2015)
Classification		
Residential		
Per 1,000 gallons, total usage 3,000 gallons or less	\$ 0.12	\$ 0.12
Per 1,000 gallons, total usage more than 3,000 gallons, and up to and including 20,000 gallons	3.57	3.73
Per 1,000 gallons, all quantities over 20,000 gallons	6.14	6.42
Commercial	3.59	3.75
Industrial	3.59	3.75
Governmental	3.22	3.36
Fire Hydrant	7.09	7.41
Minimum Monthly Charge (Based on Meter Size):		
5/8" of 3/4"	\$ 12.51	\$ 13.07
1"	16.10	16.82
1 1/4"	19.26	20.13
1 1/2"	20.91	21.85
2"	33.08	34.57
3"	102.59	107.21
4"	127.20	132.92
6"	190.70	199.28
8"	265.40	277.34
10"	276.91	289.37
12"	291.37	304.48
Wastewater Rates (Per 1,000 Gallons)		
Classification		
Residential	\$ 3.50	\$ 3.66
Commercial	4.25	4.44
Industrial	4.25	4.44
Governmental	3.76	3.93
Wastewater Minimum charges based on meter size		
5/8" of 3/4"	\$ 11.41	\$ 11.92
1"	12.35	12.91
1 1/4"	14.41	15.06
1 1/2"	15.01	15.69
2"	17.22	17.99
3"	25.49	26.64
4"	33.83	35.35
6"	52.50	54.86
8"	74.28	79.26
10"	95.09	99.37
12"	106.54	111.33

TABLE 2 – AVERAGE DAILY WATER USAGE (GALLONS)

<u>Fiscal Year Ended 9/30</u>	<u>Average Daily Usage</u>	<u>Maximum Day's Use</u>	<u>Total Pumped In</u>
2010	22,893,436	40,412,439	8,356,104,040
2011	27,883,942	40,645,201	10,177,638,838
2012	23,927,897	42,138,818	8,733,682,560
2013	23,500,103	39,519,048	8,577,537,610
2014	22,967,566	37,716,995	8,383,161,546

WASTEWATER SYSTEM

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

The City has a contract with TRA, which will expire in 2023, for wastewater treatment. The City is billed for its prorated share of TRA’s total wastewater treatment costs, which was 11.30% in 2013/2014. 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)

<u>Fiscal Year Ended 9/30</u>	<u>Average Daily Usage</u>
2010	15,184,720
2011	16,242,375
2012	15,214,182
2013	14,234,168
2014	14,109,478

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

<u>Fiscal Year Ended 9/30</u>	<u>Wastewater Treatment</u>			<u>Joe Pool Intake</u>	<u>Joe Pool Corp. of Engineers</u>	<u>Total</u>
	<u>Operation & Maintenance</u>	<u>Debt Service</u>	<u>Subtotal</u>			
2010	\$ 3,803,188	\$ 5,678,184	\$ 9,481,372	\$ 24,000	\$ 395,860	\$ 9,901,232
2011	4,146,626	6,660,202	10,806,828	11,010	383,068	11,200,906
2012	4,316,782	6,383,008	10,699,790	7,660	306,680	11,014,130
2013	4,360,828	6,546,256	10,907,084	7,390	381,637	11,296,111
2014	4,234,724	7,602,156	11,836,880	7,190	397,690	12,241,760

TABLE 4 – TEN LARGEST SYSTEM CUSTOMERS

Customer	Fiscal Year Ended September 30, 2014			
	Total Consumption ⁽¹⁾	Amount Billed		
		Billed	Water	Wastewater
Bell Helicopter	111,963	\$753,743	\$388,753	\$364,991
Coca-Cola North America	98,915	541,199	377,814	163,385
North Texas Healthcare Laundry	59,820	400,267	206,964	193,303
Lockheed-Martin	50,961	354,453	180,995	173,458
Traders Village	47,246	250,156	113,889	136,267
Poly America Inc.	38,312	260,527	136,296	124,232
Bigelow Colorado DBA Budget Suites	30,686	209,376	114,654	94,722
Mountain Creek	29,717	306,578	194,075	112,502
KMB Produce	29,403	211,907	103,359	108,548
Ecom Wilmax Willaimsburg LP	28,802	288,807	184,285	104,523
Totals	525,825	\$3,577,014	\$2,001,084	\$1,575,930

(1) In 1,000 gallons.

TABLE 5 – WATER AND WASTEWATER CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
Revenues ⁽¹⁾					
Sales to Customers	\$34,322,525	\$33,686,226	\$34,304,231	\$33,135,212	\$27,286,204
Wastewater Charges to Customers	22,678,679	21,384,096	20,610,386	19,297,083	17,212,075
Wastewater Surcharge/Monitoring	653,220	684,472	682,994	634,476	601,095
Impact Fees	1,794,292	1,394,620	1,084,505	1,017,779	1,174,693
Other	2,461,893	2,068,490	2,018,959	1,700,687	1,670,055
Total Revenues	\$61,910,609	\$59,217,904	\$58,701,075	\$55,785,237	\$47,944,122
Expenses ⁽²⁾					
Salaries & Personnel Benefits	\$7,059,406	\$6,529,641	\$6,038,321	\$5,944,242	\$5,924,300
Professional Services	5,292,120	4,609,048	4,977,428	4,957,262	4,423,934
Franchise Fees	2,283,480	2,193,657	2,193,337	2,092,534	1,770,765
Water Purchase	11,850,914	10,924,656	10,951,192	10,919,425	10,209,116
Wastewater Treatment	12,716,847	11,790,989	11,581,458	10,894,876	9,576,287
Other ⁽³⁾	4,649,753	4,798,751	4,626,210	4,342,913	4,136,047
Total Expenses	\$43,852,520	\$40,846,742	\$40,367,946	\$39,151,252	\$36,040,449
Available for Debt Service	\$18,058,089	\$18,371,162	\$18,333,129	\$16,633,985	\$11,903,673

(1) Includes operating and non-operating revenue.

(2) Excludes depreciation and debt service expense.

(3) Includes payments with respect to TRA Water Contract Bonds secured by surplus revenues and, if needed, by and ad valorem tax.

TABLE 6 - COVERAGE AND FUND BALANCES

Average Annual Principal and Interest Requirements, All Water and Wastewater System Revenue Bonds, Fiscal Year Ended 9/30/2016	\$ 4,192,507
Coverage of Average Annual Requirements based on 9/30/2014 Revenue Available for Debt Service	4.31 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 9/30/2016	\$ 6,092,067
Coverage of Total Requirements based on 9/30/2014 Revenue Available for Debt Service	2.96 x

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

	For Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
Water and Sewer System	\$296,428,632	\$285,615,797	\$281,916,950	\$279,135,897	\$238,422,344
Building and Equipment	23,959,509	21,664,502	20,542,539	19,487,326	19,099,178
Land	1,663,711	1,653,621	1,648,621	1,605,299	1,395,750
Total Value	\$322,051,852	\$308,933,920	\$304,108,110	\$300,228,522	\$258,917,272
Less: Accumulated Depreciation	167,429,187	155,047,175	140,413,150	128,756,190	117,990,043
	\$154,622,665	\$153,886,745	\$163,694,960	\$171,472,332	\$140,927,229
Plus: Construction in Progress	19,281,899	20,720,063	10,508,200	7,194,198	37,571,886
Net Property, Plant and Equipment	\$173,904,564	\$174,606,808	\$174,203,160	\$178,666,530	\$178,499,115

TABLE 8 – CITY’S EQUITY IN SYSTEM

	For Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
Net Property, Plant and Equipment	\$173,904,564	\$174,606,808	\$174,203,160	\$178,666,530	\$178,499,115
Cash and Investments	63,334,976	61,949,362	63,497,346	56,767,977	60,585,286
Other Assets	5,170,728	5,002,249	6,542,802	5,837,132	5,289,564
Total Assets	\$242,410,268	\$241,558,419	\$244,243,308	\$241,271,639	\$244,373,965
Revenue Bonds Payable	\$56,808,763	\$57,151,208	\$58,468,750	\$58,433,739	\$66,871,956
Other Liabilities	11,226,211	10,878,023	10,088,453	9,675,500	6,243,348
Total Liabilities	\$68,034,974	\$68,029,231	\$68,557,203	\$68,109,239	\$73,115,304
City's Equity in System	\$174,375,294	\$173,529,188	\$175,686,105	\$173,162,400	\$171,258,661
Percent Equity in System	71.93%	71.84%	71.93%	71.77%	70.08%

DEBT INFORMATION

TABLE 9 – PRO-FORMA DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service ⁽¹⁾			The Bonds ⁽²⁾			Total Water & Wastewater System Debt Service	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total D/S		
	2016	\$ 4,380,000	\$ 1,621,023	\$ 6,001,023	\$ -	\$ 91,044	\$ 91,044	\$ 6,092,067
2017	4,195,000	1,500,504	5,695,504	315,000	137,163	452,163	6,147,666	
2018	4,390,000	1,377,622	5,767,622	245,000	128,763	373,763	6,141,384	
2019	4,665,000	1,234,826	5,899,826	120,000	122,688	242,688	6,142,514	
2020	4,245,000	1,088,899	5,333,899	385,000	115,475	500,475	5,834,374	41.42%
2021	4,400,000	939,032	5,339,032	390,000	105,788	495,788	5,834,819	
2022	4,560,000	780,471	5,340,471	405,000	96,356	501,356	5,841,827	
2023	4,185,000	631,918	4,816,918	420,000	83,400	503,400	5,320,318	
2024	4,200,000	497,374	4,697,374	440,000	66,200	506,200	5,203,574	
2025	3,620,000	369,240	3,989,240	455,000	48,300	503,300	4,492,540	83.07%
2026	2,570,000	260,573	2,830,573	480,000	29,600	509,600	3,340,173	
2027	2,285,000	166,974	2,451,974	500,000	10,000	510,000	2,961,974	
2028	1,180,000	100,689	1,280,689	-	-	-	1,280,689	
2029	1,225,000	57,558	1,282,558	-	-	-	1,282,558	
2030	860,000	23,140	883,140	-	-	-	883,140	99.50%
2031	275,000	5,500	280,500	-	-	-	280,500	100.00%
	<u>\$ 51,235,000</u>	<u>\$ 10,655,341</u>	<u>\$ 61,890,341</u>	<u>\$ 4,155,000</u>	<u>\$ 1,034,776</u>	<u>\$ 5,189,776</u>	<u>\$ 67,080,117</u>	

(1) Excludes the Refunded Bonds.

(2) Net Effective Interest Rate calculated at 2.35%.

TABLE 10 – AUTHORIZED REVENUE BONDS

The City has no voted but unissued System revenue bonds, and pursuant to State law is not required to approve its System revenue bonds through election. Additionally, the City may issue Additional Bonds as permitted by the ordinances authorizing the Bonds and the Previously Issued Bonds.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certificates of deposit and share certificates (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits; or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States

or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) 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, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

THE CITY'S INVESTMENT POLICIES

The City Manager has designated the Chief Financial Officer as the City's investment officer. The Chief Financial Officer is responsible for the City's comprehensive cash management program, including the administration of the City's investment policies. The 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 Standard & Poor's Financial Services LLC business ("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:

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

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

C. Qualifying Institutions

Financial institutions (Federally insured banks) with and through which the City invests in certificates of deposit shall be located in the State. 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, 2015, the following percentages of the City's investable funds were invested in the following categories of investments:

Type of Investment	Percentage	Total Cost
TexPool and Money Market Funds	46.56%	\$ 119,376,307
Federal Agency and Instrumentality Noes	53.44%	137,010,760
	100.00%	\$ 256,387,067

SELECTED PROVISIONS OF THE BOND ORDINANCE

The following are selected provisions of the Ordinance. These excerpts should be qualified by reference to the exact terms of the Ordinance. Unless otherwise indicated, any references to sections listed below are to sections contained in the Ordinance and section headings contained in the following excerpts are to sections contained in the Ordinance.

- Section 10. Definitions. For purposes of this Ordinance and in particular for clarity with respect to the issuance of the Bonds herein authorized and the pledge and appropriation of revenues therefor, the following definitions are provided:
- (a) The term “Additional Bonds” shall mean the additional parity revenue bonds which the City reserves the right to issue in this Ordinance.
 - (b) The term “Bonds” shall mean the water and wastewater system revenue refunding bonds authorized by this Ordinance and designated as “City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding Bonds, New Series 2015.”
 - (c) The term “Bonds Similarly Secured” means the Bonds, the Previously Issued Bonds and Additional Bonds.
 - (d) The term “Fiscal Year” shall mean the twelve months’ period ending September 30 of each year, unless otherwise designated by the City.
 - (e) The term “Net Revenues” means all income, revenues and receipts of every nature derived from and received by virtue of the operation of the System (including interest income and earnings received from the investment of moneys in the special Funds created by or maintained under this Ordinance) after deducting and paying, and making provisions for the payment of, current expenses of maintenance and operation thereof, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such expenses for repairs and extensions as in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the System in operation and to render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair any obligations payable from the Net Revenues of the System, shall be deducted in determining “Net Revenues.” Contractual payments for the purchase of water or the treatment of sewage shall be a maintenance and operating expense of the System to the extent provided in the contract incurred therefor and as may be authorized by law. Depreciation shall never be considered as an expense of operation and maintenance.
 - (f) The term “Ordinance” means this Ordinance under which the Bonds are authorized.
 - (g) The terms “Outstanding” and “outstanding”, when used in this Ordinance with respect to Bonds, Previously Issued Bonds or Additional Bonds means, as of the date of determination, all bonds theretofore issued and delivered, except:

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

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

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

(h) The term "Previously Issued Bonds" means the Outstanding (i) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2006-A" (to be partially refunded by the Bonds), (ii) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2007", (iii) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2008", (iv) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2010", (v) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding Bonds, New Series 2011", (vi) "City of Grand Prairie, Texas, Water and Wastewater System Refunding and Improvement Bonds, New Series 2011A", (vii) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2013", (viii) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2013A", and (ix) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2014".

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

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

Texas 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 Texas Business and 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 Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

Section 12. Rates and Charges. For the benefit of the original purchasers as well as the ultimate owners of the Bonds and other Bonds Similarly Secured and in addition to all provisions and covenants in the law of the State of Texas and in this Ordinance, it is expressly stipulated that the City shall, at all times while any of the Bonds Similarly Secured are outstanding and unpaid, maintain rates and collect charges for the facilities and services afforded by the System, as required by Texas Government Code, Chapter 1502, as amended, which will provide revenues sufficient at all times to:

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

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

(c) produce Net Revenues each year in an amount reasonably estimated to be not less than 1.25 times the average annual principal and interest requirements of the Outstanding Bonds Similarly Secured; and

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

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

- First: To the payment of all necessary and reasonable maintenance and operation expenses of the System as said expenses are defined by law;
- Second: To the payment, equally and ratably, of the amounts required to be deposited in the Interest and Sinking Fund created and established for the payment of principal of and interest on the Bonds Similarly Secured as the same becomes due and payable;
- Third: To the payment of the amounts required to be deposited in the Reserve Fund created and to be maintained for the benefit and security of the Bonds Similarly Secured in accordance with the provisions of this Ordinance or any other ordinance relating to the issuance of Bonds Similarly Secured;
- Fourth: To the payment of any other indebtedness payable from and secured, in whole or in part, by a lien on and claim against the Net Revenues of the System; and
- Fifth: Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provisions for the payment thereof, may be appropriated and used for any other purpose now or hereafter permitted by law.

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

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

The amount to be accumulated in the Reserve Fund shall equal to the average annual debt service requirements (calculated on a Fiscal Year basis) on all outstanding Bonds Similarly Secured (the "Required Reserve"). The Required Reserve shall be established and maintained with Net Revenues of the System or other lawfully available funds of the City, the proceeds of sale of Bonds Similarly Secured or by depositing to the credit of the Reserve Fund, to the extent permitted by law, one or more surety bonds or insurance policies issued by a company or institution having a rating in the highest rating category by two nationally recognized rating agencies or services, or any combination thereof. The City hereby covenants and agrees that any additional amount of the Required Reserve to be deposited in the Reserve Fund in connection with the issuance of the Bonds shall be funded by monthly installments from funds in the Revenue Fund in an amount of not less than 1/60th of the additional amount required to be maintained in said Reserve Fund and with the first payment to be made on or before January 1, 2016 and the subsequent payments to be made on or before the 1st day of each month thereafter.

As and when Additional Bonds are delivered or incurred, the Required Reserve shall be increased, if required, to an amount equal to the lesser of (i) the average annual debt service requirements calculated on a Fiscal Year basis for all Bonds Similarly Secured then Outstanding, as determined on the date each series of Additional Bonds is delivered or incurred, as the case may be, or (ii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to Subsection (d) of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated (i) by depositing to the credit of the Reserve Fund (immediately after the delivery of the then proposed Additional Bonds) cash or an additional surety bond or insurance policy or

revised surety bond or revised insurance policy with coverage in an amount sufficient to provide for the new Required Reserve to be fully or partially funded, or (ii) at the option of the City, by making monthly deposits from funds in the Revenue Fund on or before the 1st day of each month following the month of delivery of the then proposed Additional Bonds, of not less than 1/60th of the additional amount to be maintained in said Fund by reason of the issuance of the Additional Bonds then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash or provided by a surety bond or insurance policy.)

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

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

Section 16. Investment of Certain Funds. The Interest and Sinking Fund may be invested in investments authorized by the Public Funds Investment Act, Texas 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, Texas Government Code, Chapter 2256, as amended, and the City's investment policy. All moneys resulting from the investment of the Reserve Fund shall be transferred to the Revenue Fund as the same are received.

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

- (a) That the Bonds shall be special obligations of the City, and the registered owners thereof shall never have the right to demand payment out of any funds raised or to be raised by taxation.
- (b) That it has the lawful power to pledge the revenues supporting the Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas, and that the Bonds issued under this Ordinance shall be ratably secured in such manner that no one Bond shall have preference over any other Bond or Bonds or Bonds Similarly Secured.
- (c) That other than for the payment of the Bonds and the Previously Issued Bonds, the Net Revenues have not been in any manner pledged to the payment of any debt or obligation of the City or the System, other than debt or obligations which have a lien on or pledge of the Net Revenues subordinate to the lien on and pledge of such Net Revenues to the Bonds Similarly Secured.

Section 18. Issuance of Additional Bonds.

- (a) That, in addition to the right to issue bonds of inferior lien as authorized by law, the City reserves the right to issue Additional Bonds, for the purpose of improving, extending, equipping and repairing the System and for the purpose of refunding in any lawful manner, any part or all of the Bonds Similarly Secured or other obligations of the City eligible to be refunded under the laws of the State of Texas as such laws now or hereafter may exist. The Additional Bonds shall be secured by and payable from a lien on and pledge of the Net Revenues in the same manner and to the same extent as any then Outstanding Bonds Similarly Secured, and the Additional Bonds then proposed to be issued shall in all respects be on a parity and of equal dignity as to lien and right. Additional Bonds may be issued in one or more installments; provided, however, that none of the Additional Bonds shall be issued unless and until the following conditions have been met, to wit:
 - (i) The City is not then in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of the Outstanding Bonds Similarly Secured;
 - (ii) Each of the special Funds created for the payment and security of the Bonds Similarly Secured contains the amount of money then required to be on deposit therein;
 - (iii) The City has secured from a certified public accountant a certificate showing that the Net Earnings for either the completed Fiscal Year next preceding the date of the Additional Bonds or a consecutive twelve-month period out of the last fifteen months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis at the time of the issuance of Additional Bonds) of all

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 24. Remedy in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Interest and Sinking Fund or the Reserve Fund as required by this Ordinance, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, registered owner or owners of any of the Bonds

shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in this Ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

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

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

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

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

Section 28. Satisfaction of Obligation of the City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Ordinance, then the pledge of revenues under this Ordinance and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Bonds or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at maturity, 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. 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 of the Bonds such moneys were deposited and are held in trust to pay shall upon the request of the City be remitted to the City against a written receipt therefor. The provisions of this paragraph are subject to the applicable unclaimed property law of the State of Texas.

The term "Government Securities," as used herein, means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State of Texas.

Section 29. Ordinance to Constitute Contract - Amendment. The provisions of this Ordinance shall constitute a contract between the City, and the Holders; and, the City shall not amend or repeal any of the provisions of this Ordinance except as permitted in this Section and Section 46 hereof. The City may, without the consent of or notice to any Holder, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the registered owner or owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, with the written consent of the

registered owner or owners holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, the City may amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all registered owners of Outstanding Bonds, no such amendment, addition or rescission shall: (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds; (2) give any preference to any Bond over any other Bond; or, (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition or rescission.

Section 31. Damaged, Mutilated, Lost, Stolen, or Destroyed Bonds.

(a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed and delivered, a new bond of the same principal amount, Stated Maturity, and interest rate, as the damaged, mutilated, lost, stolen or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen or destroyed Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the applicant for a replacement bond shall furnish to the City and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the applicant shall furnish to the City and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every cause of damage or mutilation of a Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of or interest on the Bond, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing replacement bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the registered owner of such Bond with all legal, printing and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen or destroyed shall constitute a contractual obligation of the City whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Bonds duly issued under this Ordinance.

(e) Authority for Issuing Replacement Bonds. In accordance with Chapter 1201, Texas Government Code, as amended, this Section of the Ordinance shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such bonds in the form and manner and with the effect, as provided in the Ordinance for Bonds issued in conversion and exchange for other Bonds.

TAX MATTERS

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

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

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

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

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

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

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

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

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

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax

deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

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

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS. . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 11 and in Appendix B. The City will update and provide this information within six months after the end of each fiscal year ending in or after 2015.

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

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

NOTICE OF CERTAIN EVENTS. . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

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

AVAILABILITY OF INFORMATION. . . In connection with its continuing disclosure agreement entered into with respect to the Bonds, the City will file all required information and documentation with the MSRB in electronic format in accordance with MSRB's guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

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

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

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

OTHER INFORMATION

RATINGS

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

LITIGATION

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (V.T.C.A, Chapter 1201, Government Code, as amended) provides that the Bonds are negotiable instruments, investment securities governed by V.T.C.A., Chapter 8, Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in obligations such as the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, V.T.C.A., Chapter 2256, Government Code, as amended, requires that the Bonds be assigned a rating of not less than “A” or its equivalent as to investment quality by a nationally recognized rating agency, this requirement does not apply, however, to the purchase of obligations such as the Bonds for interest and sinking funds of such entities (see “OTHER INFORMATION – Ratings” herein). In

addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest the Bonds for such purposes. The City has made no review of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS

The City will furnish to the Underwriter a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding special obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions and subcaptions “PLAN OF FINANCING – Refunded Bonds”, “THE BONDS” (except for the subcaptions “Book-Entry-Only System” and “Registered Owners’ Remedies”), “SELECTED PROVISIONS OF THE BOND ORDINANCE,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” (except for the subcaption “Compliance with Prior Undertakings”) and the subcaptions “Legal Investments and Eligibility to Secure Public Funds in Texas”, “Registration and Qualification of Bonds for Sale” and “Legal Opinions” (except for the last sentence of the first paragraph thereof under the caption “OTHER INFORMATION”), and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions are accurate and fair descriptions of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Andrews & Kurth LLP, Austin, Texas, Counsel for the Underwriter, whose fee is contingent on the sale and delivery of the Bonds.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

First Southwest Company, LLC 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, LLC, 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.

UNDERWRITER

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City, at a price equal to the initial offering prices to the public, as shown on page 2 herein, less an underwriting discount of \$27,629.53. The Underwriter 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 Underwriter 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 Underwriter.

The Underwriter is BOSC, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

FORWARD-LOOKING STATEMENT DISCLAIMER

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

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

MISCELLANEOUS

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

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

Ron Jensen
Mayor
City of Grand Prairie, Texas

ATTEST:

Cathy Dimaggio
City Secretary
City of Grand Prairie, Texas

SCHEDULE OF REFUNDED BONDS

Water and Wastewater System Revenue Bonds, New Series 2006-A			
Original	Original	Interest	Amount
<u>Dated Date</u>	<u>Maturity Date</u>	<u>Rates</u>	<u>Being Refunded</u> ⁽¹⁾
9/15/2006	1/15/2017	4.250%	\$ 310,000
	1/15/2018	4.250%	325,000
	1/15/2019	4.250%	345,000
	1/15/2020	4.375%	360,000
	1/15/2021	4.375%	375,000
	1/15/2022	4.375%	395,000
	1/15/2023	4.375%	415,000
	1/15/2024	4.375%	435,000
	1/15/2025	4.375%	455,000
	1/15/2026	4.375%	480,000
	1/15/2027	4.375%	500,000
			<u>\$ 4,395,000</u>

(1) The New Series 2006A Bonds will be redeemed on January 15, 2016 at a price of par plus accrued interest.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION

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

TRANSPORTATION

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

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

The estimated population for 2015 is 182,610. From the 1990 Census to the 2010 Census, the City's population increased 38 percent.

DEMOGRAPHICS

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

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

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

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

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

INDUSTRIAL BASE

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

INDUSTRY PROFILE, 2015

<u>Industry</u>	<u>Percent of Total gross sales</u>
Manufacturing	27.8%
Wholesale Trade	25.3%
Retail	22.1%
Accommodation, Food Services	8.5%
Construction	7.9%
Other Services (Ex Public Administration)	2.0%
Administrative, Support, Waste Mgmt, Remediation Svcs	1.5%
Real Estate, Rental, Leasing	1.3%
Professional, Scientific, Tech Svcs	1.1%
Health Care, Social Assistance	0.8%
Arts, Entertainment, Recreation	0.7%
Transportation, Warehousing	0.5%
Information	0.2%
Educational Services	0.2%
Finance, Insurance	0.1%
Ag, forestry, fishing	0.0%
Mining	0.0%
Utilities	0.0%
Management of Companies, Enterprises	0.0%

Source: Texas Comptroller.

LABOR FORCE

The City's Household Employment Annual Averages

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2010	87,796	80,443	7,353	8.4%
2011	88,814	81,889	6,925	7.8%
2012	89,847	83,690	6,157	6.9%
2013	91,404	85,605	5,799	6.3%
2014	94,636	89,701	4,935	5.2%
2015 ⁽¹⁾	94,541	90,830	3,711	3.9%

Source: Texas Workforce Commission.

(1) As of September 2015.

EMPLOYERS

<u>Company</u>	<u>Product-Service</u>	<u>Estimated Employees</u>
Grand Prairie ISD	Administration of Education Programs	3,650
Lockheed Martin Missiles and Fire Control	Research & Development in the Physical, Engineering & Sciences	2,500
Poly-America Inc	Unsupported Plastics Packaging Firm and Sheet Manufacturing	2,000
City of Grand Prairie	Public Administration	1,250
Bell Helicopter-Textron	Aircraft Manufacturing	1,150
Lone Star Park at Grand Prairie	Racetracks	950
Triumph Aero Structures - Vought	Aircraft Engine and Engine Parts Manufacturing	950
Hanson Pipe & Products	Concrete Pipe Manufacturing	950
Airbus Helicopters	Aircraft Manufacturing	850
Republic National Distributing	Wine and Distilled Beverage Wholesaler	700
Wal-Mart	Warehouse, Clubs and Superstores	600
Siemens Energy & Automation	Switchgear and Switchboard Apparatus Manufacturing	500
Pitney Bowes Presort Services	Business Support Services	450
Arnold Transportation	General Freight Trucking	450

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 in the City are popular entertainment and shopping locations. Nearby are Six Flags over Texas in Arlington and zoos, art museums, symphonies and ballet in Dallas and Fort Worth.

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

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

EDUCATION

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

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

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

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

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

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

APPENDIX B

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

For the Year Ended September 30, 2014

The information contained in this Appendix consists of excerpts from the City of Grand Prairie, Texas Annual Financial Report for the Year Ended September 30, 2014, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Grand Prairie, Texas (the City) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grand Prairie, Texas as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the financial statements, beginning net position of the Municipal Airport Fund was restated to correct an error in reporting a capital grant in previous years. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-16, budget to actual schedules for the General Fund and Section 8 Fund on pages 89 and 90 respectively, Texas Municipal Retirement System – Schedule of Funding Progress on page 91, and Other Post Employment Benefits – Schedule of Funding Progress on page 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

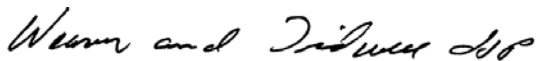
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, capital assets used in the operation of governmental funds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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 27, 2015



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MANAGEMENT'S DISCUSSION & ANALYSIS



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**CITY OF GRAND PRAIRIE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. Also, unless otherwise indicated, all amounts presented are for the City's primary government and exclude any component unit.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities (net position) at September 30, 2014, by \$658,159,029. Of this amount, \$81,560,107 may be used to meet the government's ongoing obligations to citizens and creditors (unrestricted net position).
- The City's net position increased by \$18,742,709 for the fiscal year ended September 30, 2014 from operations and the Municipal Airport Fund prior period adjustment.
- The City's governmental funds reported combined ending fund balances of \$145,162,939 at September 30, 2014, an increase of \$6,048,191 in comparison with the prior year fund balances. Of the governmental funds reported combined fund balances, \$22,961,626 or 15.8% is available for spending within City guidelines (unassigned fund balance).
- The City's unassigned fund balance for the general fund was \$22,961,626 at year end or 23.4% of total general fund expenditures for the reported fiscal year.
- The City's total long-term liabilities of \$342,583,547 decreased by \$6,817,901 or 2.0% during the reported fiscal year. In fiscal year 2014, the City issued general obligation, certificates of obligation, water and wastewater revenue, a combined \$18,165,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The government-wide financial statements can be found on pages 17-19 of this report.

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-88 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 89-92 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 93-128 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$658,159,029 at year end. The City had total assets at year-end of \$1,037,589,259. The City's pooled cash and investments totaling \$251,571,767 and capital assets (e.g., land, buildings, equipment, infrastructure, and construction in progress), net of accumulated depreciation totaling \$760,210,122 represented 24.2% and 73.3%, respectively, of total government assets.

The City's investment in capital assets, less any related debt used to acquire those assets that are still outstanding, totaled \$462,710,193 and represented 70.3% of the City's total net position at year end. The City uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Table 1 below is a summary of the City's net position at year end compared to the prior year.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2013	9/30/2014	9/30/2013	9/30/2014	9/30/2013	9/30/2014
Cash & investments	\$ 151,488,999	\$ 167,410,029	\$ 80,899,898	\$ 84,161,738	\$ 232,388,897	\$ 251,571,767
Other assets	17,333,606	17,874,015	7,728,901	7,933,355	25,062,507	25,807,370
Capital assets, net	553,818,748	555,054,138	203,830,596	205,155,984	757,649,344	760,210,122
Total assets	<u>722,641,353</u>	<u>740,338,182</u>	<u>292,459,395</u>	<u>297,251,077</u>	<u>1,015,100,748</u>	<u>1,037,589,259</u>
Deferred outflows of resources	<u>1,277,211</u>	<u>1,178,270</u>	<u>148,417</u>	<u>134,029</u>	<u>1,425,628</u>	<u>1,312,299</u>
Current liabilities	19,718,505	29,447,798	7,990,103	8,711,184	27,708,608	38,158,982
Long-term bonded debt	252,966,775	246,871,707	65,114,503	64,749,524	318,081,278	311,621,231
Other noncurrent liabilities	24,917,127	24,179,834	6,403,043	6,782,482	31,320,170	30,962,316
Total liabilities	<u>297,602,407</u>	<u>300,499,339</u>	<u>79,507,649</u>	<u>80,243,190</u>	<u>377,110,056</u>	<u>380,742,529</u>
Net position:						
Net investment in capital assets	316,856,535	319,412,513	141,678,428	143,297,680	458,534,963	462,710,193
Restricted	69,081,215	108,444,110	4,695,502	5,444,619	73,776,717	113,888,729
Unrestricted	<u>40,378,407</u>	<u>13,160,490</u>	<u>66,726,233</u>	<u>68,399,617</u>	<u>107,104,640</u>	<u>81,560,107</u>
Total net position	<u>\$ 426,316,157</u>	<u>\$ 441,017,113</u>	<u>\$ 213,100,163</u>	<u>\$ 217,141,916</u>	<u>\$ 639,416,320</u>	<u>\$ 658,159,029</u>

A portion of the City's net position totaling \$113,888,729 or 17.3% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizen's and creditors.

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

The City's net position increased by \$16,488,427 in fiscal year 2014. Capital contribution from private developers and granting agencies for improvements to the City's infrastructure accounted for, \$3,367,807 or 20.4% of the increase to the City's net position. The remaining increase represents the degree to which revenues have exceeded expenses.

The fiscal year 2014 compared to fiscal 2013 changes in the City's net position were as follows:

Table 2

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2013	9/30/2014	9/30/2013	9/30/2014	9/30/2013	9/30/2014
Revenues:						
Program revenues:						
Charges for services	\$ 35,828,489	\$ 37,100,503	\$ 78,805,277	\$ 81,242,152	\$ 114,633,766	\$ 118,342,655
Operating grants and contributions	33,339,115	34,980,362	30,291	42,697	33,369,406	35,023,059
Capital grants and contributions	5,242,216	4,020,110	3,089,677	4,402,822	8,331,893	8,422,932
General revenues:						
Property tax	71,785,225	77,334,662	-	-	71,785,225	77,334,662
Sales tax	47,155,704	50,846,972	-	-	47,155,704	50,846,972
Other tax	1,488,871	1,550,172	-	-	1,488,871	1,550,172
Franchise fees	12,811,696	13,315,452	-	-	12,811,696	13,315,452
Investment income	437,770	652,067	4,242	1,021	442,012	653,088
Total revenues	<u>208,089,086</u>	<u>219,800,300</u>	<u>81,929,487</u>	<u>85,688,692</u>	<u>290,018,573</u>	<u>305,488,992</u>
Expenses:						
Support services	17,503,253	20,400,867	-	-	17,503,253	20,400,867
Public safety services	76,439,796	80,333,290	-	-	76,439,796	80,333,290
Recreation and leisure services	25,847,664	25,255,982	-	-	25,847,664	25,255,982
Development services	79,057,014	75,473,059	-	-	79,057,014	75,473,059
Interest on long-term debt	8,125,389	7,922,519	-	-	8,125,389	7,922,519
Water and wastewater	-	-	59,993,534	58,454,761	59,993,534	58,454,761
Municipal airport	-	-	2,793,094	3,484,297	2,793,094	3,484,297
Municipal golf course	-	-	3,487,758	3,314,435	3,487,758	3,314,435
Storm water	-	-	1,909,737	1,635,198	1,909,737	1,635,198
Solid waste	-	-	9,773,626	9,712,711	9,773,626	9,712,711
Total expenses	<u>206,973,116</u>	<u>209,385,717</u>	<u>77,957,749</u>	<u>76,601,402</u>	<u>284,930,865</u>	<u>285,987,119</u>
Increase (decrease) in net position before special items and transfers	1,115,970	10,414,583	3,971,738	9,087,290	5,087,708	19,501,873
Special items-water settlement	-	-	-	-	-	-
Transfers	5,390,831	4,267,277	(5,390,831)	(4,267,277)	-	-
Capital assets' reassignments	-	19,096	-	(19,096)	-	-
Change in net position	6,506,801	14,700,956	(1,419,093)	4,800,917	5,087,708	19,501,873
Net position - beginning of year -as previously stated	419,809,356	426,316,157	214,519,256	213,100,163	634,328,612	639,416,320
Cumulative effect of change in accounting principle	(2,400,226)	-	(1,053,782)	-	(3,454,008)	-
Prior period adjustment	-	-	-	2,254,282	-	2,254,282
Net position - end of year	<u>\$ 423,915,931</u>	<u>\$ 441,017,113</u>	<u>\$ 212,046,381</u>	<u>\$ 220,155,362</u>	<u>\$ 635,962,312</u>	<u>\$ 661,172,475</u>

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the change in net position as previously stated.

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 9/30/2013	Fiscal Year 9/30/2014	Increase (Decrease)
Governmental activities:			
Property taxes	\$ 71,785,225	\$ 77,334,662	\$ 5,549,437
Sales taxes	47,155,704	50,846,972	3,691,268
Other taxes	1,488,871	1,550,172	61,301
Franchise fees	12,811,696	13,315,452	503,756
Investment income	437,770	652,067	214,297
Total governmental activities	133,679,266	143,699,325	10,020,059
Business-type activities:			
Investment income	4,242	1,021	(3,221)
Total business-type activities	4,242	1,021	(3,221)
Total general revenues	\$ 133,683,508	\$ 143,700,346	\$ 10,016,838

Governmental activities. As a part of the State of Texas, specifically the Dallas/Fort Worth (“DFW”) metroplex, the City of Grand Prairie benefits from its economic strengths. In addition, the City maintains financial management practices that adhere to strong institutionalized policies for sustainable results. There was an increase in net position of \$14,700,956 in comparison with beginning net position. Total revenue for governmental activities (excluding transfers and capital assets reassignments from business-type activities) increased from the previous year by \$11,711,214. General Revenue which is primarily made up of property taxes, sales taxes, and franchise fees had a net increase of \$10,020,059. Property tax revenue increased by \$5,549,437 primarily due to an increase in net property tax values of 5.00%. Sales tax collections increased by \$3,691,268 due to a mixture of growth and new businesses opening combined with less adjustment by the Texas Comptroller’s office. Franchise fee revenue increased \$503,756 as a result of higher gross revenues realized in the seasonally sensitive gas and electric industries. In addition, investment income increased by \$214,297 primarily due to a higher average investment balance.

Net position of governmental operations accounts for 67.0% of total net position. Program revenues of the City include charges for service, operating grants and contributions, and capital grants and contributions. Two revenue categories, charges for services and operating grants and contributions, experienced a healthy increase from prior year totaling \$2,913,261.

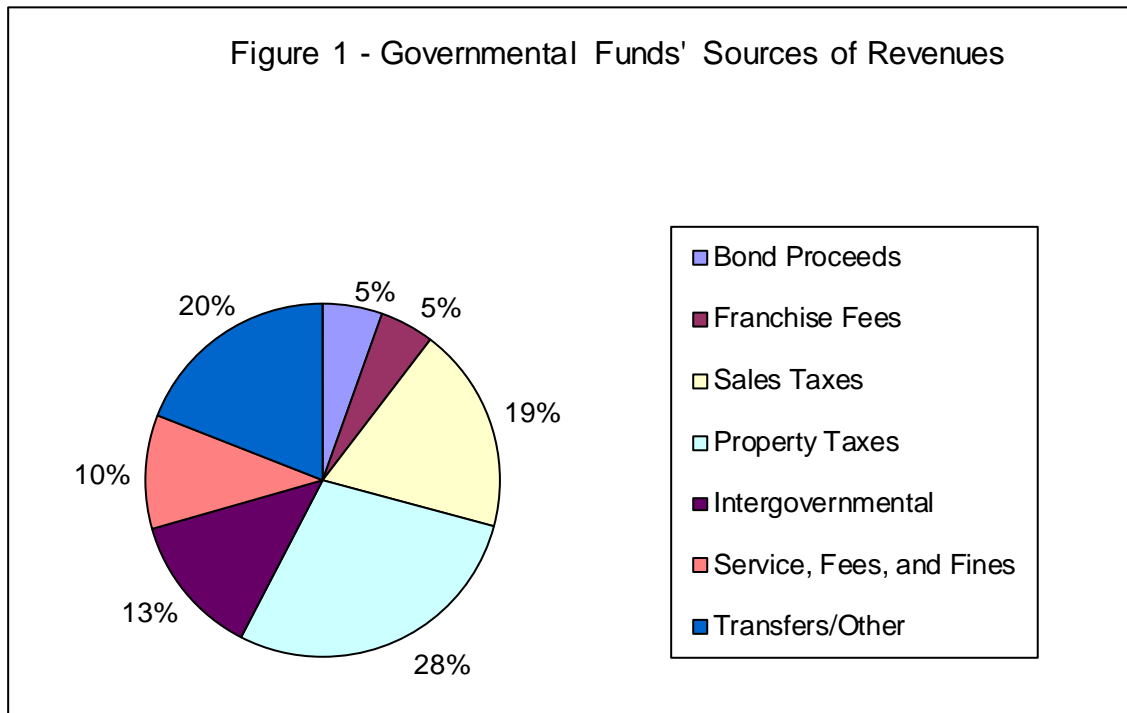
Business-type activities. Business-type activities increased the City’s net position by \$1,787,471 in comparison with beginning net position. Total revenue for the business-type activities increased from the previous year by \$3,759,205 due to sound fiscal management, increased user rates and a harsh, drought year. This increase provided for a healthy, positive change in net position before transfers. Of the increase, impact fees by private developers to the City’s water and wastewater system infrastructure totaled \$1,794,292. Net position for business type activities represents 33.0% of total primary government net position. Table 2 summarizes the changes in business-type activities net position.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

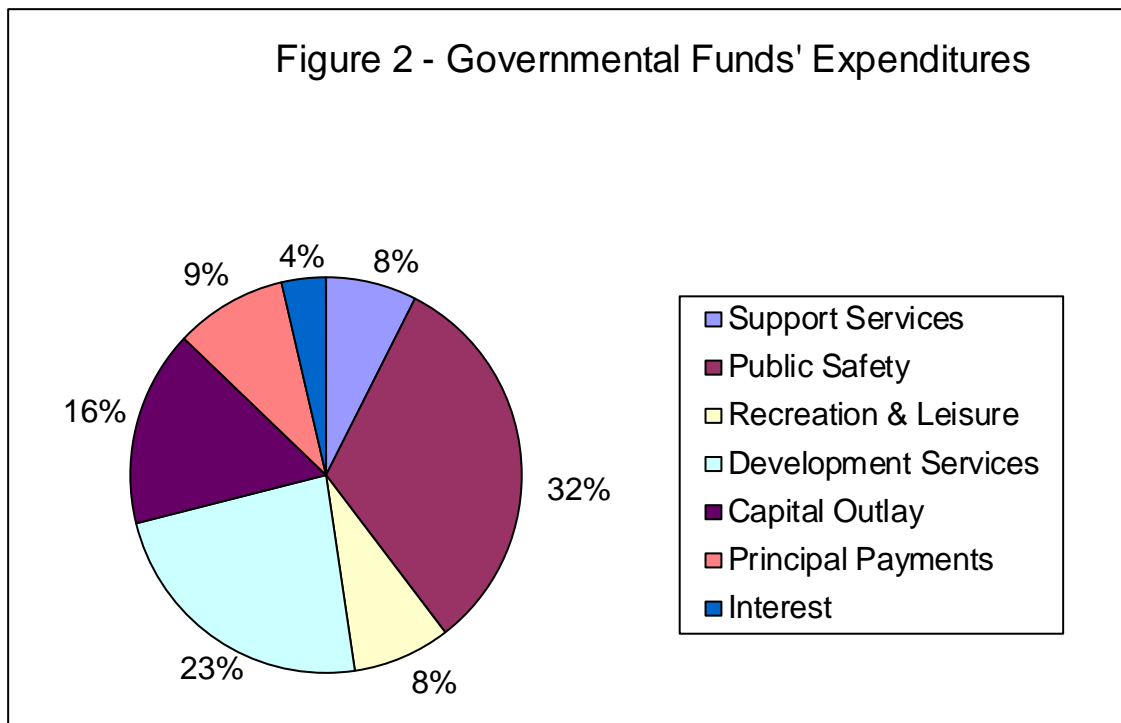
Governmental funds. The focus of City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of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

At fiscal year-end 2014, the City's governmental funds (excluding internal service funds) reported combined ending fund balances of \$145,162,939, an increase of \$6,048,191 in comparison with the prior year. The unassigned fund balance portion is 15.8% and is available for spending at the government's discretion. The remainder is restricted for specific purposes and is not available for new spending. Specific purposes include non-spendable inventories and prepaid items (\$47,402); restricted amounts by statutory, bond covenants or granting agency (\$96,095,975) either for debt service payments, grant-related use, special taxing districts, or for capital projects. In addition, committed funds (\$24,920,817) require formal action by City Council. Finally, funds may be assigned (\$1,137,119) by City Manager with the City Councils' delegated authority. Figures 1 and 2 that follow show the distribution of governmental funds' sources of revenues and expenditures, \$269,435,735 and \$263,387,544, respectively, for fiscal year 2014.



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

Figure 2 - Governmental Funds' Expenditures



The General Fund is the chief operating fund of the City. At fiscal year-end, unassigned fund balance of the General Fund was \$22,961,626, while total fund balance was \$24,115,372. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23.4% of total general fund operating expenditures, while total fund balance represents 24.6% of that same amount. General Fund's fund balance decreased in the amount of \$4,701,436 from the prior fiscal year due to the City using fund balance to fund capital projects.

Fund balances of several other governmental funds changed significantly. Debt Service Fund balance increased by \$1,450,217 primarily due to the increase in property tax revenue. The fund balance total for other non-major governmental funds increased by \$5,567,871. This increase to fund balance is comprised of \$10,895,563 increase in special revenues' activities and \$5,327,692 decrease in capital projects' activities.

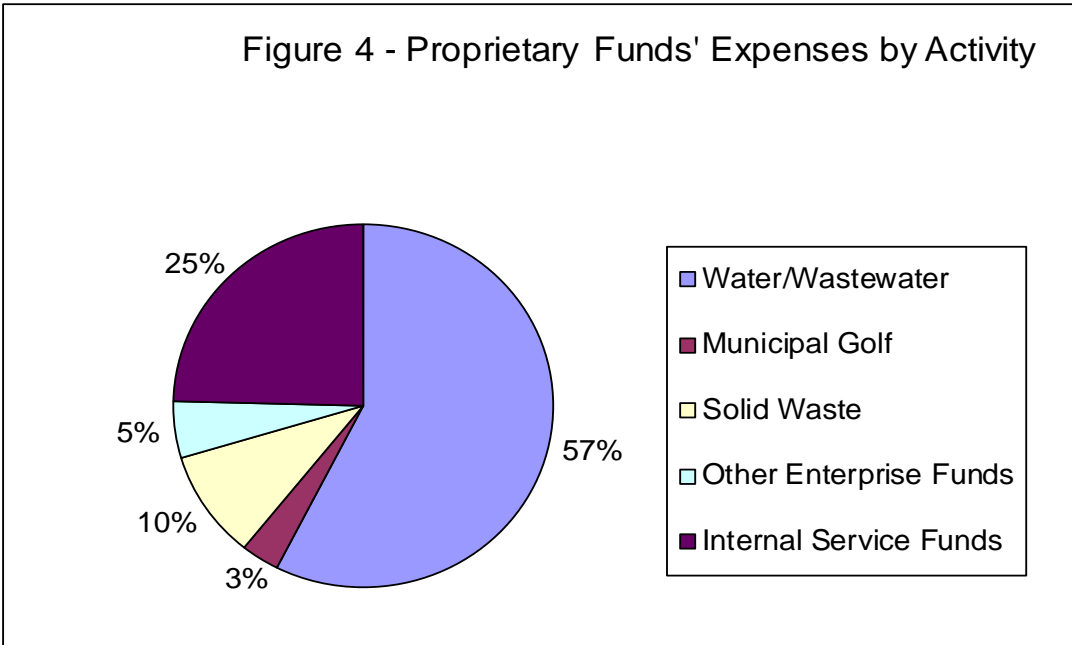
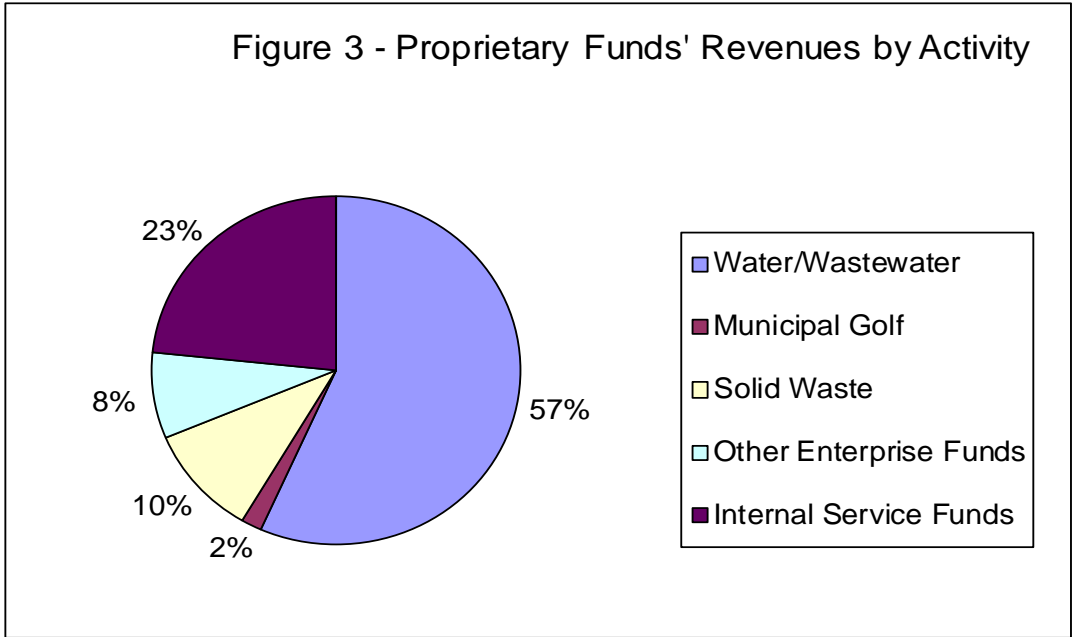
Special revenue funds with significant changes to fund balance are the Park Venue, Senior Center (Summit), Tax Increment Financing District (TIF), Baseball Stadium and Crime Tax Funds. The increase in fund balances are primarily a result of higher property tax and sales tax collections, less payment made to developers in TIF fund and no early debt service payments were made for Senior Center, Baseball Stadium and Crime Tax Funds. The decrease in fund balance of Park Venue Fund is due to an increase in capital outlay spending.

Capital project funds also experienced significant changes to some of the projects' fund balances including Fire, Capital Lending, Police Capital Project and Others funds. These changes are primarily a result of the increase in capital projects spending and a transfer from the Capital Lending fund to Police Capital Project fund for certain projects.

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

The net position of the City's enterprise funds and internal service funds were \$215,550,827 and \$9,833,846, respectively, at September 30, 2014. The enterprise funds' net investment in capital

assets represented 66% of total enterprise fund's net position. The internal service funds' net investment in capital assets represented 9.6% of total internal service funds' net position. The enterprise funds' unrestricted net position was 31.0% of their total net position, and, internal service funds' unrestricted net position was 90.4% of their total funds' net position. The City's enterprise funds reported a moderate income before contributions, special items and transfers of \$4,663,854 while the internal service funds reported a loss of \$240,813. The loss was primarily attributable to the Risk Management and Employee Insurance funds that managed premiums but incurred large claims towards fiscal year end. However, the City continues to maintain a fund balance level that meets the City's financial policy targets. Other factors concerning the finances of the proprietary funds have already been addressed in the discussion of the government-wide financial statements and business-type activities. The following Figures 3 and 4 show the proprietary funds' revenues of \$106,063,325 and expenses of \$101,640,284 (excluding transfers and capital contributions) by activity.



General Fund Budgetary Highlights

For the reported fiscal year, revenues exceeded budgetary estimates by \$2,769,371. Expenditures were under budgetary estimates by \$687,040 resulting from continued city-wide efforts in cost containment and reductions in expenditures. The City traditionally budgets revenue conservatively and this practice frequently results in positive budgetary variances.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities at fiscal year-end amounted to \$760,210,122. This investment includes land, buildings, improvements other than buildings (includes infrastructure), machinery and equipment, and construction in progress. The City's capital assets increased from prior year by \$2,560,778 primarily due to continued growth and development.

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

- Opening of Lake Ridge Parkway from Interstate 20 to Great Southwest Parkway;
- Opening a Camp Store at Loyd Park;
- Began construction of the Lodge at Loyd Park;
- Launching Phase III for the Main Street façade renovation project;
- Continued construction of a new Fire Station 1;
- Continued a major renovation of the Dalworth Recreation center.

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

Table 4
Capital Assets*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2013	9/30/2014	9/30/2013	9/30/2014	9/30/2013	9/30/2014
Land	\$ 40,112,883	\$ 39,870,355	\$ 4,161,706	\$ 4,171,796	\$ 44,274,589	\$ 44,042,151
Construction in progress	58,019,820	67,419,236	22,024,631	21,546,699	80,044,451	88,965,935
Depreciable capital assets	795,064,684	819,480,721	358,621,326	375,635,852	1,153,686,010	1,195,116,573
Accumulated depreciation	<u>(339,378,639)</u>	<u>(371,716,174)</u>	<u>(180,977,067)</u>	<u>(196,198,363)</u>	<u>(520,355,706)</u>	<u>(567,914,537)</u>
Total capital assets, net	<u>\$ 553,818,748</u>	<u>\$ 555,054,138</u>	<u>\$ 203,830,596</u>	<u>\$ 205,155,984</u>	<u>\$ 757,649,344</u>	<u>\$ 760,210,122</u>

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

Long-term debt. At September 30, 2014, the City had the following long-term liabilities:

Table 5
Long-Term Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	9/30/2013	9/30/2014	9/30/2013	9/30/2014	9/30/2013	9/30/2014
Bonded debt	\$252,966,775	\$246,871,707	\$ 65,114,503	\$ 64,749,524	\$318,081,278	\$311,621,231
Accrued compensated absences	14,112,100	14,504,712	409,347	426,238	14,521,447	14,930,950
Other Post Employment Benefits	4,701,004	4,691,875	-	-	4,701,004	4,691,875
Pollution liability	-	40,000	-	-	-	40,000
Closure and post closure liability	-	-	5,993,696	6,356,244	5,993,696	6,356,244
Other liabilities	6,104,023	4,943,247	-	-	6,104,023	4,943,247
Total long-term debt	\$277,883,902	\$271,051,541	\$ 71,517,546	\$ 71,532,006	\$349,401,448	\$342,583,547
Long-term debt to net position percentage	65%	61%	34%	33%	55%	52%

Of the total bonded debt, \$214,055,001 or 68.7% is debt backed by the full faith and credit of the government with a property tax pledge.

During this fiscal year, the City issued \$18,165,000 in new bonded debt, and retired principal on bonds totaling \$24,670,000. In addition, the City's interest expense for its bonded debt was \$10,391,673.

Additional information is detailed in the Notes to Basic Financial Statements, section 3. c. 3., pages 52-63.

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

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

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget, tax rates and fees that will be charged for the business-type activities. One of the biggest factors continued to be the national economy. Building and development growth rates indicate healthy activities in the residential sector and commercial type permitting continues to increase. Although the City is largely built out and mature, there are still several areas available mainly in higher end, residential growth on Joe Pool Lake. The City population as of January 1, 2014 is 181,230 which is a 1.6% increase over prior year. Grand Prairie's population continues to increase annually with even more growth expected as a result of continued development and mobility through the City. New and improved roadways among I20, I30, and SH161 continue to make additional demands on the City for increased services.

These indicators are taken into account when adopting the Budget for fiscal year 2015:

- An increase over prior year of 7% in property tax assessed values resulting in more property tax revenues. This revenue was reflected in the budgeted revenues with an increase of \$2.7M or 5.7% in the General Fund and \$1.8M or 10.2% in the General Obligation Debt Fund as compared to prior fiscal year collections. The City has maintained a stable property tax rate and did not change it from 0.669998 per \$100 valuation for fiscal year 2014.
- A 0.75% increase in budgeted sales tax collections as compared to prior fiscal year collections. There is no change in the City's sales tax rate.
- The City's very strong financial position, favorable bond ratings, and continued low interest expense rates.

The City expects a steady increase in other general revenues of governmental activities overall, due to continued population growth and further developments.

The City's total approved operating appropriations and reserves for fiscal year 2015 is \$274,770,369, an increase of \$4,585,897 or 2% as compared to prior fiscal year projected expenditures. The General Fund approved appropriations for fiscal year 2015 is \$114,262,251, an increase of \$3,266,493 or 2.9% from prior year. The remaining change in total budgeted operating appropriations and reserves includes an increase of \$1,928,676 in Golf Fund, \$256,516 in the Cable Fund, \$240,461 in Lake Parks Fund, \$266,217 in the Solid Waste Fund, and \$97,629 in the Prairie Lights Fund.

The City's total approved planned capital projects for fiscal year 2015 includes \$66,221,336 in appropriation requests. The fiscal year 2015 planned capital projects includes \$12,651,000 water and wastewater improvements, \$5,646,108 in street and signal improvements, \$1,528,000 in parks improvements, \$4,451,512 in storm drainage improvements, and \$22,082,300 in public safety equipment.

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, 326 W. Main Street, P.O. Box 534045, Grand Prairie, Texas, 75053-4045.

BASIC FINANCIAL STATEMENTS



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**CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Primary Government			GRAND PRAIRIE SPORTS FACILITIES DEVELOPMENT CORPORATION	GRAND PRAIRIE HOUSING FINANCE CORPORATION
	Governmental Activities	Business-Type Activities	Total		
ASSETS					
Cash and cash equivalents	\$ 73,039,705	\$ 22,362,653	\$ 95,402,358	\$ 6,731,861	\$ 639,811
Investments	85,643,715	39,391,781	125,035,496	6,988,810	147,583
Receivables (net of allowance for uncollectibles):					
Property tax	1,723,202	-	1,723,202	-	-
Franchise fees	2,563,727	-	2,563,727	-	-
Sales tax	9,008,002	-	9,008,002	-	-
Accounts receivables	-	5,736,529	5,736,529	-	-
Lease payments receivable	-	-	-	500,656	-
Other receivables	4,207,413	-	4,207,413	18,900	-
Due from other governments	1,743,319	42,987	1,786,306	-	-
Internal balances	(1,591,089)	1,591,089	-	-	-
Inventories and supplies	168,515	562,750	731,265	-	-
Prepays	50,926	-	50,926	-	19,631
Restricted assets:					
Cash and cash equivalents	8,726,609	14,097,494	22,824,103	-	1,293,271
Investments	-	8,309,810	8,309,810	-	-
Lease payments receivable	-	-	-	13,611,128	-
Estimated unguaranteed residual value	-	-	-	45,710,631	-
Capital assets:					
Land	39,870,355	4,171,796	44,042,151	-	1,612,851
Buildings	182,582,368	12,846,499	195,428,867	-	19,858,438
Equipment	89,005,004	30,795,824	119,800,828	310,078	-
Infrastructure	547,893,349	331,993,529	879,886,878	-	-
Construction in progress	67,419,236	21,546,699	88,965,935	-	-
Less: accumulated depreciation	(371,716,174)	(196,198,363)	(567,914,537)	(310,078)	(6,889,749)
Total capital assets	555,054,138	205,155,984	760,210,122	-	14,581,540
Total assets	740,338,182	297,251,077	1,037,589,259	73,561,986	16,681,836
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	1,178,270	134,029	1,312,299	-	-
Total deferred outflows of resources	1,178,270	134,029	1,312,299	-	-
LIABILITIES					
Current liabilities:					
Accounts payable	6,525,122	3,458,132	9,983,254	3,942	127,965
Accrued liabilities	10,599,493	1,233,748	11,833,241	-	490,988
Customer deposits	45,215	3,554,667	3,599,882	-	71,577
Unearned revenue	12,277,968	464,637	12,742,605	-	-
Noncurrent liabilities:					
Due within one year:					
Accrued compensated absences	5,846,573	407,675	6,254,248	-	-
Current portion of long-term debt	21,958,800	4,636,200	26,595,000	-	323,793
Environmental remediation obligation	40,000	-	40,000	-	-
Other liabilities	1,160,776	-	1,160,776	-	-
Due in more than one year:					
Accrued compensated absences	8,658,139	18,563	8,676,702	-	-
OPEB liability	4,691,875	-	4,691,875	-	-
Closure and postclosure liability	-	6,356,244	6,356,244	-	-
Other liabilities	3,782,471	-	3,782,471	-	-
Long-term debt	224,912,907	60,113,324	285,026,231	-	15,935,293
Total liabilities	300,499,339	80,243,190	380,742,529	3,942	16,949,616
NET POSITION					
Net investment in capital assets	319,412,513	143,297,680	462,710,193	-	(461,137)
Restricted for:					
Debt service	13,492,401	5,444,619	18,937,020	-	-
Support purposes	11,521,852	-	11,521,852	-	-
Public Safety purposes	9,635,501	-	9,635,501	-	-
Recreation and leisure purposes	21,654,011	-	21,654,011	-	-
Development purposes	18,642,722	-	18,642,722	-	-
Capital projects purposes	33,497,623	-	33,497,623	-	-
Facility lease	-	-	-	59,822,415	-
Replacement reserve	-	-	-	-	104,097
Unrestricted	13,160,490	68,399,617	81,560,107	13,735,629	89,260
Total net position	\$ 441,017,113	\$ 217,141,916	\$ 658,159,029	\$ 73,558,044	\$ (267,780)

See accompanying notes to basic financial statements.

**CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

FUNCTIONS/ACTIVITY	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Support services	\$ 20,400,867	\$ 4,701,456	\$ 230,132	\$ -
Public safety services	80,333,290	16,190,902	5,369,542	-
Recreation and leisure services	25,255,982	9,055,820	484,299	-
Development services and other	75,473,059	7,152,325	28,896,389	4,020,110
Interest on long-term debt	7,922,519	-	-	-
Total governmental activities	<u>209,385,717</u>	<u>37,100,503</u>	<u>34,980,362</u>	<u>4,020,110</u>
Business-type activities:				
Water and wastewater	58,454,761	60,115,296	-	3,340,849
Municipal airport	3,484,297	2,978,121	42,697	1,061,973
Municipal golf course	3,314,435	1,909,090	-	-
Storm water	1,635,198	5,436,780	-	-
Solid waste	9,712,711	10,802,865	-	-
Total business-type activities	<u>76,601,402</u>	<u>81,242,152</u>	<u>42,697</u>	<u>4,402,822</u>
Total primary government	<u>\$ 285,987,119</u>	<u>\$ 118,342,655</u>	<u>\$ 35,023,059</u>	<u>\$ 8,422,932</u>
Component units:				
Grand Prairie Sports Facilities Development	6,612,342	1,412,354	-	300,000
Grand Prairie Housing Finance Corporation	5,801,154	5,686,784	-	-
Total component units:	<u>\$ 12,413,496</u>	<u>\$ 7,099,138</u>	<u>\$ -</u>	<u>\$ 300,000</u>

General revenues:

- Taxes:
 - Property tax
 - Sales tax
 - Hotel/motel tax and other taxes
 - Franchise fees based on gross receipt
 - Investment income
- Transfers
 - Capital assets reassignments
- Total general revenues, transfers and capital assets reassignments
- Special items
 - Change in net position

Net position - beginning of year

Prior period adjustment

Net position - end of year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position Primary Government			GRAND PRAIRIE SPORTS FACILITIES DEVELOPMENT CORPORATION	GRAND PRAIRIE HOUSING FINANCE CORPORATION
Governmental Activities	Business-Type Activities	Total		
\$ (15,469,279)	\$ -	\$ (15,469,279)	\$ -	\$ -
(58,772,846)	-	(58,772,846)	-	-
(15,715,863)	-	(15,715,863)	-	-
(35,404,235)	-	(35,404,235)	-	-
(7,922,519)	-	(7,922,519)	-	-
<u>(133,284,742)</u>	<u>-</u>	<u>(133,284,742)</u>	<u>-</u>	<u>-</u>
-	5,001,384	5,001,384	-	-
-	598,494	598,494	-	-
-	(1,405,345)	(1,405,345)	-	-
-	3,801,582	3,801,582	-	-
-	1,090,154	1,090,154	-	-
<u>-</u>	<u>9,086,269</u>	<u>9,086,269</u>	<u>-</u>	<u>-</u>
<u>(133,284,742)</u>	<u>9,086,269</u>	<u>(124,198,473)</u>	<u>-</u>	<u>-</u>
			(4,899,988)	-
			<u>-</u>	<u>(114,370)</u>
			<u>(4,899,988)</u>	<u>(114,370)</u>
77,334,662	-	77,334,662	-	-
50,846,972	-	50,846,972	-	-
1,550,172	-	1,550,172	-	-
13,315,452	-	13,315,452	-	-
652,067	1,021	653,088	18,817	1,626
4,267,277	(4,267,277)	-	-	-
19,096	(19,096)	-	-	-
<u>147,985,698</u>	<u>(4,285,352)</u>	<u>143,700,346</u>	<u>18,817</u>	<u>1,626</u>
<u>-</u>	<u>(3,013,446)</u>	<u>(3,013,446)</u>	<u>-</u>	<u>-</u>
14,700,956	1,787,471	16,488,427	(4,881,171)	(112,744)
426,316,157	213,100,163	639,416,320	78,439,215	(155,036)
<u>-</u>	<u>2,254,282</u>	<u>2,254,282</u>	<u>-</u>	<u>-</u>
<u>\$ 441,017,113</u>	<u>\$ 217,141,916</u>	<u>\$ 658,159,029</u>	<u>\$ 73,558,044</u>	<u>\$ (267,780)</u>

**CITY OF GRAND PRAIRIE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General	Section 8	Street Improvements	Grant	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 14,635,890	\$ 1,392,111	\$19,510,423	\$ 9,598,668	\$ 6,065,122	\$ 24,051,563	\$ 75,253,777
Investments	8,640,403	683,109	8,040,829	900,000	4,408,761	55,809,989	78,483,091
Property tax receivable	1,248,176	-	-	-	475,026	-	1,723,202
Sales tax receivable	4,514,016	-	-	-	-	4,493,986	9,008,002
Franchise fees receivable	2,482,736	-	-	-	-	80,991	2,563,727
Other receivables	3,365,781	-	-	-	8,082	815,380	4,189,243
Due from other governments	-	-	-	1,482,216	-	261,103	1,743,319
Due from other funds	200,000	-	-	-	-	-	200,000
Inventory	-	-	-	-	-	23,575	23,575
Prepays	16,627	-	-	-	-	7,200	23,827
Total assets	\$ 35,103,629	\$ 2,075,220	\$27,551,252	\$11,980,884	\$10,956,991	\$ 85,543,787	\$173,211,763
LIABILITIES							
Accounts payable	\$ 2,531,069	\$ 183,813	\$ 86,133	\$ 480,923	\$ 1,628	\$ 3,009,945	\$ 6,293,511
Accrued liabilities	3,707,039	45,030	-	58,163	-	1,120,744	4,930,976
Customer deposits	-	-	-	-	-	45,215	45,215
Due to other funds	-	-	-	-	-	200,000	200,000
Unearned revenue	902,786	-	-	9,613,875	-	1,761,307	12,277,968
Total liabilities	7,140,894	228,843	86,133	10,152,961	1,628	6,137,211	23,747,670
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	3,847,363	-	-	-	453,791	-	4,301,154
Total deferred inflows of resources	3,847,363	-	-	-	453,791	-	4,301,154
FUND BALANCES							
Nonspendable	16,627	-	-	-	-	30,775	47,402
Restricted	-	1,846,377	27,465,119	1,827,923	10,501,572	54,454,984	96,095,975
Committed	-	-	-	-	-	24,920,817	24,920,817
Assigned	1,137,119	-	-	-	-	-	1,137,119
Unassigned	22,961,626	-	-	-	-	-	22,961,626
Total fund balances	24,115,372	1,846,377	27,465,119	1,827,923	10,501,572	79,406,576	145,162,939
Total liabilities, deferred inflows of resources and fund balances	\$ 35,103,629	\$ 2,075,220	\$27,551,252	\$11,980,884	\$10,956,991	\$ 85,543,787	\$173,211,763

See accompanying notes to basic financial statements.

**CITY OF GRAND PRAIRIE, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Total fund balance - total governmental funds \$ 145,162,939

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet. This is the amount of governmental capital assets excluding internal service capital assets of \$941,497. 554,112,641

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. 4,301,154

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet. (975,409)

Internal service funds are used by management to charge cost of certain activities, such as employee health insurance, risk management insurance, and fleet maintenance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net position (net of amount allocated to business-type activities of \$1,591,089). 8,242,757

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

General obligation bonds	\$ (91,132,435)	
Certificates of obligation	(83,920,000)	
Sales tax revenue bonds	(22,135,000)	
Sales tax venue revenue bonds	(9,855,000)	
Sales tax venue certificates of obligation	(35,405,000)	
Unamortized bond premium/discount, net	(4,424,272)	
Unamortized loss of refunding	1,178,270	
Compensated absences (excludes Internal service fund total of \$46,302)	(14,458,410)	
Other post employment benefits	(4,691,875)	
Environmental remediation obligation	(40,000)	
Other liabilities	(4,943,247)	(269,826,969)

Net position of governmental activities \$ 441,017,113

See accompanying notes to basic financial statements.

**CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	General	Section 8	Street Improvements	Grants	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property tax	\$45,315,907	\$ -	\$ -	\$ -	\$ 17,299,904	\$ 13,935,577	\$ 76,551,388
Sales tax	25,162,422	-	-	-	-	25,523,774	50,686,196
Other taxes	192,234	-	-	-	-	1,357,938	1,550,172
Franchise fees	13,315,452	-	-	-	-	-	13,315,452
Charges for goods and services	5,355,348	92,990	269,012	1,739	-	8,744,103	14,463,192
Licenses and permits	2,909,002	45,333	-	-	-	202,023	3,156,358
Fines and forfeitures	7,312,495	-	-	-	-	3,161,328	10,473,823
Intergovernment	1,214,804	24,021,858	97,137	7,231,861	-	2,314,564	34,880,224
General and administrative	4,126,217	-	-	-	-	-	4,126,217
Rents and royalties	134,125	-	-	-	-	3,632,470	3,766,595
Investment income	628,887	-	-	21,380	189	1,611	652,067
Contributions	122,123	16,130	-	-	-	3,101,385	3,239,638
Other	431,137	91,098	22,255	73,127	-	618,034	1,235,651
Total revenues	<u>106,220,153</u>	<u>24,267,409</u>	<u>388,404</u>	<u>7,328,107</u>	<u>17,300,093</u>	<u>62,592,807</u>	<u>218,096,973</u>
EXPENDITURES							
Current operations:							
Support services	14,690,989	-	-	-	-	2,702,320	17,393,309
Public safety services	68,546,747	-	-	2,056,411	-	3,764,386	74,367,544
Recreation and leisure services	1,931,941	-	-	186,087	-	16,578,865	18,696,893
Development services and other	12,102,510	25,716,468	2,146,886	1,169,608	-	13,167,611	54,303,083
Capital outlay	848,634	-	2,766,575	5,176,577	-	28,358,558	37,150,344
Debt service:							
Principal retirement	-	-	-	-	10,001,848	11,404,000	21,405,848
Interest charges	-	-	200,337	-	5,941,106	2,346,992	8,488,435
Total expenditures	<u>98,120,821</u>	<u>25,716,468</u>	<u>5,113,798</u>	<u>8,588,683</u>	<u>15,942,954</u>	<u>78,322,732</u>	<u>231,805,456</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,099,332</u>	<u>(1,449,059)</u>	<u>(4,725,394)</u>	<u>(1,260,576)</u>	<u>1,357,139</u>	<u>(15,729,925)</u>	<u>(13,708,483)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	499,009	-	1,113,878	1,288,450	160,000	32,788,028	35,849,365
Transfers out	(13,912,940)	(50,000)	(260,748)	(984,398)	(553,156)	(15,820,846)	(31,582,088)
Premium on bonds issued	-	-	-	-	486,234	-	486,234
Bonds issued	-	-	10,059,386	-	-	4,105,614	14,165,000
Proceeds from sale of capital assets	613,163	-	-	-	-	225,000	838,163
Total other financing sources (uses)	<u>(12,800,768)</u>	<u>(50,000)</u>	<u>10,912,516</u>	<u>304,052</u>	<u>93,078</u>	<u>21,297,796</u>	<u>19,756,674</u>
Net change in fund balances	<u>(4,701,436)</u>	<u>(1,499,059)</u>	<u>6,187,122</u>	<u>(956,524)</u>	<u>1,450,217</u>	<u>5,567,871</u>	<u>6,048,191</u>
Fund balances - beginning of year	<u>28,816,808</u>	<u>3,345,436</u>	<u>21,277,997</u>	<u>2,784,447</u>	<u>9,051,355</u>	<u>73,838,705</u>	<u>139,114,748</u>
Fund balances - end of year	<u>\$24,115,372</u>	<u>\$ 1,846,377</u>	<u>\$ 27,465,119</u>	<u>\$ 1,827,923</u>	<u>\$ 10,501,572</u>	<u>\$ 79,406,576</u>	<u>\$ 145,162,939</u>

See accompanying notes to basic financial statements.

**CITY OF GRAND PRAIRIE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds \$ 6,048,191

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount of capital assets recorded in the current period. 37,150,344

The net effect of various transactions involving capital assets (i.e., disposals, sales, and trade-ins) is a decrease to net position. (1,105,064)

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. This is the amount of governmental depreciation excluding internal service funds depreciation \$42,242. (35,528,446)

Governmental funds do not report developers' contributions. 759,277

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bonds issued, plus premium on issuance	(14,651,234)	
Bond principal retirement	20,405,848	
Amortization bond related cost (premium/discount, deferred loss)	241,513	5,996,127

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

Change in compensated absences	(382,006)	
Change in accrued interest	57,355	
Change in Other Post Employment Benefits	9,129	
Change in Pollution Remediation Obligation	(40,000)	
Change in Other Liabilities	1,160,776	805,254

Some property tax and intergovernmental revenues will not be collected for several months after the City's fiscal year end. These are not considered "available" revenues in the governmental funds until received. Change in amount deferred on fund statements. 783,274

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The net loss of the internal service funds is reported with governmental activities net of the amount allocated to business-type activities (\$5,914). (208,001)

Change in net position of governmental activities \$ 14,700,956

See accompanying notes to basic financial statements.

**CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

	Business-Type Activities-Enterprise Funds			Governmental
	Water	Other	Total	Activities
	Wastewater	Non-major		Internal
				Service
				Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 18,718,249	\$ 3,644,404	\$ 22,362,653	\$ 6,334,609
Investments	22,733,705	16,658,076	39,391,781	7,160,624
Accounts receivable, net	4,676,779	1,059,750	5,736,529	-
Other receivables	-	-	-	18,170
Prepays	-	-	-	27,099
Due from other governments	-	42,987	42,987	-
Inventories and supplies	493,949	68,801	562,750	144,940
Current restricted assets:				
Cash and cash equivalents	13,845,068	252,426	14,097,494	177,928
Investments	8,037,954	271,856	8,309,810	-
Total current assets	68,505,704	21,998,300	90,504,004	13,863,370
Capital assets:				
Land	1,663,711	2,508,085	4,171,796	737,566
Buildings	2,361,045	10,485,454	12,846,499	1,477,875
Equipment	21,598,464	9,197,360	30,795,824	1,927,713
Infrastructure	296,428,632	35,564,897	331,993,529	16,672
Construction in progress	19,281,899	2,264,800	21,546,699	-
Less: accumulated depreciation	(167,429,187)	(28,769,176)	(196,198,363)	(3,218,329)
Total capital assets	173,904,564	31,251,420	205,155,984	941,497
Total assets	242,410,268	53,249,720	295,659,988	14,804,867
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	134,029	-	134,029	-
Total deferred outflows of resources	134,029	-	134,029	-
LIABILITIES				
Current liabilities:				
Accounts payable	2,147,485	1,310,647	3,458,132	231,611
Accrued liabilities	563,140	234,059	797,199	4,693,108
Accrued compensated absences	272,050	135,625	407,675	46,302
Unearned revenue	274,431	190,206	464,637	-
Current liabilities payable from restricted assets:				
Customer deposits	3,436,714	117,953	3,554,667	-
Accrued liabilities	416,420	20,129	436,549	-
Current portion of long-term debt	4,250,000	386,200	4,636,200	-
Total current liabilities	11,360,240	2,394,819	13,755,059	4,971,021
Noncurrent liabilities:				
Accrued compensated absences	-	18,563	18,563	-
Closure and postclosure liability	-	6,356,244	6,356,244	-
Long-term debt	56,808,763	3,304,561	60,113,324	-
Total noncurrent liabilities	56,808,763	9,679,368	66,488,131	-
Total liabilities	68,169,003	12,074,187	80,243,190	4,971,021
NET POSITION				
Net investment in capital assets	115,737,021	27,560,659	143,297,680	941,497
Restricted for debt service	5,444,619	-	5,444,619	-
Unrestricted	53,193,654	13,614,874	66,808,528	8,892,349
Total net position	\$ 174,375,294	\$ 41,175,533	\$ 215,550,827	\$ 9,833,846
Reconciliation to government-wide Statement of Net Position:				
Adjustments to reflect the consolidations of internal service funds activities related to enterprise funds			1,591,089	
Net position of business-type activities			\$ 217,141,916	

See accompanying notes to basic financial statements.

**CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Business-Type Activities-Enterprise Funds			Governmental Activities Internal Service Funds
	Water Wastewater	Other Non-major	Total	
OPERATING REVENUES				
Sales to customers	\$ 34,322,525	\$ 19,663,663	\$ 53,986,188	\$ 4,970,933
Wastewater charges to customers	22,678,679	-	22,678,679	-
Water and wastewater fees	2,094,465	-	2,094,465	-
Wastewater surcharges	653,220	-	653,220	-
Intergovernmental revenue	-	42,697	42,697	-
Insurance premiums	-	-	-	19,768,893
Miscellaneous	366,407	1,463,193	1,829,600	4,335
Total operating revenue	<u>60,115,296</u>	<u>21,169,553</u>	<u>81,284,849</u>	<u>24,744,161</u>
OPERATING EXPENSES				
Salaries and benefits	7,059,406	4,258,526	11,317,932	1,131,672
Supplies and miscellaneous purchases	876,656	2,091,949	2,968,605	3,303,325
Purchased services	5,292,120	6,902,590	12,194,710	1,632,833
Insurance costs	-	-	-	18,640,588
Water purchases	11,850,914	-	11,850,914	-
Wastewater treatment	12,716,847	-	12,716,847	-
Miscellaneous	472,973	652,651	1,125,624	170,616
Depreciation	12,484,294	3,066,562	15,550,856	42,242
Franchise fees	2,283,480	536,573	2,820,053	-
General and administrative costs	3,300,124	486,574	3,786,698	-
Total operating expense	<u>56,336,814</u>	<u>17,995,425</u>	<u>74,332,239</u>	<u>24,921,276</u>
Net operating income (loss)	<u>3,778,482</u>	<u>3,174,128</u>	<u>6,952,610</u>	<u>(177,115)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	1,021	-	1,021	-
Gain (loss) on property disposition	2,780	3,788	6,568	26,726
Interest expense	(2,072,826)	(158,074)	(2,230,900)	-
Contribution to other government	(38,917)	-	(38,917)	-
Capital assets contribution to government activities	(12)	(26,516)	(26,528)	(90,424)
Total nonoperating revenues (expenses)	<u>(2,107,954)</u>	<u>(180,802)</u>	<u>(2,288,756)</u>	<u>(63,698)</u>
Income (loss) before contributions and transfers	1,670,528	2,993,326	4,663,854	(240,813)
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital contributions-impact fees	1,794,292	-	1,794,292	-
Capital contributions	1,546,557	1,061,973	2,608,530	-
Capital assets contribution from government activities	-	7,432	7,432	26,898
Transfers in-capital assets	142,733	-	142,733	-
Transfers out-capital assets	-	(142,733)	(142,733)	-
Transfers in-monetary	22,600	1,058,156	1,080,756	-
Transfers out-monetary	(1,317,158)	(4,030,875)	(5,348,033)	-
Total capital contributions and transfers	<u>2,189,024</u>	<u>(2,046,047)</u>	<u>142,977</u>	<u>26,898</u>
SPECIAL ITEMS				
Water settlement	(3,013,446)	-	(3,013,446)	-
Total special items	<u>(3,013,446)</u>	<u>-</u>	<u>(3,013,446)</u>	<u>-</u>
Change in net position	846,106	947,279	1,793,385	(213,915)
Net position - beginning of year as previously stated	173,529,188	37,973,972	211,503,160	10,047,761
Prior period adjustment	-	2,254,282	2,254,282	-
Net Position -beginning of year	<u>173,529,188</u>	<u>40,228,254</u>	<u>213,757,442</u>	<u>10,047,761</u>
Net position -end of year	<u>\$ 174,375,294</u>	<u>\$ 41,175,533</u>	<u>\$ 215,550,827</u>	<u>\$ 9,833,846</u>
Reconciliation to government-wide Statement of Activities:				
Change in net position of enterprise funds			1,793,385	
Adjustments to reflect the consolidations of internal service funds activities related to enterprise funds			(5,914)	
Change in net position of business-type activities			<u>\$ 1,787,471</u>	

See accompanying notes to basic financial statements.

**CITY OF GRAND PRAIRIE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Business-Type Activities-Enterprise Funds			Governmental
	Water	Other	Total	Activities
	Wastewater	Non-major		Internal
				Service
				Funds
Cash flows from operating activities:				
Cash received from customers	\$ 60,308,428	\$ 21,109,694	\$ 81,418,122	\$ 24,756,580
Cash received from intergovernmental	-	54,536	54,536	-
Cash payments to suppliers for goods and services	(30,910,731)	(7,892,400)	(38,803,131)	(23,092,578)
Cash payments to employees for services	(7,008,669)	(4,245,723)	(11,254,392)	(1,118,124)
Cash payments to other funds for services	(6,067,045)	(1,311,551)	(7,378,596)	(168,270)
Other operating cash payments	(229,956)	(397,477)	(627,433)	9,116
Net cash provided by operating activities	16,092,027	7,317,079	23,409,106	386,724
Cash flows from noncapital financing activities:				
Transfers from other funds	22,600	1,058,156	1,080,756	-
Transfers to other funds	(1,317,158)	(4,030,875)	(5,348,033)	-
Due to other funds	-	-	-	(100,000)
Contribution to other government	(38,917)	-	(38,917)	-
Water settlement	(3,013,446)	-	(3,013,446)	-
Net cash used in noncapital financing activities	(4,346,921)	(2,972,719)	(7,319,640)	(100,000)
Cash flows from capital and related financing activities:				
Capital outlays	(10,747,559)	(1,941,440)	(12,688,999)	(65,046)
Proceeds from capital assets disposals	2,780	5,474	8,254	26,726
Interest paid on bonds	(2,164,813)	(168,013)	(2,332,826)	-
Repayment of principal on bonds	(3,900,000)	(364,152)	(4,264,152)	-
Impact fees received	1,794,292	-	1,794,292	-
Proceeds from issuance of bonds	4,000,000	-	4,000,000	-
Contributions	654,788	-	654,788	-
Net cash used in capital and related financing activities	(10,360,512)	(2,468,131)	(12,828,643)	(38,320)
Cash flows from investing activities:				
Investment earnings received on cash and investments	1,021	-	1,021	-
Sale of investments	37,044,752	17,590,975	54,635,727	7,264,828
Purchase of investments	(32,940,198)	(18,140,978)	(51,081,176)	(7,664,828)
Net cash provided by (used in) investing activities	4,105,575	(550,003)	3,555,572	(400,000)
Net increase (decrease) in cash and equivalents	5,490,169	1,326,226	6,816,395	(151,596)
Cash and cash equivalents - beginning of year	27,073,148	2,570,604	29,643,752	6,664,133
Cash and cash equivalents - end of year	\$ 32,563,317	\$ 3,896,830	\$ 36,460,147	\$ 6,512,537
Reconciliation of income (loss) from operations to net cash provided by (used in) operating activities:				
Net operating income (loss)	\$ 3,778,482	\$ 3,174,128	\$ 6,952,610	\$ (177,115)
Adjustments to net operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	12,484,294	3,066,562	15,550,856	42,242
Provision for non-collectibles receivables	241,769	97,545	339,314	-
Changes in assets and liabilities:				
Decrease (Increase) in accounts receivable	(344,261)	(143,044)	(487,305)	12,418
Decrease (Increase) in inventories and supplies	(65,987)	3,610	(62,377)	22,951
Increase in prepaids	-	-	-	(5,016)
Increase (Decrease) in accounts payable	(174,194)	684,028	509,834	174,301
Increase (Decrease) in accrued liabilities	(59,208)	399,691	340,483	306,337
Increase in customer deposits	295,624	51,117	346,741	-
Decrease in unearned revenue	(87,000)	(10,941)	(97,941)	-
Increase (Decrease) in accrued compensated absences	22,508	(5,617)	16,891	10,606
Net cash provided by operating activities	\$ 16,092,027	\$ 7,317,079	\$ 23,409,106	\$ 386,724
Noncash investing, capital and financing activities:				
Contributions of capital assets from developers/granting agency	\$ 891,769	1,061,973	1,953,742	-
Unrestricted cash and cash equivalents-end of year	\$ 18,718,249	\$ 3,644,404	\$ 22,362,653	\$ 6,334,609
Restricted cash and cashequivalents-end of year	13,845,068	252,426	14,097,494	177,928
Total cash and cash equivalents -end of year	\$ 32,563,317	\$ 3,896,830	\$ 36,460,147	\$ 6,512,537

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS



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**CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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**CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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**CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Introduction

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

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

b. Financial Reporting Entity

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

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

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

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

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

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

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

Component Unit – Grand Prairie Crime Control and Prevention District

The Grand Prairie Crime Control and Prevention District (“District”) is used to account for the accumulation and use of quarter-cent sales tax proceeds dedicated to fund a new Public Safety Facility. The District has been included as a blended component unit because 1) the District’s governing body is substantively the same as the governing body of the City, 2) there is a benefit relationship between the City and the District, 3) the City has operational responsibility for the District. The District is reported as a special revenue fund of the primary government. The Board of Directors of the District is substantively the same as the City Council. There are seven directors on this board, and, all of them are council members constituting a voting majority of the City Council. Upon dissolution of the District, the entity’s assets will be distributed to the City. This unit provides all its services to the City. Financial information for this unit may be obtained from the City.

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

Component Unit – Sports Corporation

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

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

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The Act provides that the City may levy a one-half cent sales and use tax for the benefit of the Sports Corporation if the tax is authorized by a majority of the qualified voters in an election. On January 18, 1992, a majority of the voters approved a proposition to levy and collect an additional one-half cent sales and use tax for the purpose of constructing a horse racetrack. The one-half cent sales and use tax increase became effective April 1, 1993 to cover the costs of the project or the principal, interest and other costs relating to any bonds or obligations issued to pay the costs of the project or to refund bonds or obligations issued to pay the cost of the project. All bonds were redeemed on September 15, 2007. The sales tax was discontinued on September 30, 2007.

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

Complete September 30, 2014 financial statements for the Sports Corporation may be obtained at its administrative office.

Component Unit – Housing Finance Corporation

The Grand Prairie Housing Finance Corporation (HFC) was created to issue tax-exempt revenue bonds to supply mortgage financing for low income home buyers and multi-family development. While the entity is legally, financially and administratively autonomous, the governing body of the City of Grand Prairie may, at its sole discretion, and at any time, amend HFC's Articles of Incorporation, and alter or change its structure, programs or activities, or terminate or dissolve it. Additionally, members of the Board of Directors are appointed by and may be removed by the City Council. The city is not financially obligated for any debt of the HFC. The financial information for HFC is included in the statements for its fiscal year ended December 31, 2013. Complete separate December 31, 2013 financial statements for HFC year-end may be obtained from the City.

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

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

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

The statement of activities reports the change in the City’s net position from October 1, 2013 to September 30, 2014. 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, deferred inflows of resources 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.

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Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, deferred inflows of resources fund equity, revenues and expenditures/expenses. Funds are ordered into two distinct categories: governmental and proprietary. Information in the fund financial statements is reported on a major fund basis. The calculation of major funds is conducted by the City each year under the methods outlined in GASB Statement No. 34 or any fund that management considers as major. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The major funds at September 30, 2014, are as follows: general fund, section 8 fund, street improvement fund, grant fund, a debt service fund, and water/wastewater fund. Non-major funds are reported in the aggregate as "Other Funds." The various funds are summarized by type in the fund financial statements.

Major governmental funds include the following:

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

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

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

Grant Fund: The fund accounts for the various federal, state and local grant revenue received by the City. All grants included in this fund are for specific projects with limited duration.

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

Major enterprise fund includes the following:

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

d. Measurement Focus and Basis of Accounting

1) Governmental Funds

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

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

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

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collected. Delinquent tax payments are recognized as revenue when both measurable and available. Additional amounts estimated to be collectible in time to be a resource payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with General Accepted Accounting Principles have been recognized as revenue (amounts received within 60 days of year-end).

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

2) Proprietary Funds

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

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

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

Internal Service Funds

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

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

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

1) Pooled Cash, Investments and Temporary Deposits

The City’s cash, investments and temporary deposits are pooled for investment. Interest earnings are recorded in the General Fund unless it is required by regulations or agreements to allocate to certain funds. In fiscal year 2014, the funds receiving allocation of interest earnings were: Grant Fund, Debt Service Fund, Police Seizure Fund, and the Water/Wastewater Fund. For purposes of the statements of cash flows, the City considers cash on hand, demand deposits and investments with original maturities of three months or less to be cash equivalents.

2) Depository Contract

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

3) Inventories/Prepays

Inventory is recorded at cost when purchased and charged to expenditures when consumed. General Fund supplies and materials inventory are recorded as expenditures on an actual specific cost basis. Park Venue Fund and Lake Parks Fund

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supplies inventory is charged out on a first-in, first-out basis. The Water and Wastewater Fund supplies and materials inventory is charged out on a first-in, first-out basis. Fleet Services Fund 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. Prepaid balances are for payment made by the City in the current year to provide services occurring in the subsequent fiscal year.

4) Capital Assets and Depreciation

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

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

5) Deferred Outflows/Inflows of Resources

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

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

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

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

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The City only has one item that qualifies for reporting in this category, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and ambulance fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6) Compensated Absences

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

7) Encumbrances

Encumbrance accounting is used for the General Fund, Section 8 Fund, Street Improvement Fund, Grant Fund and other governmental funds. Encumbrances are recorded when a purchase order is issued, and encumbrances are not considered expenditures until a liability for payment is incurred. Encumbered amounts for specific purposes which have not been previously classified as restricted, committed, or assigned are classified as assigned fund balance. On October 1, each year encumbrances are carried forward, along with the prior year's related appropriation, and added to the new year's budget.

As of September 30, 2014 the City had \$167,538 of General Fund balance assigned to encumbrances.

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

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8) Nature and Purpose of Classifications of Fund Equity

Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution, which are considered equally restrictive for the purpose of committing fund balance. The City Council must take the same level of action to remove or change the constraint. Assigned fund balances are constrained by the intent to be used for specific purposes, neither restricted nor committed.

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

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

9) Minimum Fund Balance Policy

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

10) Net Position

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

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

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Budget Law and Practice

Accounting Standards literature defines three levels of budgetary control which may be employed. These are: (1) appropriated budget, (2) legally authorized nonappropriated

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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, Senior Center Sales Tax Fund, Hotel/Motel Tax Fund, Municipal Court Fund, Cable Operation Fund, Red Light Safety Fund, Lake Parks Fund, Crime Tax Sales Tax Fund, Cemetery Fund, and Juvenile Case Manager Fund. The expenditures budgeted in each fund may not exceed the budgeted revenues, including beginning fund balance.

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

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

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

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

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

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

b. Budgetary Control

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

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

c. Budget Amendments

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

d. Deficit Fund Equity

As of September 30, 2014, the City had no funds with deficit fund equity.

3. DETAILED NOTES ON ALL FUNDS

a. Assets

1) Deposits, Investments and Investment Policies

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

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

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

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

The investment policies require that repurchase agreements be made pursuant to a master agreement, the collateral is a U. S. Treasury bill, note or bond; the security is held in safekeeping by the City's custodial agent; and the investment is transacted "delivery vs. payment" so that the City's interest in the underlying security is perfected. The City does not invest in reverse repurchase agreements. No City monies were invested in repurchase agreements at September 30, 2014.

The City's investments are stated at fair value, using the following methods and assumptions as of September 30, 2014:

- 1) Fair value is based on quoted market prices as of the valuation date.
- 2) The portfolio did not hold investments in any of the following:
 - (a) Items required to be reported at amortized cost, except investments in TexPool, and TexStar,
 - (b) Items in external pools that are not SEC-registered,
 - (c) Items subject to involuntary participation in an external pool,
 - (d) Items associated with a fund other than the fund to which the income is assigned.
- 3) Any unrealized gain/loss resulting from the valuation is recognized in the respective fund that participates in the City's investment pool.

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- 4) The gain/loss resulting from valuation is reported within the revenue account "investment income" on the Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds, and the Statement of Revenues, Expenses and Changes in Net Position for the Proprietary Funds.

The City invested \$48,157,673 in TexPool as of September 30, 2014. The Texas State of Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by Standard & Poors. As a requirement to maintain the rating weekly portfolio, information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review.

TexPool uses amortized cost rather than fair value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The City invested \$56,386,869 in TexSTAR as of September 30, 2014. J.P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Asset Management, Inc. (FSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board. JPMIM provides investment management services, and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JP Morgan Chase Bank, NA and or its subsidiary J.P. Morgan Investor Services Co. Finally, TexSTAR is rated AAAM by Standard and Poor's.

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

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

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

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

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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:

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

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

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

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

The City's carrying amount of cash, cash equivalents and investments as of September 30, 2014 as reflected in the primary government's financial statements, are:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash	\$ 13,503,991	\$ 177,928	\$ 13,681,919
Pooled Investments			
Cash and cash equivalents	81,898,367	22,646,175	104,544,542
Investments	<u>125,035,496</u>	<u>8,309,810</u>	<u>133,345,306</u>
Total pooled investments	<u>206,933,863</u>	<u>30,955,985</u>	<u>237,889,848</u>
Total	<u>\$ 220,437,854</u>	<u>\$ 31,133,913</u>	<u>\$ 251,571,767</u>

Chapter 2257 Collateral for Public Funds of the Government Code requires that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. Due to Wells Fargo Bank, N.A. contractual obligation to the City, the

CITY OF GRAND PRAIRIE, TEXAS
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collateral value held at the Federal Reserve Bank in the City's name at year end was \$11,477,120.

The City's cash equivalents of \$104,544,542 were also covered by collateral held by the City's agent in the City's name.

As of September 30, 2014, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Risk</u>
Federal Farm Credit Bank	\$ 56,887,210	596	AAA
Federal Home Loan Bank	28,986,110	662	AAA
Federal Home Loan Mortgage Corp.	34,478,847	752	AAA
Federal National Mortgage Assoc.	7,972,419	837	AAA
Farmer MAC	5,020,720	312	AAA
TexPool	48,157,673	1	AAAm
TexStar	56,386,869	1	AAAm
Total	<u>\$ 237,889,848</u>	<u>*368</u>	

*Portfolio Weighted Average Maturity

Maturities of the City's investments at September 30, 2014 were as follows:

Cash equivalents	\$ 104,544,542
Under 30 days	-
30 days to 60 days	-
61 days to 90 days	1,999,940
91 days to 1 year	17,046,180
After 1 year	<u>114,299,186</u>
Total	<u>\$ 237,889,848</u>

The City did not invest in any securities different from the categories mentioned above during the 2013-2014 fiscal year.

At September 30, 2014, the carrying amount of the Sports Corporation's deposits included in cash and cash equivalents was \$511,605 while the bank balance of the Sports Corporation's deposits was \$511,781. The bank balance was entirely covered by collateral held by the Sports Corporation's agent in the Sports Corporation's name.

CITY OF GRAND PRAIRIE, TEXAS
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As of September 30, 2014, the Corporation had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Risk</u>
TexPool	\$ 6,220,256	1	AAAm
U.S. Governmental Obligations	<u>6,988,810</u>	<u>553</u>	AAA
Total	<u>\$ 13,209,066</u>	<u>293</u>	

Portfolio Weighted Average Maturity

The Sports Corporation is authorized to invest in obligations of the U. S. or its agencies and instrumentalities, certain repurchase agreements, municipal securities with a rating of at least A, collateralized or insured certificates of deposit, and SEC-registered, no-load money market mutual funds comprised of securities allowed under the Public Funds Investments Act and public funds investment pools. At year-end, all investments of the Sports Corporation were held by the Sports Corporation's agent in the Sports Corporation's name. The fair value of investments owned at September 30, 2014 was \$6,220,256 in the Public Funds Investment Pool (TexPool) and \$6,988,810 in U.S agency instrumentalities.

The bank balance of HFC at December 31, 2013, including restricted cash, totaled \$713,920 all of which was covered by FDIC insurance and collateral held by the depository institution in HFC's name. HFC's unrestricted cash and cash equivalents had a balance of \$639,811. Restricted cash of \$74,109 "tenant security deposits" represents cash held on deposit by HFC for insurance proceeds received for damages to federally funded assets. The liability is recorded until final disposition of the proceeds is requested by HUD. Other assets include temporary investments of \$147,583, reserves of \$101,565, and bonds held by a trustee of \$1,117,597 as a debt service reserve.

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2) Capital Assets

Capital assets balances and transactions for the year ended September 30, 2014 are summarized below for governmental activities:

	Balance October 1, 2013	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2014
Non-depreciable capital assets:				
Land	\$ 40,112,883	\$ 362,909	\$ (605,437)	\$ 39,870,355
Construction in progress	58,019,820	31,216,083	(21,816,667)	67,419,236
Total non-depreciable capital assets	98,132,703	31,578,992	(22,422,104)	107,289,591
Depreciable capital assets:				
Buildings	182,308,148	626,313	(352,093)	182,582,368
Equipment	87,438,086	6,348,336	(4,781,418)	89,005,004
Infrastructure	525,318,450	22,709,729	(134,830)	547,893,349
Total depreciable capital assets	795,064,684	29,684,378	(5,268,341)	819,480,721
Less accumulated depreciation for:				
Buildings	(47,685,359)	(5,780,358)	31,878	(53,433,839)
Equipment	(49,403,431)	(6,292,464)	3,157,100	(52,538,795)
Infrastructure	(242,289,849)	(23,497,866)	44,175	(265,743,540)
Total accumulated depreciation	(339,378,639)	(35,570,688)	3,233,153	(371,716,174)
Total depreciable capital assets, net	455,686,045	(5,886,310)	(2,035,188)	447,764,547
Governmental activities capital assets, net	<u>\$553,818,748</u>	<u>\$ 25,692,682</u>	<u>\$ (24,457,292)</u>	<u>\$555,054,138</u>

Additions include developers contribution of \$759,277.

Capital asset balances for business-type activities for the year ended September 30, 2014 are summarized below:

	Balance October 1, 2013	Adjustments	October 1, 2013 as restated	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2014
Non-depreciable capital assets:						
Land	\$ 4,161,706	\$ -	\$ 4,161,706	\$ 10,090	\$ -	\$ 4,171,796
Construction in progress	22,024,631	-	22,024,631	11,294,898	(11,772,830)	21,546,699
Total non-depreciable capital assets	26,186,337	-	26,186,337	11,304,988	(11,772,830)	25,718,495
Depreciable capital assets:						
Buildings	11,940,153	-	11,940,153	906,346	-	12,846,499
Equipment	27,855,111	-	27,855,111	3,434,391	(493,678)	30,795,824
Infrastructure	318,826,062	2,254,282	321,080,344	10,913,185	-	331,993,529
Total depreciable capital assets	358,621,326	2,254,282	360,875,608	15,253,922	(493,678)	375,635,852
Less accumulated depreciation for:						
Buildings	(6,002,201)	-	(6,002,201)	(637,921)	-	(6,640,122)
Equipment	(16,176,618)	-	(16,176,618)	(1,839,645)	329,560	(17,686,703)
Infrastructure	(158,798,248)	-	(158,798,248)	(13,073,290)	-	(171,871,538)
Total accumulated depreciation	(180,977,067)	-	(180,977,067)	(15,550,856)	329,560	(196,198,363)
Total depreciable capital assets, net	177,644,259	2,254,282	179,898,541	(296,934)	(164,118)	179,437,489
Business-type activities capital assets, net	<u>\$203,830,596</u>	<u>\$ 2,254,282</u>	<u>\$ 206,084,878</u>	<u>\$ 11,008,054</u>	<u>\$ (11,936,948)</u>	<u>\$205,155,984</u>

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

Support services	\$ 2,890,127	Water and wastewater	\$ 12,484,294
Public safety services	5,516,944	Other business-type	3,066,562
Recreation and leisure services	6,463,261		
Development services	20,658,114		
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>42,242</u>		
Total governmental	<u>\$ 35,570,688</u>	Total business-type	<u>\$ 15,550,856</u>

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

	Balance October 1, 2013	Additions/ Completions	Disposals/ Reclasses	Balance September 30, 2014
Equipment	\$ 310,078	\$ -	\$ -	\$ 310,078
Less accumulated depreciation	<u>(310,078)</u>	<u>-</u>	<u>-</u>	<u>(310,078)</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Balance January 1, 2013	Additions/ Completions	Disposals/ Reclasses	Balance December 31, 2013
Non-depreciable capital assets:				
Land	\$ 1,612,851	\$ -	\$ -	\$ 1,612,851
Total non-depreciable capital assets	<u>1,612,851</u>	<u>-</u>	<u>-</u>	<u>1,612,851</u>
Depreciable capital assets:				
Buildings	19,808,852	584,261	(534,675)	19,858,438
Less accumulated depreciation	<u>(6,523,831)</u>	<u>(900,593)</u>	<u>534,675</u>	<u>(6,889,749)</u>
Total depreciable capital assets, net	<u>13,285,021</u>	<u>(316,332)</u>	<u>-</u>	<u>12,968,689</u>
Housing Finance Corporation assets, net	<u>\$ 14,897,872</u>	<u>\$ (316,332)</u>	<u>\$ -</u>	<u>\$ 14,581,540</u>

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

1) Deferred Outflows of Resources

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

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

Governmental Activities	\$	1,178,270
Business-type Activities		<u>134,029</u>
Total	\$	<u><u>1,312,299</u></u>

2) Deferred Inflows of Resources-Unavailable Revenue

The governmental funds report unavailable revenues from the following sources:

	General Fund	Debt Service Fund	Total
Property taxes	\$ 1,125,351	\$ 453,791	\$ 1,579,142
Ambulance	<u>2,722,012</u>	<u>-</u>	<u>2,722,012</u>
Total	<u><u>\$ 3,847,363</u></u>	<u><u>\$ 453,791</u></u>	<u><u>\$ 4,301,154</u></u>

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

c. Liabilities

1) Risk Management

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

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

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

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

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

Accordingly, claims are reevaluated annually to consider the effects of inflation, plan benefit designs, recent claim settlement trends, claim expense, and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. The total accrued liabilities for the Risk Management Fund based on the recent September 30, 2014 actuarial report, as of September 30, 2014, was \$3,229,008.

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The City offers group health coverage to its employees and retirees in plans administered by United Health Care using an escrow account funded by the City with both employee and City contributions. The City allows retired employees under age 65 to continue participating in its group health insurance program after retirement with a portion of premiums paid by the City. The amount of premiums paid by retirees is based on the retirement date, length of service with the City, plan selected and dependents covered at the time of retirement. The City retains risk for up to \$400,000 per member per year, and transfers risk in excess of this amount to a reinsurer. Reported claims are charged to expense in the period the loss is incurred. The total accrued liabilities for health insurance as of September 30, 2014 were \$1,303,511.

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

	Beginning of Fiscal Year <u>Liability</u>	Claims and Changes in <u>Estimates</u>	Claim <u>Payments</u>	End of Fiscal Year <u>Liability</u>
2014	\$ 4,296,416	\$14,561,923	\$14,325,820	\$ 4,532,519
2013	\$ 3,969,914	\$13,734,536	\$13,408,034	\$ 4,296,416

2) Unearned Revenue

Unearned revenue is a liability for resources obtained prior to revenue recognition. Below is a summary of the City's unearned revenue as of September 30, 2014.

General Fund pipeline lease prepaid	\$ 902,786
Grant Fund advance funding from granting agencies	9,613,875
Community Development Block Grant funding for future projects	16,551
Neighborhood stabilization program	114,738
Park Venue Fund deposits on events to be held	21,725
ParkVenue Fund rental deposits on events to be held	151,412
Prairie Light Fund deposits for future events	18,000
Cemetery Fund deposits held for preneed arrangements	980,834
Whisp Oaks PID #2 assess collection in advance	1,800
Capital/Lending reserve fund pipeline lease prepaid	456,247
Governmental funds total	<u>\$ 12,277,968</u>
Texas Water Development Board forgiveness loan	\$ 274,431
Airport Fund pipeline lease prepaid	190,206
Enterprise Funds total	<u>\$ 464,637</u>

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

3) Long-Term Debt

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

	Balance October 1, 2013	Borrowings or Increase	Payments or Decrease	Balance September 30, 2014	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds	\$ 94,188,283	\$ 2,220,000	\$ (7,585,848)	\$ 88,822,435	\$ 8,103,800
Certificates of obligation bonds	80,175,000	11,945,000	(5,890,000)	86,230,000	6,355,000
Sales tax revenue bonds	23,550,000	-	(1,415,000)	22,135,000	1,465,000
Sales tax venue revenue bonds	12,480,000	-	(2,625,000)	9,855,000	2,835,000
Sales tax venue certificates of obligation	38,295,000	-	(2,890,000)	35,405,000	3,200,000
Issuance premiums/discounts, net	4,278,492	486,234	(340,454)	4,424,272	-
Compensated absences	14,112,100	7,763,601	(7,370,989)	14,504,712	5,846,573
Other post employment benefits	4,701,004	-	(9,129)	4,691,875	-
Environmental remediation liability	-	40,000	-	40,000	40,000
Other liabilities	6,104,023	-	(1,160,776)	4,943,247	1,160,776
Total governmental activities	<u>277,883,902</u>	<u>22,454,835</u>	<u>(29,287,196)</u>	<u>271,051,541</u>	<u>29,006,149</u>
<u>Business-Type Activities</u>					
General obligation bonds	2,261,718	-	(239,152)	2,022,566	261,200
Certificates of obligation bonds	1,700,000	-	(125,000)	1,575,000	125,000
Water and wastewater revenue bonds	59,780,000	4,000,000	(3,900,000)	59,880,000	4,250,000
Issuance premiums/discounts, net	1,372,785	-	(100,827)	1,271,958	-
Closure and post closure liability	5,993,696	362,548	-	6,356,244	-
Compensated absences	409,347	590,907	(574,016)	426,238	407,675
Total business-type activities	<u>71,517,546</u>	<u>4,953,455</u>	<u>(4,938,995)</u>	<u>71,532,006</u>	<u>5,043,875</u>
Total primary government	<u>\$ 349,401,448</u>	<u>\$ 27,408,290</u>	<u>\$ (34,226,191)</u>	<u>\$ 342,583,547</u>	<u>\$ 34,050,024</u>
<u>Component Unit Activities</u>					
Housing Finance Corporation:					
Notes payable	\$ 3,434,305	\$ 41,760	\$ (45,791)	\$ 3,430,274	\$ 49,981
Line of Credit	118,812	-	(20,000)	98,812	98,812
Revenue bonds	8,340,000	-	(160,000)	8,180,000	175,000
Subordinate Revenue bonds	4,550,000	-	-	4,550,000	-
Total component units	<u>\$ 16,443,117</u>	<u>\$ 41,760</u>	<u>\$ (225,791)</u>	<u>\$ 16,259,086</u>	<u>\$ 323,793</u>

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

**CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

a) Governmental Activities Long-Term Debt

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

(i) General Obligation Debt

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

On October 15, 2013 the City issued \$2,220,000 in General Obligation Bonds, Series 2013A. The proceeds were used to fund street improvements. The City also issued \$11,945,000 in Combination Tax and Revenue Certificates of Obligation, Series 2013A, for public safety, library, street, and other City structure improvements.

(ii) Defeased Debt Outstanding

At September 30, 2014, certain outstanding debt of the city is considered to be defeased. The following table details such outstanding defeased debt:

<u>Type of Obligation</u>	<u>Defeased Debt Outstanding</u>
Certificates of Obligation	\$ 2,010,000
	<u>\$ 2,010,000</u>

CITY OF GRAND PRAIRIE, TEXAS
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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 2006	3.9-5.0	2006	2026	3,300,000	-
Series 2006-A	4.125-4.375	2006	2027	4,000,000	3,000,000
Series 2007	4.0-4.50	2007	2027	33,098,000	23,602,435
Series 2008	4.0-5.50	2009	2029	8,985,000	7,480,000
Series 2010	2.0-4.25	2010	2030	5,480,000	4,635,000
Series 2011	2.0-5.3	2011	2031	11,550,000	7,635,000
Series 2011A	2.0-5.0	2011	2025	27,145,000	23,025,000
Series 2012 Refunding	1.0-2.0	2012	2026	7,740,000	7,675,000
Series 2013 Ref. & Improv.	1.5-3.25	2013	2033	10,975,000	9,550,000
Series 2013A	3.0-4.125	2014	2034	2,220,000	2,220,000
Total general obligation bonds					<u>88,822,435</u>
Certificates of obligation bonds:					
Tax and revenue bonds:					
Series 2006	4.0-5.50	2006	2026	8,291,250	-
Series 2006-A	4.125-4.375	2006	2027	11,947,500	9,218,000
Series 2007	4.0-4.50	2007	2027	6,610,000	4,860,000
Series 2008A	4.0-5.50	2009	2029	13,185,000	10,180,000
Series 2010	2.0-4.25	2010	2030	590,000	505,000
Series 2011	2.0-5.3	2011	2031	6,305,000	5,625,000
Series 2011A	2.0-4.0	2011	2031	7,430,000	6,815,000
Series 2013	2.0-3.25	2013	2033	8,830,000	8,560,000
Series 2013A	2.0-4.125	2014	2034	11,945,000	11,945,000
Total tax and revenue bonds					<u>57,708,000</u>
Tax and tax increment bonds					
Series 2001	3 month LIBOR + .31%	2000	2022	17,900,000	10,395,000
Series 2006	4.0-5.50	2006	2020	1,575,000	-
Series 2006-A	4.125-4.375	2006	2020	2,498,470	1,312,000
Series 2006-A	4.125-4.375	2006	2020	1,468,000	795,000
Series 2007	4.0-4.50	2007	2017	1,235,000	420,000
Series 2008A	4.0-5.50	2008	2021	10,550,000	6,825,000
Series 2008A	4.0-5.50	2008	2019	1,500,000	825,000
Series 2010	2.0-4.25	2010	2020	1,355,000	855,000
Series 2011	2.0-5.3	2011	2020	655,000	450,000
Series 2011	2.0-5.3	2011	2020	2,725,000	1,875,000
Series 2011A	2.0-5.0	2011	2025	1,545,000	1,210,000
Series 2012	1.0-2.0	2012	2021	890,000	880,000
Series 2013	2.0-3.25	2013	2021	265,000	220,000
Series 2013	2.0-3.25	2013	2021	2,820,000	2,460,000
Total tax and tax increment bonds					<u>28,522,000</u>
Sales Tax Venue CO's					
Series 2007A Crime Control	12 month LIBOR * 62.075 + .75	2007	2017	5,000,000	2,310,000
Series 2008 Crime Control	6 month LIBOR * 62.075+ 1.07	2008	2024	54,800,000	33,095,000
Total sales tax venue bonds					<u>35,405,000</u>
Total certificate of obligation bonds					<u>121,635,000</u>
Sales tax revenue bonds:					
Series 2009	3.77	2009	2027	13,390,000	11,915,000
Series 2013	2.0-4.0	2013	2027	11,060,000	10,220,000
Total sales tax revenue bonds					<u>22,135,000</u>
Sales Tax Venue Bonds					
Series 2007 Taxable Baseball	12 month LIBOR +.61%	2007	2019	16,850,000	2,565,000
Series 2007 Senior Center	12 month LIBOR * 62.075 + .75	2007	2019	3,000,000	1,790,000
Series 2008 Senior Center	6 month LIBOR * 62.075+ 1.28	2008	2024	16,850,000	5,500,000
Total sales tax venue bonds					<u>9,855,000</u>
Premiums/discounts, net	N/A	N/A	N/A	N/A	4,424,272
Compensated absences	N/A	N/A	N/A	N/A	14,504,712
Other Post Employment Benefits	N/A	N/A	N/A	N/A	4,691,875
Environmental remediation liability	N/A	N/A	N/A	N/A	40,000
Other liabilities	N/A	N/A	N/A	N/A	4,943,247
Total governmental long-term debt					<u>\$ 271,051,541</u>

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

	Balance October 1, 2013	Borrowings or Increase	Payments or Decrease	Balance September 30, 2014	Due Within One Year
General obligation bonds:					
Series 2006	\$ 140,000	\$ -	\$ (140,000)	\$ -	\$ -
Series 2006-A	3,165,000	-	(165,000)	3,000,000	170,000
Series 2007	26,073,283	-	(2,470,848)	23,602,435	2,573,800
Series 2008	7,805,000	-	(325,000)	7,480,000	340,000
Series 2010	4,850,000	-	(215,000)	4,635,000	220,000
Series 2011	8,315,000	-	(680,000)	7,635,000	620,000
Series 2011A	25,125,000	-	(2,100,000)	23,025,000	1,975,000
Series 2012	7,740,000	-	(65,000)	7,675,000	565,000
Series 2013	10,975,000	-	(1,425,000)	9,550,000	1,560,000
Series 2013A	-	2,220,000	-	2,220,000	80,000
Total general obligation bonds	94,188,283	2,220,000	(7,585,848)	88,822,435	8,103,800
Certificates of obligation bonds:					
Tax and revenue bonds:					
Series 2006	315,000	-	(315,000)	-	-
Series 2006-A	9,669,000	-	(451,000)	9,218,000	476,000
Series 2007	5,135,000	-	(275,000)	4,860,000	290,000
Series 2008A	10,720,000	-	(540,000)	10,180,000	570,000
Series 2010	530,000	-	(25,000)	505,000	25,000
Series 2011	5,855,000	-	(230,000)	5,625,000	235,000
Series 2011A	7,125,000	-	(310,000)	6,815,000	320,000
Series 2013	8,830,000	-	(270,000)	8,560,000	355,000
Series 2013A	-	11,945,000	-	11,945,000	420,000
	48,179,000	11,945,000	(2,416,000)	57,708,000	2,691,000
Tax and tax increment bonds:					
Series 2001	11,335,000	-	(940,000)	10,395,000	1,010,000
Series 2006	100,000	-	(100,000)	-	-
Series 2006-A	1,501,000	-	(189,000)	1,312,000	199,000
Series 2006-A	905,000	-	(110,000)	795,000	115,000
Series 2007	550,000	-	(130,000)	420,000	135,000
Series 2008A	7,630,000	-	(805,000)	6,825,000	845,000
Series 2008A	970,000	-	(145,000)	825,000	150,000
Series 2010	985,000	-	(130,000)	855,000	130,000
Series 2011	520,000	-	(70,000)	450,000	70,000
Series 2011	2,160,000	-	(285,000)	1,875,000	290,000
Series 2011A	1,365,000	-	(155,000)	1,210,000	165,000
Series 2012	890,000	-	(10,000)	880,000	115,000
Series 2013	265,000	-	(45,000)	220,000	50,000
Series 2013	2,820,000	-	(360,000)	2,460,000	390,000
	31,996,000	-	(3,474,000)	28,522,000	3,664,000
Total certificate of obligation bonds	80,175,000	11,945,000	(5,890,000)	86,230,000	6,355,000
Sales tax revenue bonds:					
Series 2009	12,490,000	-	(575,000)	11,915,000	410,000
Series 2013	11,060,000	-	(840,000)	10,220,000	1,055,000
Total sales tax revenue bonds	23,550,000	-	(1,415,000)	22,135,000	1,465,000
Sales tax venue revenue bonds:					
Series 2007	4,320,000	-	(1,755,000)	2,565,000	1,855,000
Series 2007	2,110,000	-	(320,000)	1,790,000	330,000
Series 2007A certificate of obligation bonds	3,020,000	-	(710,000)	2,310,000	740,000
Series 2008	6,050,000	-	(550,000)	5,500,000	650,000
Series 2008 certificate of obligation bonds	35,275,000	-	(2,180,000)	33,095,000	2,460,000
Total sales tax venue bonds	50,775,000	-	(5,515,000)	45,260,000	6,035,000
Premiums/discounts, net	4,278,492	486,234	(340,454)	4,424,272	-
Compensated absences:	14,112,100	7,763,601	(7,370,989)	14,504,712	5,846,573
Other post employment benefits	4,701,004	-	(9,129)	4,691,875	-
Environmental remediation liability	-	40,000	-	40,000	40,000
Other liabilities	6,104,023	-	(1,160,776)	4,943,247	1,160,776
Total	\$ 277,883,902	\$ 22,454,835	\$ (29,287,196)	\$ 271,051,541	\$ 29,006,149

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

Fiscal Year	General Obligation Bonds			Certificates of Obligation Bonds			TIF Certificates of Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	8,103,800	3,245,500	11,349,300	2,691,000	2,261,615	4,952,615	3,664,000	2,140,784	5,804,784
2016	8,191,752	2,960,220	11,151,972	2,776,000	2,174,894	4,950,894	3,824,000	1,888,858	5,712,858
2017	8,458,744	2,666,468	11,125,212	2,746,000	2,085,705	4,831,705	4,009,000	1,618,804	5,627,804
2018	8,400,734	2,339,300	10,740,034	2,846,000	1,993,291	4,839,291	4,059,000	1,330,506	5,389,506
2019	8,437,405	2,022,124	10,459,529	2,956,000	1,892,101	4,848,101	4,254,000	1,025,173	5,279,173
2020	7,480,000	1,716,800	9,196,800	3,068,000	1,774,598	4,842,598	4,292,000	700,943	4,992,943
2021	7,010,000	1,426,398	8,436,398	3,460,000	1,637,816	5,097,816	2,785,000	389,663	3,174,663
2022	6,550,000	1,173,294	7,723,294	3,625,000	1,486,812	5,111,812	1,635,000	61,313	1,696,313
2023	5,465,000	949,961	6,414,961	3,550,000	1,331,158	4,881,158	-	-	-
2024	5,045,000	747,599	5,792,599	3,705,000	1,178,604	4,883,604	-	-	-
2025	4,020,000	573,971	4,593,971	3,860,000	1,023,858	4,883,858	-	-	-
2026	3,575,000	426,026	4,001,026	4,040,000	857,102	4,897,102	-	-	-
2027	2,965,000	287,531	3,252,531	4,215,000	678,092	4,893,092	-	-	-
2028	1,585,000	183,230	1,768,230	2,960,000	521,648	3,481,648	-	-	-
2029	1,440,000	112,725	1,552,725	3,095,000	388,295	3,483,295	-	-	-
2030	775,000	63,753	838,753	2,235,000	274,683	2,509,683	-	-	-
2031	405,000	40,956	445,956	2,295,000	183,254	2,478,254	-	-	-
2032	375,000	26,856	401,856	1,340,000	112,091	1,452,091	-	-	-
2033	385,000	13,306	398,306	1,395,000	61,297	1,456,297	-	-	-
2034	155,000	3,197	158,197	850,000	17,531	867,531	-	-	-
	\$ 88,822,435	\$ 20,979,215	\$ 109,801,650	\$ 57,708,000	\$ 21,934,445	\$ 79,642,445	\$ 28,522,000	\$ 9,156,044	\$ 37,678,044

Fiscal Year	Venue Sales Tax Revenue Bonds			Park Venue Sales Tax Revenue Bonds			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	6,035,000	1,418,176	7,453,176	1,465,000	731,667	2,196,667	21,958,800	9,797,742	31,756,542
2016	5,360,000	1,303,315	6,663,315	1,505,000	690,595	2,195,595	21,656,752	9,017,882	30,674,634
2017	5,125,000	1,104,768	6,229,768	1,565,000	644,053	2,209,053	21,903,744	8,119,798	30,023,542
2018	5,625,000	935,230	6,560,230	1,615,000	595,704	2,210,704	22,545,734	7,194,031	29,739,765
2019	6,190,000	754,505	6,944,505	1,665,000	545,691	2,210,691	23,502,405	6,239,594	29,741,999
2020	6,130,000	559,094	6,689,094	1,720,000	490,514	2,210,514	22,690,000	5,241,949	27,931,949
2021	5,550,000	362,321	5,912,321	1,785,000	432,067	2,217,067	20,590,000	4,248,265	24,838,265
2022	5,245,000	188,894	5,433,894	1,860,000	371,136	2,231,136	18,915,000	3,281,449	22,196,449
2023	-	-	-	1,930,000	305,412	2,235,412	10,945,000	2,586,531	13,531,531
2024	-	-	-	2,010,000	232,566	2,242,566	10,760,000	2,158,769	12,918,769
2025	-	-	-	2,095,000	152,772	2,247,772	9,975,000	1,750,601	11,725,601
2026	-	-	-	2,105,000	71,785	2,176,785	9,720,000	1,354,913	11,074,913
2027	-	-	-	815,000	15,610	830,610	7,995,000	981,233	8,976,233
2028	-	-	-	-	-	-	4,545,000	704,878	5,249,878
2029	-	-	-	-	-	-	4,535,000	501,020	5,036,020
2030	-	-	-	-	-	-	3,010,000	338,436	3,348,436
2031	-	-	-	-	-	-	2,700,000	224,210	2,924,210
2032	-	-	-	-	-	-	1,715,000	138,947	1,853,947
2033	-	-	-	-	-	-	1,780,000	74,603	1,854,603
	\$ 45,260,000	\$ 6,626,303	\$ 51,886,303	\$ 22,135,000	\$ 5,279,572	\$ 27,414,572	\$ 242,447,435	\$ 63,975,579	\$ 306,423,014

**CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

b) Business Type Activities Long-Term Debt

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

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

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

	Interest Rate %	Year of Issue	Year of Maturity	Original Amount	Amount Outstanding
Water and wastewater					
Revenue bonds:					
Series 2006	4.0-5.5	2006	2026	4,840,000	-
Series 2006-A	4.25-4.375	2006	2027	6,625,000	4,975,000
Series 2007	4.0-4.50	2007	2027	15,845,000	11,595,000
Series 2008	3.5-5.50	2009	2029	4,940,000	4,105,000
Series 2010	0.0-2.587	2010	2030	4,995,000	4,220,000
Series 2011	2.0-4.25	2011	2031	8,940,000	5,925,000
Series 2011A	2.0-5.0	2011	2031	11,020,000	9,555,000
Series 2012	0	2012	2015	495,000	165,000
Series 2013	2.0-4.0	2013	2026	14,045,000	13,835,000
Series 2013A	0.0-0.31	2013	2019	1,805,000	1,505,000
Series 2014	0.0-1.990	2014	2030	4,000,000	4,000,000
Total revenue bonds					<u>59,880,000</u>
Premiums/discounts, net					1,178,762
Compensated absences					272,050
Total water and wastewater long-term debt					<u>61,330,812</u>
Solid waste					
Closure and post closure liability	N/A	N/A	N/A	N/A	6,356,244
Compensated absences	N/A	N/A	N/A	N/A	69,035
Total solid waste long-term debt					<u>6,425,279</u>
Municipal airport					
Certificates of obligation bonds:					
Series 2004A	2.25-5.0	2004	2024	2,120,000	1,575,000
Compensated absences	N/A	N/A	N/A	N/A	32,181
Total municipal airport long-term debt					<u>1,607,181</u>
Municipal golf					
General obligation bonds:					
Series 2007	4.0-4.50	2007	2019	1,482,000	957,566
Series 2011A	2.0-5.0	2011	2025	1,170,000	940,000
Series 2012	1.0-2.0	2012	2026	125,000	125,000
Total general obligation bonds					<u>2,022,566</u>
Certificate of obligation bonds:					
Series 2006	4.0-5.50	2006	2026	153,750	-
Total certificate of obligation bonds					<u>-</u>
Premiums/discounts, net	N/A	N/A	N/A	N/A	93,196
Compensated absences	N/A	N/A	N/A	N/A	52,972
Total municipal golf long-term debt					<u>2,168,734</u>
Total business-type activities' long-term debt					<u>\$ 71,532,006</u>

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

	Balance October 1, 2013	Borrowings or Increase	Payments or Decrease	Balance September 30, 2014	Due Within One Year
Water and wastewater					
Revenue bonds:					
Series 2006	\$ 210,000	\$ -	\$ (210,000)	\$ -	\$ -
Series 2006-A	5,245,000	-	(270,000)	4,975,000	285,000
Series 2007	12,255,000	-	(660,000)	11,595,000	685,000
Series 2008	4,285,000	-	(180,000)	4,105,000	190,000
Series 2010	4,425,000	-	(205,000)	4,220,000	210,000
Series 2011	6,740,000	-	(815,000)	5,925,000	745,000
Series 2011A	10,440,000	-	(885,000)	9,555,000	915,000
Series 2012	330,000	-	(165,000)	165,000	165,000
Series 2013	14,045,000	-	(210,000)	13,835,000	515,000
Series 2013A	1,805,000	-	(300,000)	1,505,000	300,000
Series 2014	-	4,000,000	-	4,000,000	240,000
Total revenue bonds	59,780,000	4,000,000	(3,900,000)	59,880,000	4,250,000
Premiums/discount, net	1,271,207	-	(92,445)	1,178,762	-
Compensated absences	249,542	399,811	(377,303)	272,050	272,050
Total water and wastewater long-term debt	61,300,749	4,399,811	(4,369,748)	61,330,812	4,522,050
Solid waste					
Closure and post closure liability	5,993,696	362,548	-	6,356,244	-
Compensated absences	73,775	107,367	(112,107)	69,035	69,035
Total solid waste long-term debt	6,067,471	469,915	(112,107)	6,425,279	69,035
Municipal airport					
Certificate of obligation bonds:					
Series 2004A	1,695,000	-	(120,000)	1,575,000	125,000
Compensated absences	35,250	20,614	(23,683)	32,181	22,330
Total municipal airport long-term debt	1,730,250	20,614	(143,683)	1,607,181	147,330
Municipal golf					
General obligation bonds:					
Series 2007	1,126,718	-	(169,152)	957,566	176,200
Series 2011A	1,010,000	-	(70,000)	940,000	75,000
Series 2012	125,000	-	-	125,000	10,000
Total general obligation bonds	2,261,718	-	(239,152)	2,022,566	261,200
Certificate of obligation bonds:					
Series 2006	5,000	-	(5,000)	-	-
Total certificate of obligation bonds	5,000	-	(5,000)	-	-
Premiums/discount, net	101,578	-	(8,382)	93,196	-
Compensated absences	44,396	52,231	(43,655)	52,972	44,260
Total municipal golf long-term debt	2,412,692	52,231	(296,189)	2,168,734	305,460
Storm water					
Compensated absences	6,384	10,884	(17,268)	-	-
Total business-type activities' long-term debt	<u>\$ 71,517,546</u>	<u>\$ 4,953,455</u>	<u>\$ (4,938,995)</u>	<u>\$ 71,532,006</u>	<u>\$ 5,043,875</u>

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(i) Water and Wastewater System Debt

On March 18, 2014 the City issued \$4,000,000 in Water and Wastewater System Revenue Bonds, New Series 2014. The proceeds are to be used for Phase I of the AMI Water Meter Conversion Project and will remain in the Texas Water Development Board Drinking Water State Revolving Fund until committed.

- Defeased Debt Outstanding

At September 30, 2014, all of the previously defeased debt has been paid off.

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

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

The following covenants are included in each of the various water and wastewater system revenue bond indenture ordinances:

- Net revenues (defined as gross revenues less expenses of operation and maintenance) are pledged for the payment of bond principal and interest.
- Additional water and wastewater system revenue bonds cannot be issued unless the “net earnings” (defined as gross revenues after deducting the expenses of operation and maintenance, excluding depreciation and certain other items specified in the ordinances) of the system for 12 consecutive months out of the 15 months prior to the date of such bonds is equal to at least 1.25 times the average annual requirements for the payment of principal and interest on the then outstanding bonds and any additional bonds then proposed to be issued.
- All revenues derived from the operations must be kept separate from other funds of the City.
- The amount required to meet interest and principal payments falling due on or before the next maturity dates of the bonds is to be paid into the water and wastewater system interest and redemption account during each year.

At September 30, 2014, the City was in compliance with these covenants.

CITY OF GRAND PRAIRIE, TEXAS
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Debt service to maturity on the City's outstanding water and wastewater system bond debt is summarized as follows:

Water and Wastewater System Revenue Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 4,250,000	\$ 1,939,175	\$ 6,189,175
2016	4,380,000	1,812,079	6,192,079
2017	4,505,000	1,684,973	6,189,973
2018	4,715,000	1,548,597	6,263,597
2019	5,010,000	1,392,564	6,402,564
2020	4,605,000	1,230,430	5,835,430
2021	4,775,000	1,064,485	5,839,485
2022	4,955,000	889,080	5,844,080
2023	4,600,000	721,808	5,321,808
2024	4,635,000	569,670	5,204,670
2025	4,075,000	422,068	4,497,068
2026	3,050,000	292,948	3,342,948
2027	2,785,000	177,911	2,962,911
2028	1,180,000	100,689	1,280,689
2029	1,225,000	57,558	1,282,558
2030	860,000	23,140	883,140
2031	275,000	5,500	280,500
Total	<u>\$ 59,880,000</u>	<u>\$ 13,932,675</u>	<u>\$ 73,812,675</u>

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Water and Wastewater System Debt Service Coverage

According to the terms of the ordinance which authorized the sale of Water and Wastewater Revenue Bonds, the Water and Wastewater system will produce net revenues each year in an amount reasonably estimated to be not less than 1.25 times the average annual principal and interest requirements of the outstanding bonds. At September 30, 2014, compliance with this requirement can be demonstrated as follows:

Revenue (1)	\$ 61,910,609
Operating expense (excluding depreciation):	
Water purchased	11,850,914
Sewage disposal contract	12,716,847
Other	<u>19,284,759</u>
Total expense (2)	43,852,520
Available for debt service	\$ 18,058,089
Average annual principal and interest requirements, all water and wastewater revenue bonds at September 30, 2014	\$ 4,341,922
Coverage of average annual requirements based on September 30, 2014 revenue available for debt service	4.16

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

(2) Excludes depreciation expense.

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(ii) Municipal Golf Course Long-Term Debt

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

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

General Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 261,200	\$ 81,015	\$ 342,215
2016	273,248	72,727	345,975
2017	286,257	63,992	350,249
2018	294,266	54,497	348,763
2019	307,595	36,205	343,800
2020	105,000	20,270	125,270
2021	110,000	15,720	125,720
2022	115,000	11,760	126,760
2023	120,000	7,600	127,600
2024	125,000	2,900	127,900
2025	10,000	400	10,400
2026	15,000	150	15,150
Total	<u>\$ 2,022,566</u>	<u>\$ 367,236</u>	<u>\$ 2,389,802</u>

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

(iii) Municipal Airport Long-Term Debt

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

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

Certificate of Obligation Bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 125,000	\$ 72,973	\$ 197,973
2016	130,000	67,072	197,072
2017	140,000	60,660	200,660
2018	145,000	53,891	198,891
2019	150,000	46,979	196,979
2020	160,000	39,710	199,710
2021	170,000	31,830	201,830
2022	175,000	23,375	198,375
2023	185,000	14,375	199,375
2024	195,000	4,875	199,875
Total	<u>\$ 1,575,000</u>	<u>\$ 415,740</u>	<u>\$ 1,990,740</u>

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

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

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

A summary of long-term debt activity during the fiscal year ended December 31, 2013 follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Note payable	\$ 2,259,331	\$ -	\$ (45,791)	\$ 2,213,540	\$ 49,981
Line of credit	118,812	-	(20,000)	98,812	98,812
Revenue bonds	8,340,000	-	(160,000)	8,180,000	175,000
Subordinate bonds	4,550,000	-	-	4,550,000	-
Developer loan	1,174,974	41,760	-	1,216,734	-
Total	<u>\$ 16,443,117</u>	<u>\$ 41,760</u>	<u>\$ (225,791)</u>	<u>\$ 16,259,086</u>	<u>\$ 323,793</u>

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

Future maturities of the debt are as follows:

Fiscal Year Ending December 31	Note Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 49,981	\$ 136,878	\$ 175,000	\$ 628,119
2015	53,253	133,659	190,000	614,619
2016	56,678	130,234	200,000	600,181
2017	60,324	126,588	220,000	584,619
2018	64,136	122,776	235,000	567,978
2019-2023	1,929,168	190,564	1,470,000	2,534,775
2024-2028	-	-	2,165,000	1,853,025
2029-2033	-	-	3,155,000	852,888
2034	-	-	370,000	14,338
Total	<u>\$ 2,213,540</u>	<u>\$ 840,699</u>	<u>\$ 8,180,000</u>	<u>\$ 8,250,542</u>

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

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Conduit Debt – Mortgage Revenue Bonds

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

At December 31, 2013, outstanding conduit debt was as follows:

<u>Bond Series</u>	<u>Original Issue Amount</u>	<u>Outstanding Amount</u>
2004B Single-Family Mortgage Revenue & Refunding Bonds	\$ 7,500,000	<u>\$ 1,223,082</u>
	Total	<u><u>\$ 1,223,082</u></u>

4) Retirement Plan

Plan Description - The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 850 administered by TMRS, an agent multiple-employer public employee retirement system.

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

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

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employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions – Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

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The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Actuarial Valuation Date	December 31, 2011	December 31, 2012	December 31, 2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level of Percent of Payroll	Level of Percent of Payroll	Level of Percent of Payroll
Remaining Amortization Period	26.1 Years/Closed	25.1 Years/Closed	22.0 Years/Closed
Amortization Period for new Gains/Losses	30 Years	30 Years	30 Years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1% (3.0% CPI)	2.1% (3.0% CPI)	2.1% (3.0% CPI)

Funded Status and Funding Progress – In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

Note: The TMRS Board of Trustees has adopted a 10-year smoothing method with a 15% corridor to determine the System's actuarial value of assets (AVA). This "smoothing method" is intended to help reduce the volatility of the contribution rates from one year to the next.

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	\$376,082,419	\$450,523,220	\$ 74,440,801	83.5%	\$ 68,769,035	108.2%

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

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

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

Supplemental Death Benefits Fund	Plan Year 2013	Plan Year 2014
Active employees	Yes	Yes
Retirees	Yes	Yes

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

The City’s contributions to the TMRS SDBF for the years ended 2014, 2013, and 2012 were \$21,562, \$20,363, and \$19,803, respectively, which equaled the required contributions each year.

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

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2011	0.03%	0.03%	100%
2012	0.03%	0.03%	100%
2013	0.03%	0.03%	100%

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5) Post-Employment Benefits Other than Pension Benefits

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

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

TMRS Retirement / Plan option may include:

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

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

Benefits

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

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

Spouse Coverage

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

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

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

Child / Dependent Coverage

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

Opt-outs / Payment-in-lieu / Reimbursements

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

Types of Coverage Offered

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

Employee / Retiree 2014 Monthly Health Care Premiums (Employee Pays Portion)

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

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

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

Funding Policy and Annual OPEB Cost

The City's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2007 as required by GASB. The City's annual OPEB cost for the current year is as follows:

Annual required contribution	\$ 2,628,469
Interest on OPEB obligation	211,545
Adjustment to ARC	<u>(191,743)</u>
Annual OPEB cost (expense) end of year	2,648,271
Net estimated employer contributions	<u>2,657,400</u>
Increase/(decrease) in net OPEB obligation	(9,129)
Net OPEB obligation as of beginning of the year	<u>4,701,004</u>
Net OPEB obligation (asset) as of end of the year	<u><u>\$ 4,691,875</u></u>

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2014 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost	Net OPEB Obligation
2012	\$2,306,748	61.6%	\$3,709,278
2013	2,434,053	59.3%	4,701,004
2014	2,648,271	100.3%	4,691,875

Funding status and funding progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45, as of September 30, 2014 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a % of Payroll
9/30/2014	-	\$ 33,019,361	\$ 33,019,361	0%	\$67,055,488	49.24%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$33,019,361 at September 30, 2014.

Actuarial methods and assumptions

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

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

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Actuarial Methods and Assumptions

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

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

Fiscal Year Ended	Employer Annual Required Contribution	Employer Amount Contributed	Interest on NOO (9) x 4.5%	ARC Adjustment (9) / (6)	Amortization Factor	OPEB cost (2)+(4)-(5)	Change in NOO (7) - (3)	NOO Balance NOO + (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
09/30/08	\$ 1,477,994	\$ 990,121	\$ -	\$ -	23.9854	\$ 1,477,994	\$ 487,873	\$ 487,873
09/30/09	\$ 1,522,334	\$ 1,467,368	\$ 21,954	\$ 20,340	23.9854	\$ 1,523,948	\$ 56,580	\$ 544,453
09/30/10	\$ 2,128,596	\$ 860,144	\$ 24,500	\$ 22,699	23.9854	\$ 2,130,397	\$ 1,270,253	\$ 1,814,706
09/30/11	\$ 2,114,805	\$ 1,113,112	\$ 81,662	\$ 74,018	24.5200	\$ 2,122,449	\$ 1,009,337	\$ 2,824,044
09/30/12	\$ 2,294,853	\$ 1,421,514	\$ 127,082	\$ 115,187	24.5200	\$ 2,306,748	\$ 885,234	\$ 3,709,278
09/30/13	\$ 2,418,429	\$ 1,442,328	\$ 166,918	\$ 151,293	24.5200	\$ 2,434,054	\$ 991,726	\$ 4,701,004
09/30/14	\$ 2,628,469	\$ 2,657,400	\$ 211,545	\$ 191,743	24.5200	\$ 2,648,271	\$ (9,129)	\$ 4,691,875

6) Closure and Post Closure Liability

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfills stop accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The City follows the provisions of GASB Statement No. 18 Accounting for Municipal Solid Waste Landfill Closure and Post closure Care Costs. Accordingly, the City has recorded a closure and post closure care liability of \$6,356,244 in the Solid Waste Fund. The total liability represents the cumulative amount reported to date based on the use of 40.71% of the estimated capacity of the landfill.

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The City will recognize the remaining estimated cost of closure and post closure care of \$9,375,386 as the remaining estimated capacity is filled. The City expects to close the landfill in year 2037. Actual cost may be higher or lower due to inflation, changes in technology or changes in regulations.

7) Environmental Remediation Obligations

The City has recorded a liability and an asset related to environmental remediation in the amount of \$40,000, on the Statement of Net Position and on the Statement of Activities. The estimates of the liabilities are prepared by the Environmental Professional Group and by the City's Environmental Quality Manager and based on a range of expected outlays, net of expected cost recoveries, if any, for the type and amount of pollution contamination detected. The estimates are reviewed and adjusted periodically for price changes, additional contamination and any other changes detected.

- The City of Grand Prairie owns the building and is responsible for the asbestos abatement at 317 College Street.

Environmental remediation liability activity in fiscal year 2014 was as follows:

Property Description	Beginning Balance 9/30/2013	Additions	Reductions	Ending Balance 9/30/2014	Current Portion
City Hall Asbestos Abatement	\$ -	\$ 40,000	\$ -	\$ 40,000	\$ 40,000
Total	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>

8) Other Liabilities

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

The liability amount to the State Comptroller of Texas is being repaid from future sales tax revenue over the next 13 years. The liability is for sales tax previously allocated to the City, but determined, though taxpayer audits, to be due back to the taxpayer.

Liability to Outlet Mall Developer	\$ 3,000,000
Liability to state comptroller office	<u>1,943,247</u>
Total Other Liabilities	<u>\$ 4,943,247</u>

c. Fund Equity, Net Position, and Fund Balance

1) Fund Equity

A fund's equity is generally the difference between its assets deferred outflows of resources and liabilities deferred outflows of resources.

2) Net Position: Net Investment in Capital Assets

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

3) Net Position: Restricted

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

4) Net Position: Unrestricted

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

5) Fund Balance Disclosure

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

- Non-spendable – includes amounts that are not in a spendable form or are required to be maintained intact, for example Inventory, prepaids or permanent funds.
- Restricted – includes amounts that can be spent only for specific purposes either constitutionally or through enabling legislation (e.g., grants and child safety fees).
- Committed – includes amounts that can be used only for the specific purposes pursuant to constraints imposed by the City Council ordinance or resolution action, which are considered equally restrictive for the purpose of committing fund balance. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end.
- Assigned – comprises amounts intended to be used by the government for specific purposes. The City Council has delegated responsibility to assign fund balances to

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

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

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

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

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

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

- Restricted
- Committed
- Assigned
- Unassigned

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

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	General Fund	Section 8	Street Improvements	Grant	Debt Service	Non Major Capital Projects Funds	Non Major Special Revenue Funds	Total
FUND BALANCES:								
Nonspendable:								
Pre-paids	\$ 16,627	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,775	\$ 47,402
Spendable:								
Restricted for:								
Section 8	-	1,846,377	-	-	-	-	-	1,846,377
Street Improvements	-	-	27,465,119	-	-	-	-	27,465,119
Grant	-	-	-	1,827,923	-	-	-	1,827,923
Debt Service	-	-	-	-	10,501,572	-	-	10,501,572
Fire Capital	-	-	-	-	-	4,727,444	-	4,727,444
Park Venue	-	-	-	-	-	-	6,381,766	6,381,766
Senior Center	-	-	-	-	-	-	5,467,540	5,467,540
Hotel Motel	-	-	-	-	-	-	1,454,407	1,454,407
Police seizure	-	-	-	-	-	-	601,176	601,176
Tax Increment Financing	-	-	-	-	-	-	12,501,732	12,501,732
Lake/Parks	-	-	-	-	-	-	2,734,631	2,734,631
Baseball stadium	-	-	-	-	-	-	2,502,650	2,502,650
Streets	-	-	-	-	-	-	3,837,096	3,837,096
Crime fund operations	-	-	-	-	-	-	7,909,311	7,909,311
Cemetery	-	-	-	-	-	-	681,684	681,684
Other purposes	-	-	-	-	-	-	1,706,763	1,706,763
Other Special Revenue	-	-	-	-	-	-	2,431,333	2,431,333
Public Improvement Districts	-	-	-	-	-	-	1,517,451	1,517,451
Total Restricted	-	1,846,377	27,465,119	1,827,923	10,501,572	4,727,444	49,727,540	96,095,975
Committed to:								
Municipal Facilities	-	-	-	-	-	2,953,333	-	2,953,333
CAP Lending	-	-	-	-	-	3,880,827	-	3,880,827
Drainage Capital	-	-	-	-	-	8,742,083	-	8,742,083
Police Capital projects	-	-	-	-	-	4,940,878	-	4,940,878
Other Capital projects	-	-	-	-	-	3,798,171	-	3,798,171
Cemetery	-	-	-	-	-	-	571,933	571,933
Economic Development	-	-	-	-	-	-	33,592	33,592
Total Committed	-	-	-	-	-	24,315,292	605,525	24,920,817
Assigned to:								
Encumbrances	167,538	-	-	-	-	-	-	167,538
Home Match Cash Fund	49,911	-	-	-	-	-	-	49,911
Employee Welfare	46,294	-	-	-	-	-	-	46,294
Library Memorials	33,439	-	-	-	-	-	-	33,439
At Risk Youths	36,091	-	-	-	-	-	-	36,091
Impact Grand Prairie	5,169	-	-	-	-	-	-	5,169
Anti Drug Program	27,987	-	-	-	-	-	-	27,987
Greg Hunter Scholarship	55,515	-	-	-	-	-	-	55,515
Police Memorials	6,984	-	-	-	-	-	-	6,984
Shattered Dreams	1,146	-	-	-	-	-	-	1,146
State Training (Police)	3,555	-	-	-	-	-	-	3,555
Animal Shelter Contributions	184,498	-	-	-	-	-	-	184,498
Parks Education Foundation	4,864	-	-	-	-	-	-	4,864
Westchester Park	12,740	-	-	-	-	-	-	12,740
Uptown Trust	95,268	-	-	-	-	-	-	95,268
First Offender Program	25,020	-	-	-	-	-	-	25,020
Kirby Creek Accessibility Garden	53,089	-	-	-	-	-	-	53,089
Take a Load Off Facility	224,646	-	-	-	-	-	-	224,646
US Marshals Service Agreement	90,552	-	-	-	-	-	-	90,552
Other projects	12,813	-	-	-	-	-	-	12,813
Total Assigned	1,137,119	-	-	-	-	-	-	1,137,119
Unassigned	22,961,626	-	-	-	-	-	-	22,961,626
Total fund balances:	\$24,115,372	\$1,846,377	\$ 27,465,119	\$ 1,827,923	\$ 10,501,572	\$ 29,042,736	\$ 50,363,840	\$ 145,162,939

**CITY OF GRAND PRAIRIE, TEXAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2014**

d. Interfund Transactions

The composition of interfund balances as of September 30, 2014, is as follows:

1) Interfund Receivables/Payables

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

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

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

**CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

2) Interfund Transfers

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

	Transfers In			
	General Fund	Street Improvements	Debt Service	Grant Fund
<u>Transfers out:</u>				
General Fund	\$ -	\$ -	\$ -	\$ 827,130
Section 8	-	-	50,000	-
Street Improvements	-	-	-	260,748
Grant Fund	499,009	451,066	-	-
Debt Service	-	168,051	-	-
Nonmajor				
Governmental Funds	-	494,761	110,000	200,572
Water/wastewater	-	-	-	-
Nonmajor				
Enterprise Funds	-	-	-	-
Total	\$ 499,009	\$ 1,113,878	\$ 160,000	\$ 1,288,450

	Transfers In			
	Nonmajor Governmental Funds	Water Wastewater	Municipal Golf	Total
<u>Transfers out:</u>				
General Fund	\$ 13,085,810	\$ -	\$ -	\$ 13,912,940
Section 8	-	-	-	50,000
Street Improvements	-	-	-	260,748
Grant Fund	27,723	6,600	-	984,398
Debt Service	51,949	-	333,156	553,156
Nonmajor				
Governmental Funds	14,274,513	16,000	725,000	15,820,846
Water/wastewater	1,317,158	-	-	1,317,158
Nonmajor				
Enterprise Funds	4,030,875	-	-	4,030,875
Total	\$ 32,788,028	\$ 22,600	\$ 1,058,156	\$ 36,930,121

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, (3) move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, and (4) move capital assets from one fund to another.

3) Cost Reimbursements

The cost of the City's central general and administrative services is allocated to the designated special revenue and enterprise funds. These costs are reported as interfund services provided and used rather than interfund transactions, and are treated as revenue in the General Fund and expense in the other funds. Interfund services provided and used are "arms-length" transactions between departments or funds that would be treated as revenues, expenditures or

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

expenses if they were with an external organization. The distinguishing aspect of interfund services provided and used are that each department or fund both gives and receives consideration.

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

<u>Fund</u>	<u>Amount</u>
Water and Wastewater Funds	\$ 3,300,124
Solid Waste Funds	349,689
Grant Ffund	59,144
Storm Water Funds	77,648
Airport Fund	59,237
Other Nonmajor Governmental Funds	<u>280,375</u>
Total to General Fund	<u>\$ 4,126,217</u>

4) Franchise Fees

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

<u>Fund</u>	<u>Amount</u>
Water and Wastewater Funds	\$ 2,283,480
Solid Waste Funds	318,192
Storm Water Funds	<u>218,381</u>
Total	<u>\$ 2,820,053</u>

5) Payments in Lieu of Property Taxes

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

**CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

<u>Fund</u>	<u>Amount</u>
Water and Wastewater Funds	\$ 1,167,158
Solid Waste Funds	<u>82,875</u>
Total	<u>\$ 1,250,033</u>

e. Leases

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

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

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

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

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

<u>Year</u>	<u>Amount</u>
2015	\$ 1,597,200
2016	1,597,200
2017	1,716,990
2018	1,756,920
2019	1,756,920
Thereafter	<u>14,324,751</u>
	22,749,981
Less interest	<u>8,638,197</u>
Net present value	14,111,784
Less current portion	<u>500,656</u>
Non-current portion	<u>\$ 13,611,128</u>

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

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

The lease has been accounted for as a capital lease. However, only the base rent payments are determinable and are included in the lease payments receivable at the net present value of future rent payments. The remaining portion of the Facility is recorded as estimated unguaranteed residual value of the lease. Its fair value is estimated to be approximately equal to the differences between the original cost plus capitalized improvements of the Facility, net of what accumulated depreciation would be, and the fixed lease payments receivable. Therefore, this amount is being amortized over the life of the lease (30 years). Amortization for the year ended September 30, 2014 was \$3,676,692. Additional contingent rentals are recorded as revenue when received.

The capital lease is being amortized using the interest method over the 30-year life of the lease. The Corporation has recorded lease rental and interest for the year ended September 30, 2014 as follows:

Nominal interest on the lease	\$ 1,599,599
Amortization of the lease	<u>(462,759)</u>
Net interest	1,136,840
Contingent rentals received (includes rent for simulcast facility prior to completion of project)	<u>225,514</u>
Total lease rental and interest	<u>\$ 1,362,354</u>

4. CONTRACTS, COMMITMENTS AND CONTINGENT LIABILITIES

a. Federal Grants

The City participates in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

b. Litigation

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

c. Water Intake Facility Contract

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

d. Water Purchase Contracts

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

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

The City has a 30-year contract with the City of Dallas, which expires in 2042, for the purchase of water. Grand Prairie currently takes up to 33.8 million gallons a day, and pays a fixed demand charge plus a volume charge. The demand charge is based on current maximum demand or the highest demand established during the five preceding years whichever is greater. Thus, even if the City were to stop purchasing water from Dallas, its obligation to pay the demand charge (\$223,308 per million gallons per day) would extend for five years. The maximum may be increased in future years as needed. Grand Prairie has two intake points for

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

e. Wastewater Treatment Contract

The City has a 50 year contract with TRA, which will expire in 2023, for wastewater treatment. The City is billed for its prorated share of total wastewater costs, which was 11.30% during fiscal year 2014. The City must pay its prorated share of the debt service related to wastewater treatment facilities until the debt matures whether it contributes to flow or not.

f. Master and Other Agreements

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

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

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

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

**CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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

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

g. Construction Commitments

The City has several approved outstanding major capital projects as of September 30, 2014. The City's total committed but unexpended expenditures for such authorized capital projects at year-end approximates \$52,470,386. Funding for these contracts will be received through various capital projects funds and enterprise funds.

CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

5. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

	<u>Municipal Airport</u>
<u>Condensed statement of net position:</u>	
Current assets	\$ 2,317,187
Capital assets	<u>12,717,177</u>
Total assets	<u>15,034,364</u>
Current liabilities	559,086
Long-term liabilities	<u>1,459,851</u>
Total liabilities	<u>2,018,937</u>
Net position: Net investment in capital assets	11,142,177
Net position: Unrestricted	<u>1,873,250</u>
Total net position	<u>\$ 13,015,427</u>
<u>Condensed statement of revenues, expenses and changes in net position:</u>	
Sales to customers	\$ 1,641,337
Intergovernmental revenue	42,697
Miscellaneous	<u>1,336,784</u>
Total operating revenues	<u>3,020,818</u>
Depreciation	1,224,131
Other operating expenses	<u>2,179,448</u>
Total operating expenses	<u>3,403,579</u>
Loss on property disposition	(1,686)
Interest expense	<u>(78,391)</u>
Total nonoperating revenues (expenses)	<u>(80,077)</u>
Loss before transfers	(462,838)
Capital contributions	1,061,973
Transfers out	<u>(48,000)</u>
Change in net position	551,135
Net position at the beginning of the year as previously stated	10,210,010
Prior period adjustment	2,254,282
Restated Net position-beginning of year	<u>12,464,292</u>
Net position at the end of the year	<u>\$ 13,015,427</u>
<u>Condensed statement of cash flows:</u>	
Net cash provided (used) by:	
Operating activities	\$ 968,031
Noncapital financing activities	(48,000)
Capital and related financing activities	(948,146)
Investing activities	(4)
Beginning cash and cash equivalent balances	<u>432,684</u>
Ending cash and cash equivalent balances	<u>\$ 404,565</u>

**CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

6. SUBSEQUENT EVENTS

On November 4, 2014 the City Council issued:

- \$26,125,000 in Combination Tax and Revenue Certificates, Series 2014. The proceeds are to be used to fund public safety, library, street, and other City structure improvements.
- \$8,475,695 in Prairie Lakes Golf Course and TIRZ #2 debt cash defeasance. The funds are to be used to facilitate a cash defeasance of a portion of certain obligations.

The City has evaluated all other events or transactions that occurred after September 30, 2014 up through February 27, 2015 the date the financial statements were available to be issued.

7. SPECIAL ITEMS

In October 2013, the City's Public Works Department discovered that a water line was unplugged without the City's knowledge. As a result, it is estimated that the City has been using water of a neighboring city. In 2014, the City reached a settlement with the neighboring city by paying \$3,013,446. This transaction was significant and infrequent in occurrence.

8. PRIOR PERIOD ADJUSTMENTS

The Texas Department of Transportation acts as an agent on behalf of the City on Airport Improvement Program funded projects. As a result of prior year capital asset purchases by the Texas Department of Transportation not being captured infrastructure was understated as of September 30, 2006 and thereafter. The correction of these errors resulted in a \$2,254,282 increase in beginning Municipal Airport Fund's net position. The Municipal Airport Fund's net position has been restated as follows:

Net position , October 1, 2013 , as previously presented	\$ 10,210,010
Prior period adjustment	<u>2,254,282</u>
Net position, October 1, 2013, as restated	<u>\$ 12,464,292</u>

**CITY OF GRAND PRAIRIE, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

9. RECLASSIFICATION OF BEGINNING FUND BALANCE

In 2014, the Red Light Safety Fund is reported as a separate special revenue fund. The Red Light Safety Fund had previously been presented in combination with Other Special Revenue Funds. These reclassifications affected beginning fund balance balances in the fund financial statements as follows:

	Red Light Safety	Other Special Revenue Funds
Fund balances , October 1, 2013 , as previously presented	\$ -	\$ 2,549,530
Adjustment of Red Light Safety Fund presentation	78,157	(78,157)
Fund balances, October 1, 2013, as restated	<u>\$ 78,157</u>	<u>\$ 2,471,373</u>

In 2014, the Police Capital Projects Fund is reported as a separate capital projects fund. The Police Capital Projects Fund had previously been presented in combination with Other Capital Projects Funds. These reclassifications affected beginning fund balance balances in the fund financial statements as follows:

	Police Capital Projects	Other Capital Projects Funds
Fund balances , October 1, 2013 , as previously presented	\$ -	\$ 8,890,194
Adjustment of Police Capital Projects Fund presentation	2,302,059	(2,302,059)
Fund balances, October 1, 2013, as restated	<u>\$ 2,302,059</u>	<u>\$ 6,588,135</u>

REQUIRED SUPPLEMENTARY INFORMATION



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**CITY OF GRAND PRAIRIE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budget		Actual GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property tax	\$ 44,943,599	\$ 44,943,599	\$ 45,315,907	\$ 372,308
Sales tax	25,298,087	25,298,087	25,162,422	(135,665)
Other taxes	203,770	203,770	192,234	(11,536)
Franchise fees	12,922,947	12,922,947	13,315,452	392,505
Charges for goods and services	4,864,087	4,864,087	5,355,348	491,261
Licenses and permits	2,272,999	2,272,999	2,909,002	636,003
Fines and forfeitures	6,468,000	6,468,000	7,312,495	844,495
Intergovernmental revenue	726,909	851,909	1,214,804	362,895
General and administrative	4,119,337	4,119,337	4,126,217	6,880
Investment income	803,439	803,439	628,887	(174,552)
Rents and royalties	300,000	300,000	134,125	(165,875)
Contributions	7,200	7,200	122,123	114,923
Other	395,408	395,408	431,137	35,729
Total revenues	<u>103,325,782</u>	<u>103,450,782</u>	<u>106,220,153</u>	<u>2,769,371</u>
EXPENDITURES				
Current:				
Support services	15,700,518	15,786,211	14,690,989	1,095,222
Public safety services	65,920,507	67,894,618	68,546,747	(652,129)
Recreation and leisure services	1,882,944	1,910,869	1,931,941	(21,072)
Development and other services	12,223,664	12,271,013	12,102,510	168,503
Capital outlay	<u>854,400</u>	<u>945,150</u>	<u>848,634</u>	<u>96,516</u>
Total expenditures	<u>96,582,033</u>	<u>98,807,861</u>	<u>98,120,821</u>	<u>687,040</u>
Excess of revenues over expenditures	<u>6,743,749</u>	<u>4,642,921</u>	<u>8,099,332</u>	<u>3,456,411</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	499,009	499,009
Transfers out	(15,713,365)	(13,870,270)	(13,912,940)	(42,670)
Proceeds from sale of capital assets	565,000	565,000	613,163	48,163
Total other financing sources (uses)	<u>(15,148,365)</u>	<u>(13,305,270)</u>	<u>(12,800,768)</u>	<u>504,502</u>
Net change in fund balances	(8,404,616)	(8,662,349)	(4,701,436)	3,960,913
Fund balances - beginning of year	<u>28,816,808</u>	<u>28,816,808</u>	<u>28,816,808</u>	-
Fund balances - end of year	<u>\$ 20,412,192</u>	<u>\$ 20,154,459</u>	<u>\$ 24,115,372</u>	<u>\$ 3,960,913</u>

**CITY OF GRAND PRAIRIE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – SECTION 8 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budget		Actual GAAP Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Charges for goods and service	\$ 83,229	\$ 91,831	\$ 92,990	\$ 1,159
Licenses and permits	198,433	49,411	45,333	(4,078)
Intergovernmental revenue	23,847,493	23,996,338	24,021,858	25,520
Investment income	4,000	-	-	-
Contributions	22,500	16,130	16,130	-
Other	64,992	88,307	91,098	2,791
Total revenues	<u>24,220,647</u>	<u>24,242,017</u>	<u>24,267,409</u>	<u>25,392</u>
EXPENDITURES				
Current operations:				
Development services and other	24,149,019	25,798,420	25,716,468	81,952
Capital outlay	427,500	-	-	-
Total expenditures	<u>24,576,519</u>	<u>25,798,420</u>	<u>25,716,468</u>	<u>81,952</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(355,872)</u>	<u>(1,556,403)</u>	<u>(1,449,059)</u>	<u>107,344</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	412,500	13,247	-	(13,247)
Transfers out	(50,000)	(60,999)	(50,000)	10,999
Total other financing sources (uses)	<u>362,500</u>	<u>(47,752)</u>	<u>(50,000)</u>	<u>(2,248)</u>
Net change in fund balances	6,628	(1,604,155)	(1,499,059)	105,096
Fund balances - beginning of year	<u>3,345,436</u>	<u>3,345,436</u>	<u>3,345,436</u>	<u>-</u>
Fund balances - end of year	<u>\$ 3,352,064</u>	<u>\$ 1,741,281</u>	<u>\$ 1,846,377</u>	<u>\$ 105,096</u>

**CITY OF GRAND PRAIRIE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

Fiscal Year	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1)/(2)	(4) Unfunded Actuarial Liability (UAL) (2) - (1)	(5) Covered Payroll	(6) Unfunded Actuarial Accrued Liability (UAAL) as a Percentage of Covered Payroll (4)/(5)
2005	12/31/2004	152,470,087	187,718,712	81.2%	35,248,625	52,997,624	66.5%
2006	12/31/2005	157,030,678	194,053,949	80.9%	37,023,271	53,849,572	68.8%
2007	12/31/2006	167,101,197	208,328,802	80.2%	41,227,605	56,817,617	72.6%
2008	12/31/2007	174,692,032	252,870,914	69.1%	78,178,882	61,880,950	126.3%
2009	12/31/2008	184,115,536	270,661,623	68.0%	86,546,087	67,018,137	129.1%
2010	12/31/2009	195,807,917	283,654,428	69.0%	87,846,511	66,030,734	133.0%
2011	12/31/2010	299,459,271	365,426,666	81.9%	65,967,395	65,426,278	100.8%
2012	12/31/2011	323,972,818	385,345,197	84.1%	61,372,379	64,693,060	94.9%
2013	12/31/2012	349,460,132	405,074,405	86.3%	55,614,273	66,435,664	83.7%
2014	12/31/2013	376,082,419	450,523,220	83.5%	74,440,801	68,769,035	108.2%

Ten year historical trend information designed to provide information about the fund's progress made in accumulating sufficient assets to pay benefits when due is available for plan years 2005 through 2014. This information can be referred to in separately issued financial reports of the pension fund.

**CITY OF GRAND PRAIRIE, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 OTHER POST EMPLOYMENT BENEFITS
 SCHEDULE OF FUNDING PROGRESS**

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Unit Credit Method	Unfunded Actuarial Liability (UAL)	Funded Percent	Covered Payroll	UAL as a % of Payroll
2010	12/31/2009	-	\$ 25,220,971	\$ 25,220,971	0%	\$ 61,083,237	41.29%
2011	9/30/2010	-	28,244,542	28,244,542	0%	61,281,663	46.09%
2012	9/30/2012	-	29,395,343	29,395,343	0%	62,017,533	47.40%
2013	9/30/2013	-	32,048,413	32,048,413	0%	63,065,199	50.82%
2014	9/30/2014	-	33,019,361	33,019,361	0%	67,055,488	49.24%

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**



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**CITY OF GRAND PRAIRIE, TEXAS
MAJOR FUND OTHER SCHEDULES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budget</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax	\$ 17,152,844	\$ 17,152,844	\$ 17,299,904	\$ 147,060
Investment income	300	300	189	(111)
Total revenues	<u>17,153,144</u>	<u>17,153,144</u>	<u>17,300,093</u>	<u>146,949</u>
EXPENDITURES				
Debt service:				
Principal retirement	10,001,848	10,001,848	10,001,848	-
Interest	<u>6,293,856</u>	<u>6,293,856</u>	<u>5,941,106</u>	<u>352,750</u>
Total expenditures	<u>16,295,704</u>	<u>16,295,704</u>	<u>15,942,954</u>	<u>352,750</u>
Excess (deficiency) of revenue over (under) expenditures	<u>857,440</u>	<u>857,440</u>	<u>1,357,139</u>	<u>499,699</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	160,000	160,000	160,000	-
Transfers out	(333,156)	(333,156)	(553,156)	(220,000)
Premium on debt issued	-	-	486,234	486,234
Total other financing sources (uses)	<u>(173,156)</u>	<u>(173,156)</u>	<u>93,078</u>	<u>266,234</u>
Net change in fund balances	684,284	684,284	1,450,217	765,933
Fund balances - beginning of year	<u>9,051,355</u>	<u>9,051,355</u>	<u>9,051,355</u>	<u>-</u>
Fund balances - end of the year	<u>\$ 9,735,639</u>	<u>\$ 9,735,639</u>	<u>\$ 10,501,572</u>	<u>\$ 765,933</u>



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CITY OF GRAND PRAIRIE, TEXAS COMBINING FINANCIAL STATEMENTS NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used by the City to account for revenues derived from specific taxes, fees, donations, and grants which are restricted or committed to expenditures for specific purposes other than for debt service or capital projects.

- ◆ Other Special Revenue Funds – account for operations of various small funds and includes, Commercial Vehicle, Theater , Truancy Prevention Diversion and Economic Development.
- ◆ Park Venue Fund – accounts for the operation and construction of the City's park system. Approved by the Grand Prairie voters, an one-quarter cent sales and use tax was levied for the benefit of the Park Venue Fund.
- ◆ Senior Center Sales Tax – accounts for the operation of the Active Adult Center. Approved by the Grand Prairie voters, a one-eighth cent sales and use tax was levied for the benefit of the Senior Center Sales Tax Fund.
- ◆ Hotel/Motel Tax Fund – accounts for the receipts and allocation of the City's 7% hotel-motel tax revenue in accordance with the requirements of state law.
- ◆ Police Seizure Fund – accounts for police seizure assets for pending court cases and for money awarded to the City by county courts from assets seized by the Grand Prairie Police Department.
- ◆ Municipal Court Fund – accounts for fees collected to maintain security for municipal court buildings, judicial efficiency, and municipal court technology.
- ◆ Cable Operations Fund – accounts for the revenue collected through the cable company for government access programming. Expenditures in this special revenue fund are committed for the operations and improvements to the City's cable channel.
- ◆ Red Light Safety Fund – accounts for the red light camera operations. The purpose of the fund is to improve major street intersection safety.
- ◆ Tax Increment Financing Districts (TIF) Fund – accounts for the activity of the City's three TIFs. Revenues collected are primarily inter-local property tax increment funding.
- ◆ Lake Parks – accounts for the activity of the 4 major parks surrounding Joe Pool Lake. All funds received are restricted for the operation of these parks by the lease agreement with U. S. Corps of Engineers
- ◆ Baseball Stadium Fund – accounts for the operation of City's baseball stadium. Approved by the Grand Prairie voters, an one-eighth cent sales and use tax was levied for the benefit of the Baseball stadium.
- ◆ Street Sales Tax Fund – accounts for the quarter cent sales tax to maintain existing streets and alleys that was effective April 1, 2002.
- ◆ Crime Tax Sales Tax Fund – accounts for the Crime Tax Sales Tax revenue collected by the City. Approved by the Grand Prairie voters, an one-quarter cent sales and use tax.
- ◆ Cemetery Fund – accounts for the Memorial Gardens operations and related revenues received by the City.
- ◆ Community Development Block Grant (CDBG) Fund – accounts for the CDBG revenue received by the City from US Department of Housing and Urban Development .
- ◆ Public Improvement Districts (PID) Fund – accounts for the activity of the City's sixteen PIDs.
- ◆ Juvenile Case Manager Fund – accounts for the collection of Juvenile Case Manager Fee paid by defendants and the salary and benefits of a juvenile case manager employed under Article 45.056 Texas Code of Criminal Procedure.

Capital Projects Funds

Capital Projects Funds are used to account for capital improvements which are financed by the city's general obligation bond or certificate obligation bond issues and other restricted, and committed resources for capital projects.

- ◆ Senior Center Fund – accounts for the construction/improvement and other expenditures related to the Active Adult Center for the citizens of Grand Prairie.
- ◆ Fire Capital Fund – accounts for the construction/improvement of fire related facilities and capital purchase of fire related equipment for the safety of the citizens and businesses in the City.
- ◆ Municipal Facilities Fund (MFAC) – accounts for the construction and capital improvements of the City's facilities.
- ◆ Capital Lending Reserve Fund – established for financing one-time, non-recurring capital projects.
- ◆ Drainage Fund – accounts for the construction/improvements and other expenditures related to City's drainage system.
- ◆ Police Capital Project Fund – accounts for the construction/improvements and other expenditures related to City's Police Capital Projects
- ◆ Other Capital Projects Funds – accounts for the activities of other capital projects including Crime Tax CIP fund, Capital Reserve Fund, Street Projects Fund, Equipment Acquisition Fund, and Certificates of Obligation Fund.

**CITY OF GRAND PRAIRIE, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	Special Revenue Funds			
	Other Special Revenue Funds	Park Venue	Senior Center Sales Tax	Hotel Motel Tax
ASSETS				
Cash and cash equivalents	\$ 641,122	\$ 3,497,112	\$ 153,780	\$ 684,434
Investments	1,823,855	3,023,344	4,750,000	680,000
Sales tax receivable	-	1,128,504	564,252	-
Franchise fees receivable	-	-	-	-
Other receivables	-	21,295	-	133,661
Due from other governments	-	-	-	-
Inventory	-	18,521	-	-
Prepaid items	-	-	-	-
Total assets	2,464,977	7,688,776	5,468,032	1,498,095
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	52	788,431	492	35,119
Accrued liabilities	-	281,706	-	8,569
Due to funds	-	-	-	-
Customer deposits	-	45,215	-	-
Unearned revenue	-	173,137	-	-
Total liabilities	52	1,288,489	492	43,688
FUND BALANCES				
Nonspendable	-	18,521	-	-
Restricted	2,431,333	6,381,766	5,467,540	1,454,407
Committed	33,592	-	-	-
Total fund balances	2,464,925	6,400,287	5,467,540	1,454,407
Total liabilities and fund balances	\$ 2,464,977	\$ 7,688,776	\$ 5,468,032	\$ 1,498,095

Police Seizure	Municipal Court	Cable Operations	Red Light Safety	Tax Increment Financing Districts	Lake Parks
\$ 636,140	\$ 353,498	\$ 205,785	\$ 117,524	\$ 4,801,732	\$ 1,019,595
-	70,000	300,000	600,000	7,700,000	1,922,298
-	-	-	-	-	-
-	-	80,991	-	-	-
-	-	-	199,743	-	-
-	-	-	-	-	-
-	-	-	-	-	5,054
-	-	-	-	-	7,200
<u>636,140</u>	<u>423,498</u>	<u>586,776</u>	<u>917,267</u>	<u>12,501,732</u>	<u>2,954,147</u>
9,071	3,265	2,823	109,833	-	147,102
25,893	2,221	2,204	435,243	-	42,160
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	18,000
<u>34,964</u>	<u>5,486</u>	<u>5,027</u>	<u>545,076</u>	<u>-</u>	<u>207,262</u>
-	-	-	-	-	12,254
601,176	418,012	581,749	372,191	12,501,732	2,734,631
-	-	-	-	-	-
<u>601,176</u>	<u>418,012</u>	<u>581,749</u>	<u>372,191</u>	<u>12,501,732</u>	<u>2,746,885</u>
<u>\$ 636,140</u>	<u>\$ 423,498</u>	<u>\$ 586,776</u>	<u>\$ 917,267</u>	<u>\$ 12,501,732</u>	<u>\$ 2,954,147</u>

(continued)

**CITY OF GRAND PRAIRIE, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	Special Revenue Funds			
	Baseball Stadium	Street Sales Tax	Crime Sales Tax	Cemetery
ASSETS				
Cash and cash equivalents	\$ 140,545	\$ 1,728,667	\$ 128,460	\$ 1,506,257
Investments	1,800,000	1,950,000	6,700,000	500,000
Sales tax receivable	564,252	1,128,504	1,108,474	-
Franchise fees receivable	-	-	-	-
Other receivables	-	-	-	251,088
Due from other governments	-	-	-	-
Inventory	-	-	-	-
Prepaid expenditures	-	-	-	-
Total assets	2,504,797	4,807,171	7,936,934	2,257,345
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	2,147	970,075	9,278	14,606
Accrued liabilities	-	-	18,345	8,288
Due to funds	-	-	-	-
Customer deposits	-	-	-	-
Unearned revenue	-	-	-	980,834
Total liabilities	2,147	970,075	27,623	1,003,728
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	2,502,650	3,837,096	7,909,311	681,684
Committed	-	-	-	571,933
Total fund balances	2,502,650	3,837,096	7,909,311	1,253,617
Total liabilities and fund balances	\$ 2,504,797	\$ 4,807,171	\$ 7,936,934	\$ 2,257,345

CDBG	PID	Juvenile Case Manager	Total Special Revenue Funds
\$ 137,469	\$ 1,673,256	\$ 340,050	\$ 17,765,426
-	-	-	31,819,497
-	-	-	4,493,986
-	-	-	80,991
-	2,619	-	608,406
261,103	-	-	261,103
-	-	-	23,575
-	-	-	7,200
<u>398,572</u>	<u>1,675,875</u>	<u>340,050</u>	<u>55,060,184</u>
56,319	108,783	1,800	2,259,196
10,964	47,841	3,439	886,873
200,000	-	-	200,000
-	-	-	45,215
<u>131,289</u>	<u>1,800</u>	<u>-</u>	<u>1,305,060</u>
<u>398,572</u>	<u>158,424</u>	<u>5,239</u>	<u>4,696,344</u>
-	-	-	30,775
-	1,517,451	334,811	49,727,540
-	-	-	605,525
<u>-</u>	<u>1,517,451</u>	<u>334,811</u>	<u>50,363,840</u>
<u>\$ 398,572</u>	<u>\$ 1,675,875</u>	<u>\$ 340,050</u>	<u>\$ 55,060,184</u>

(continued)

**CITY OF GRAND PRAIRIE, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014**

	Capital Projects Funds			
	Senior Center	Fire Capital	Municipal Facilities MFAC	Capital Lending Reserve
ASSETS				
Cash and cash equivalents	\$ 14,485	\$ 145,823	\$ 309,513	\$ 110,881
Investments	50,000	4,958,927	2,800,000	4,200,000
Sales tax receivable	-	-	-	-
Franchise tax receivable	-	-	-	-
Other receivables	-	-	-	198,902
Due from other governments	-	-	-	-
Inventory	-	-	-	-
Prepaid expenditures	-	-	-	-
Total assets	64,485	5,104,750	3,109,513	4,509,783
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	-	218,174	139,599	172,709
Accrued liabilities	-	159,132	16,581	-
Due to funds	-	-	-	-
Customer deposits	-	-	-	-
Unearned revenue	-	-	-	456,247
Total liabilities	-	377,306	156,180	628,956
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	4,727,444	-	-
Committed	64,485	-	2,953,333	3,880,827
Total fund balances	64,485	4,727,444	2,953,333	3,880,827
Total liabilities, fund balances	\$ 64,485	\$ 5,104,750	\$ 3,109,513	\$ 4,509,783

Drainage	Police Capital Projects	Other Capital Projects Funds	Total Capital Projects Funds	Total Non-major Governmental Funds
\$ 217,687	\$ 5,044,486	\$ 443,262	\$ 6,286,137	\$ 24,051,563
8,671,184	-	3,310,381	23,990,492	55,809,989
-	-	-	-	4,493,986
-	-	-	-	80,991
-	-	8,072	206,974	815,380
-	-	-	-	261,103
-	-	-	-	23,575
-	-	-	-	7,200
8,888,871	5,044,486	3,761,715	30,483,603	85,543,787
90,451	103,608	26,208	750,749	3,009,945
56,337	-	1,821	233,871	1,120,744
-	-	-	-	200,000
-	-	-	-	45,215
-	-	-	456,247	1,761,307
146,788	103,608	28,029	1,440,867	6,137,211
-	-	-	-	30,775
-	-	-	4,727,444	54,454,984
8,742,083	4,940,878	3,733,686	24,315,292	24,920,817
8,742,083	4,940,878	3,733,686	29,042,736	79,406,576
\$ 8,888,871	\$ 5,044,486	\$ 3,761,715	\$ 30,483,603	\$ 85,543,787

**CITY OF GRAND PRAIRIE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Special Revenue Funds			
	Other Special Revenue Funds	Park Venue	Senior Center Sales Tax	Hotel Motel Tax
REVENUES				
Property tax	\$ -	\$ -	\$ -	\$ -
Sales tax	-	6,391,068	3,195,531	-
Other taxes	-	-	-	1,357,938
Charges for goods and service	-	2,871,721	-	10,223
Licenses and permits	-	-	-	-
Fines and forfeitures	107,196	-	-	-
Intergovernment	-	-	-	-
Rents and royalties	1,033,749	632,664	-	-
Investment income	-	-	-	-
Contributions	-	164,760	-	14,399
Other	-	3,133	-	3,337
Total revenues	<u>1,140,945</u>	<u>10,063,346</u>	<u>3,195,531</u>	<u>1,385,897</u>
EXPENDITURES				
Current operations:				
Support services	-	-	-	-
Public safety services	48,848	-	-	-
Recreation and leisure services	-	11,595,071	-	1,064,854
Development services	16,819	-	-	-
Capital outlay	95,848	4,376,241	86,596	27,525
Debt service:				
Principal retirement	940,000	1,415,000	870,000	-
Interest charges	59,951	774,384	117,248	-
Total expenditures	<u>1,161,466</u>	<u>18,160,696</u>	<u>1,073,844</u>	<u>1,092,379</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,521)</u>	<u>(8,097,350)</u>	<u>2,121,687</u>	<u>293,518</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	19,645	5,375,623	-	-
Transfers out	(5,572)	(880,809)	-	(241,500)
Bonds issued	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>14,073</u>	<u>4,494,814</u>	<u>-</u>	<u>(241,500)</u>
Net change in fund balances	(6,448)	(3,602,536)	2,121,687	52,018
Fund balances - beginning of year	<u>2,471,373</u>	<u>10,002,823</u>	<u>3,345,853</u>	<u>1,402,389</u>
Fund balances - end of year	<u>\$ 2,464,925</u>	<u>\$ 6,400,287</u>	<u>\$ 5,467,540</u>	<u>\$ 1,454,407</u>

Police Seizure	Municipal Court	Cable Operations	Red Light Safety	Tax Increment Financing Districts	Lake Parks
\$ -	\$ -	\$ -	\$ -	\$ 13,935,577	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	2,326,838
-	-	-	-	-	173,711
-	325,592	-	2,512,480	-	-
121,783	-	-	-	-	-
-	-	-	-	-	1,005,278
1,580	-	-	-	-	-
-	-	-	-	-	108,229
15,774	-	316,858	-	-	41,914
139,137	325,592	316,858	2,512,480	13,935,577	3,655,970
-	-	268,522	-	2,433,798	-
329,216	228,748	-	2,218,446	-	-
-	-	-	-	-	3,168,854
-	-	-	-	-	-
15,000	35,280	-	-	-	947,242
-	-	-	-	3,259,000	-
-	-	-	-	712,183	-
344,216	264,028	268,522	2,218,446	6,404,981	4,116,096
(205,079)	61,564	48,336	294,034	7,530,596	(460,126)
-	-	-	-	-	159,000
(19,645)	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(19,645)	-	-	-	-	159,000
(224,724)	61,564	48,336	294,034	7,530,596	(301,126)
825,900	356,448	533,413	78,157	4,971,136	3,048,011
\$ 601,176	\$ 418,012	\$ 581,749	\$ 372,191	\$ 12,501,732	\$ 2,746,885

(continued)

**CITY OF GRAND PRAIRIE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Special Revenue Funds</u>			
	<u>Baseball Stadium</u>	<u>Street Sales Tax</u>	<u>Crime Sales Tax</u>	<u>Cemetery</u>
REVENUES				
Property tax	\$ -	\$ -	\$ -	\$ -
Sales tax	3,195,531	6,391,060	6,350,584	-
Other taxes	-	-	-	-
Charges for goods and service	-	2,853	-	870,267
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernment	-	-	-	-
Rents and royalties	-	-	-	-
Investment income	-	-	-	-
Contributions	-	-	-	-
Other	-	-	-	2,200
Total revenues	<u>3,195,531</u>	<u>6,393,913</u>	<u>6,350,584</u>	<u>872,467</u>
EXPENDITURES				
Current operations:				
Support services	-	-	-	-
Public safety services	-	-	205,195	-
Recreation and leisure services	30,538	-	-	581,409
Development services	-	6,912,039	-	-
Capital outlay	195,825	-	-	222,985
Debt service:				
Principal retirement	1,755,000	-	2,890,000	-
Interest charges	55,827	-	499,103	-
Total expenditures	<u>2,037,190</u>	<u>6,912,039</u>	<u>3,594,298</u>	<u>804,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,158,341</u>	<u>(518,126)</u>	<u>2,756,286</u>	<u>68,073</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,450,033	-	-
Transfers out	-	-	-	(110,000)
Bonds issued	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>1,450,033</u>	<u>-</u>	<u>(110,000)</u>
Net change in fund balances	1,158,341	931,907	2,756,286	(41,927)
Fund balances - beginning of year	<u>1,344,309</u>	<u>2,905,189</u>	<u>5,153,025</u>	<u>1,295,544</u>
Fund balances - end of year	<u>\$ 2,502,650</u>	<u>\$ 3,837,096</u>	<u>\$ 7,909,311</u>	<u>\$ 1,253,617</u>

CDBG	PID	Juvenile Case Manager	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ 13,935,577
-	-	-	25,523,774
-	-	-	1,357,938
-	2,551,519	-	8,633,421
-	-	-	173,711
-	-	216,060	3,161,328
2,192,781	-	-	2,314,564
-	-	-	2,671,691
-	31	-	1,611
-	3,997	-	291,385
-	10,090	-	393,306
<u>2,192,781</u>	<u>2,565,637</u>	<u>216,060</u>	<u>58,458,306</u>
-	-	-	2,702,320
-	-	190,022	3,220,475
-	-	-	16,440,726
2,192,781	1,853,161	-	10,974,800
-	439,683	-	6,442,225
-	275,000	-	11,404,000
-	61,585	-	2,280,281
<u>2,192,781</u>	<u>2,629,429</u>	<u>190,022</u>	<u>53,464,827</u>
-	(63,792)	26,038	4,993,479
-	171,309	-	7,175,610
-	(16,000)	-	(1,273,526)
-	-	-	-
-	-	-	-
-	155,309	-	5,902,084
-	91,517	26,038	10,895,563
-	1,425,934	308,773	39,468,277
<u>\$ -</u>	<u>\$ 1,517,451</u>	<u>\$ 334,811</u>	<u>\$ 50,363,840</u>

(continued)

**CITY OF GRAND PRAIRIE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Capital Project Funds			
	Senior Center	Fire Capital	Municipal Facilities MFAC	Capital Lending Reserve
REVENUES				
Property tax	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	-	-
Other taxes	-	-	-	-
Charges for goods and service	-	-	-	-
Licenses and permits	-	4,299	-	24,013
Fines and forfeitures	-	-	-	-
Intergovernment	-	-	-	-
Rents and royalties	-	-	-	960,779
Investment income	-	-	-	-
Contributions	-	2,500,000	-	-
Other	-	-	-	101,573
Total revenues	<u>-</u>	<u>2,504,299</u>	<u>-</u>	<u>1,086,365</u>
EXPENDITURES				
Current operations:				
Support services	-	-	-	-
Public safety services	-	331,391	-	-
Recreation and leisure services	9,135	-	-	-
Development services	-	-	372,278	-
Capital outlay	-	5,321,678	871,467	422,834
Debt service:				
Principal retirement	-	-	-	-
Interest charges	-	24,938	20,880	-
Total expenditures	<u>9,135</u>	<u>5,678,007</u>	<u>1,264,625</u>	<u>422,834</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,135)</u>	<u>(3,173,708)</u>	<u>(1,264,625)</u>	<u>663,531</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	28,267	589,223	848,362
Transfers out	-	-	(25,500)	(6,500,000)
Bonds issued	-	1,534,755	1,285,000	-
Proceeds from sale of capital assets	-	225,000	-	-
Total other financing sources (uses)	<u>-</u>	<u>1,788,022</u>	<u>1,848,723</u>	<u>(5,651,638)</u>
Net change in fund balances	(9,135)	(1,385,686)	584,098	(4,988,107)
Fund balances - beginning of year	73,620	6,113,130	2,369,235	8,868,934
Fund balances - end of year	<u>\$ 64,485</u>	<u>\$ 4,727,444</u>	<u>\$ 2,953,333</u>	<u>\$ 3,880,827</u>

Drainage	Police Capital Projects	Other Capital Projects Funds	Total Capital Projects Funds	Total Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 13,935,577
-	-	-	-	25,523,774
-	-	-	-	1,357,938
-	-	110,682	110,682	8,744,103
-	-	-	28,312	202,023
-	-	-	-	3,161,328
-	-	-	-	2,314,564
-	-	-	960,779	3,632,470
-	-	-	-	1,611
-	-	310,000	2,810,000	3,101,385
-	-	123,155	224,728	618,034
-	-	543,837	4,134,501	62,592,807
-	-	-	-	2,702,320
-	212,520	-	543,911	3,764,386
-	-	129,004	138,139	16,578,865
958,517	-	862,016	2,192,811	13,167,611
1,954,763	11,103,015	2,242,576	21,916,333	28,358,558
-	-	-	-	11,404,000
-	11,374	9,519	66,711	2,346,992
2,913,280	11,326,909	3,243,115	24,857,905	78,322,732
(2,913,280)	(11,326,909)	(2,699,278)	(20,723,404)	(15,729,925)
3,600,048	13,265,728	7,280,790	25,612,418	32,788,028
-	-	(8,021,820)	(14,547,320)	(15,820,846)
-	700,000	585,859	4,105,614	4,105,614
-	-	-	225,000	225,000
3,600,048	13,965,728	(155,171)	15,395,712	21,297,796
686,768	2,638,819	(2,854,449)	(5,327,692)	5,567,871
8,055,315	2,302,059	6,588,135	34,370,428	73,838,705
<u>\$ 8,742,083</u>	<u>\$ 4,940,878</u>	<u>\$ 3,733,686</u>	<u>\$ 29,042,736</u>	<u>\$ 79,406,576</u>

(concluded)

**CITY OF GRAND PRAIRIE, TEXAS
INDIVIDUAL FUND SCHEDULES
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL SCHEDULES**

Appropriations are approved by the City Council by fund for all budgeted funds. During the fiscal year it was necessary to amend the original budget by City Council action. The original budget and amended budget are presented for the following funds:

- ◆ Park Venue Fund – accounts for the operation and construction of the City's park system. Approved by the Grand Prairie voters, an one-quarter cent sales and use tax was levied for the benefit of the Park Venue Fund.
- ◆ Senior Center Sales Tax Fund – accounts for the operation of the City's active adult center. Approved by the Grand Prairie voters, an one-eighth cent sales and use tax was levied for the benefit of the Senior Center Sales Tax Fund.
- ◆ Hotel/Motel Tax Fund – accounts for the receipts and allocation of the City's 7% hotel-motel tax revenue in accordance with the requirements of state law.
- ◆ Municipal Court Fund – accounts for fees collected to maintain security for municipal court buildings, judicial efficiency, and municipal court technology.
- ◆ Cable Operations Fund – accounts for the revenue collected through the cable company for government access programming. Expenditures in this special revenue fund are designated for the operations and improvements to the City's cable channel.
- ◆ Red Light Safety Fund – accounts for the revenues and expenditures of the red light camera operation.
- ◆ Lake Parks – accounts for the activity of the 4 major parks surrounding Joe Pool Lake. All funds received are restricted for the operation of these parks by the lease agreement with U. S. Corps of Engineers
- ◆ Crime Tax Sales Tax Fund – accounts for the Crime Sales Tax revenue collected by the City. Approved by the Grand Prairie voters, an one-quarter cent sales and use tax.
- ◆ Cemetery Fund – accounts for the Memorial Gardens operations and related revenues received by the City.
- ◆ Juvenile Case Manager Fund – accounts for the collection of Juvenile Case Manager Fee paid by defendants and the salary and benefits of a juvenile case manager employed under Article 45.056 Texas Code of Criminal Procedure.

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – PARK VENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budget		Actual GAAP Basis	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Sales tax	\$ 6,324,522	\$ 6,324,522	\$ 6,391,068	\$ 66,546
Charges for goods and services	2,682,575	2,682,575	2,871,721	189,146
Contributions	42,300	42,300	164,760	122,460
Rents and royalties	654,020	654,020	632,664	(21,356)
Other	-	-	3,133	3,133
Total revenues	9,703,417	9,703,417	10,063,346	359,929
EXPENDITURES				
Current operations:				
Recreation and leisure services	13,111,509	11,263,499	11,595,071	(331,572)
Capital outlay	257,500	262,850	4,376,241	(4,113,391)
Debt service:				
Principal retirement	1,415,000	1,415,000	1,415,000	-
Interest expense	777,884	775,384	774,384	1,000
Total expenditures	15,561,893	13,716,733	18,160,696	(4,443,963)
Deficiency of revenues under expenditures	(5,858,476)	(4,013,316)	(8,097,350)	(4,084,034)
OTHER FINANCING SOURCES (USES)				
Transfers in	7,399,603	5,521,993	5,375,623	(146,370)
Transfers out	(630,809)	(880,809)	(880,809)	-
Total other financing sources	6,768,794	4,641,184	4,494,814	(146,370)
Net change in fund balances	910,318	627,868	(3,602,536)	(4,230,404)
Fund balances - beginning of year	10,002,823	10,002,823	10,002,823	-
Fund balances - end of year	\$ 10,913,141	\$ 10,630,691	\$ 6,400,287	\$ (4,230,404)

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – SENIOR CENTER SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budget		Actual GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales tax	\$ 3,162,261	\$ 3,162,261	\$ 3,195,531	\$ 33,270
Total revenues	3,162,261	3,162,261	3,195,531	33,270
EXPENDITURES				
Capital Outlay	700,000	700,000	86,596	613,404
Debt service:				
Principal retirement	870,000	870,000	870,000	-
Interest expense	283,416	283,416	117,248	166,168
Total expenditures	1,853,416	1,853,416	1,073,844	779,572
Excess (deficiency) of revenues over (under) expenditures	1,308,845	1,308,845	2,121,687	812,842
Net change in fund balances	1,308,845	1,308,845	2,121,687	812,842
Fund balances - beginning of year	3,345,853	3,345,853	3,345,853	-
Fund balances - end of year	\$ 4,654,698	\$ 4,654,698	\$ 5,467,540	\$ 812,842

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – HOTEL/MOTEL TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budget</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other taxes	\$ 1,145,263	\$ 1,145,263	\$ 1,357,938	\$ 212,675
Charges for goods and services	8,515	8,515	10,223	1,708
Contributions	3,000	3,000	14,399	11,399
Other	3,890	3,890	3,337	(553)
Total revenues	<u>1,160,668</u>	<u>1,160,668</u>	<u>1,385,897</u>	<u>225,229</u>
EXPENDITURES				
Current operations:				
Recreation and leisure services	1,404,842	1,433,485	1,064,854	368,631
Capital outlay	200,000	203,808	27,525	176,283
Total expenditures	<u>1,604,842</u>	<u>1,637,293</u>	<u>1,092,379</u>	<u>544,914</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(444,174)</u>	<u>(476,625)</u>	<u>293,518</u>	<u>770,143</u>
OTHER FINANCING USES				
Transfers out	(241,500)	(241,500)	(241,500)	-
Total other financing uses	<u>(241,500)</u>	<u>(241,500)</u>	<u>(241,500)</u>	<u>-</u>
Net change in fund balances	(685,674)	(718,125)	52,018	770,143
Fund balances - beginning of year	1,402,389	1,402,389	1,402,389	-
Fund balances - end of year	<u>\$ 716,715</u>	<u>\$ 684,264</u>	<u>\$ 1,454,407</u>	<u>\$ 770,143</u>

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – MUNICIPAL COURT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Final Budget-</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Fines and forfeitures	\$ 242,750	\$ 242,750	\$ 325,592	\$ 82,842
Total revenues	242,750	242,750	325,592	82,842
EXPENDITURES				
Current operations:				
Public safety	218,884	236,884	228,748	8,136
Capital outlay	64,000	85,950	35,280	50,670
Total expenditures	282,884	322,834	264,028	58,806
Excess (deficiency) of revenues over (under) expenditures	(40,134)	(80,084)	61,564	141,648
Net change in fund balances	(40,134)	(80,084)	61,564	141,648
Fund balances - beginning of year	356,448	356,448	356,448	-
Fund balances - end of year	\$ 316,314	\$ 276,364	\$ 418,012	\$ 141,648

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – CABLE OPERATIONS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u> <u>Basis</u>	<u>Final Budget- Positive (Negative)</u>
REVENUES				
Other	\$ 297,306	\$ 297,306	\$ 316,858	\$ 19,552
Total revenues	<u>297,306</u>	<u>297,306</u>	<u>316,858</u>	<u>19,552</u>
EXPENDITURES				
Current operations:				
Support services	328,278	328,278	268,522	59,756
Capital outlay	<u>220,000</u>	<u>224,395</u>	-	<u>224,395</u>
Total expenditures	<u>548,278</u>	<u>552,673</u>	<u>268,522</u>	<u>284,151</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(250,972)</u>	<u>(255,367)</u>	<u>48,336</u>	<u>303,703</u>
Net change in fund balances	(250,972)	(255,367)	48,336	303,703
Fund balances - beginning of year	<u>533,413</u>	<u>533,413</u>	<u>533,413</u>	<u>-</u>
Fund balances - end of year	<u>\$ 282,441</u>	<u>\$ 278,046</u>	<u>\$ 581,749</u>	<u>\$ 303,703</u>

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – RED LIGHT SAFETY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u> <u>Basis</u>	<u>Final Budget- Positive</u> <u>(Negative)</u>
REVENUES				
Fines and forfeitures	\$ -	\$ 2,717,578	\$ 2,512,480	\$ (205,098)
Total revenues	-	2,717,578	2,512,480	(205,098)
EXPENDITURES				
Current operations:				
Public safety	-	2,341,713	2,218,446	123,267
Total expenditures	-	2,341,713	2,218,446	123,267
Excess (deficiency) of revenues over (under) expenditures	-	375,865	294,034	(81,831)
Net change in fund balances	-	375,865	294,034	(81,831)
Fund balances - beginning of year	78,157	78,157	78,157	-
Fund balances - end of year	\$ 78,157	\$ 454,022	\$ 372,191	\$ (81,831)

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – LAKE PARKS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u> <u>Basis</u>	<u>Final Budget- Positive (Negative)</u>
REVENUES				
Charges for goods and services	\$ 2,304,500	\$ 2,304,500	\$ 2,326,838	\$ 22,338
Licenses and permits	194,000	194,000	173,711	(20,289)
Rents and royalties	831,600	831,600	1,005,278	173,678
Contributions	90,000	90,000	108,229	18,229
Other	26,000	26,000	41,914	15,914
Total revenue	<u>3,446,100</u>	<u>3,446,100</u>	<u>3,655,970</u>	<u>209,870</u>
EXPENDITURES				
Current operations:				
Recreation and leisure services	3,215,257	3,222,837	3,168,854	53,983
Capital outlay	200,000	200,000	947,242	(747,242)
Total expenditures	<u>3,415,257</u>	<u>3,422,837</u>	<u>4,116,096</u>	<u>(693,259)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>30,843</u>	<u>23,263</u>	<u>(460,126)</u>	<u>(483,389)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	159,000	159,000	159,000	-
Total other financing sources (uses)	159,000	159,000	159,000	-
Net change in fund balances	189,843	182,263	(301,126)	(483,389)
Fund balances - beginning of year	<u>3,048,011</u>	<u>3,048,011</u>	<u>3,048,011</u>	<u>-</u>
Fund balances - end of year	<u>\$3,237,854</u>	<u>\$ 3,230,274</u>	<u>\$ 2,746,885</u>	<u>\$ (483,389)</u>

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – CRIME TAX SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Final Budget-</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Sales tax	\$ 6,324,522	\$ 6,324,522	\$ 6,350,584	\$ 26,062
Total revenues	<u>6,324,522</u>	<u>6,324,522</u>	<u>6,350,584</u>	<u>26,062</u>
EXPENDITURES				
Current operations:				
Public safety services	-	343,301	205,195	138,106
Capital outlay	50,000	50,000	-	50,000
Debt service:				
Principal retirement	2,890,000	2,890,000	2,890,000	-
Interest expense	1,239,800	1,239,800	499,103	740,697
Total expenditures	<u>4,179,800</u>	<u>4,523,101</u>	<u>3,594,298</u>	<u>928,803</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,144,722</u>	<u>1,801,421</u>	<u>2,756,286</u>	<u>954,865</u>
Net change in fund balances	2,144,722	1,801,421	2,756,286	954,865
Fund balances - beginning of year	<u>5,153,025</u>	<u>5,153,025</u>	<u>5,153,025</u>	<u>-</u>
Fund balances - end of year	<u>\$ 7,297,747</u>	<u>\$ 6,954,446</u>	<u>\$ 7,909,311</u>	<u>\$ 954,865</u>

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – CEMETERY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Final Budget-</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Charges for goods and services	\$ 743,500	\$ 849,053	\$ 870,267	\$ 21,214
Other	-	2,201	2,200	(1)
Total revenues	<u>743,500</u>	<u>851,254</u>	<u>872,467</u>	<u>21,213</u>
EXPENDITURES				
Current operations:				
Recreation and leisure services	564,061	587,844	581,409	6,435
Capital outlay	-	252,137	222,985	29,152
Total expenditures	<u>564,061</u>	<u>839,981</u>	<u>804,394</u>	<u>35,587</u>
Excess (deficiency) of revenues over (under) expenditures	<u>179,439</u>	<u>11,273</u>	<u>68,073</u>	<u>56,800</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(110,000)</u>	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(110,000)</u>	<u>(110,000)</u>	<u>(110,000)</u>	<u>-</u>
Net change in fund balances	69,439	(98,727)	(41,927)	56,800
Fund balances - beginning of year	<u>1,295,544</u>	<u>1,295,544</u>	<u>1,295,544</u>	<u>-</u>
Fund balances - end of year	<u>\$1,364,983</u>	<u>\$ 1,196,817</u>	<u>\$1,253,617</u>	<u>\$ 56,800</u>

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL – JUVENILE CASE MANAGER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budget</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 173,744	\$ 173,744	\$ 216,060	\$ 42,316
Total revenues	173,744	173,744	216,060	42,316
EXPENDITURES				
Current operations:				
Public safety	191,309	191,309	190,022	1,287
Total expenditures	191,309	191,309	190,022	1,287
Excess (deficiency) of revenues over (under) expenditures	(17,565)	(17,565)	26,038	43,603
Net change in fund balances	(17,565)	(17,565)	26,038	43,603
Fund balances - beginning of year	308,773	308,773	308,773	-
Fund balances - end of year	<u>\$ 291,208</u>	<u>\$ 291,208</u>	<u>\$ 334,811</u>	<u>\$ 43,603</u>



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**CITY OF GRAND PRAIRIE, TEXAS
COMBINING FINANCIAL STATEMENTS
NON-MAJOR 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 reporting entity has four non-major enterprise funds which include:

- ◆ Municipal Airport Fund – accounts for the Grand Prairie Municipal Airport, a general aviation airport, which has revenues from fixed-base operators' leases, City-owned hangar leases, and fuel sales. City employees operate and maintain airport facilities.
- ◆ Municipal Golf Fund – accounts for the operations and maintenance of the Prairie Lakes Golf Course and the Tangle Ridge Golf Course.
- ◆ Storm Water Utility Fund – accounts for the receipt of storm water utility fees for construction, operations, and maintenance of the City's storm water drainage system.
- ◆ Solid Waste Fund – accounts for the operations of the City's refuse collection and disposal services.

**CITY OF GRAND PRAIRIE, TEXAS
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2014**

	Municipal Airport	Municipal Golf	Storm Water Utility	Solid Waste	Total Nonmajor Enterprise Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 152,139	\$ 67,293	\$ 66,643	\$ 3,358,329	\$ 3,644,404
Investments	1,600,000	170,044	1,750,000	13,138,032	16,658,076
Accounts receivable, net	228,329	34,555	344,410	452,456	1,059,750
Due from other governments	42,987	-	-	-	42,987
Inventories and supplies	41,306	27,495	-	-	68,801
Current restricted assets:					
Cash and cash equivalents	252,426	-	-	-	252,426
Investments	-	271,856	-	-	271,856
Total current assets	<u>2,317,187</u>	<u>571,243</u>	<u>2,161,053</u>	<u>16,948,817</u>	<u>21,998,300</u>
Capital assets:					
Land	183,923	568,284	7,500	1,748,378	2,508,085
Buildings	6,866,106	1,854,835	-	1,764,513	10,485,454
Equipment	825,620	1,135,383	45,696	7,190,661	9,197,360
Infrastructure	10,472,120	9,931,537	4,712,067	10,449,173	35,564,897
Construction in progress	2,098,272	54,882	-	111,646	2,264,800
Less: accumulated depreciation	<u>(7,728,864)</u>	<u>(8,813,692)</u>	<u>(3,367,983)</u>	<u>(8,858,637)</u>	<u>(28,769,176)</u>
Total capital assets	<u>12,717,177</u>	<u>4,731,229</u>	<u>1,397,280</u>	<u>12,405,734</u>	<u>31,251,420</u>
Total assets	<u>15,034,364</u>	<u>5,302,472</u>	<u>3,558,333</u>	<u>29,354,551</u>	<u>53,249,720</u>
LIABILITIES					
Current liabilities:					
Accounts payable	56,194	76,029	30,785	1,147,639	1,310,647
Accrued liabilities	37,930	36,717	11,207	148,205	234,059
Accrued compensated absences	22,330	44,260	-	69,035	135,625
Unearned revenue	190,206	-	-	-	190,206
Current liabilities payable from restricted assets:					
Customer deposits	117,953	-	-	-	117,953
Accrued liabilities	9,473	10,656	-	-	20,129
Current portion of long-term debt	<u>125,000</u>	<u>261,200</u>	<u>-</u>	<u>-</u>	<u>386,200</u>
Total current liabilities	<u>559,086</u>	<u>428,862</u>	<u>41,992</u>	<u>1,364,879</u>	<u>2,394,819</u>
Noncurrent liabilities:					
Accrued compensated absences	9,851	8,712	-	-	18,563
Closure and post closure liability	-	-	-	6,356,244	6,356,244
Long-term debt	<u>1,450,000</u>	<u>1,854,561</u>	<u>-</u>	<u>-</u>	<u>3,304,561</u>
Total noncurrent liabilities	<u>1,459,851</u>	<u>1,863,273</u>	<u>-</u>	<u>6,356,244</u>	<u>9,679,368</u>
Total liabilities	<u>2,018,937</u>	<u>2,292,135</u>	<u>41,992</u>	<u>7,721,123</u>	<u>12,074,187</u>
NET POSITION					
Net investment in capital assets	11,142,177	2,615,468	1,397,280	12,405,734	27,560,659
Unrestricted	<u>1,873,250</u>	<u>394,869</u>	<u>2,119,061</u>	<u>9,227,694</u>	<u>13,614,874</u>
Total net position	<u>\$ 13,015,427</u>	<u>\$ 3,010,337</u>	<u>\$ 3,516,341</u>	<u>\$ 21,633,428</u>	<u>\$ 41,175,533</u>

**CITY OF GRAND PRAIRIE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Municipal Airport</u>	<u>Municipal Golf</u>	<u>Storm Water Utility</u>	<u>Solid Waste</u>	<u>Total Nonmajor Enterprise Funds</u>
OPERATING REVENUES					
Sales to customers	\$ 1,641,337	\$ 1,908,340	\$ 5,436,780	\$ 10,677,206	\$ 19,663,663
Intergovernmental revenue	42,697	-	-	-	42,697
Miscellaneous	1,336,784	750	-	125,659	1,463,193
Total operating revenues	<u>3,020,818</u>	<u>1,909,090</u>	<u>5,436,780</u>	<u>10,802,865</u>	<u>21,169,553</u>
OPERATING EXPENSES					
Salaries and benefits	379,812	1,352,457	412,516	2,113,741	4,258,526
Supplies and miscellaneous purchases	1,288,860	226,852	18,994	557,243	2,091,949
Purchased services	406,406	1,053,732	598,499	4,843,953	6,902,590
Miscellaneous	45,133	44,772	68,862	493,884	652,651
Depreciation	1,224,131	557,544	240,074	1,044,813	3,066,562
Franchise fees	-	-	218,381	318,192	536,573
General and administrative costs	59,237	-	77,648	349,689	486,574
Total operating expenses	<u>3,403,579</u>	<u>3,235,357</u>	<u>1,634,974</u>	<u>9,721,515</u>	<u>17,995,425</u>
Operating income (loss)	<u>(382,761)</u>	<u>(1,326,267)</u>	<u>3,801,806</u>	<u>1,081,350</u>	<u>3,174,128</u>
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) on property disposition	(1,686)	3,939	-	1,535	3,788
Interest expense	(78,391)	(79,683)	-	-	(158,074)
Capital assets contribution to government activities	-	-	-	(26,516)	(26,516)
Total nonoperating revenues (expenses)	<u>(80,077)</u>	<u>(75,744)</u>	<u>-</u>	<u>(24,981)</u>	<u>(180,802)</u>
Income (loss) before transfers	(462,838)	(1,402,011)	3,801,806	1,056,369	2,993,326
Capital contributions	1,061,973	-	-	-	1,061,973
Capital assets contribution from government activities	-	-	-	7,432	7,432
Transfers out-capital assets	-	-	-	(142,733)	(142,733)
Transfers in-monetary	-	1,058,156	-	-	1,058,156
Transfers out-monetary	(48,000)	-	(3,600,000)	(382,875)	(4,030,875)
Change in net position	551,135	(343,855)	201,806	538,193	947,279
Net position - beginning of year	10,210,010	3,354,192	3,314,535	21,095,235	37,973,972
Prior period adjustment	<u>2,254,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,254,282</u>
Restated Net position -beginning of year	<u>12,464,292</u>	<u>3,354,192</u>	<u>3,314,535</u>	<u>21,095,235</u>	<u>40,228,254</u>
Net position - end of year	<u>\$ 13,015,427</u>	<u>\$ 3,010,337</u>	<u>\$ 3,516,341</u>	<u>\$ 21,633,428</u>	<u>\$ 41,175,533</u>

**CITY OF GRAND PRAIRIE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Municipal Airport	Municipal Golf	Storm Water Utility	Solid Waste	Total Nonmajor Enterprise Funds
Cash flows from operating activities:					
Cash received from customers	\$ 3,002,329	\$ 1,874,535	\$ 5,423,549	\$ 10,809,281	\$ 21,109,694
Cash received from intergovernmental	54,536	-	-	-	54,536
Cash payments to suppliers for goods and services	(1,631,347)	(1,298,947)	(630,771)	(4,331,335)	(7,892,400)
Cash payments to employees for services	(381,540)	(1,341,400)	(411,601)	(2,111,182)	(4,245,723)
Cash payments to other funds for services	(84,041)	(2,903)	(331,766)	(892,841)	(1,311,551)
Other operating cash payments	8,094	(74,326)	(47,723)	(283,522)	(397,477)
Net cash provided by (used in) operating activities	<u>968,031</u>	<u>(843,041)</u>	<u>4,001,688</u>	<u>3,190,401</u>	<u>7,317,079</u>
Cash flows from non-capital financing activities:					
Transfers from other funds	-	1,058,156	-	-	1,058,156
Transfers to other funds	(48,000)	-	(3,600,000)	(382,875)	(4,030,875)
Net cash provided by (used in) non-capital financing activities	<u>(48,000)</u>	<u>1,058,156</u>	<u>(3,600,000)</u>	<u>(382,875)</u>	<u>(2,972,719)</u>
Cash flows from capital and related financing activities:					
Capital outlays	(749,137)	(21,228)	-	(1,171,075)	(1,941,440)
Proceeds from capital assets disposals	-	3,939	-	1,535	5,474
Interest paid on bonds and line of credit	(79,009)	(89,004)	-	-	(168,013)
Repayment of principal on bonds	(120,000)	(244,152)	-	-	(364,152)
Net cash used in capital and related financing activities	<u>(948,146)</u>	<u>(350,445)</u>	<u>-</u>	<u>(1,169,540)</u>	<u>(2,468,131)</u>
Cash flows from investing activities:					
Sale of investments	1,723,919	577,394	1,533,055	13,756,607	17,590,975
Purchase of investments	(1,723,923)	(477,394)	(1,883,055)	(14,056,606)	(18,140,978)
Net cash provided by (used in) investing activities	<u>(4)</u>	<u>100,000</u>	<u>(350,000)</u>	<u>(299,999)</u>	<u>(550,003)</u>
Net increase (decrease) in cash and cash equivalents	(28,119)	(35,330)	51,688	1,337,987	1,326,226
Cash and cash equivalents - beginning of year	432,684	102,623	14,955	2,020,342	2,570,604
Cash and cash equivalents - end of year	<u>\$ 404,565</u>	<u>\$ 67,293</u>	<u>\$ 66,643</u>	<u>\$ 3,358,329</u>	<u>\$ 3,896,830</u>
Reconciliation of income (loss) from operations to net cash provided by (used in) operating activities:					
Net operating income (loss)	\$ (382,761)	\$ (1,326,267)	\$ 3,801,806	\$ 1,081,350	\$ 3,174,128
Adjustments to net operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,224,131	557,544	240,074	1,044,813	3,066,562
Provision for non-collectibles receivables	(33)	-	22,750	74,828	97,545
Changes in assets and liabilities:					
Increase in other accounts receivable	(4,096)	(34,555)	(35,981)	(68,412)	(143,044)
(Increase) decrease in inventories and supplies	31,105	(27,495)	-	-	3,610
Increase (decrease) in accounts payable	39,389	(23,298)	(22,015)	689,952	684,028
Increase in accrued liabilities	23,189	2,454	1,438	372,610	399,691
Increase in customer deposits	51,117	-	-	-	51,117
Decrease in unearned revenue	(10,941)	-	-	-	(10,941)
Increase (decrease) in compensated absences	(3,069)	8,576	(6,384)	(4,740)	(5,617)
Net cash provided by (used in) operating activities	<u>\$ 968,031</u>	<u>\$ (843,041)</u>	<u>\$ 4,001,688</u>	<u>\$ 3,190,401</u>	<u>\$ 7,317,079</u>
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers/granting agency	\$ 1,061,973	\$ -	\$ -	\$ -	\$ 1,061,973
Total cash and cash equivalents -end of year	<u>\$ 404,565</u>	<u>\$ 67,293</u>	<u>\$ 66,643</u>	<u>\$ 3,358,329</u>	<u>\$ 3,896,830</u>

**CITY OF GRAND PRAIRIE, TEXAS
COMBINING FINANCIAL STATEMENTS
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:

- ◆ Fleet Services Fund – accounts for a full range of services in managing and maintaining the City's fleet of vehicles and equipment. The fund does not own the city fleet.
- ◆ Risk Management Fund – accounts for premiums, deductibles, and claims for all types of City's insurance.

**CITY OF GRAND PRAIRIE, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2014**

	Fleet Services	Risk Management	Total Internal Service Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 144,573	\$ 6,190,036	\$ 6,334,609
Investments	-	7,160,624	7,160,624
Prepays	-	27,099	27,099
Other receivables	18,170	-	18,170
Inventories and supplies	144,940	-	144,940
Current restricted assets:			
Cash and cash equivalents	-	177,928	177,928
 Total current assets	 <u>307,683</u>	 <u>13,555,687</u>	 <u>13,863,370</u>
Capital assets:			
Land	737,566	-	737,566
Buildings	1,477,875	-	1,477,875
Equipment	1,749,484	178,229	1,927,713
Infrastructure	16,672	-	16,672
Less: accumulated depreciation	<u>(3,177,059)</u>	<u>(41,270)</u>	<u>(3,218,329)</u>
Total noncurrent assets	<u>804,538</u>	<u>136,959</u>	<u>941,497</u>
Total assets	<u>1,112,221</u>	<u>13,692,646</u>	<u>14,804,867</u>
LIABILITIES			
Current liabilities:			
Accounts payable	41,370	190,241	231,611
Other accrued liabilities	28,103	4,665,005	4,693,108
Accrued compensated absences	35,580	10,722	46,302
Total current liabilities	<u>105,053</u>	<u>4,865,968</u>	<u>4,971,021</u>
Total liabilities	<u>105,053</u>	<u>4,865,968</u>	<u>4,971,021</u>
NET POSITION			
Net investment in capital assets	804,538	136,959	941,497
Unrestricted	<u>202,630</u>	<u>8,689,719</u>	<u>8,892,349</u>
Total net position	<u>\$ 1,007,168</u>	<u>\$ 8,826,678</u>	<u>\$ 9,833,846</u>

**CITY OF GRAND PRAIRIE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Fleet Services	Risk Management	Total Internal Service Funds
OPERATING REVENUES			
Sales to customers	\$ 4,970,933	\$ -	\$ 4,970,933
Insurance premiums	-	19,768,893	19,768,893
Miscellaneous	46	4,289	4,335
Total operating revenues	<u>4,970,979</u>	<u>19,773,182</u>	<u>24,744,161</u>
OPERATING EXPENSES			
Salaries and benefits	940,009	191,663	1,131,672
Supplies and miscellaneous purchases	3,298,068	5,257	3,303,325
Purchased services	558,194	1,074,639	1,632,833
Insurance costs	-	18,640,588	18,640,588
Miscellaneous	32,283	138,333	170,616
Depreciation	14,683	27,559	42,242
Total operating expenses	<u>4,843,237</u>	<u>20,078,039</u>	<u>24,921,276</u>
Operating income (loss)	<u>127,742</u>	<u>(304,857)</u>	<u>(177,115)</u>
NONOPERATING REVENUES (EXPENSE)			
Gain on property disposition	26,726	-	26,726
Capital assets contribution to government activities	-	(90,424)	(90,424)
Total nonoperating revenues (expenses)	<u>26,726</u>	<u>(90,424)</u>	<u>(63,698)</u>
Income (Loss) before contributions and transfers	154,468	(395,281)	(240,813)
Capital assets contribution from government activities	26,898	-	26,898
Change in net position	<u>181,366</u>	<u>(395,281)</u>	<u>(213,915)</u>
Net position- beginning of year	<u>825,802</u>	<u>9,221,959</u>	<u>10,047,761</u>
Net position - end of year	<u>\$ 1,007,168</u>	<u>\$ 8,826,678</u>	<u>\$ 9,833,846</u>

**CITY OF GRAND PRAIRIE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Fleet Services</u>	<u>Risk Management</u>	<u>Internal Service Funds</u>
Cash flows from operating activities:			
Cash received from customers	\$ 4,960,631	\$ 19,795,949	\$ 24,756,580
Cash paid to other funds for services	(31,938)	(136,332)	(168,270)
Cash payments to suppliers for goods and services	(3,834,649)	(19,257,929)	(23,092,578)
Cash payments to employees for services	(926,486)	(191,638)	(1,118,124)
Other operating cash (payments)	15,546	(6,430)	9,116
Net cash provided by operating activities	<u>183,104</u>	<u>203,620</u>	<u>386,724</u>
Cash flows from non-capital financing activities:			
Due to other funds	<u>(100,000)</u>	-	<u>(100,000)</u>
Net cash used in noncapital financing activities	<u>(100,000)</u>	-	<u>(100,000)</u>
Cash flows from capital and related financing activities:			
Capital outlays	-	(65,046)	(65,046)
Proceeds from capital assets disposals	26,726	-	26,726
Net cash provided by (used in) capital and related financing activities	<u>26,726</u>	<u>(65,046)</u>	<u>(38,320)</u>
Cash flows from investing activities			
Sale of investments	-	7,264,828	7,264,828
Purchase of investments	<u>-</u>	<u>(7,664,828)</u>	<u>(7,664,828)</u>
Net cash used in investing activities	<u>-</u>	<u>(400,000)</u>	<u>(400,000)</u>
Net increase (decrease) in cash and cash equivalents	109,830	(261,426)	(151,596)
Cash and cash equivalents - beginning of year	<u>34,743</u>	<u>6,629,390</u>	<u>6,664,133</u>
Cash and cash equivalents - end of year	<u>\$ 144,573</u>	<u>\$ 6,367,964</u>	<u>\$ 6,512,537</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities:			
Net operating income (loss)	\$ 127,742	\$ (304,857)	\$ (177,115)
Adjustments to net operating loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	14,683	27,559	42,242
Change in assets and liabilities:			
(Increase) Decrease in other accounts receivable	(10,348)	22,766	12,418
Increase in prepaids	-	(5,016)	(5,016)
Decrease in inventories and supplies	22,951	-	22,951
Increase in accounts payable	14,553	159,748	174,301
Increase in accrued liabilities	3,530	302,807	306,337
Increase in accrued compensated absences	9,993	613	10,606
Net cash provided by operating activities	<u>\$ 183,104</u>	<u>\$ 203,620</u>	<u>\$ 386,724</u>
Unrestricted cash and cash equivalents-end of year	\$ 144,573	\$ 6,190,036	\$ 6,334,609
Restricted cash and cash equivalents-end of year	<u>-</u>	<u>177,928</u>	<u>177,928</u>
Total cash and cash equivalents -end of year	<u>\$ 144,573</u>	<u>\$ 6,367,964</u>	<u>\$ 6,512,537</u>



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**CAPITAL ASSETS OF
GOVERNMENTAL FUNDS**



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**CITY OF GRAND PRAIRIE, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE (SEE NOTE BELOW)
 AS OF SEPTEMBER 30, 2014**

Governmental funds capital assets:

Land	\$ 39,132,789
Buildings	181,104,493
Equipment	87,077,291
Infrastructure	547,876,677
Construction in progress	<u>67,419,236</u>
Total governmental funds capital assets	<u><u>\$ 922,610,486</u></u>

Investment in governmental funds capital assets by source:

Capital projects funds	\$ 67,419,236
General fund	813,861,260
Special revenue funds	9,542,226
Private and other	<u>31,787,764</u>
Total investment	<u><u>\$ 922,610,486</u></u>

Note:

This schedule presents only the capital asset balances related to governmental and excludes internal service funds.

**CITY OF GRAND PRAIRIE, TEXAS
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (SEE NOTE BELOW)
AS OF SEPTEMBER 30, 2014**

Function and Activity	Land	Building	Equipment	Infrastructure	Total
Support Services:					
City Council	\$ -	\$ 165,791	\$ -	\$ -	\$ 165,791
City Manager	388,520	4,636,699	573,936	333,875	5,933,030
Budget	-	39,949	10,000	-	49,949
City Secretary	-	-	83,944	-	83,944
City Attorney	-	20,739	138,936	-	159,675
Human Resources	-	248,294	575,655	-	823,949
Information Systems	-	6,750	6,600,114	716,431	7,323,295
Finance	154,695	220,786	563,489	21,836,297	22,775,267
Total support services	<u>543,215</u>	<u>5,339,008</u>	<u>8,546,074</u>	<u>22,886,603</u>	<u>37,314,900</u>
Public Safety:					
Fire	1,084,723	12,023,760	14,187,653	1,406,729	28,702,865
Police	725,971	57,299,595	24,869,263	703,283	83,598,112
Environmental Health	132,862	3,754,122	929,285	191,883	5,008,152
Municipal Court	186,003	2,261,062	675,237	143,016	3,265,318
Total public safety	<u>2,129,559</u>	<u>75,338,539</u>	<u>40,661,438</u>	<u>2,444,911</u>	<u>120,574,447</u>
Recreation and Leisure:					
Parks and Recreation	15,772,867	64,376,782	11,872,280	62,765,728	154,787,657
Library	49,904	7,016,694	5,116,304	988,698	13,171,600
Total recreation and leisure	<u>15,822,771</u>	<u>71,393,476</u>	<u>16,988,584</u>	<u>63,754,426</u>	<u>167,959,257</u>
Development Services:					
Planning	-	143,332	52,500	67,940	263,772
Building inspections	-	-	338,492	-	338,492
Economic Development	-	20,000	16,031	487,093	523,124
Housing & Community Development	107,301	260,232	481,464	-	848,997
Public Works	19,281,043	1,042,654	857,952	268,223,356	289,405,005
Transportation	110,733	18,132	11,143,770	12,031,291	23,303,926
Streets	-	-	7,990,986	177,981,057	185,972,043
Contingency	1,138,167	27,549,120	-	-	28,687,287
Total development services	<u>20,637,244</u>	<u>29,033,470</u>	<u>20,881,195</u>	<u>458,790,737</u>	<u>529,342,646</u>
Total	<u>\$ 39,132,789</u>	<u>\$ 181,104,493</u>	<u>\$ 87,077,291</u>	<u>\$ 547,876,677</u>	<u>\$ 855,191,250</u>
Construction in Progress					<u>67,419,236</u>
Total governmental funds capital assets					<u>\$ 922,610,486</u>

Note:

This schedule presents only the capital asset balances related to governmental funds and excludes internal service funds.

**CITY OF GRAND PRAIRIE, TEXAS
SCHEDULE OF CHANGES IN CAPITAL ASSETS USED IN THE OPERATIONS OF
GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY (SEE NOTE BELOW)
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Function and Activity	Balance October 1, 2013	Additions/ Completions	Disposals/ Reclassifications	Balance September 30, 2014
Support Services:				
City Council	\$ 227,800	\$ -	\$ (62,009)	\$ 165,791
City Manager	6,006,808	87,123	(160,901)	5,933,030
Budget	49,949	-	-	49,949
City Secretary	83,944	-	-	83,944
City Attorney	159,675	-	-	159,675
Human Resources	823,949	-	-	823,949
Information Systems	7,290,263	33,032	-	7,323,295
Finance	21,977,481	797,786	-	22,775,267
Total support services	<u>36,619,869</u>	<u>917,941</u>	<u>(222,910)</u>	<u>37,314,900</u>
Public Safety:				
Fire	28,699,353	1,719,215	(1,951,872)	28,466,696
Police	84,230,131	826,614	(1,458,633)	83,598,112
Environmental Health	4,948,482	418,275	(122,436)	5,244,321
Municipal Court	3,288,914	21,339	(44,935)	3,265,318
Total public safety	<u>121,166,880</u>	<u>2,985,443</u>	<u>(3,577,876)</u>	<u>120,574,447</u>
Recreation and Leisure:				
Parks and Recreation	152,022,460	3,411,619	(646,422)	154,787,657
Library	12,235,667	935,933	-	13,171,600
Total recreation and leisure	<u>164,258,127</u>	<u>4,347,552</u>	<u>(646,422)</u>	<u>167,959,257</u>
Development Services:				
Planning	263,772	-	-	263,772
Building Inspection	335,092	18,400	(15,000)	338,492
Economic Development	523,124	-	-	523,124
Housing & Community Development	2,499,005	-	(1,650,008)	848,997
Public Works	268,620,349	20,853,563	(68,907)	289,405,005
Transportation	22,431,939	965,120	(93,133)	23,303,926
Streets	185,848,199	351,129	(227,285)	185,972,043
Contingency	28,687,287	-	-	28,687,287
Total development services	<u>509,208,767</u>	<u>22,188,212</u>	<u>(2,054,333)</u>	<u>529,342,646</u>
Construction in progress	<u>58,019,820</u>	<u>31,216,083</u>	<u>(21,816,667)</u>	<u>67,419,236</u>
Total governmental funds capital	<u>\$ 889,273,463</u>	<u>\$ 61,655,231</u>	<u>\$ (28,318,208)</u>	<u>\$ 922,610,486</u>

Note:

This schedule presents only the capital asset balances related to governmental funds and excludes internal service funds.



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SUPPLEMENTAL SCHEDULES



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**CITY OF GRAND PRAIRIE, TEXAS
SUPPLEMENTAL SCHEDULES**

The schedules in this section, although not required for fair presentation in conformity with Generally Accepted Accounting Principles, present other information deemed useful. The information consists of schedules which aggregate the several funds which exist internally in the City's accounting system into the Park Venue Fund, Water and Wastewater Fund, the Municipal Airport Fund, the Municipal Golf Course Fund, the Solid Waste Fund, and the Risk Management Fund.

**CITY OF GRAND PRAIRIE, TEXAS
 AGGREGATING BALANCE SHEET
 PARK VENUE FUND
 SEPTEMBER 30, 2014**

	<u>Operating</u>	<u>Capital Projects</u>	<u>Total Park Venue</u>
ASSETS			
Cash and cash equivalents	\$ 3,331,587	\$ 165,525	\$ 3,497,112
Investment	-	3,023,344	3,023,344
Sales tax receivable	1,128,504	-	1,128,504
Other receivable	21,295	-	21,295
Inventories	18,521	-	18,521
Total assets	<u>4,499,907</u>	<u>3,188,869</u>	<u>7,688,776</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	469,196	319,235	788,431
Accrued liabilities	159,294	122,412	281,706
Customer deposits	45,215	-	45,215
Unearned revenue	173,137	-	173,137
Total liabilities	<u>846,842</u>	<u>441,647</u>	<u>1,288,489</u>
Fund Balance:			
Nonspendable	18,521	-	18,521
Restricted	3,634,544	2,747,222	6,381,766
Total fund balance	<u>3,653,065</u>	<u>2,747,222</u>	<u>6,400,287</u>
Total liabilities and fund balance	<u>\$ 4,499,907</u>	<u>\$ 3,188,869</u>	<u>\$ 7,688,776</u>

**CITY OF GRAND PRAIRIE, TEXAS
AGGREGATING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
PARK VENUE FUND
SEPTEMBER 30, 2014**

	<u>Operating</u>	<u>Capital Projects</u>	<u>Elimination</u>	<u>Total Park Venue</u>
REVENUES				
Sales tax	\$ 6,391,068	\$ -	\$ -	\$ 6,391,068
Charges for goods and services	2,871,721	-	-	2,871,721
Rents and royalties	632,664	-	-	632,664
Contributions	164,760	-	-	164,760
Miscellaneous	3,133	-	-	3,133
Total revenues	<u>10,063,346</u>	<u>-</u>	<u>-</u>	<u>10,063,346</u>
EXPENDITURES				
Current operations:				
Recreation and leisure services	11,172,137	422,934	-	11,595,071
Capital outlay	192,474	4,183,767	-	4,376,241
Debt service:				
Principal retirement	1,415,000	-	-	1,415,000
Interest expense	774,384	-	-	774,384
Total expenditures	<u>13,553,995</u>	<u>4,606,701</u>	<u>-</u>	<u>18,160,696</u>
Deficiency of revenues under expenditures	<u>(3,490,649)</u>	<u>(4,606,701)</u>	<u>-</u>	<u>(8,097,350)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,375,623	2,000,000	(2,000,000)	5,375,623
Transfers out	<u>(2,880,809)</u>	<u>-</u>	<u>2,000,000</u>	<u>(880,809)</u>
Total other financing sources	<u>2,494,814</u>	<u>2,000,000</u>	<u>-</u>	<u>4,494,814</u>
Change in fund balance	(995,835)	(2,606,701)	-	(3,602,536)
Fund balance - beginning of year	<u>4,648,900</u>	<u>5,353,923</u>	<u>-</u>	<u>10,002,823</u>
Fund balance - end of year	<u>\$ 3,653,065</u>	<u>\$ 2,747,222</u>	<u>\$ -</u>	<u>\$ 6,400,287</u>

Interfund transfers in/out between the Operating fund and Capital Projects fund are eliminated on the Statement of Revenue, Expenditures, and Change in Fund Balance.

**CITY OF GRAND PRAIRIE, TEXAS
AGGREGATING SCHEDULE OF NET POSITION
WATER AND WASTEWATER FUND
SEPTEMBER 30, 2014**

	<u>Operating</u>	<u>Debt Service</u>	<u>Water Capital Projects</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 8,238,457	\$ 1,260,370	\$ 2,911,332
Investments	300,000	-	13,400,000
Accounts receivable, net	4,621,893	-	54,886
Due from other funds	383,000	-	37,659
Inventories and supplies	493,949	-	-
Current restricted assets:			
Cash and cash equivalents	4,250,000	-	-
Investments	3,436,535	4,601,419	-
Total current assets	<u>21,723,834</u>	<u>5,861,789</u>	<u>16,403,877</u>
Capital assets:			
Land	1,663,711	-	-
Buildings	2,361,045	-	-
Equipment	21,598,464	-	-
Improvements other than buildings	296,428,632	-	-
Construction in progress	19,281,899	-	-
Less: accumulated depreciation	<u>(167,429,187)</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>173,904,564</u>	<u>-</u>	<u>-</u>
Total assets	<u>195,628,398</u>	<u>5,861,789</u>	<u>16,403,877</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	134,029	-	-
Total deferred outflows of resources	<u>134,029</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,626,313	750	352,413
Accrued liabilities	334,668	-	161,711
Due to other funds	-	-	-
Accrued compensated absences	272,050	-	-
Unearned revenue	-	-	-
Current liabilities payable from restricted assets:			
Customer deposits	3,436,714	-	-
Accrued liabilities	-	416,420	-
Current portion of long-term debt	<u>4,250,000</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>9,919,745</u>	<u>417,170</u>	<u>514,124</u>
Noncurrent liabilities:			
Long-term debt less the current portion	<u>56,808,763</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>56,808,763</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>66,728,508</u>	<u>417,170</u>	<u>514,124</u>
NET POSITION			
Net investment in capital assets	115,737,021	-	-
Restricted for debt service	-	5,444,619	-
Unrestricted	<u>13,296,898</u>	<u>-</u>	<u>15,889,753</u>
Total net position	<u>\$ 129,033,919</u>	<u>\$ 5,444,619</u>	<u>\$ 15,889,753</u>

Rate Stabilization	Wastewater Capital Projects	Water/ Wastewater Projects	TWDB Financial Assistance	Elimination	Total Water Wastewater
\$ 109,976	\$ 5,953,151	\$ 244,370	\$ 593	-	\$ 18,718,249
3,318,432	615,273	5,100,000	-	-	22,733,705
-	-	-	-	-	4,676,779
-	-	-	-	(420,659)	-
-	-	-	-	-	493,949
-	-	-	9,595,068	-	13,845,068
-	-	-	-	-	8,037,954
<u>3,428,408</u>	<u>6,568,424</u>	<u>5,344,370</u>	<u>9,595,661</u>	<u>(420,659)</u>	<u>68,505,704</u>
-	-	-	-	-	1,663,711
-	-	-	-	-	2,361,045
-	-	-	-	-	21,598,464
-	-	-	-	-	296,428,632
-	-	-	-	-	19,281,899
-	-	-	-	-	(167,429,187)
-	-	-	-	-	173,904,564
<u>3,428,408</u>	<u>6,568,424</u>	<u>5,344,370</u>	<u>9,595,661</u>	<u>(420,659)</u>	<u>242,410,268</u>
-	-	-	-	-	134,029
-	-	-	-	-	134,029
-	74,423	-	93,586	-	2,147,485
-	54,847	-	11,914	-	563,140
-	-	-	420,659	(420,659)	-
-	-	-	-	-	272,050
-	-	-	274,431	-	274,431
-	-	-	-	-	3,436,714
-	-	-	-	-	416,420
-	-	-	-	-	4,250,000
-	129,270	-	800,590	(420,659)	11,360,240
-	-	-	-	-	56,808,763
-	-	-	-	-	56,808,763
-	129,270	-	800,590	(420,659)	68,169,003
-	-	-	-	-	115,737,021
-	-	-	-	-	5,444,619
<u>3,428,408</u>	<u>6,439,154</u>	<u>5,344,370</u>	<u>8,795,071</u>	<u>-</u>	<u>53,193,654</u>
<u>\$ 3,428,408</u>	<u>\$ 6,439,154</u>	<u>\$ 5,344,370</u>	<u>\$ 8,795,071</u>	<u>\$ -</u>	<u>\$ 174,375,294</u>

**CITY OF GRAND PRAIRIE, TEXAS
AGGREGATING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
WATER AND WASTEWATER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Operating</u>	<u>Debt Service</u>	<u>Water Capital Projects</u>
OPERATING REVENUES			
Water charges to customers	\$ 34,322,525	\$ -	\$ -
Wastewater charges to customers	22,678,679	-	-
Water and wastewater fees	2,094,465	-	-
Wastewater surcharges	653,220	-	-
Miscellaneous	311,522	-	54,885
Total operating revenue	<u>60,060,411</u>	<u>-</u>	<u>54,885</u>
OPERATING EXPENSES			
Salaries and benefits	7,059,406	-	-
Supplies	875,889	-	767
Purchased services	4,082,280	-	883,596
Capital outlay	(10,149,172)	-	8,616,020
Water purchases	11,850,914	-	-
Wastewater treatment	12,716,847	-	-
Miscellaneous	453,743	-	19,230
Depreciation	12,484,294	-	-
Franchise fees	2,283,480	-	-
General and administrative costs	3,300,124	-	-
Principal payment on bonds	(3,900,000)	3,900,000	-
Total operating expense	<u>41,057,805</u>	<u>3,900,000</u>	<u>9,519,613</u>
Operating income (loss)	<u>19,002,606</u>	<u>(3,900,000)</u>	<u>(9,464,728)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	-	-	-
Gain on property position	2,780	-	-
Interest expense	78,057	(2,150,883)	-
Contribution to other government	-	-	(38,917)
Capital assets contribution to government activities	(12)	-	-
Total nonoperating revenues (expenses)	<u>80,825</u>	<u>(2,150,883)</u>	<u>(38,917)</u>
Income (loss) before transfers and contributions	19,083,431	(6,050,883)	(9,503,645)
CAPITAL CONTRIBUTION AND TRANSFERS			
Capital contributions-impact fees	-	-	-
Capital contributions	1,459,557	-	-
Transfers in-capital assets	142,733	-	-
Transfers in-monetary	361,431	6,800,000	11,239,761
Transfers out-monetary	(25,136,161)	-	(2,894,957)
Total capital contributions and transfers	<u>(23,172,440)</u>	<u>6,800,000</u>	<u>8,344,804</u>
SPECIAL ITEMS			
Water settlement	(3,013,446)	-	-
Total special items	<u>(3,013,446)</u>	<u>-</u>	<u>-</u>
Change in net position	(7,102,455)	749,117	(1,158,841)
Net position - beginning of the year	<u>136,136,374</u>	<u>4,695,502</u>	<u>17,048,594</u>
Net position - end of the year	<u>\$ 129,033,919</u>	<u>\$ 5,444,619</u>	<u>\$ 15,889,753</u>

Interfund transfers in/out between the Operating fund, Debt Service fund, Water Capital Projects fund, Rate Stabilization fund Wastewater Capital Projects fund, Water/Wastewater Projects fund, and TWDB Financial Assistance fund are eliminated on the Statement of Revenues Expenses, and Change in Net Position.

Rate Stabilization	Wastewater Capital Projects	Water/Wastewater Projects	TWDB Financial Assistance	Elimination	Total Water/Wastewater
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,322,525
-	-	-	-	-	22,678,679
-	-	-	-	-	2,094,465
-	-	-	-	-	653,220
-	-	-	-	-	366,407
-	-	-	-	-	60,115,296
-	-	-	-	-	7,059,406
-	-	-	-	-	876,656
-	326,244	-	-	-	5,292,120
-	1,045,245	-	487,907	-	-
-	-	-	-	-	11,850,914
-	-	-	-	-	12,716,847
-	-	-	-	-	472,973
-	-	-	-	-	12,484,294
-	-	-	-	-	2,283,480
-	-	-	-	-	3,300,124
-	-	-	-	-	-
-	1,371,489	-	487,907	-	56,336,814
-	(1,371,489)	-	(487,907)	-	3,778,482
-	-	-	1,021	-	1,021
-	-	-	-	-	2,780
-	-	-	-	-	(2,072,826)
-	-	-	-	-	(38,917)
-	-	-	-	-	(12)
-	-	-	1,021	-	(2,107,954)
-	(1,371,489)	-	(486,886)	-	1,670,528
-	-	1,794,292	-	-	1,794,292
-	-	-	87,000	-	1,546,557
-	-	-	-	-	142,733
100,000	1,701,842	-	9,194,957	(29,375,391)	22,600
-	(2,661,431)	-	-	29,375,391	(1,317,158)
100,000	(959,589)	1,794,292	9,281,957	-	2,189,024
-	-	-	-	-	(3,013,446)
-	-	-	-	-	(3,013,446)
100,000	(2,331,078)	1,794,292	8,795,071	-	846,106
3,328,408	8,770,232	3,550,078	-	-	173,529,188
\$ 3,428,408	\$ 6,439,154	\$ 5,344,370	\$ 8,795,071	\$ -	\$ 174,375,294

**CITY OF GRAND PRAIRIE, TEXAS
AGGREGATING SCHEDULE OF NET POSITION
MUNICIPAL AIRPORT FUND
SEPTEMBER 30, 2014**

ASSETS	Operating	Capital Projects	Grant	Elimination	Total Municipal Airport
Current assets:					
Cash and cash equivalents	\$ 36,740	\$ 78,386	\$ 37,013	\$ -	\$ 152,139
Investments	400,000	1,200,000	-	-	1,600,000
Accounts receivable, net	132,912	95,417	-	-	228,329
Due from other governments	-	-	42,987	-	42,987
Due from other funds	80,000	-	-	(80,000)	-
Inventories and supplies	41,306	-	-	-	41,306
Current restricted assets:					
Cash and cash equivalents	252,426	-	-	-	252,426
Total current assets	943,384	1,373,803	80,000	(80,000)	2,317,187
Capital assets:					
Land	183,923	-	-	-	183,923
Buildings	4,942,514	-	1,923,592	-	6,866,106
Equipment	791,424	-	34,196	-	825,620
Infrastructure	6,217,838	-	4,254,282	-	10,472,120
Construction In Progress	956,271	-	1,142,001	-	2,098,272
Less: accumulated depreciation	(6,647,363)	-	(1,081,501)	-	(7,728,864)
Total capital assets	6,444,607	-	6,272,570	-	12,717,177
Total assets	7,387,991	1,373,803	6,352,570	(80,000)	15,034,364
LIABILITIES					
Current liabilities:					
Accounts payable	19,612	36,582	-	-	56,194
Accrued liabilities	18,030	19,900	-	-	37,930
Due to other funds	-	-	80,000	(80,000)	-
Accrued compensated absences	22,330	-	-	-	22,330
Unearned revenue	190,206	-	-	-	190,206
Current liabilities payable from restricted assets:					
Customer deposits	117,953	-	-	-	117,953
Accrued liabilities	9,473	-	-	-	9,473
Current portion of long-term debt	125,000	-	-	-	125,000
Total current liabilities	502,604	56,482	80,000	(80,000)	559,086
Noncurrent liabilities:					
Accrued compensated absences	9,851	-	-	-	9,851
Long-term debt less the current portion	1,450,000	-	-	-	1,450,000
Total noncurrent liabilities	1,459,851	-	-	-	1,459,851
Total liabilities	1,962,455	56,482	80,000	(80,000)	2,018,937
NET POSITION					
Net investment in capital assets	4,869,607	-	6,272,570	-	11,142,177
Unrestricted	555,929	1,317,321	-	-	1,873,250
Total net position	\$ 5,425,536	\$ 1,317,321	\$ 6,272,570	\$ -	\$ 13,015,427

**CITY OF GRAND PRAIRIE, TEXAS
AGGREGATING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
MUNICIPAL AIRPORT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Operating</u>	<u>Capital Projects</u>	<u>Grant</u>	<u>Elimination</u>	<u>Total Municipal Airport</u>
OPERATING REVENUES					
Sales to customers	\$ 1,641,237	\$ 100	\$ -	\$ -	\$ 1,641,337
Intergovernment	-	-	42,697	-	42,697
Miscellaneous	688,787	647,997	-	-	1,336,784
Total operating revenues	<u>2,330,024</u>	<u>648,097</u>	<u>42,697</u>	<u>-</u>	<u>3,020,818</u>
OPERATING EXPENSES					
Salaries and benefits	379,812	-	-	-	379,812
Supplies	1,280,082	8,778	-	-	1,288,860
Purchased services	157,048	-	249,358	-	406,406
Miscellaneous	45,133	-	-	-	45,133
Capital outlay	(904,904)	904,904	-	-	-
Depreciation	617,374	-	606,757	-	1,224,131
General and administrative costs	59,237	-	-	-	59,237
Total operating expenses	<u>1,633,782</u>	<u>913,682</u>	<u>856,115</u>	<u>-</u>	<u>3,403,579</u>
Operating income (loss)	<u>696,242</u>	<u>(265,585)</u>	<u>(813,418)</u>	<u>-</u>	<u>(382,761)</u>
NONOPERATING EXPENSES					
Loss on property disposition	(1,686)	-	-	-	(1,686)
Interest expense	(78,391)	-	-	-	(78,391)
Total nonoperating expenses	<u>(80,077)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,077)</u>
Income (loss) before transfers	616,165	(265,585)	(813,418)	-	(462,838)
Capital contributions	900,000	-	161,973	-	1,061,973
Transfers in	-	361,533	44,553	(406,086)	-
Transfers out	<u>(200,000)</u>	<u>(92,553)</u>	<u>(161,533)</u>	<u>406,086</u>	<u>(48,000)</u>
Change in net position	1,316,165	3,395	(768,425)	-	551,135
Net position - beginning of the year (as previously stated)	4,109,371	1,313,926	4,786,713	-	10,210,010
Prior period adjustment	<u>-</u>	<u>-</u>	<u>2,254,282</u>	<u>-</u>	<u>2,254,282</u>
Net position - end of the year	<u>\$ 5,425,536</u>	<u>\$ 1,317,321</u>	<u>\$ 6,272,570</u>	<u>\$ -</u>	<u>\$ 13,015,427</u>

Transfers in/out between the Airport's Operating fund, Capital Projects fund, and Grant fund are eliminated on the Statement of Revenues, Expenses, and Change in Net Position, Nonmajor Enterprise Funds.

**CITY OF GRAND PRAIRIE, TEXAS
AGGREGATING SCHEDULE OF NET POSITION
MUNICIPAL GOLF COURSE FUND
SEPTEMBER 30, 2014**

	<u>Operating</u>	<u>Capital Projects</u>	<u>Total Municipal Golf</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 36,743	\$ 30,550	\$ 67,293
Investments	170,044	-	170,044
Accounts receivable	34,555	-	34,555
Inventories	27,495	-	27,495
Current restricted assets:			
Investments	271,856	-	271,856
Total current assets	<u>540,693</u>	<u>30,550</u>	<u>571,243</u>
Capital assets:			
Land	568,284	-	568,284
Buildings	1,854,835	-	1,854,835
Equipment	1,135,383	-	1,135,383
Improvements other than buildings	9,931,537	-	9,931,537
Construction in progress	54,882	-	54,882
Less: accumulated depreciation	<u>(8,813,692)</u>	<u>-</u>	<u>(8,813,692)</u>
Total capital assets	<u>4,731,229</u>	<u>-</u>	<u>4,731,229</u>
Total assets	<u>5,271,922</u>	<u>30,550</u>	<u>5,302,472</u>
LIABILITIES			
Current liabilities:			
Accounts payable	75,094	935	76,029
Accrued liabilities	36,717	-	36,717
Accrued compensated absences	44,260	-	44,260
Current liabilities payable from restricted assets:			
Accrued liabilities	10,656	-	10,656
Current portion of long-term debt	<u>261,200</u>	<u>-</u>	<u>261,200</u>
Total current liabilities	<u>427,927</u>	<u>935</u>	<u>428,862</u>
Noncurrent liabilities			
Accrued compensated absences	8,712	-	8,712
Long-term debt	<u>1,854,561</u>	<u>-</u>	<u>1,854,561</u>
Total noncurrent liabilities	<u>1,863,273</u>	<u>-</u>	<u>1,863,273</u>
Total liabilities	<u>2,291,200</u>	<u>935</u>	<u>2,292,135</u>
NET POSITION			
Net investment in capital assets	2,615,468	-	2,615,468
Unrestricted	<u>365,254</u>	<u>29,615</u>	<u>394,869</u>
Total net position	<u>\$ 2,980,722</u>	<u>\$ 29,615</u>	<u>\$3,010,337</u>

**CITY OF GRAND PRAIRIE, TEXAS
AGGREGATING SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
MUNICIPAL GOLF COURSE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Operating</u>	<u>Capital Projects</u>	<u>Elimination</u>	<u>Total Municipal Golf</u>
OPERATING REVENUES				
Sales to customers	\$1,908,340	\$ -	\$ -	\$1,908,340
Miscellaneous	750	-	-	750
Total operating revenue	<u>1,909,090</u>	<u>-</u>	<u>-</u>	<u>1,909,090</u>
OPERATING EXPENSES				
Salaries and benefits	1,352,457	-	-	1,352,457
Supplies	226,852	-	-	226,852
Purchased services	1,050,234	3,498	-	1,053,732
Capital outlay	(21,228)	21,228	-	-
Miscellaneous	44,772	-	-	44,772
Depreciation	557,544	-	-	557,544
Total operating expense	<u>3,210,631</u>	<u>24,726</u>	<u>-</u>	<u>3,235,357</u>
Operating loss	<u>(1,301,541)</u>	<u>(24,726)</u>	<u>-</u>	<u>(1,326,267)</u>
NONOPERATING REVENUES (EXPENSES)				
Gain on property disposition	3,939	-	-	3,939
Interest expense	(79,683)	-	-	(79,683)
Total nonoperating expense	<u>(75,744)</u>	<u>-</u>	<u>-</u>	<u>(75,744)</u>
Loss before transfers	<u>(1,377,285)</u>	<u>(24,726)</u>	<u>-</u>	<u>(1,402,011)</u>
Transfers in	<u>1,058,156</u>	<u>-</u>	<u>-</u>	<u>1,058,156</u>
Change in net position	<u>(319,129)</u>	<u>(24,726)</u>	<u>-</u>	<u>(343,855)</u>
Net position -beginning of year	<u>3,299,851</u>	<u>54,341</u>	<u>-</u>	<u>3,354,192</u>
Net position - end of year	<u>\$2,980,722</u>	<u>\$ 29,615</u>	<u>\$ -</u>	<u>\$3,010,337</u>

Interfund transfers between the Operating fund, and Capital Projects fund, are eliminated on the Statement of Revenues, Expenses, and Change in Net Position, Nonmajor Enterprise Funds.

**CITY OF GRAND PRAIRIE, TEXAS
AGGREGATING SCHEDULE OF NET POSITION
SOLID WASTE FUND
SEPTEMBER 30, 2014**

	Operating	Capital Projects	Closure Liability
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,394,820	\$ 179,665	\$ 102,497
Investment	2,163,496	4,300,000	3,100,000
Accounts receivable, net	452,456	-	-
Total current assets	<u>4,010,772</u>	<u>4,479,665</u>	<u>3,202,497</u>
Capital assets:			
Land	1,748,378	-	-
Buildings	1,764,513	-	-
Equipment	7,190,661	-	-
Improvements other than buildings	10,449,173	-	-
Construction in progress	111,646	-	-
Less: accumulated depreciation	(8,858,637)	-	-
Total capital assets	<u>12,405,734</u>	<u>-</u>	<u>-</u>
Total assets	<u>16,416,506</u>	<u>4,479,665</u>	<u>3,202,497</u>
LIABILITIES			
Current liabilities:			
Accounts payable	404,325	1,732	-
Accrued liabilities	148,205	-	-
Accrued compensated absences	69,035	-	-
Total current liabilities	<u>621,565</u>	<u>1,732</u>	<u>-</u>
Noncurrent liabilities:			
Closure and post closure liability	6,356,244	-	-
Total noncurrent liabilities	<u>6,356,244</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>6,977,809</u>	<u>1,732</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	12,405,734	-	-
Unrestricted	(2,967,037)	4,477,933	3,202,497
Total net position	<u>\$ 9,438,697</u>	<u>\$ 4,477,933</u>	<u>\$ 3,202,497</u>

<u>Equipment Acquisition</u>	<u>Landfill Replacement</u>	<u>Liner Reserve</u>	<u>Total Solid Waste</u>
\$ 1,141,709	\$ 400,798	\$ 138,840	\$ 3,358,329
-	2,574,536	1,000,000	13,138,032
-	-	-	452,456
<u>1,141,709</u>	<u>2,975,334</u>	<u>1,138,840</u>	<u>16,948,817</u>
-	-	-	1,748,378
-	-	-	1,764,513
-	-	-	7,190,661
-	-	-	10,449,173
-	-	-	111,646
-	-	-	(8,858,637)
-	-	-	<u>12,405,734</u>
<u>1,141,709</u>	<u>2,975,334</u>	<u>1,138,840</u>	<u>29,354,551</u>
741,582	-	-	1,147,639
-	-	-	148,205
-	-	-	69,035
<u>741,582</u>	<u>-</u>	<u>-</u>	<u>1,364,879</u>
-	-	-	<u>6,356,244</u>
-	-	-	<u>6,356,244</u>
<u>741,582</u>	<u>-</u>	<u>-</u>	<u>7,721,123</u>
-	-	-	12,405,734
<u>400,127</u>	<u>2,975,334</u>	<u>1,138,840</u>	<u>9,227,694</u>
<u>\$ 400,127</u>	<u>\$ 2,975,334</u>	<u>\$ 1,138,840</u>	<u>\$ 21,633,428</u>

**CITY OF GRAND PRAIRIE, TEXAS
AGGREGATING SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
SOLID WASTE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Operating</u>	<u>Capital Projects</u>	<u>Closure Liability</u>
OPERATING REVENUES			
Sales to customers	\$ 10,677,206	\$ -	\$ -
Miscellaneous	125,659	-	-
Total operating revenues	<u>10,802,865</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES			
Salaries and benefits	2,113,741	-	-
Supplies	544,291	12,952	-
Purchased services	4,738,184	54,519	-
Miscellaneous	493,884	-	-
Capital outlay	(938,064)	169,059	-
Depreciation	1,044,813	-	-
Franchise fee	318,192	-	-
General and administrative costs	349,689	-	-
Total operating expenses	<u>8,664,730</u>	<u>236,530</u>	<u>-</u>
Operating income	<u>2,138,135</u>	<u>(236,530)</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)			
Gain (loss) on property disposition	-	-	-
Capital assets contribution to government activities	(26,516)	-	-
Total nonoperating revenues	<u>(26,516)</u>	<u>-</u>	<u>-</u>
Income (loss) before contributions and transfers	2,111,619	(236,530)	-
Capital assets contribution from government activities	7,432	-	-
Transfers out-capital assets	(142,733)	-	-
Transfers in-monetary	-	500,000	200,000
Transfers out-monetary	(2,132,875)	-	-
Change in net position	<u>(156,557)</u>	<u>263,470</u>	<u>200,000</u>
Net position - beginning of the year	<u>9,595,254</u>	<u>4,214,463</u>	<u>3,002,497</u>
Net position - end of the year	<u>\$ 9,438,697</u>	<u>\$ 4,477,933</u>	<u>\$ 3,202,497</u>

Interfund transfers in/out between the Operating fund, Capital Projects fund, Closure Liability fund, Equipment Acquisition fund, Landfill Replacement fund, and Liner Reserve fund are eliminated on the Statement of Revenues, Expenses, and Change in Net Position, Nonmajor Enterprise Funds.

Equipment Acquisition	Landfill Replacement	Liner Reserve	Elimination	Total Solid Waste
\$ -	\$ -	\$ -	\$ -	\$10,677,206
-	-	-	-	125,659
-	-	-	-	10,802,865
-	-	-	-	2,113,741
-	-	-	-	557,243
51,250	-	-	-	4,843,953
-	-	-	-	493,884
769,005	-	-	-	-
-	-	-	-	1,044,813
-	-	-	-	318,192
-	-	-	-	349,689
820,255	-	-	-	9,721,515
(820,255)	-	-	-	1,081,350
1,535	-	-	-	1,535
-	-	-	-	(26,516)
1,535	-	-	-	(24,981)
(818,720)	-	-	-	1,056,369
-	-	-	-	7,432
-	-	-	-	(142,733)
750,000	100,000	200,000	(1,750,000)	-
-	-	-	1,750,000	(382,875)
(68,720)	100,000	200,000	-	538,193
468,847	2,875,334	938,840	-	21,095,235
\$ 400,127	\$ 2,975,334	\$ 1,138,840	\$ -	\$ 21,633,428

**CITY OF GRAND PRAIRIE, TEXAS
AGGREGATING SCHEDULE OF NET POSITION
RISK MANAGEMENT FUND
SEPTEMBER 30, 2014**

	Risk Management	Employee Insurance	Total Risk Management
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 343,379	\$5,846,657	\$ 6,190,036
Investments	6,000,000	1,160,624	7,160,624
Prepaid	-	27,099	27,099
Current restricted assets:			
Cash and cash equivalents	-	177,928	177,928
Total current assets	<u>6,343,379</u>	<u>7,212,308</u>	<u>13,555,687</u>
Capital assets:			
Equipment	149,456	28,773	178,229
Less: accumulated depreciation	(28,839)	(12,431)	(41,270)
Total capital assets	<u>120,617</u>	<u>16,342</u>	<u>136,959</u>
Total assets	<u>6,463,996</u>	<u>7,228,650</u>	<u>13,692,646</u>
LIABILITIES			
Current liabilities:			
Accounts payable	164,791	25,450	190,241
Accrued liabilities	3,312,606	1,352,399	4,665,005
Accrued compensated absences	5,484	5,238	10,722
Total current liabilities	<u>3,482,881</u>	<u>1,383,087</u>	<u>4,865,968</u>
Total liabilities	<u>3,482,881</u>	<u>1,383,087</u>	<u>4,865,968</u>
NET POSITION			
Net investment in capital assets	120,617	16,342	136,959
Unrestricted	2,860,498	5,829,221	8,689,719
Total net position	<u>\$ 2,981,115</u>	<u>\$5,845,563</u>	<u>\$ 8,826,678</u>

**CITY OF GRAND PRAIRIE, TEXAS
AGGREGATING SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
RISK MANAGEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Risk Management	Employee Insurance	Total Risk Management
OPERATING REVENUES			
Insurance premiums	\$ 3,727,376	\$ 16,041,517	\$ 19,768,893
Miscellaneous	-	4,289	4,289
Total operating revenues	<u>3,727,376</u>	<u>16,045,806</u>	<u>19,773,182</u>
OPERATING EXPENSES			
Salaries and benefits	103,851	87,812	191,663
Supplies	3,025	2,232	5,257
Purchased services	749,144	325,495	1,074,639
Insurance claims	2,759,757	15,880,831	18,640,588
Miscellaneous	64,813	73,520	138,333
Depreciation	18,317	9,242	27,559
Total operating expenses	<u>3,698,907</u>	<u>16,379,132</u>	<u>20,078,039</u>
Operating income	<u>28,469</u>	<u>(333,326)</u>	<u>(304,857)</u>
NONOPERATING REVENUES			
Capital assets contribution to government activities	(55,423)	(35,001)	(90,424)
Total nonoperating revenue	<u>(55,423)</u>	<u>(35,001)</u>	<u>(90,424)</u>
Income before transfers	<u>(26,954)</u>	<u>(368,327)</u>	<u>(395,281)</u>
Change in net position	(26,954)	(368,327)	(395,281)
Net position - beginning of the year	<u>3,008,069</u>	<u>6,213,890</u>	<u>9,221,959</u>
Net position - end of the year	<u>\$ 2,981,115</u>	<u>\$ 5,845,563</u>	<u>\$ 8,826,678</u>

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[Closing Date]

Norton Rose Fulbright US LLP
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Dallas, Texas 75201-7932
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IN REGARD to the authorization and issuance of the “City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding Bonds, New Series 2015,” dated November 1, 2015, in the principal amount of \$4,155,000 (the “Bonds”), we have examined into their issuance by the City of Grand Prairie, Texas (the “City”), solely to express legal opinions as to the validity of the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

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

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

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

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City and, together with the outstanding and unpaid “Previously Issued Bonds” (identified and defined in the Ordinance), are payable solely from and equally and ratably secured by a lien on and pledge of the Net Revenues (as defined in the Ordinance) of the City’s combined Water and Wastewater System, except to the extent that the enforceability thereof

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

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

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

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

Financial Advisory Services
Provided By

