

OFFICIAL STATEMENT

Dated October 17, 2017

Rating:  
S&P: "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 HAVE NOT BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS**

**\$2,755,000**

**CITY OF GRAND PRAIRIE, TEXAS**

**(Dallas, Tarrant and Ellis Counties)**

**WATER AND WASTEWATER SYSTEM REVENUE BONDS, NEW SERIES 2017A**

**Dated Date: October 15, 2017**

**Due: January 15, as shown on page 2**

Interest to accrue from the Delivery Date

**PAYMENT TERMS.** . . Interest on the \$2,755,000 City of Grand Prairie, Texas Water and Wastewater System Revenue Bonds, New Series 2017A (the "Bonds") will accrue from the "Delivery Date", estimated to be November 14, 2017, will be payable January 15 and July 15 of each year, until maturity or prior redemption, commencing July 15, 2018, 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 1502, 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) constructing and improving the System and (ii) pay the costs associated with the issuance of the Bonds.

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**CUSIP PREFIX: 386168**

**MATURITY SCHEDULE & 9 DIGIT CUSIP**

**See Schedule on Page 2**

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**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, Winstead PC, Dallas, Texas.

**DELIVERY.** . . It is expected that the Bonds will be available for delivery through DTC on November 14, 2017.

**BAIRD**

**MATURITY SCHEDULE****CUSIP Prefix: 386168<sup>(1)</sup>**

	Principal Amount	Maturity Date	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
\$	50,000	1/15/2020	2.000%	1.160%	WC8
	55,000	1/15/2021	2.000%	1.270%	WD6
	50,000	1/15/2022	2.000%	1.430%	WE4
	195,000	1/15/2023	2.000%	1.540%	WF1
	205,000	1/15/2024	3.000%	1.680%	WG9
	210,000	1/15/2025	3.000%	1.840%	WH7
	220,000	1/15/2026	3.000%	2.000%	WJ3
	225,000	1/15/2027	3.000%	2.120%	WK0
	235,000	1/15/2028	4.000%	2.300% <sup>(2)</sup>	WL8
	240,000	1/15/2029	4.000%	2.430% <sup>(2)</sup>	WM6
	250,000	1/15/2030	4.000%	2.560% <sup>(2)</sup>	WN4
	260,000	1/15/2031	4.000%	2.680% <sup>(2)</sup>	WP9
	275,000	1/15/2032	4.000%	2.780% <sup>(2)</sup>	WQ7
	285,000	1/15/2033	4.000%	2.840% <sup>(2)</sup>	WR5

**(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 S&P Global Market Intelligence 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) Yield calculated based on the assumption that Bonds will be called on the first optional call date, January 15, 2027, at par.

**OPTIONAL REDEMPTION.** . . The City reserves the right, at its option, to redeem Bonds having stated maturities on or after January 15, 2028, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on January 15, 2027, 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 UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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 THEIR 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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## 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 \$2,755,000 City of Grand Prairie, Texas Water and Wastewater System Revenue Bonds, New Series 2017A (the “Bonds”) are issued as serial bonds maturing on January 15 in each of the years 2020 through 2033 (see “THE BONDS - Description of the Bonds”).
- PAYMENT OF INTEREST** ..... Interest on the Bonds accrues from the “Delivery Date” estimated to be November 14, 2017, and is payable July 15, 2018, and each January 15 and July 15 thereafter until maturity or prior redemption (see “THE BONDS - Description of the Bonds” and “THE BONDS – Optional Redemption 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 1502, as amended, and an ordinance passed by the City Council of the City (the “Ordinance”) (see “THE BONDS - Authority for Issuance”).
- SECURITY AND SOURCE OF PAYMENT FOR THE BONDS** ..... The Bonds constitute special obligations of the City, and, together with the Outstanding Bonds Similarly Secured (as defined herein), 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 or after January 15, 2028, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on January 15, 2027 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) constructing and improving the System and (ii) pay the costs associated with the issuance of the Bonds.
- RATINGS** ..... The Bonds have been rated “AAA” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) (see “OTHER INFORMATION – Rating”).
- 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 the payments of its revenue bonds.

**SELECTED FINANCIAL INFORMATION**

Fiscal Year Ended 30-Sep	Estimated City Population <sup>(1)</sup>	Water Usage <sup>(1)</sup> (gallons)			Net Revenues Available For Debt Service	Average Annual Debt Service Requirements	Coverage of Debt
		Average Day Usage	Peak Day Usage	Total Usage			
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
2015	181,230	23,171,894	41,127,888	8,457,741,334	18,427,459	4,226,469	4.36
2016	182,610	24,564,056	42,474,976	8,966,030,397	18,497,417	4,065,870	4.55
2017 <sup>(2)</sup>	187,050	25,613,487	36,316,452	9,348,922,755	20,837,068	3,544,373	5.56

(1) Source: City Staff.

(2) Preliminary and unaudited estimate.

For additional information regarding the City, please contact:

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**OFFICIAL STATEMENT**  
**RELATING TO**  
**\$2,755,000**  
**CITY OF GRAND PRAIRIE, TEXAS**  
**WATER AND WASTEWATER SYSTEM REVENUE BONDS,**  
**NEW SERIES 2017A**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$2,755,000 City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2017A (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 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, FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest"), 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 175,396. The estimated 2017 population is 184,620. The City covers approximately 80 square miles.

**PLAN OF FINANCING**

**PURPOSE.** . . Proceeds from the sale of the Bonds will be used to (i) constructing and improving the City's Water and Wastewater System ("System") and (ii) pay the costs associated with the issuance of the Bonds.

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

<b>SOURCES OF FUNDS:</b>	
Par Amount of Bonds	\$ 2,755,000.00
Premium	246,839.20
<b>TOTAL SOURCES:</b>	<b>\$ 3,001,839.20</b>
 <b>USES OF FUNDS:</b>	
Deposit to Project Fund	\$ 2,913,332.00
Costs of Issuance	64,273.92
Underwriter's Discount	24,233.28
<b>TOTAL USES:</b>	<b>\$ 3,001,839.20</b>

## THE BONDS

**DESCRIPTION OF THE BONDS.** . . The Bonds are dated October 15, 2017, 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 14, 2017, will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on July 15, 2018 and each January 15 and July 15 thereafter until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System” herein).

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

**SECURITY AND SOURCE OF PAYMENT.** . . The Bonds are special obligations of the City, and, together with the Outstanding 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 ORDINANCE”). The Bonds, the Previously Issued Bonds (as defined in the Ordinance) 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 \$3,413,850 (the “Current Reserve”). The City has \$3,413,850 in cash deposited in the Reserve Fund for the benefit of all the Bonds Similarly Secured currently Outstanding (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 Refunding 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; Water and Wastewater System Revenue Bonds, New Series 2014; Water and Wastewater System Revenue Refunding Bonds, New Series 2015; Water and Wastewater System Revenue Refunding and Improvement Bonds, New Series 2016; and Water and Wastewater System Revenue Bonds, New Series 2017). By reason of the issuance of the Bonds, the Required Reserve is \$3,743,014. Therefore, additional monthly cash deposits shall be required to be made to the Reserve Fund by reason of the issuance of the Bonds in the estimated amount of \$5,486 until the City finances \$329,164 in order to meet Required Reserve by reason of the issuance of the Bonds.

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

**PLEGGED 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 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 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, 2028, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on January 15, 2027, 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](http://www.dtcc.com) and [www.dtc.org](http://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 Underwriters.

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

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

Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States mail, first class, postage prepaid, to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar

or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at the stated maturity or upon 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 April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has 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 Cities of Fort Worth, Cedar Hill and Midlothian. The city has also entered into a contract with the City of Arlington for additional water supply, but currently has not purchased any water under such contract. During the year ended September 30, 2016 approximately 0.0% of the supply came from the City's wells, 90.50% from DWU, 7.55% from Fort Worth, and 1.95% from the City of Midlothian.

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 (\$262,058 per million GPD in 2016) 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.

A contract with the City of Midlothian, executed in 2014 for a thirty-year term, permits the City to purchase up to an average 4.5 MGD during the term of the contract. Beginning in January 2016, the City began purchasing water from the City of Midlothian at an average rate of 0.478 MGD.

A contract with the City of Arlington, executed in 2011 for a twenty-year term, allows the City to purchase up to 2.5 MGD maximum flow unless otherwise agreed to in writing. As of September 30, 2016, no water has been purchased through this contract.

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

Year Ended 09/30	Dallas Water Utilities		City of Ft. Worth Volume Charges	Cedar Hill/Midlothian	Total Cost of Water Purchased
	Volume Charges	Demand Charges			
2012	\$ 2,780,668	\$ 6,758,580	\$ 1,411,944	\$ -	\$ 10,951,192
2013	2,901,935	6,854,133	1,168,588	-	10,924,656
2014	2,770,594	7,062,206	1,648,226	369,888	11,850,914
2015	2,561,969	7,547,810	1,687,495	735,927	12,533,201
2016	3,687,583	8,228,711	1,582,870	724,214	14,223,378

The City operates wells in 11 locations, with a total pumping capacity of 9,194,115 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 35 million GPD. Based on current pipeline capacity, the total is 55 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 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	<u>47.56%</u>
Total	100.00%

According to the terms of a contract between the City and TRA, the City is entitled to 10.56% of the raw water yield of Joe Pool Lake, which is now filled. The reservoir yields 15.1 million GPD. The City has retired all debt relating to Joe Pool Lake.

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 33.22%.

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**TABLE 1 – WATER AND WASTEWATER RATES**

The City's policy provides for a 2.00 times coverage ratio of all debt service requirements of the System, compared to a 1.25 times coverage ratio for Bonds Similarly Secured, which is required by the 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.

<u>Water Rates (Per 1,000 Gallons)</u>	Current 10/1/2017	Previous 10/1/2016
<u>Classification</u>		
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	3.87	3.85
Per 1,000 gallons, all quantities over 20,000 gallons	6.93	6.63
Commercial	4.31	4.05
Industrial	4.31	4.05
Governmental	3.62	3.47
Fire Hydrant	8.07	7.74
 <u>Minimum Monthly Charge (Based on Meter Size):</u>		
5/8" of 3/4"	\$ 14.18	\$ 13.57
1"	18.25	17.46
1 1/4"	21.83	20.89
1 1/2"	23.70	22.68
2"	39.02	37.34
3"	121.00	115.79
4"	150.01	143.55
6"	224.90	215.22
8"	313.01	299.53
10"	326.58	312.52
12"	343.64	328.84
 <u>Wastewater Rates (Per 1,000 Gallons)</u>		
<u>Classification</u>		
Residential	\$ 3.95	\$ 3.78
Commercial	5.11	4.80
Industrial	5.11	4.80
Governmental	4.24	4.06
 <u>Wastewater Minimum charges based on meter size</u>		
5/8" of 3/4"	\$ 12.93	\$ 12.37
1"	14.00	13.40
1 1/4"	16.33	15.63
1 1/2"	17.02	16.29
2"	20.30	19.43
3"	30.06	28.77
4"	39.90	38.18
6"	61.92	59.25
8"	87.60	83.83
10"	112.15	107.32
12"	125.65	120.24

**TABLE 2 – AVERAGE DAILY WATER USAGE (GALLONS)**

Fiscal Year Ended 9/30	Average Daily Usage	Maximum Day's Use	Total Pumped In
2013	23,500,103	39,519,048	8,577,537,610
2014	22,967,566	37,716,995	8,383,161,546
2015	23,171,895	40,257,400	8,457,741,334
2016	24,564,056	42,474,976	8,966,030,397
2017 <sup>(1)</sup>	25,613,487	36,316,452	9,348,922,755

(1) Preliminary estimate and unaudited.

### 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 of total capacity which pump into a 6" force main, one lift station with 120 GPM capacity which pumps into a 2" force main and one lift station with 90 GPM of total capacity which pumps to a TRA interceptor. All of the City's wastewater is treated by TRA.

The City entered into a contract in 2002 which is in effect for the entire useful life of the Mountain Creek Regional Wastewater System. Although the City does not yet deliver flows to this System, the City is obligated to pay annual minimum fees equivalent to 21.9 million gallons of flow. For the fiscal year ended September 30, 2016, the City paid \$48,690 to the System.

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 11.887% in 2015/2016. The City must pay its prorated share of the debt service related to wastewater treatment facilities until the debt matures whether it contributes to flow or not.

**TABLE 3 – AVERAGE DAILY WASTEWATER FLOW (GALLONS)**

Fiscal Year Ended 9/30	Average Daily Usage
2013	14,234,168
2014	14,109,478
2015	17,862,300
2016	16,569,421
2017 <sup>(1)</sup>	16,307,400

(1) Preliminary and unaudited estimate.

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

Fiscal Year Ended 9/30	Wastewater Treatment			Joe Pool Intake	Joe Pool Corp of Engineers	Total
	Maintenance	Debt Service	Subtotal			
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
2015	5,774,796	8,060,760	13,835,556	6,750	387,511	14,229,817
2016	5,895,397	8,559,504	14,454,901	6,782	396,612	14,858,295
2017 <sup>(1)</sup>	5,946,771	8,153,527	14,100,298	8,347	201,735	14,310,380

(1) Preliminary and unaudited estimate.

**TABLE 4 – TEN LARGEST SYSTEM CUSTOMERS**

Customer	Fiscal Year Ended September 30, 2017 <sup>(2)</sup>			
	Total Consumption <sup>(1)</sup>	Amount Billed		
		Billed	Water	Wastewater
Coca-Cola North America	121,760	\$ 784,401	\$ 493,128	\$ 291,273
Bell Helicopter	108,350	854,882	438,818	416,064
Lockheed-Martin	65,916	520,077	266,960	253,117
FRBH Silverbrook	54,523	544,756	360,820	183,936
North Texas Healthcare Laundry	52,784	415,278	214,223	201,055
KMB Produce	44,293	350,765	182,417	168,348
Poly America Inc.	42,771	328,845	173,223	155,622
Bigelow Colorado DBA Budget Suites	42,318	319,896	171,388	148,508
Manor Redevelopment	27,766	306,725	194,771	111,954
JIK 360 North LLLP	26,954	268,502	177,815	90,687
Totals	<u>587,435</u>	<u>\$ 4,694,127</u>	<u>\$ 2,673,563</u>	<u>\$ 2,020,564</u>

(1) In 1,000 gallons.

(2) Preliminary and unaudited estimate.

**TABLE 5 – WATER AND WASTEWATER CONDENSED STATEMENT OF OPERATIONS**

	Fiscal Year Ended September 30,				
	2017 <sup>(4)</sup>	2016	2015	2014	2013
<b>Revenues <sup>(1)</sup></b>					
Sales to Customers	\$ 40,978,757	\$ 39,054,285	\$ 35,847,333	\$ 34,322,525	\$ 33,686,226
Wastewater Charges to Customers	25,493,347	24,983,819	23,500,825	22,678,679	21,384,096
Wastewater Surcharge/Monitoring	1,402,993	722,154	698,342	653,220	684,472
Impact Fees	1,950,934	2,407,003	1,789,880	1,794,292	1,394,620
Other	3,801,460	2,860,418	3,376,881	2,461,893	2,068,490
Total Revenues	<u>\$ 73,627,491</u>	<u>\$ 70,027,679</u>	<u>\$ 65,213,261</u>	<u>\$ 61,910,609</u>	<u>\$ 59,217,904</u>
<b>Expenses <sup>(2)</sup></b>					
Salaries & Personnel Benefits	\$ 7,897,049	\$ 7,690,878	\$ 6,983,821	\$ 7,059,406	\$ 6,529,641
Professional Services	6,936,556	6,672,050	5,573,076	5,292,120	4,609,048
Franchise Fees	2,658,884	2,561,398	2,376,121	2,283,480	2,193,657
Water Purchase	15,231,392	14,223,378	12,370,857	11,850,914	10,924,656
Wastewater Treatment <sup>(3)</sup>	14,229,807	15,346,644	14,726,953	12,716,847	11,790,989
Other	5,836,735	5,035,914	4,754,974	4,649,753	4,798,751
Total Expenses	<u>\$ 52,790,423</u>	<u>\$ 51,530,262</u>	<u>\$ 46,785,802</u>	<u>\$ 43,852,520</u>	<u>\$ 40,846,742</u>
Available for Debt Service	<u>\$ 20,837,068</u>	<u>\$ 18,497,417</u>	<u>\$ 18,427,459</u>	<u>\$ 18,058,089</u>	<u>\$ 18,371,162</u>

(1) Includes operating and non-operating revenue.

(2) Excludes depreciation and debt service expense.

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

(4) Preliminary and unaudited estimate.

**TABLE 6 - COVERAGE AND FUND BALANCES**

Average Annual Principal and Interest Requirements, All Water and Wastewater System Revenue Bonds, Fiscal Year Ended 9/30/2018	\$	3,743,014
Coverage of Average Annual Requirements based on 9/30/2017 Estimated Revenue Available for Debt Service		5.57 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 9/30/2018	\$	6,512,265
Coverage of Total Requirements based on 9/30/2017 Estimated Revenue Available for Debt Service		3.20 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 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,				
	2016	2015	2014	2013	2012
Water and Sewer System	\$ 318,164,331	\$ 301,857,087	\$ 296,428,632	\$ 285,615,797	\$ 281,916,950
Building and Equipment	26,557,353	24,806,644	23,959,509	21,664,502	20,542,539
Land	1,963,711	1,689,511	1,663,711	1,653,621	1,648,621
Total Value	<u>\$ 346,685,395</u>	<u>\$ 328,353,242</u>	<u>\$ 322,051,852</u>	<u>\$ 308,933,920</u>	<u>\$ 304,108,110</u>
Less: Accumulated Depreciation	(192,870,724)	180,063,796	167,429,187	155,047,175	140,413,150
	\$ 153,814,671	\$ 148,289,446	\$ 154,622,665	\$ 153,886,745	\$ 163,694,960
Plus: Construction in Progress	26,223,557	19,859,905	19,281,899	20,720,063	10,508,200
Net Property, Plant and Equipment	<u>\$ 180,038,228</u>	<u>\$ 168,149,351</u>	<u>\$ 173,904,564</u>	<u>\$ 174,606,808</u>	<u>\$ 174,203,160</u>

**TABLE 8 – CITY’S EQUITY IN SYSTEM**

	For Fiscal Year Ended September 30,				
	2016	2015	2014	2013	2012
Net Property, Plant and Equipment	\$ 180,038,228	\$ 168,149,351	\$ 173,904,564	\$ 174,606,808	\$ 174,203,160
Cash and Investments	58,542,306	60,569,566	63,334,976	61,949,362	63,497,346
Other Assets	10,478,287	14,840,113	5,170,728	5,002,249	6,542,802
Total Assets	<u>\$ 249,058,821</u>	<u>\$ 243,559,030</u>	<u>\$ 242,410,268</u>	<u>\$ 241,558,419</u>	<u>\$ 244,243,308</u>
Long-term debt	\$ 47,318,456	\$ 52,336,319	\$ 56,808,763	\$ 57,151,208	\$ 58,468,750
Other liabilities	19,329,664	17,105,604	11,226,211	10,878,023	10,088,453
Total Liabilities	<u>\$ 66,648,120</u>	<u>\$ 69,441,923</u>	<u>\$ 68,034,974</u>	<u>\$ 68,029,231</u>	<u>\$ 68,557,203</u>
City's Equity in System	\$ 182,410,701	\$ 174,117,107	\$ 174,375,294	\$ 173,529,188	\$ 175,686,105
Percent Equity in System	73.24%	71.49%	71.93%	71.84%	71.93%

## DEBT INFORMATION

**TABLE 9 – DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9/30	Outstanding Debt Service			The Bonds <sup>(1)</sup>			Total Water & Wastewater System Debt Service <sup>(1)</sup>	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total D/S		
2018	\$ 4,810,000	\$ 1,638,936	\$ 6,448,936	\$ -	\$ 63,329	\$ 63,329	\$ 6,512,265	
2019	4,940,000	1,510,318	6,450,318	-	94,600	94,600	6,544,918	
2020	5,025,000	1,374,897	6,399,897	50,000	94,100	144,100	6,543,997	
2021	5,165,000	1,231,057	6,396,057	55,000	93,050	148,050	6,544,107	
2022	5,315,000	1,086,577	6,401,577	50,000	92,000	142,000	6,543,577	42.89%
2023	5,285,000	937,854	6,222,854	195,000	89,550	284,550	6,507,404	
2024	5,330,000	773,247	6,103,247	205,000	84,525	289,525	6,392,772	
2025	4,785,000	605,974	5,390,974	210,000	78,300	288,300	5,679,274	
2026	3,785,000	456,309	4,241,309	220,000	71,850	291,850	4,533,159	
2027	3,535,000	328,769	3,863,769	225,000	65,175	290,175	4,153,944	83.02%
2028	1,935,000	243,904	2,178,904	235,000	57,100	292,100	2,471,004	
2029	1,995,000	188,934	2,183,934	240,000	47,600	287,600	2,471,534	
2030	1,650,000	139,002	1,789,002	250,000	37,800	287,800	2,076,802	
2031	675,000	103,900	778,900	260,000	27,600	287,600	1,066,500	
2032	415,000	82,100	497,100	275,000	16,900	291,900	789,000	95.24%
2033	435,000	65,100	500,100	285,000	5,700	290,700	790,800	
2034	450,000	47,400	497,400	-	-	-	497,400	
2035	470,000	29,000	499,000	-	-	-	499,000	
2036	490,000	9,800	499,800	-	-	-	499,800	100.00%
	<u>\$ 56,490,000</u>	<u>\$ 10,853,078</u>	<u>\$ 67,343,078</u>	<u>\$ 2,755,000</u>	<u>\$ 1,019,179</u>	<u>\$ 3,774,179</u>	<u>\$ 71,117,257</u>	

(1) Net Effective Interest Rate calculated at 2.85%.

**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 Previously Issued Bonds and the Ordinance.

## 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** . . . Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which 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) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (8) certificates of deposit and share certificates (i) issued by or through an institution that either has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the 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; (9) 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; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (12) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7, and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. 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.

**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 designates the Chief Financial Officer as the City's chief investment officer. The Treasurer, Controller, and Treasury Analyst are designated as additional investment officers. The Chief Financial Officer is responsible for the City's comprehensive cash management program, including the administration of the Investment Policies. The Chief Financial Officer is responsible for considering the quality and capability of staff involved in investment management and procedures. The Chief Financial Officer shall be responsible for authorizing investments and the Treasurer shall account for investments and pledged collateral in order to maintain appropriate internal controls. The Controller shall be responsible for recording investments in the City's books of accounts. The Internal Audit staff shall audit records monthly and the external auditors will review for management controls on investments and adherence to policy as required by law.

### **INVESTMENT COMMITTEE**

An Investment Committee consisting of the Treasury Analyst, Treasurer, 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 Treasurer 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, 2017, the following percentages of the City's investable funds were invested in the following categories of investments:

Type of Investment	Percentage	Total Cost
Local Government Pools and Money Market Funds	33.51%	\$ 99,562,399
Federal Agency and Instrumentality Notes	66.49%	197,550,480
		<u>\$ 297,112,879</u>

**RETIREMENT PLAN . . .** All eligible employees of the City are members of the Texas Municipal Retirement System ("TMRS"). Members can retire at ages 60 and above with 5 or more years of service or with 25 years of service regardless of age. The Plan also provides death and disability benefits. A member is vested after 5 years, but he must leave his accumulated contributions in the Plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The Plan provisions are adopted by the governing body of the City, within the options available in the State statutes governing TMRS and within the actual constraints also in the statutes.

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.

Fiscal Year	Net Assets Available for Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll
2011	\$ 299,459,271	\$ 365,426,666	81.90%	\$ 65,967,395	\$ 65,426,278	100.83%
2012	323,972,818	385,345,197	84.10%	61,372,379	64,693,060	94.87%
2013	349,460,132	405,074,405	86.30%	55,614,273	66,435,664	83.70%
2014	376,082,419	450,523,220	83.50%	74,440,801	68,769,035	108.25%
2015	401,667,459	470,075,530	85.40%	68,408,071	77,244,326	88.56%
2016	426,404,111	496,727,015	85.80%	70,322,904	82,113,476	85.64%

## OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits through the Texas Municipal Retirement System, the City has opted to provide eligible retired employees with the following post-employment benefits:

Eligible retirees may purchase health insurance from the City's healthcare provider. The cost of insurance varies based on date retired, plan selected, and years of Grand Prairie service. The cost of coverage is shared between the City and the retiree in varying increments based on the above factors.

Eligible retirees may purchase health insurance from the City's healthcare provider at the City's cost to cover current employees for dependents if the dependents were covered consecutively during the past two years prior to the retirement date. The cost of insurance varies based on date retired, plan selected, and years of Grand Prairie service. The cost of coverage is shared between the City and the retiree in varying increments based on the above factors.

The City recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. The appropriation for the fiscal year ending September 30, 2017 was \$3,091,028. The budgeted amount for such benefits in the fiscal year ending September 30, 2018 is \$3,833,909.

In fiscal 2007, the City implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." The City has performed an actuarial valuation of its post-retirement benefit liability. It has engaged an independent actuarial firm to prepare a valuation. The City reviewed the study and plans to comply with legal requirements to perform additional studies in the future at the required intervals. The actuarial liability is estimated at \$45,917,131 at September 30, 2016.

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

## SELECTED PROVISIONS OF THE 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 the 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 bonds authorized by this Ordinance and designated as "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2017A."

(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/registrars or delivered to the paying agent/registrars for cancellation;

(2) those bonds for which payment has been duly provided by the City of the irrevocable deposit with the paying agent/registrars, 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/registrars, 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 2008,” (ii) “City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2010,” (iii) “City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding Bonds, New Series 2011,” (iv) “City of Grand Prairie, Texas, Water and Wastewater System Refunding and Improvement Bonds, New Series 2011A,” (v) “City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding Bonds, New Series 2013” (vi) “City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2013A,” (vii) “City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2014,” (viii) “City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding Bonds, New Series 2015,” (ix) “City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding and Improvement Bonds, New Series 2016” and (x) “City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2017.”

(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 the additional amount of the Required Reserve to be deposited in the Reserve Fund in connection with the issuance of the Bonds shall be funded by monthly installments from funds in the Revenue Fund in an amount of not less than 1/60th of the additional amount required to be maintained in said Fund and with the first payment to be made on or before December 1, 2017 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, or to the redemption date thereof, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The City covenants that no deposit of moneys or Government Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), or regulations adopted pursuant thereto.

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the City or deposited as directed by the City. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Bonds such moneys were deposited and are held in trust to pay shall upon the request of the City be remitted to the City against a written receipt therefor. The provisions of this paragraph are subject to the applicable unclaimed property law of the State of Texas.

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

**Section 29. Ordinance to Constitute Contract - Amendment.** The provisions of this Ordinance shall constitute a contract between the City, and the Holders; and, the City shall not amend or repeal any of the provisions of this Ordinance except as permitted in this Section and Section 46 hereof. The City may, without the consent of or notice to any Holder, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the registered owner or owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, with the written consent of the registered owner or owners holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, the City may amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all registered owners of Outstanding Bonds, no such amendment, addition or rescission shall: (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds; (2) give any preference to any Bond over any other Bond; or, (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition or rescission.

## TAX MATTERS

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

Interest on the Bonds owned by a corporation will be included in such corporation’s adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust (“FASIT”).

A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants 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 annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2017, financial information and operating data with respect to the City of the general type of information contained in Tables 1 through 11 and (2) within twelve months after the end of each fiscal year ending in or after 2017, audited financial statements of the City. Any financial statements so provided shall 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. If audited financial statements are not available within 12 months after the end of any fiscal year, the City will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available.

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 City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in the above-referenced tables by March 31 in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 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 (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data.

**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](http://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. However, for a period of time, some filings related to the City’s outstanding debt were not linked correctly in the EMMA database. The City’s outstanding bonds are linked to such filings in the EMMA database.

## **OTHER INFORMATION**

### **RATING**

The Bonds have been rated “AAA” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”). An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the views of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating 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 – Rating” 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, “THE BONDS” (except for the subcaptions “Book-Entry-Only System” and “Registered Owners’ Remedies”), “SELECTED PROVISIONS OF THE 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 Winstead PC, Dallas, 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**

FirstSouthwest 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. FirstSouthwest, 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 \$24,233.28. 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.

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

\_\_\_\_\_  
Ron Jensen  
Mayor  
City of Grand Prairie, Texas

ATTEST:

\_\_\_\_\_  
Cathy Dimaggio  
City Secretary  
City of Grand Prairie, Texas

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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 City, with an estimated population of 187,050 for 2018, 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, SH 161, 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 3<sup>rd</sup> largest airport in the world in terms of operations (7<sup>th</sup> 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](http://www.dfwairport.com)).

### **POPULATION**

The estimated population for 2018 is 187,050. 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.

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>
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	94,169	90,307	3,862	4.1%
2016	96,139	92,244	3,895	4.1%
2017 <sup>(1)</sup>	98,399	94,434	3,965	4.0%

Source: Texas Workforce Commission.

(1) As of August 2017.

## 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	1,421
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

## 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 (Source: 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 (Source: 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, 2016

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, 2016, 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

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

### **Report on the Financial Statements**

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, 2016, and the related notes to basic 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**

The City's 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, as of September 30, 2016, 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.

### **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 21-30, budget to actual schedules for the General Fund and Section 8 Fund on pages 103 and 104 respectively, Schedule of Postemployment Healthcare Benefits Funding Progress on page 105, Schedule of Contributions-Texas Municipal Retirement System on page 106, and Schedule of Changes in Net Pension Liability and Related Ratios- Texas Municipal Retirement System on page 107 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, 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 statements and schedules, as listed in the table of contents, is the responsibility of management and was derived from and relates 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 statements and 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 March 16, 2017, 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.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
March 16, 2017



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## **MANAGEMENT'S DISCUSSION & ANALYSIS**



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**CITY OF GRAND PRAIRIE, TEXAS**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**  
**(Unaudited)**

Management's discussion and analysis provides a narrative overview of the financial activities and changes in the financial position of the City of Grand Prairie, Texas (the City) for the fiscal year ended September 30, 2016. It is offered here by the management of the City to the readers of its financial statements. Readers are encouraged to consider the information presented here in conjunction with the information furnished in our letter of transmittal, the introductory section of the City's financial statement, and the accompanying notes.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at September 30, 2016 by \$645,106,433 (net position).
- The City's total net position increased \$19,680,716, for the fiscal year ended September 30, 2016, primarily due to increased capital contributions.
- At September 30, 2016, the City's governmental funds reported combined ending fund balances of \$223,890,764. The \$28,320,160 unassigned fund balance in the General Fund represents 26.2% of total General Fund expenditures and transfers.
- The City's total long-term liabilities of \$493,005,664 increased by \$112,407,521 (29.5%) during the current fiscal year. In fiscal year 2016, the City issued \$28,020,000 in Combination Tax and Revenue Certificates, \$74,825,000 in taxable Sales Tax Revenue Bonds, \$11,165,000 in General Obligation Refunding Bonds, and \$4,155,000 in Water and Wastewater System Revenue Refunding Bonds. See Table 4 in this report for further information regarding the City's long-term liabilities.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The reporting focus is on the City as a whole and on individual major funds. It is intended to present a more comprehensive view of the City's financial activities.

The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

**Government-wide financial statements** - The government-wide financial statements include the Statement of Net Position and Statement of Activities. These 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. Both are prepared using the economic resources focus and the accrual basis of accounting, meaning that all the current year's revenues and expenses are included regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, including capital assets and long-term liabilities, and deferred inflows of resources. The differences between these items are reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other indicators of the city's financial position should be taken into consideration, such as the change in the City's property tax base and condition of the City's infrastructure (i.e., roads, drainage systems, water and sewer lines, etc.), in order to more accurately assess the overall financial condition of the City.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. It focuses on both the gross and net costs of the government's various activities and thus summarizes the cost of providing specific government services. This statement includes all current year revenues and expenses.

The Statement of Net Position and Statement of Activities divide the City's activities into two types:

*Governmental Activities* - Most of the City's basic services are reported here, including general government, public safety, planning, public works, transportation, housing, community development, cultural events, and library. Property taxes, sales taxes, and franchise fees provide the majority of financing for these activities.

*Business-Type Activities* - Activities for which the City charges a fee to customers to pay most or all of the costs of a service it provides are reported here. The City's business-type activities include a water and wastewater system, a solid waste sanitary landfill, a storm water utility system, 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 Lone Star Park at Grand Prairie, a horse track facility.

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

**Fund financial statements** - The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. These statements focus on the most significant funds and may be used to find more detailed information about the City's most significant activities. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

The focus of the governmental funds financial statements is narrower than that of the government-wide financial statements. Therefore, 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 funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison. These reconciliations explain the differences between the government's activities as reported in the government-wide statements and the information presented in the governmental funds financial statements.

The City reports thirty individual governmental funds. Information is presented separately in the governmental fund's Balance Sheet and in the governmental fund's Statement of Revenues, Expenditures and Changes in Fund Balances for the City's six major funds - General Fund, Section 8 Fund, Streets CIP Fund, Grants Fund, Debt Service Fund, and the Epic CIP Fund. Data for other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in 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 water and wastewater system, solid waste sanitary landfill, storm water utility, municipal airport, and municipal golf courses. 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 two are major enterprise funds – the Water Wastewater Fund and the Solid Waste Fund. Data from other nonmajor 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.

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. The City's two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the City's internal service funds is provided in the form of combining statements elsewhere in this report.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total assets of the City at September 30, 2016 were \$1,146,307,624, deferred outflows of resources were \$37,229,654, total liabilities were \$537,896,768, and deferred inflows of resources were \$534,077 resulting in a net position balance of \$645,106,433.

The largest portion of the City's net position, \$474,816,909 (73.6%), reflects its investment in capital assets (land, buildings and improvements, infrastructure, vehicles, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens; consequently these assets are not available for future spending. Although the City reports its capital assets net of related debt, the resources needed to repay this debt 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	
	9/30/2015	9/30/2016	9/30/2015	9/30/2016	9/30/2015	9/30/2016
Cash and investments	\$ 175,488,544	\$ 243,047,843	\$ 81,917,758	\$ 80,327,337	\$ 257,406,302	\$ 323,375,180
Other assets	16,893,963	23,531,494	17,880,902	13,135,847	34,774,865	36,667,341
Capital assets, net	<u>541,648,138</u>	<u>565,449,978</u>	<u>200,767,818</u>	<u>220,815,125</u>	<u>742,415,956</u>	<u>786,265,103</u>
Total assets	<u>734,030,645</u>	<u>832,029,315</u>	<u>300,566,478</u>	<u>314,278,309</u>	<u>1,034,597,123</u>	<u>1,146,307,624</u>
Deferred outflows of resources	<u>13,353,371</u>	<u>33,411,232</u>	<u>1,501,931</u>	<u>3,818,422</u>	<u>14,855,302</u>	<u>37,229,654</u>
Current liabilities	30,439,455	34,308,773	11,037,999	10,582,331	41,477,454	44,891,104
Long-term bonded debt	240,541,533	326,313,952	58,166,319	54,918,271	298,707,852	381,232,223
Other noncurrent liabilities	69,689,941	96,234,527	12,200,350	15,538,914	81,890,291	111,773,441
Total liabilities	<u>340,670,929</u>	<u>456,857,252</u>	<u>81,404,668</u>	<u>81,039,516</u>	<u>422,075,597</u>	<u>537,896,768</u>
Deferred inflows of resources	<u>1,753,433</u>	<u>479,746</u>	<u>197,678</u>	<u>54,331</u>	<u>1,951,111</u>	<u>534,077</u>
Net Position						
Net Investment in capital assets	333,061,190	308,745,566	151,539,230	166,071,343	484,600,420	474,816,909
Restricted	53,392,543	57,404,183	8,904,795	15,366,214	62,297,338	72,770,397
Unrestricted	18,505,921	41,953,800	60,022,038	55,565,327	78,527,959	97,519,127
Total net position	<u>\$ 404,959,654</u>	<u>\$ 408,103,549</u>	<u>\$ 220,466,063</u>	<u>\$ 237,002,884</u>	<u>\$ 625,425,717</u>	<u>\$ 645,106,433</u>

A portion of the City's net position totaling \$72,770,397, or 11.3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$97,519,127 may be used to meet the government's ongoing obligations to citizen's and creditors.

The City's net position increased by \$19,680,716 from the prior fiscal year due to a significant increase in capital contributions. While overall operating revenues and expenditures increased proportionately at

13%, residential and commercial developers contributed \$25,460,165 in new infrastructure (streets and water/sewer lines) in fiscal year 2016, an increase of \$20,145,278 or 379%, over fiscal year 2015.

The fiscal year 2016 compared to fiscal 2015 changes in the City's net position were as follows:

**Table 2  
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	9/30/2015	9/30/2016	9/30/2015	9/30/2016	9/30/2015	9/30/2016
Revenues:						
Program revenues:						
Charges for services	\$ 34,849,122	\$ 45,025,523	\$ 84,487,779	\$ 90,232,226	\$ 119,336,901	\$ 135,257,749
Operating grants and contributions	33,329,097	37,024,064	43,714	37,320	33,372,811	37,061,384
Capital grants and contributions	1,232,805	8,807,012	4,082,082	16,653,153	5,314,887	25,460,165
General revenues:						
Property tax	73,070,467	77,923,990	-	-	73,070,467	77,923,990
Sales tax	53,494,773	57,076,997	-	-	53,494,773	57,076,997
Other tax	1,713,865	1,791,075	-	-	1,713,865	1,791,075
Franchise fees	14,089,158	13,928,847	-	-	14,089,158	13,928,847
Investment income	1,609,156	2,173,508	1,750	8,567	1,610,906	2,182,075
Total revenues	<u>213,388,443</u>	<u>243,751,016</u>	<u>88,615,325</u>	<u>106,931,266</u>	<u>302,003,768</u>	<u>350,682,282</u>
Expenses:						
Support services	22,102,591	23,045,026	-	-	22,102,591	23,045,026
Public safety services	80,359,190	91,860,495	-	-	80,359,190	91,860,495
Recreation and leisure services	26,746,861	29,709,690	-	-	26,746,861	29,709,690
Development services	77,263,159	88,963,122	-	-	77,263,159	88,963,122
Interest on long-term debt	8,019,147	12,374,896	-	-	8,019,147	12,374,896
Water and wastewater	-	-	61,381,944	66,351,005	61,381,944	66,351,005
Solid waste	-	-	10,143,394	11,438,507	10,143,394	11,438,507
Municipal airport	-	-	2,226,108	1,809,656	2,226,108	1,809,656
Municipal golf course	-	-	3,230,377	2,141,279	3,230,377	2,141,279
Storm water	-	-	1,694,556	3,307,890	1,694,556	3,307,890
Total expenses	<u>214,490,948</u>	<u>245,953,229</u>	<u>78,676,379</u>	<u>85,048,337</u>	<u>293,167,327</u>	<u>331,001,566</u>
Increases (decreases) in net position						
before transfers	(1,102,505)	(2,202,213)	9,938,946	21,882,929	8,836,441	19,680,716
Transfers	2,428,935	5,097,654	(2,428,935)	(5,097,654)	-	-
Capital asset reassignments	(25,800)	248,454	25,800	(248,454)	-	-
Change in net position	1,300,630	3,143,895	7,535,811	16,536,821	8,836,441	19,680,716
Net position - October 1	403,659,024	404,959,654	212,930,252	220,466,063	616,589,276	625,425,717
Net position - September 30	<u>\$ 404,959,654</u>	<u>\$ 408,103,549</u>	<u>\$ 220,466,063</u>	<u>\$ 237,002,884</u>	<u>\$ 625,425,717</u>	<u>\$ 645,106,433</u>

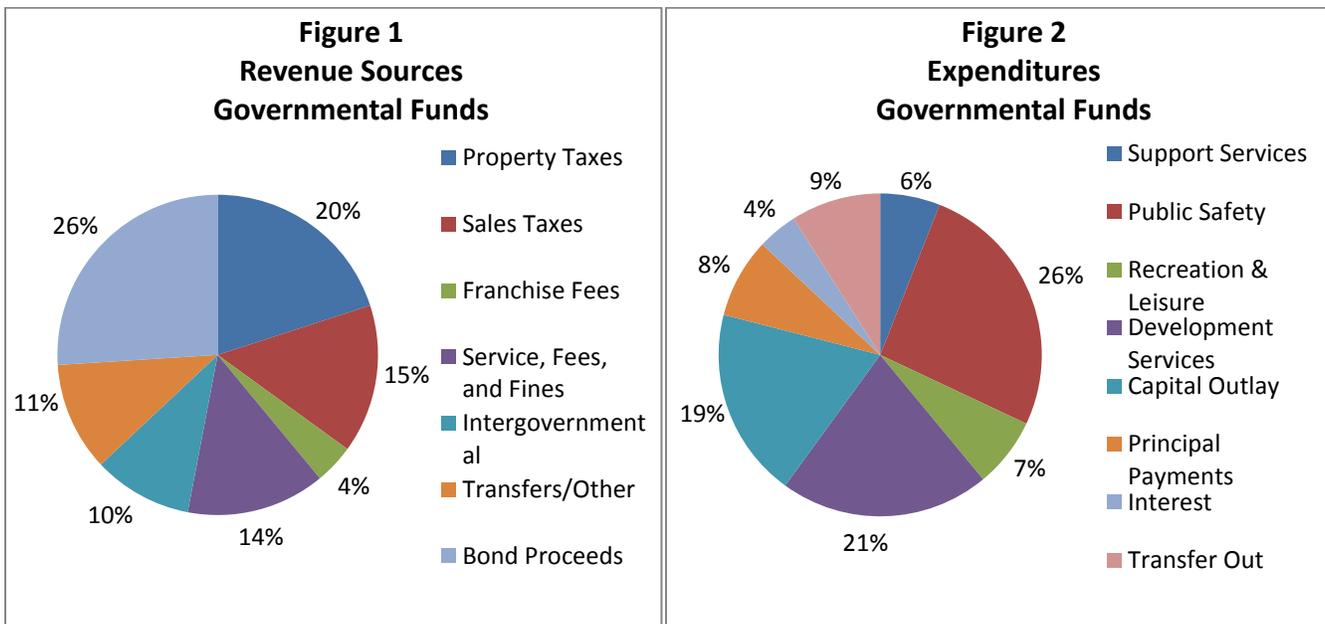
**Governmental activities** - Governmental activities increased the City's net position by \$3,143,895 in comparison with beginning net position, primarily due to an increase in capital contributions, when compared to fiscal year 2015. Net position of governmental operations accounts for 63.3% of total net position.

**Business-type activities** - Business-type activities increased the City's net position by \$16,536,821 in comparison with beginning net position. Total revenue for the business-type activities increased from the previous year by \$18,315,941 due to a 13% increase in charges for services and an increase in capital contributions from developers of \$7,334,400. Net position for business-type activities represents 36.7% of total primary government net position.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

**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 2016, the City's governmental funds (excluding internal service funds) reported combined ending fund balances of \$223,890,764, an increase of \$71,510,939 in comparison with the prior year. The unassigned fund balance portion is 12.6% 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 (\$269,848); amounts restricted by statutes, bond covenants or granting agencies (\$128,793,036) either for debt service payments, grant-related use, special taxing districts, or for capital projects. In addition, committed funds (\$64,315,780) require formal action by City Council. Finally, funds may be assigned (\$2,191,940) by City Manager with the City Council's delegated authority. Figures 1 and 2 that follow show the distribution of governmental funds' sources of revenues and expenditures, \$241,116,618 and \$282,012,384, respectively, for fiscal year 2016.



The General Fund is the chief operating fund of the City. At fiscal year-end, unassigned fund balance of the General Fund was \$28,320,160, while total fund balance was \$31,011,895. 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 26.2% of total general fund operating expenditures, while total fund balance represents 28.7% of that same amount. General Fund's fund balance increased in the amount of \$3,263,249 from the prior fiscal year.

Other major funds with significant changes in fund balance include Streets CIP, Grants, Debt Service, and Epic CIP. The Streets CIP Fund increased by \$2,145,513 due to an overall increase in activity including street maintenance and construction. Increased activity was funded from bond proceeds issued for this purpose.

The Grants Fund decreased by \$1,672,691 due to increased spending related to the construction of frontage roads along IH30. This is a joint project between the City and TxDot with much of the City's matching funds being spent in fiscal year 2016.

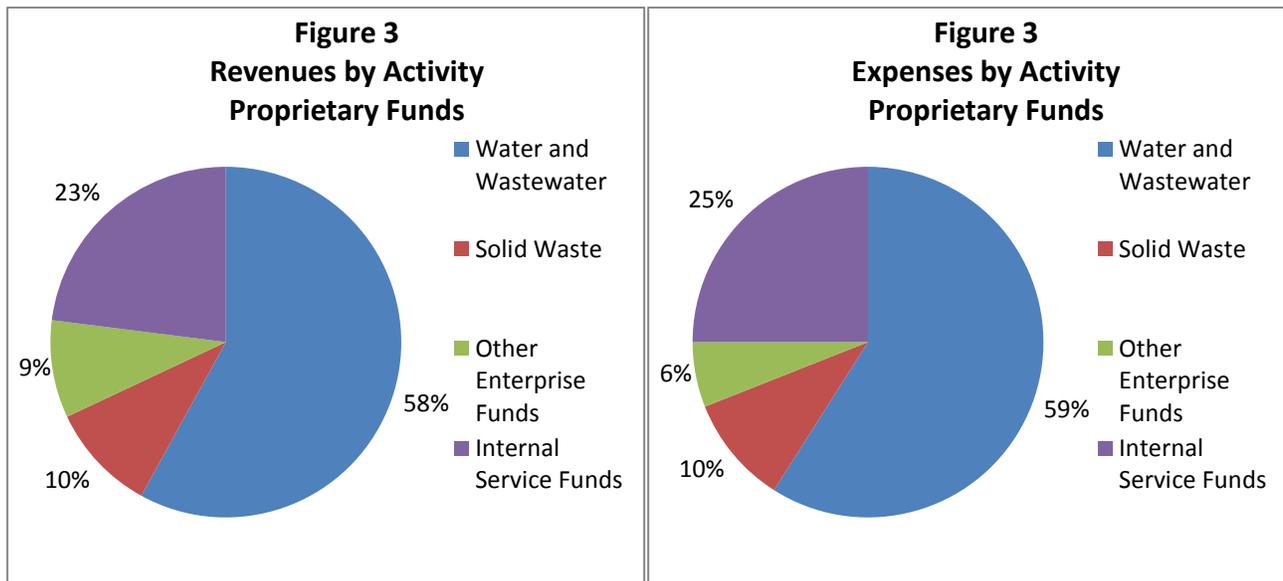
The Debt Service Fund increased by \$1,050,406 due to an increase in property tax revenues.

The Epic CIP Fund increased by \$66,326,138 due to the issuance of sales tax revenue bonds to fund the construction of this huge capital project.

The City also issued \$28,020,000 in certificates of obligation of which \$16,783,006 was allocated to Street CIP Fund and \$11,236,994 was allocated to nonmajor capital project funds.

**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 \$235,415,349 and \$10,204,268, respectively, at September 30, 2016. The enterprise funds' net investment in capital assets represented 70% of total enterprise fund's net position. The internal service funds' net investment in capital assets represented 15.3% of total internal service funds' net position. The enterprise funds' unrestricted net position was 23.5% of their total net position, and internal service funds' unrestricted net position was 84.7% of their total funds' net position. The City's enterprise funds reported income before contributions and transfers of \$5,299,768 while the internal service funds reported a loss of \$146,992. 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 \$117,011,271 and expenses of \$110,193,269 (excluding non-operating revenues and expenses, and contributions and transfers) by activity.



**General Fund Budgetary Highlights**

Actual General Fund revenues were \$7,999,782, or 7%, higher than final budgeted revenues for fiscal year 2016. Property taxes, sales taxes, hotel/motel taxes, and franchise fees were 81.1% of General Fund budgeted revenues. Actual General Fund expenditures were \$1,959,791, or 1.8%, lower than

final budgeted expenditures for fiscal year 2016. Budgeted excess of revenues over expenditures before other financing sources and uses was \$4,476,281 compared to actual, or \$14,435,854, resulting in a net positive budget variance of \$9,959,573. The City traditionally budgets revenue conservatively and this practice frequently results in positive budgetary variances.

Net change in fund balances of the General Fund, including other financing sources and uses such as transfers, resulted in a net positive budget variance of \$10,410,638.

### 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 \$786,265,103. 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 \$43,849,147.

Major capital projects occurring during the fiscal year included the following:

- Completed construction of Fire Station #10 at South Grand Peninsula and Balboa
- Continued construction of Grand Central Park's Epic Center
- Continued construction of frontage roads along Interstate 30
- Completed construction of Lynn Creek Parkway Phase II
- Completed construction of the North Dallas water supply line

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

**Table 3  
Capital Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	9/30/2015	9/30/2016	9/30/2015	9/30/2016	9/30/2015	9/30/2016
Land	\$ 44,780,245	\$ 45,048,889	\$ 4,197,596	\$ 4,471,796	\$ 48,977,841	\$ 49,520,685
Construction in progress	45,232,534	74,367,742	20,658,300	27,727,643	65,890,834	102,095,385
Depreciable capital assets	856,446,163	857,058,869	386,592,409	414,786,171	1,243,038,572	1,271,845,040
Accumulated depreciation	(404,810,804)	(411,025,522)	(210,680,487)	(226,170,485)	(615,491,291)	(637,196,007)
Total capital assets, net	<u>\$ 541,648,138</u>	<u>\$ 565,449,978</u>	<u>\$ 200,767,818</u>	<u>\$ 220,815,125</u>	<u>\$ 742,415,956</u>	<u>\$ 786,265,103</u>

**Long-term debt** - At September 30, 2016, the City had the following long-term liabilities:

**Table 4  
Long-Term Debt**

	Governmental Activities		Business-type Activities		Total Primary Government	
	9/30/2015	9/30/2016	9/30/2015	9/30/2016	9/30/2015	9/30/2016
Bonded debt	\$ 240,541,533	\$ 326,313,952	\$ 58,166,319	\$ 54,918,271	\$ 298,707,852	\$ 381,232,223
Compensated absences	15,246,671	16,462,244	414,156	457,916	15,660,827	16,920,160
Other post employment benefits	4,960,922	5,767,589	-	-	4,960,922	5,767,589
Net pension liability	45,568,993	71,236,569	5,137,343	8,067,465	50,706,336	79,304,034
Pollution liability	130,884	146,430	-	-	130,884	146,430
Closure and post closure liability	-	-	6,648,851	7,013,533	6,648,851	7,013,533
Other liabilities	3,782,471	2,621,695	-	-	3,782,471	2,621,695
<b>Total long-term debt</b>	<b>\$ 310,231,474</b>	<b>\$ 422,548,479</b>	<b>\$ 70,366,669</b>	<b>\$ 70,457,185</b>	<b>\$ 380,598,143</b>	<b>\$ 493,005,664</b>
Long-term debt to net position percentage	77%	104%	32%	30%	61%	76%

Of the total bonded debt, \$326,313,952, or 86%, is backed by the full faith and credit of the City with a property tax pledge.

During this fiscal year, the City issued \$102,845,000 in new bonded debt, refunded \$15,320,000 in old bonded debt, and retired principal on outstanding bonded debt totaling \$25,310,000. The City's total interest expense for all bonded debt was \$13,312,714.

Additional information is detailed in the Notes to Basic Financial Statements, pages 70 - 82.

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

	<u>Fitch</u>	<u>Standard &amp; Poor's</u>
General obligation bonds	AA+	AAA
Sales tax revenue bonds (taxable)	AA	A
Sales tax revenue bonds (tax-exempt)	AA+	AA-
Water and wastewater revenue bonds	AAA	AAA

**Economic Factors and Next Year's Budget and Rates**

The City's elected and appointed officials considered many factors when setting the fiscal year 2017 budget, tax rates, and fees that will be charged for 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 built out and mature, there are still several areas available, mainly in the south sector with higher-end residential areas along Joe Pool Lake. The City's population as of August 2016 was 184,620, which is a 1.1% increase over last 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, SH360, and SH161 continue to make additional demands on the City for increased services.

The following indicators were taken into account when adopting the budget for fiscal year 2017:

- An 11.02% increase in assessed property values;

- A 2% increase in sales tax collections when compared to prior fiscal year collections with no change in the City's sales tax rate; and
- The City's very strong financial position, favorable bond ratings, and continued low interest rates.

These indicators resulted in an increase in budgeted property tax revenues of \$4,730,589 for the General Fund and \$3,707,531 for the General Obligation Debt Service Fund. The City maintained the same property tax rate of \$0.669998 per \$100 valuation for fiscal year 2017.

Budgeted sales tax revenue was increased by \$540,386, or 2%, over prior fiscal year collections with no change in the sales tax rate.

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 for fiscal year 2017 is \$256,946,774, an increase of \$16,962,968, or 7%, when compared to prior fiscal year projected expenditures. General Fund approved appropriations for fiscal year 2017 is \$126,395,145, an increase of \$7,513,849, or 6.3%, over fiscal year 2016. Personnel services attributes to 75% of the total operating budget. This increase follows suit with additional staffing (full-time and part-time) to support public safety, a 3% merit increase, and increase in healthcare costs. Other changes in total budgeted operating appropriations include increases of \$7,019,336 in the Water/Wastewater Fund, and \$3,084,348 in the Epic Operating Fund.

Fiscal year 2017 budgeted appropriations for the General Obligation Debt Service Fund increased by \$7,112,702, or 35%, over fiscal year 2016 due to Cemetery, Airport, and CCPD debt service.

The City's approved appropriations for capital projects in fiscal year 2017 totals \$77,188,030. Planned capital projects include:

- \$19,929,170 in street and signal projects
- \$19,313,000 in water and wastewater requests
- \$12,543,120 in municipal facilities and infrastructure projects
- \$8,682,000 in park projects
- \$7,245,900 in storm drainage projects
- \$2,436,100 in fire equipment and infrastructure
- \$1,938,000 in library projects

## 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, 2016**

	Primary Government			Grand Prairie	Grand Prairie
	Governmental Activities	Business-Type Activities	Total	Sports Facilities Development	Housing Finance Corporation
<b>ASSETS</b>					
Cash and cash equivalents	\$ 107,439,838	\$ 17,942,546	\$ 125,382,384	\$ 2,235,296	\$ 658,105
Investments	6,376,843	47,818,411	54,195,254	7,996,600	75,065
Receivables, net	18,542,621	5,546,231	24,088,852	739,004	-
Intergovernmental receivables	5,799,795	5,438,040	11,237,835	-	-
Inventories and supplies	128,593	474,120	602,713	-	-
Prepays	648,020	89,921	737,941	-	27,339
Restricted assets:					
Cash and cash equivalents	7,668,811	1,994,585	9,663,396	-	1,401,634
Investments	121,562,351	12,571,795	134,134,146	-	-
Internal balances	(1,587,535)	1,587,535	-	-	-
Lease payments receivable	-	-	-	12,360,469	-
Estimated unguaranteed residual value	-	-	-	39,072,115	-
Capital assets:					
Nondepreciable	119,416,631	32,199,439	151,616,070	-	1,612,851
Depreciable, net	446,033,347	188,615,686	634,649,033	-	12,244,473
Total assets	832,029,315	314,278,309	1,146,307,624	62,403,484	16,019,467
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on refundings	1,234,901	174,489	1,409,390	-	-
Related to TMRS pension	32,176,331	3,643,933	35,820,264	-	-
Total deferred outflows of resources	33,411,232	3,818,422	37,229,654	-	-
<b>LIABILITIES</b>					
Accounts payable	12,251,016	4,543,443	16,794,459	780	151,567
Retainage payable	1,292,491	549,365	1,841,856	-	-
Accrued interest	-	7,998	7,998	-	-
Accrued liabilities	9,527,281	705,924	10,233,205	-	477,300
Unearned revenue	9,078,141	442,753	9,520,894	-	-
Current liabilities payable from restricted assets:					
Accrued interest	2,118,544	353,220	2,471,764	-	-
Customer deposits	41,300	3,979,628	4,020,928	-	82,240
Noncurrent liabilities:					
Due within one year:					
Compensated absences	7,182,455	446,975	7,629,430	-	-
Environmental remediation obligation	146,430	-	146,430	-	-
Other liabilities	1,160,776	-	1,160,776	-	-
Current portion of long-term debt	22,735,000	5,163,512	27,898,512	-	297,639
Due in more than one year:					
Compensated absences	9,279,789	10,941	9,290,730	-	-
Other postemployment benefits	5,767,589	-	5,767,589	-	-
Closure and postclosure liability	-	7,013,533	7,013,533	-	-
Net pension liability	71,236,569	8,067,465	79,304,034	-	-
Other liabilities	1,460,919	-	1,460,919	-	-
Long-term debt	303,578,952	49,754,759	353,333,711	-	15,693,570
Total liabilities	456,857,252	81,039,516	537,896,768	780	16,702,316
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to TMRS pension	479,746	54,331	534,077	-	-
<b>NET POSITION</b>					
Net investment in capital assets	308,745,566	166,071,343	474,816,909	-	(915,268)
Restricted for:					
Debt service	10,082,578	6,192,279	16,274,857	-	-
Capital projects	13,940,896	9,173,935	23,114,831	-	-
Public safety	13,315,636	-	13,315,636	-	-
Recreation and leisure	7,966,143	-	7,966,143	-	-
Development services	11,701,886	-	11,701,886	-	-
Other specific purposes	397,044	-	397,044	-	-
Facility lease	-	-	-	52,141,589	-
Unrestricted	41,953,800	55,565,327	97,519,127	10,261,115	232,419
Total net position	\$ 408,103,549	\$ 237,002,884	\$ 645,106,433	\$ 62,402,704	\$ (682,849)

See accompanying notes to basic financial statements.

**CITY OF GRAND PRAIRIE, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

FUNCTIONS/ACTIVITY	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Support services	\$ 23,045,026	\$ 5,048,092	\$ 219,119	\$ -
Public safety services	91,860,495	18,121,839	3,908,881	-
Recreation and leisure services	29,709,690	9,686,261	4,979,810	250,000
Development services and other	88,963,122	12,169,331	27,916,254	8,557,012
Interest on long-term debt	12,374,896	-	-	-
Total governmental activities	<u>245,953,229</u>	<u>45,025,523</u>	<u>37,024,064</u>	<u>8,807,012</u>
Business-type activities:				
Water and wastewater	66,351,005	67,612,109	-	9,916,482
Solid waste	11,438,507	11,816,094	-	-
Municipal airport	2,141,279	2,678,090	37,320	1,500,000
Municipal golf course	3,307,890	2,494,513	-	-
Storm water	1,809,656	5,631,420	-	5,236,671
Total business-type activities	<u>85,048,337</u>	<u>90,232,226</u>	<u>37,320</u>	<u>16,653,153</u>
Total primary government	<u>\$ 331,001,566</u>	<u>\$ 135,257,749</u>	<u>\$ 37,061,384</u>	<u>\$ 25,460,165</u>
Component units:				
Grand Prairie Sports Facilities Development	\$ 8,569,604	\$ 1,345,276	\$ -	\$ 221,533
Grand Prairie Housing Finance Corporation	6,217,505	5,871,833	-	-
Total component units	<u>\$ 14,787,109</u>	<u>\$ 7,217,109</u>	<u>\$ -</u>	<u>\$ 221,533</u>

General revenues:  
 Taxes  
   Property taxes  
   Sales taxes  
   Hotel/motel and other taxes  
 Franchise fees  
 Investment income  
 Transfers  
 Capital asset reassignments  
 Total general revenues and transfers

Change in net position  
 Net position - beginning of year  
 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	Grand Prairie Housing Finance Corporation
Governmental Activities	Business-Type Activities	Total		
\$ (17,777,815)	\$ -	\$ (17,777,815)	\$ -	\$ -
(69,829,775)	-	(69,829,775)	-	-
(14,793,619)	-	(14,793,619)	-	-
(40,320,525)	-	(40,320,525)	-	-
(12,374,896)	-	(12,374,896)	-	-
<u>(155,096,630)</u>	<u>-</u>	<u>(155,096,630)</u>	<u>-</u>	<u>-</u>
-	11,177,586	11,177,586	-	-
-	377,587	377,587	-	-
-	2,074,131	2,074,131	-	-
-	(813,377)	(813,377)	-	-
-	9,058,435	9,058,435	-	-
<u>-</u>	<u>21,874,362</u>	<u>21,874,362</u>	<u>-</u>	<u>-</u>
<u>(155,096,630)</u>	<u>21,874,362</u>	<u>(133,222,268)</u>	<u>-</u>	<u>-</u>
			(7,002,795)	-
			-	(345,672)
			<u>(7,002,795)</u>	<u>(345,672)</u>
77,923,990	-	77,923,990	-	-
57,076,997	-	57,076,997	-	-
1,791,075	-	1,791,075	-	-
13,928,847	-	13,928,847	-	-
2,173,508	8,567	2,182,075	75,791	1,873
5,097,654	(5,097,654)	-	-	-
248,454	(248,454)	-	-	-
<u>158,240,525</u>	<u>(5,337,541)</u>	<u>152,902,984</u>	<u>75,791</u>	<u>1,873</u>
3,143,895	16,536,821	19,680,716	(6,927,004)	(343,799)
<u>404,959,654</u>	<u>220,466,063</u>	<u>625,425,717</u>	<u>69,329,708</u>	<u>(339,050)</u>
<u>\$ 408,103,549</u>	<u>\$ 237,002,884</u>	<u>\$ 645,106,433</u>	<u>\$ 62,402,704</u>	<u>\$ (682,849)</u>

**CITY OF GRAND PRAIRIE, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016**

	<u>General</u>	<u>Section 8</u>	<u>Streets CIP</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,686,587	\$ 741,311	\$ 8,042,080
Investments	17,002,283	1,033,109	21,360,381
Property tax receivable, net	1,139,542	-	-
Sales tax receivable	5,158,288	-	-
Franchise fees receivable	2,658,775	-	-
Other receivables, net	2,425,746	-	-
Intergovernmental receivables	1,353,076	-	-
Due from other funds	-	-	-
Inventory	-	-	-
Prepays	81,857	-	-
<b>Total assets</b>	<u>41,506,154</u>	<u>1,774,420</u>	<u>29,402,461</u>
<b>LIABILITIES</b>			
Accounts payable	2,760,187	35,153	1,839,228
Retainage payable	-	-	113,091
Accrued liabilities	4,540,036	68,341	-
Due to other funds	-	-	-
Customer deposits	-	-	-
Unearned revenue	792,511	-	-
<b>Total liabilities</b>	<u>8,092,734</u>	<u>103,494</u>	<u>1,952,319</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	2,401,525	-	-
<b>Total deferred inflows of resources</b>	<u>2,401,525</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	81,857	-	-
Restricted	417,938	1,670,926	11,411,583
Committed	-	-	16,038,559
Assigned	2,191,940	-	-
Unassigned	28,320,160	-	-
<b>Total fund balances</b>	<u>31,011,895</u>	<u>1,670,926</u>	<u>27,450,142</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 41,506,154</u>	<u>\$ 1,774,420</u>	<u>\$ 29,402,461</u>

See accompanying notes to basic financial statements.

<b>Grants</b>	<b>Debt Service</b>	<b>Epic CIP</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 6,244,921	\$ 1,758,489	\$ 48,889,705	\$ 34,557,227	\$ 111,920,320
1,900,000	10,000,000	20,012,749	46,630,672	117,939,194
-	435,016	-	-	1,574,558
-	-	-	5,146,204	10,304,492
-	-	-	77,631	2,736,406
425,338	7,617	63,979	1,004,485	3,927,165
4,446,719	-	-	-	5,799,795
-	-	-	3,402,683	3,402,683
-	-	-	30,911	30,911
-	-	-	157,080	238,937
<u>13,016,978</u>	<u>12,201,122</u>	<u>68,966,433</u>	<u>91,006,893</u>	<u>257,874,461</u>
762,764	-	1,626,805	4,498,401	11,522,538
274,377	-	889,364	15,659	1,292,491
50,695	-	-	1,189,126	5,848,198
-	-	3,402,683	-	3,402,683
-	-	-	41,300	41,300
6,493,376	-	-	1,792,254	9,078,141
<u>7,581,212</u>	<u>-</u>	<u>5,918,852</u>	<u>7,536,740</u>	<u>31,185,351</u>
-	396,821	-	-	2,798,346
-	396,821	-	-	2,798,346
-	-	-	187,991	269,848
5,435,766	11,804,301	55,673,874	42,378,648	128,793,036
-	-	7,373,707	40,903,514	64,315,780
-	-	-	-	2,191,940
-	-	-	-	28,320,160
<u>5,435,766</u>	<u>11,804,301</u>	<u>63,047,581</u>	<u>83,470,153</u>	<u>223,890,764</u>
<u>\$ 13,016,978</u>	<u>\$ 12,201,122</u>	<u>\$ 68,966,433</u>	<u>\$ 91,006,893</u>	<u>\$ 257,874,461</u>

**CITY OF GRAND PRAIRIE, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

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**Total fund balance - total governmental funds** \$ 223,890,764

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 funds (excluding internal service funds' capital assets of \$1,562,445). 563,887,534

Certain revenues are not available to pay for current-period expenditures; therefore, these revenues are deferred in the funds. 2,798,346

Certain assets and liabilities do not provide or require the use of current financial resources; therefore, these assets and liabilities are not reported in the governmental funds.

Accrued interest on long-term debt	(2,118,544)	
Unamortized loss of bond refundings	1,234,901	
Deferred pension contributions, and investment and actuarial experience (excluding internal service fund totals of \$476,053).	<u>31,220,532</u>	30,336,889

Internal service funds are used by management to charge cost of certain activities, such as employee health insurance, risk management insurance, and fleet services, 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 \$1,587,535). 8,616,733

Noncurrent liabilities are not due and payable in the current period; therefore, they are not reported in the governmental fund balance sheet. These noncurrent liabilities are as follows:

Long-term debt	(316,030,000)	
Unamortized bond premium/discount, net	(10,283,952)	
Compensated absences (excluding internal service fund totals of \$51,855)	(16,410,389)	
Other post employment benefits	(5,767,589)	
Net pension liability (excluding internal service fund totals of \$1,069,907)	(70,166,662)	
Environmental remediation obligation	(146,430)	
Other liabilities	<u>(2,621,695)</u>	<u>(421,426,717)</u>

**Net position of governmental activities** \$ 408,103,549

See accompanying notes to basic financial statements.



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**CITY OF GRAND PRAIRIE, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>General</u>	<u>Section 8</u>	<u>Streets CIP</u>
<b>REVENUES</b>			
Property taxes	\$ 53,681,627	\$ -	\$ -
Sales taxes	27,922,103	-	-
Other taxes	280,846	-	-
Franchise fees	13,928,847	-	-
Charges for goods and services	5,796,986	2,686,904	92,522
Licenses and permits	3,457,438	339,867	-
Fines and forfeitures	7,740,514	-	-
Intergovernmental	2,741,448	24,702,660	-
General and administrative	4,274,142	-	-
Rents and royalties	86,553	-	-
Investment income	1,833,724	-	-
Contributions	107,441	-	-
Other	666,007	80,521	320,040
Total revenues	<u>122,517,676</u>	<u>27,809,952</u>	<u>412,562</u>
<b>EXPENDITURES</b>			
Current operations:			
Support services	18,145,433	-	-
Public safety services	73,478,242	-	-
Recreation and leisure services	2,398,214	-	-
Development services and other	12,391,453	27,747,485	9,310,200
Capital outlay	1,668,480	-	6,298,310
Debt service:			
Principal retirement	-	-	1,000,000
Interest and other charges	-	-	163,343
Total expenditures	<u>108,081,822</u>	<u>27,747,485</u>	<u>16,771,853</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,435,854</u>	<u>62,467</u>	<u>(16,359,291)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	11,326	-	568,253
Transfers out	(11,805,389)	(50,000)	(706,482)
Insurance recovery	-	-	-
Bonds issued	-	-	16,783,006
Premium on bonds issued	-	-	1,750,737
Refunding bonds issued	-	-	-
Payments to bond escrow agents	-	-	-
Proceeds from sale of capital assets	621,458	1,434	109,290
Total other financing sources (uses)	<u>(11,172,605)</u>	<u>(48,566)</u>	<u>18,504,804</u>
Net change in fund balances	3,263,249	13,901	2,145,513
Fund balances - beginning of year	<u>27,748,646</u>	<u>1,657,025</u>	<u>25,304,629</u>
Fund balances - end of year	<u>\$ 31,011,895</u>	<u>\$ 1,670,926</u>	<u>\$ 27,450,142</u>

See accompanying notes to basic financial statements.

<b>Grants</b>	<b>Debt Service</b>	<b>Epic CIP</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 20,494,222	\$ -	\$ 4,023,294	\$ 78,199,143
-	-	-	28,994,118	56,916,221
-	-	-	1,510,229	1,791,075
-	-	-	-	13,928,847
919,935	-	-	9,512,192	19,008,539
-	-	-	164,437	3,961,742
-	-	-	3,872,033	11,612,547
10,622,089	-	-	48,635	38,114,832
-	-	-	-	4,274,142
-	-	-	4,077,682	4,164,235
24,996	332	311,428	3,028	2,173,508
167,681	-	4,500,000	564,993	5,340,115
-	10,127	-	554,977	1,631,672
<u>11,734,701</u>	<u>20,504,681</u>	<u>4,811,428</u>	<u>53,325,618</u>	<u>241,116,618</u>
-	-	-	1,442,867	19,588,300
2,645,730	-	-	5,626,558	81,750,530
154,376	-	-	19,473,277	22,025,867
2,829,095	-	-	13,986,180	66,264,413
8,990,823	-	20,545,009	21,497,512	59,000,134
-	12,806,000	-	7,994,000	21,800,000
-	6,949,409	660,935	3,809,453	11,583,140
<u>14,620,024</u>	<u>19,755,409</u>	<u>21,205,944</u>	<u>73,829,847</u>	<u>282,012,384</u>
<u>(2,885,323)</u>	<u>749,272</u>	<u>(16,394,516)</u>	<u>(20,504,229)</u>	<u>(40,895,766)</u>
1,251,615	170,000	7,062,280	13,930,972	22,994,446
(44,393)	-	-	(5,566,506)	(18,172,770)
-	-	-	88,101	88,101
-	-	74,825,000	11,236,994	102,845,000
-	949,342	833,374	1,254,933	4,788,386
-	10,270,000	-	895,000	11,165,000
-	(11,088,208)	-	(966,304)	(12,054,512)
5,410	-	-	15,462	753,054
<u>1,212,632</u>	<u>301,134</u>	<u>82,720,654</u>	<u>20,888,652</u>	<u>112,406,705</u>
(1,672,691)	1,050,406	66,326,138	384,423	71,510,939
<u>7,108,457</u>	<u>10,753,895</u>	<u>(3,278,557)</u>	<u>83,085,730</u>	<u>152,379,825</u>
<u>\$ 5,435,766</u>	<u>\$ 11,804,301</u>	<u>\$ 63,047,581</u>	<u>\$ 83,470,153</u>	<u>\$ 223,890,764</u>

**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, 2016**

**Net change in fund balances - total governmental funds** **\$ 71,510,939**

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, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 59,000,134

Depreciation on capital assets is reported in the government-wide statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds (except for internal service fund depreciation of \$75,025). (37,307,450)

Governmental funds do not report capital contributions. 2,193,952

The net effect of various transactions involving capital assets (i.e., disposals, sales, and reassignments) are not reported in the governmental funds. (685,823)

The issuance of long-term debt (i.e., bonds) provides current financial resources to the governmental funds, while repayment of the principal on 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	(102,845,000)	
Refunding bonds issued	(11,165,000)	
Payments to bond escrow agents	12,054,512	
Bond principal retirement	20,800,000	
Bond premium issued	(4,788,386)	
Amortization of bond premiums/discounts	425,967	
Amortization of loss on refundings	(111,868)	(85,629,775)

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

Accrued interest	(1,105,854)	
Compensated absences	(1,208,554)	
Pollution remediation obligation	(15,546)	
Postemployment benefit obligation	(806,667)	
Change in pension liability	(4,352,784)	
Other liabilities	1,160,776	(6,328,629)

Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 191,569

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 operating loss of the internal service funds is reported with governmental activities (net of the amount allocated to business-type activities of \$69,992). 198,978

**Change in net position of governmental activities** **\$ 3,143,895**

See accompanying notes to basic financial statements.

**CITY OF GRAND PRAIRIE, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2016**

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Water Wastewater	Solid Waste	Nonmajor Enterprise Funds	Total	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 14,727,870	\$ 3,036,050	\$ 178,626	\$ 17,942,546	\$ 3,188,329
Investments	29,318,432	13,824,536	4,675,443	47,818,411	10,000,000
Accounts receivable, net	4,567,247	477,458	501,526	5,546,231	-
Intergovernmental receivable	5,400,720	-	37,320	5,438,040	-
Inventories and supplies	420,399	-	53,721	474,120	97,682
Prepays	89,921	-	-	89,921	409,083
Restricted assets:					
Cash and cash equivalents	1,994,585	-	-	1,994,585	-
Investments	12,501,419	-	70,376	12,571,795	-
Total current assets	<u>69,020,593</u>	<u>17,338,044</u>	<u>5,517,012</u>	<u>91,875,649</u>	<u>13,695,094</u>
Noncurrent assets:					
Capital assets:					
Land	1,963,711	1,748,378	759,707	4,471,796	737,566
Buildings	2,361,045	1,895,727	14,218,487	18,475,259	1,477,875
Equipment	24,196,308	10,489,866	1,980,276	36,666,450	1,528,146
Infrastructure	318,164,331	10,449,173	31,030,958	359,644,462	16,672
Construction in progress	26,223,557	159,650	1,344,436	27,727,643	227,700
Less: accumulated depreciation	(192,870,724)	(10,427,662)	(22,872,099)	(226,170,485)	(2,425,514)
Total noncurrent assets	<u>180,038,228</u>	<u>14,315,132</u>	<u>26,461,765</u>	<u>220,815,125</u>	<u>1,562,445</u>
Total assets	<u>249,058,821</u>	<u>31,653,176</u>	<u>31,978,777</u>	<u>312,690,774</u>	<u>15,257,539</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Debt refundings	174,489	-	-	174,489	-
Related to TMRS pension	2,195,893	808,861	639,179	3,643,933	483,258
Total deferred outflows of resources	<u>2,370,382</u>	<u>808,861</u>	<u>639,179</u>	<u>3,818,422</u>	<u>483,258</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	3,584,022	709,119	250,302	4,543,443	728,479
Retainage payable	549,365	-	-	549,365	-
Accrued interest	-	-	7,998	7,998	-
Accrued liabilities	484,087	138,074	83,763	705,924	3,679,083
Compensated absences	290,192	72,763	84,020	446,975	51,855
Unearned revenue	274,431	-	168,322	442,753	-
Current portion of long-term debt	4,510,000	513,512	140,000	5,163,512	-
Current liabilities payable from restricted assets:					
Accrued interest	353,220	-	-	353,220	-
Customer deposits	3,909,252	-	70,376	3,979,628	-
Total current liabilities	<u>13,954,569</u>	<u>1,433,468</u>	<u>804,781</u>	<u>16,192,818</u>	<u>4,459,417</u>
Noncurrent liabilities:					
Compensated absences	-	-	10,941	10,941	-
Closure and postclosure liability	-	7,013,533	-	7,013,533	-
Net pension liability	4,861,583	1,790,772	1,415,110	8,067,465	1,069,907
Long-term debt	47,831,968	742,791	1,180,000	49,754,759	-
Total noncurrent liabilities	<u>52,693,551</u>	<u>9,547,096</u>	<u>2,606,051</u>	<u>64,846,698</u>	<u>1,069,907</u>
Total liabilities	<u>66,648,120</u>	<u>10,980,564</u>	<u>3,410,832</u>	<u>81,039,516</u>	<u>5,529,324</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to TMRS pension	32,741	12,060	9,530	54,331	7,205
<b>NET POSITION</b>					
Net investment in capital assets	127,870,749	13,058,829	25,141,765	166,071,343	1,562,445
Restricted for:					
Debt Service	6,192,279	-	-	6,192,279	-
Capital projects	9,173,935	-	-	9,173,935	-
Unrestricted	41,511,379	8,410,584	4,055,829	53,977,792	8,641,823
Total net position	<u>\$ 184,748,342</u>	<u>\$ 21,469,413</u>	<u>\$ 29,197,594</u>	<u>\$ 235,415,349</u>	<u>\$ 10,204,268</u>
<b>Reconciliation to government-wide Statement of Net Position:</b>					
Adjustments to reflect the consolidation of internal service fund activities related to Enterprise Funds				1,587,535	
Net position of business-type activities				<u>\$ 237,002,884</u>	

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, 2016**

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Water Wastewater	Solid Waste	Nonmajor Enterprise Funds	Total	
<b>OPERATING REVENUES</b>					
Water sales	\$ 39,054,285	\$ -	\$ -	\$ 39,054,285	\$ -
Wastewater services	24,983,819	-	-	24,983,819	-
Water and wastewater fees	2,515,993	-	-	2,515,993	-
Wastewater surcharges	722,154	-	-	722,154	-
Solid waste fees	-	11,796,881	-	11,796,881	-
Charges for services	-	-	8,898,294	8,898,294	4,382,994
Intergovernmental revenue	-	-	37,320	37,320	-
Insurance premiums	-	-	-	-	22,246,332
Miscellaneous	335,858	93,213	1,905,729	2,334,800	38,399
Total operating revenue	67,612,109	11,890,094	10,841,343	90,343,546	26,667,725
<b>OPERATING EXPENSES</b>					
Salaries and benefits	7,690,878	2,952,063	2,340,873	12,983,814	1,696,850
Supplies and miscellaneous purchases	915,823	379,721	752,687	2,048,231	2,378,667
Purchased services	6,672,050	5,525,657	1,966,463	14,164,170	1,426,255
Insurance costs	-	-	-	-	21,070,998
Water purchases	14,223,378	-	-	14,223,378	-
Wastewater treatment	15,346,644	-	-	15,346,644	-
General and administrative costs	3,508,628	308,290	214,608	4,031,526	-
Franchise fees	2,561,398	326,754	225,659	3,113,811	-
Miscellaneous	611,463	733,345	127,582	1,472,390	195,395
Depreciation	13,120,127	1,298,813	1,547,175	15,966,115	75,025
Total operating expenses	64,650,389	11,524,643	7,175,047	83,350,079	26,843,190
Operating income	2,961,720	365,451	3,666,296	6,993,467	(175,465)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	8,567	-	-	8,567	-
Gain (loss) on property disposition	69,136	(12,996)	1,807	57,947	28,473
Interest expense	(1,693,162)	-	(67,051)	(1,760,213)	-
Total nonoperating revenues (expenses)	(1,615,459)	(12,996)	(65,244)	(1,693,699)	28,473
Income (loss) before contributions and transfers	1,346,261	352,455	3,601,052	5,299,768	(146,992)
<b>CONTRIBUTIONS AND TRANSFERS</b>					
Capital contributions-impact fees	2,407,003	-	-	2,407,003	-
Capital contributions	7,509,479	-	6,736,671	14,246,150	-
Transfers out - capital assets	-	(248,454)	-	(248,454)	-
Transfers in - monetary	16,000	-	275,000	291,000	300,000
Transfers out - monetary	(1,345,826)	(394,828)	(3,648,000)	(5,388,654)	(24,022)
Total contributions and transfers	8,586,656	(643,282)	3,363,671	11,307,045	275,978
Change in net position	9,932,917	(290,827)	6,964,723	16,606,813	128,986
Net position - beginning of year	174,815,425	21,760,240	22,232,871	218,808,536	10,075,282
Net position - end of year	\$ 184,748,342	\$ 21,469,413	\$ 29,197,594	\$ 235,415,349	\$ 10,204,268

**Reconciliation to government-wide Statement of Activities:**

Total change in net position	\$ 16,606,813
Adjustments to reflect the consolidation of internal service fund activities related to Enterprise Funds	(69,992)
Change in net position of business-type activities	<u>\$ 16,536,821</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, 2016**

	Business-Type Activities - Enterprise Funds				Governmental
	Water	Solid	Other	Total	Activities
	Wastewater	Waste	Nonmajor		Internal Service Funds
<b>Cash flows from operating activities:</b>					
Cash receipts from customers	\$ 68,293,776	\$ 12,128,305	\$ 8,883,586	\$ 89,305,667	\$ -
Cash receipts from insurance proceeds	-	-	-	-	4,184,353
Cash receipts from city and employee contributions	-	-	-	-	18,073,117
Cash receipts from interfund services provided	-	-	-	-	4,382,994
Cash receipts from other governments	-	-	26,378	26,378	-
Other operating cash receipts	335,858	93,213	1,905,729	2,334,800	38,399
Cash payments to suppliers for goods and services	(38,814,345)	(6,863,111)	(2,828,664)	(48,506,120)	(5,264,013)
Cash payments to employees for services	(7,330,940)	(2,341,473)	(2,255,075)	(11,927,488)	(1,590,381)
Cash payments for interfund services used	(2,561,398)	(326,754)	(225,659)	(3,113,811)	(20,748,091)
Other operating cash payments	(3,508,628)	(308,290)	(214,608)	(4,031,526)	-
Net cash provided by (used in) operating activities	16,414,323	2,381,890	5,291,687	24,087,900	(923,622)
<b>Cash flows from noncapital financing activities:</b>					
Transfers from other funds	16,000	-	275,000	291,000	300,000
Transfers to other funds	(1,345,826)	(394,828)	(3,648,000)	(5,388,654)	(24,022)
Net cash (used in) provided by noncapital financing activities	(1,329,826)	(394,828)	(3,373,000)	(5,097,654)	275,978
<b>Cash flows from capital and related financing activities:</b>					
Proceeds from capital lease	-	1,807,378	-	1,807,378	-
Proceeds from Texas Water Development Board	3,747,998	-	-	3,747,998	-
Proceeds from issuance of bonds	4,546,434	-	-	4,546,434	-
Capital impact fees from developers	3,227,116	-	-	3,227,116	-
Proceeds from disposition of capital assets	84,240	61,004	1,807	147,051	38,628
Acquisition and construction of capital assets	(18,018,969)	(3,243,858)	(1,346,343)	(22,609,170)	(686,207)
Principal paid on debt	(8,775,000)	(551,075)	(130,000)	(9,456,075)	-
Interest paid on debt	(1,712,068)	-	(67,823)	(1,779,891)	-
Bond issuance costs	(220,075)	-	-	(220,075)	-
Net cash used in capital and related financing activities	(17,120,324)	(1,926,551)	(1,542,359)	(20,589,234)	(647,579)
<b>Cash flows from investing activities:</b>					
Proceeds from sales and maturities of investments	60,631,456	463,496	-	61,094,952	3,000,000
Purchase of investment securities	(66,544,919)	-	(1,000,000)	(67,544,919)	(1,000,000)
Interest received on investments	8,567	-	-	8,567	-
Net cash (used in) provided by investing activities	(5,904,896)	463,496	(1,000,000)	(6,441,400)	2,000,000
Net (decrease) increase in cash and equivalents	(7,940,723)	524,007	(623,672)	(8,040,388)	704,777
Cash and cash equivalents - beginning of year	24,663,178	2,512,043	802,298	27,977,519	2,483,552
Cash and cash equivalents - end of year	\$ 16,722,455	\$ 3,036,050	\$ 178,626	\$ 19,937,131	\$ 3,188,329
<b>Reconciliation of operating income (loss) from operations to net cash from operating activities:</b>					
Operating income (loss)	\$ 2,961,720	\$ 365,451	\$ 3,666,296	\$ 6,993,467	\$ (175,465)
Adjustments to operating income (loss) to net cash from operating activities:					
Depreciation	13,120,127	1,298,813	1,547,175	15,966,115	75,025
Provisions for uncollectible accounts	219,145	(45,432)	(10,049)	163,664	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	459,202	376,856	(6,853)	829,205	11,138
(Increase) decrease in inventories and supplies	25,402	-	(1,285)	24,117	32,112
Increase in prepaids	(89,921)	-	-	(89,921)	(30,000)
Increase (decrease) in accounts payable	(980,468)	(224,388)	52,972	(1,151,884)	(942,905)
Increase in retainage payable	-	-	(33,619)	(33,619)	-
Increase (decrease) in accrued liabilities	86,210	384,055	17,170	487,435	(26,434)
Increase in customer deposits	339,178	-	2,194	341,372	-
Decrease in unearned revenue	-	-	(10,942)	(10,942)	-
Increase in compensated absences	14,804	17,021	11,935	43,760	7,019
Increase in pension liability	258,924	209,514	56,693	525,131	125,888
Net cash provided by (used in) operating activities	\$ 16,414,323	\$ 2,381,890	\$ 5,291,687	\$ 24,087,900	\$ (923,622)
<b>Noncash investing, capital and financing activities:</b>					
Capital contributions from developers/granting agencies	\$ 7,509,479	\$ -	\$ 6,736,671	\$ 14,246,150	\$ -
Capital asset transfers from (to) governmental activities	-	248,454	-	248,454	-
	\$ 7,509,479	\$ 248,454	\$ 6,736,671	\$ 14,494,604	\$ -
<b>Reconciliation of ending cash and cash equivalents to Statement of Net Position:</b>					
Unrestricted cash and cash equivalents - end of year	\$ 14,727,870	\$ 3,036,050	\$ 178,626	\$ 17,942,546	\$ 3,188,329
Restricted cash and cash equivalents - end of year	1,994,585	-	-	1,994,585	-
Total cash and cash equivalents - end of year	\$ 16,722,455	\$ 3,036,050	\$ 178,626	\$ 19,937,131	\$ 3,188,329

See accompanying notes to basic financial statements.



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## **NOTES TO BASIC FINANCIAL STATEMENTS**



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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Introduction**

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

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accounts as published in *Audits of State and Local Governments*.

**B. Financial Reporting Entity**

The City's basic financial statements include the accounts of all City operations. The criteria for including legally separate entities as component units within the City's reporting entity are set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards. Based on this criterion, the City reports the following component units as part of the financial reporting entity:

**Blended Component Units**

**Grand Prairie Crime Control and Prevention District**

The City of Grand Prairie Crime Control and Prevention District (CCPD) was created in May 2007 under the provisions of the Crime Control and Prevention Act and authority of Chapter 363, Texas Local Government Code, as amended (Act) by Resolution No. 2007-02 of the Grand Prairie City Council. The purpose of the CCPD is to provide crime control and crime prevention strategies, specific treatment and prevention programs, and court and prosecution services including the cost of personnel, administration, expansion, enhancement, and capital expenditures, and any other programs as authorized by Chapter 363.

Under the authority of the Act, the voters of Grand Prairie approved a proposition to levy and collect an additional quarter-cent sales and use tax for the purpose of funding the CCPD which became effective October 1, 2007. In 2012, citizens voted to continue/renew the quarter-cent sales and use tax for this same purpose.

The CCPD's governing body is substantively the same as the governing body of the City as the seven members of the CCPD's Board of Directors are all City council members. The City has operational responsibility for the CCPD, and the CCPD provides all of its services to the City. If the District is dissolved, its assets will become the City's property. For these reasons, the CCPD is reported as a blended component unit of the City and is reported as a special revenue fund within the City's governmental activities. This special revenue fund was established specifically to account for the accumulation and use of the quarter-cent sales tax revenue collected for the CCPD.

**Discretely Presented Component Units**

Grand Prairie Sports Facilities Development Corporation

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

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

The City continues to receive significant financial benefits from the Sports Corporation as excess earnings of the Sports Corporation are paid to the City; and, if dissolved, all assets of the Sports Corporation become the City's property. Although the Sports Corporation is a legally separate entity, the City has the ability to impose its will upon the Sports Corporation as its Board of Directors are all appointed by the City Council, and four of the seven-member board are actual City Council members. For this reason, the Sports Corporation is presented as part of the City's reporting entity as a discretely presented component unit. Discretely presented component units are presented in a separate column alongside the City's financial information.

Separately-audited financial statements for the Sports Corporation, for fiscal years ended September 30, 2015 and before, may be obtained by writing the City of Grand Prairie, Attn: Finance Director, 326 W. Main Street, Grand Prairie, TX 75050.

Grand Prairie 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. However, the City is not financially obligated for any debt of the HFC. For these reasons, the HFC is presented as part of the City's reporting entity as a discretely presented component unit.

The HFC's financial information, for its calendar year ended December 31, 2015, is included in the City's financial statements in a separate column alongside the City's. Separate audited financial statements may be obtained by writing Grand Prairie Housing Finance Corporation, Attn: Executive Director, P. O. Box 532758, Grand Prairie, TX 75053-2758.

**Related Autonomous Entities**

Grand Prairie Health Facilities Development Authority

The Grand Prairie Health Facilities Development Authority (HFDA) was created to issue tax-exempt revenue bonds to finance medical facilities. While the HFDA's revenue bonds were defeased, the HFDA continues to exist only to make decisions from time to time regarding the defeased bonds. The City exercises no control over the HFDA or its budget.

Grand Prairie Industrial Development Authority

The Grand Prairie Industrial Development Authority (GPIDA) was 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 GPIDA's management, budget or operations.

**C. Implementation of New Accounting Standards**

For fiscal year ended September 30, 2016, the City implemented the following new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB).

GASB No. 72 – Fair Value Measurement and Application

GASB No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset, or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The impact of this implementation is discussed in Note 2.

GASB No. 73 – Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68 and Amendments to Certain Provision of GASB Statements 67 and 68.

GASB No.73's objective is to improve the usefulness of information about pensions included in the financial reports of state and local governments for making decisions and assessing accountability. This Statement applies to all state and governmental entities. The implementation of this statement did not impact the City's financial statements.

GASB No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

GASB No.76's objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The implementation of this statement did not impact the City's financial statements.

## D. Basis of Presentation

### Government-Wide Financial Statements

The two government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all activities of the City, including component units. Governmental activities, which include those activities primarily supported by taxes or intergovernmental revenue, are reported separately from business-type activities which generally rely 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. As a general rule, the internal activity between governmental activities and business-type activities is eliminated from the government-wide financial statements except that charges for administrative overhead services provided by the governmental activities to the business-type activities are included as revenues to the governmental activities and expenses to the business-type activities.

The Statement of Activities reports the change in the City's net position from October 1, 2015 to September 30, 2016. This statement demonstrates the degree to which the direct expenses of a given function of the 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 and 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, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as *general revenues* in the statement of activities.

### Fund Financial Statements

In addition to the government-wide financial statements, the City also reports separate financial statements for major functions or activities of the government. These financial statements are organized on the basis of funds with governmental resources allocated to and accounted for based upon the purposes for which they are spent and the means by which spending activities are controlled. Separate statements are presented for governmental activities and proprietary activities.

Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenditures/expenses, and fund balances. The fund financial statements present each major fund as a separate column, while all nonmajor funds are aggregated and presented in a single column. Major funds are calculated using specific methods outlined in GASB Statement No. 34, or City management may also deem funds as major for presentation purposes.

At September 30, 2016, 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. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating

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expenditures, fixed charges and capital improvement costs not paid through other funds are paid from the General Fund.

Section 8 Fund

This special revenue fund accounts for grant and contract revenue received from the federal government for providing housing assistance to low income families and for the administration of the program.

Street CIP Fund

This capital project fund accounts for the construction and renovation of thoroughfares and arterial streets and roads financed through general obligation bond proceeds and other dedicated sources.

Grants Fund

This special revenue 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, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is restricted exclusively for debt service expenditures.

Epic CIP Fund

This capital project fund accounts for the proceeds from sales tax revenue bonds, current lending/borrowing arrangements, and other dedicated sources to be used in the construction of The Epic.

At September 30, 2016, major enterprise funds include the following:

Water/Wastewater Fund

This fund accounts for water and wastewater system services provided for residents of the City, including administration, operations, maintenance, debt service, billing and collection. The City purchased treated water from surrounding cities, and water is pumped from City-owned wells. Although the City owns the wastewater collection system, it has no treatment facilities. Wastewater treatment is provided by the Trinity River Authority. Contracts relating to purchased water and wastewater treatment are discussed in Note 2M. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the funds.

Solid Waste Fund

This fund accounts for the City's landfill, garbage/recycling collection service, brush and litter collection, street sweeping, illegal dumping cleanup, Keep Grand Prairie Beautiful, and auto-related business programs, as well as a number of special purpose transfers related to reserves for landfill closure, post-closure costs and environmental remediation. All costs are financed through charges to sanitation customers.

**E. Measurement Focus and Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial

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statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**Government-Wide Financial Statements**

The government-wide financial statements and the fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position, and the operating statement presents increases (revenues) and decreases (expenses) in the net position. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the liability is incurred.

**Governmental Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. 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 sixty 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 property taxes, sales taxes, franchise fees, charges for services, and intergovernmental revenues. Revenue is accrued when it is deemed available except for intergovernmental revenues.

Grant revenues are recognized not just when available, but when the qualifying expenditures have been incurred, and all other grant requirements have been met.

The City also reports *unavailable* and *unearned* revenues in its governmental funds. *Unavailable* revenues arise when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. *Unearned* revenues arise when the City receives revenue resources before it has legal claim to it, as when grant money is received prior to the incidence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, or when the City has a legal claim to the resource, the revenue is recognized.

**Proprietary Funds**

As mentioned earlier, proprietary funds use the economic resources measurement focus and the accrual basis of accounting. 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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports two types of proprietary funds – enterprise funds and internal services funds.

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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 is 1) 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 2) where the City Council has decided that periodic determination of revenues earned, expenses incurred and/or operating income generated is appropriate for the purposes of capital maintenance, public policy, management control, and/or accountability. The City maintains five enterprise funds – water and wastewater services, solid waste services, storm water services, airport operations, and golf course operations. These enterprise funds are classified as business-type activities in both the government-wide and governmental fund 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, on a cost-reimbursement basis. The City has two internal service funds:

- 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, workers compensation, and employee health and life insurance programs. The City reports all risk financing activities in the Risk Management Fund.

**F. Assets, Liabilities, Deferred Outflows/Inflows Resources, and Net Position/Fund Balances**

Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings are recorded in the General Fund unless it is required by regulations or agreements to allocate to certain funds. In fiscal year 2016, the funds receiving allocation of interest earnings were the Grants Fund, Epic CIP Fund, Police Seizure Funds 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.

Receivables and Payables

Major revenue sources susceptible to accrual are recorded as receivables when they become both measurable and available. Expenditures incurred during the current fiscal year but not yet paid are recorded as payables at fiscal year-end.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at fiscal year-end are referred to as due to/from other funds.

Inventories and Prepaid Items

Inventory consists primarily of supplies and material and is recorded at cost when purchased and expensed when consumed. For the General Fund, inventory is expensed on an actual specific-cost basis. Special Revenue and Enterprise Funds' inventory is charged out on a first-in, first-out basis, except for fuel inventory which is charged out 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. The cost of prepaid items is expensed when consumed rather than when purchased.

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Accordingly, for both inventories and prepaid items, fund balance is classified as nonspendable for an amount equal to the cost to signify those funds are not available for spending.

Capital Assets and Depreciation

Capital assets (i.e. land, buildings, equipment, improvements other than buildings, 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

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. Deferred outflows of resources are reported in the government-wide Statement of Net Position for governmental and business-type activities and in the Statement of Net Position in the fund financial statements only for proprietary funds. The City has three items that qualify for reporting in this category.

- Deferred charges on debt 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.
- Pension plan contributions – contributions made from the measurement date of the pension plan to the current fiscal year end (January – September). These contributions are deferred and recognized in the subsequent fiscal year.
- Pension investment experience – the difference between projected and actual earnings of pension plan investments. The difference is deferred and recognized as pension plan expense over a closed five-year period as required by GASB No. 68.

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. Deferred inflow of resources are reported in the basic financial statements the same as deferred outflows of resources. The City has two items that qualify for reporting in this category.

- Unavailable revenue – at the governmental fund level, property tax and ambulance receivables recorded but not expected to be collected within than sixty days after fiscal year end are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available.

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- Pension actuarial experience – the difference between the expected and actual experience in the actuarial measurement of the total pension liability not recognized in the current year. This amount is deferred and amortized over a period of years determined by the plan actuary. The amortization period is based on the estimated average remaining service lives of employees that are provided with a pension through the pension plan (active and inactive employees) for the City determined at the beginning of the measurement date.

Compensated Absences

Employees are granted vacation benefits in varying amounts, depending on tenure with the City. These benefits accumulate pro rata by pay period. Payment for unused vacation will be made at upon separation of employment. Fire and police civil service employees who have completed their introductory period are paid up to ninety 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.

Accrued compensated absence liabilities are reported in the respective columns in the government-wide financial statements and in the proprietary fund financial statements. Compensated absences are only reported in governmental funds if they are owed to separated employees at the end of the fiscal year.

Pensions

For purposes of measuring net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the Fiduciary Net Position of TMRS, and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Postemployment Benefits

The City provides postemployment healthcare benefits to all vested employees upon retirement from the City. Employees are vested in the City's pension plan with twenty-five years or more of service, regardless of age, or five years or more of service at age sixty and above. Coverage is also available to dependents or surviving spouses of retirees. The City subsidizes medical, dental, and hospitalization costs incurred by retirees and their dependents. Recommendations for plan benefits are presented to City Council for their approval during the annual budget process. The City's plan qualifies as a single-employer, defined benefit plan. Complete details of the plan are listed in Note K starting on page 91.

Long-Term Debt

General obligation bonds and other debt issued for general government capital projects and acquisitions that are repaid from tax revenues are recorded in the governmental activities column in the government-wide Statement of Net Position. Debt issued to fund capital projects in the proprietary funds is recorded in both the business-type activities column in the government-wide Statement of Net Position and in the proprietary fund Statement of Net Position. Bond premiums and discounts, as well as deferred charges on refunded debt obligations, are deferred and amortized over the life of the bonds using the effective interest method in the government-wide financial statements and in the proprietary funds. Bonds payable are reported net of applicable bond premiums and discounts.

**CITY OF GRAND PRAIRIE, TEXAS  
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Nature and Purpose of Classifications of Fund Equity

**Restricted** fund balances in the governmental funds are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments for specific purposes.

**Committed** fund balances 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 balances. To remove or change the constraint, the City Council must take the same level of action.

**Assigned** fund balances are determined by City management based on City Council direction, in accordance with financial policies adopted by resolution. Assigned fund balances are constrained by the intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned** fund balance represents the amount that does not meet the criteria for restricted, committed, or assigned.

**Nonspendable** fund balances represent inventories and prepaid items.

The City considers expenditures to be made from the most restrictive classification when more than one classification is available.

Minimum Fund Balance Policy

It is the desire of the City to maintain an adequate fund balance in the General Fund in order to maintain liquidity and in anticipation of economic downturns or natural disasters. The City Council has adopted a financial policy to maintain a minimum unassigned fund balance of fifty to sixty days of budgeted General Fund expenditures.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Restricted net position represents the difference between restricted assets and liabilities payable from these assets that is externally imposed by enabling legislation.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, plus deferred outflows from bond refundings, reduced by retainage payable and the outstanding balance of any debt used for acquisition, construction, or improvements of those assets, plus any unspent bond proceeds.

**G. Budgetary Control**

As set forth by the City Charter, the City Manager submits annual budgets to the City Council in August for the upcoming fiscal year. In September, the City Council adopts budgets for all governmental funds except for the Grants Fund, Police Seizure Funds, Public Improvement District Funds (PIDs), Tax Increment Financing District Funds (TIFs), and the Verizon Theatre Fund. For each governmental fund, budgeted appropriations (expenditures) may not exceed budgeted revenues plus beginning fund balances.

Capital project funds are controlled on a project basis and budgeted appropriations are carried forward each year until the project is completed.

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**2. DETAILED NOTES**

**A. Deposits and Investments**

**Cash and Cash Equivalents**

At September 30, 2016, the City reported cash and cash equivalents in the Statement of Net Position as follows:

	Unrestricted	Restricted	Total
Cash	\$ 6,966,064	\$ -	\$ 6,966,064
Pooled investments	118,416,319	9,663,396	128,079,715
Total cash and cash equivalents	<u>\$ 125,382,383</u>	<u>\$ 9,663,396</u>	<u>\$ 135,045,779</u>

Of this amount, the City’s cash carrying amount (book) and bank balances were as follows:

<u>Financial Institution</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Wells Fargo	\$ 6,939,452	\$ 7,950,330
Petty Cash	26,612	-
Total cash	<u>\$ 6,966,064</u>	<u>\$ 7,950,330</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. Per Wells Fargo Bank, N.A.’s contractual obligation to the City, the collateral value held at the Federal Reserve Bank in the City’s name at September 30, 2016 was \$9,001,494.

**Grand Prairie Sports Facilities Development**

At September 30, 2016, the carrying amount of the Sports Corporation’s deposits included in cash and cash equivalents was \$343,281 while the bank balance of the Sports Corporation’s deposits was \$344,350. The bank balance was entirely covered by collateral held by the Sports Corporation’s agent in the Sports Corporation’s name.

**Grand Prairie Housing Finance Corporation**

The bank balance of HFC at December 31, 2015, including restricted cash, totaled \$747,431 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 \$658,105. Restricted cash of \$89,326 (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 \$75,065, reserves of \$137,409, and bonds held by a trustee of \$1,174,899 as a debt service reserve.

**Investments**

The City and the Sports Corporation categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

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- Level 1 inputs are quoted prices (unadjusted for identical assets or liabilities in active markets that a government can access at the measurement date.)
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The City has recurring fair value measurements as presented in the table below. The City's investment balances and weighted average maturity of such investments are as follows:

	9/30/2016	Fair Value Measurements Using			Weighted Average Maturity (Days)	Credit Risk
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
<b>Cash</b>	\$ 6,966,064	\$ -	\$ -	\$ -		
<b>Investments Measured at Amortized Cost:</b>						
<b>Investment Pools:</b>						
Texpool	77,156,356	-	-	-	1	AAAm
<b>Investments Measured at Net Asset Value (NAV):</b>						
<b>Investment Pools:</b>						
TexStar	50,923,360	-	-	-	1	AAAm
<b>Investments by Fair Value Level:</b>						
<b>U.S. Government Agency Securities:</b>						
FAMCA	7,053,290	-	7,053,290	-	12	Not Rated
FFCB	53,033,960	-	53,033,960	-	108	AAA
FHLB	50,121,120	-	50,121,120	-	80	AAA
FHLMC	47,003,580	-	47,003,580	-	85	AAA
FNMA	31,117,450	-	31,117,450	-	77	AAA
<b>Total</b>	<b>\$ 323,375,180</b>	<b>\$ -</b>	<b>\$ 188,329,400</b>	<b>\$ -</b>		

The amounts for TexStar and TexPool (pooled investments) are reported as cash equivalents in the Statement of Net Position.

The *Texpool* investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of \$1.00 per share, has weighted average maturities of sixty days or less and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer

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(excluding U.S. government securities) and can meet reasonably foreseeable redemptions. Texpool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The *TexStar* investment pool is an external investment pool measured at NAV. *TexStar's* strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to the investment pools. *TexStar* has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pool's liquidity.

*U.S. Government Agency Securities* classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Investment Policy

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 1) investment diversification, yield, and maturity, and 2) the quality and capability of investment management; 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 policies.

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, 2016.

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Investment Risk

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

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

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

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

	<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 did not invest in any securities different from the categories mentioned above during the 2015-2016 fiscal year.

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Grand Prairie Sports Facilities Development

The Corp has recurring fair value measurements as presented in the table below. The Corp's investment balances and weighted average maturity of such investments are as follows:

	9/30/2016	Fair Value Measurements Using			Weighted Average Maturity (Days)	Credit Risk
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
<b>Cash</b>	\$ 343,281	\$ -	\$ -	\$ -		
<b>Investments Measured at Amortized Cost:</b>						
<b>Investment Pools:</b>						
Texpool	1,892,015	-	-	-	1	AAAm
<b>Investments by Fair Value Level:</b>						
<b>U.S. Government Agency Securities:</b>						
FFCB	2,000,380	-	2,000,380	-	108	AAA
FHLB	1,998,344	-	1,998,344	-	80	AAA
FNMA	3,997,876	-	3,997,876	-	77	AAA
<b>Total</b>	<b>\$ 10,231,896</b>	<b>\$ -</b>	<b>\$ 7,996,600</b>	<b>\$ -</b>		

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, 2016 was \$1,892,015 in the Public Funds Investment Pool (TexPool) and \$7,996,600 in U.S. agency instrumentalities.

**B. Receivables**

At September 30, 2016, receivables, including applicable allowances for uncollectible accounts, consisted of the following:

<b>Governmental Activities:</b>	General	Grants	Debt Service	Epic CIP	Nonmajor Governmental	Total Governmental
Receivables:						
Property taxes	\$ 2,126,173	\$ -	826,511	\$ -	\$ -	\$ 2,952,684
Sales taxes	5,158,288	-	-	-	5,146,204	10,304,492
Franchise fees	2,658,775	-	-	-	77,631	2,736,406
Other	2,931,388	425,338	7,617	63,979	1,004,485	4,432,807
Total receivables, gross	12,874,624	425,338	834,128	63,979	6,228,320	20,426,389
Less:						
Allowance for uncollectibles	(1,492,273)	-	(391,495)	-	-	(1,883,768)
Total receivables, net	<b>\$ 11,382,351</b>	<b>\$ 425,338</b>	<b>\$ 442,633</b>	<b>\$ 63,979</b>	<b>\$ 6,228,320</b>	<b>\$ 18,542,621</b>

Continued on next page.

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<b>Business-Type Activities:</b>	Water Wastewater	Solid Waste	Other Nonmajor	Total Business-Type
Receivables:				
Trade accounts	\$ 8,552,810	\$ 1,467,046	\$ 693,968	\$ 10,713,824
Less:				
Allowance for uncollectibles	<u>(3,985,563)</u>	<u>(989,588)</u>	<u>(192,442)</u>	<u>(5,167,593)</u>
Total receivables, net	<u>\$ 4,567,247</u>	<u>\$ 477,458</u>	<u>\$ 501,526</u>	<u>\$ 5,546,231</u>

**C. Restricted Assets**

At September 30, 2016, restricted assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 7,668,811	\$ 1,994,585	\$ 9,663,396
Investments	<u>121,562,351</u>	<u>12,571,795</u>	<u>134,134,146</u>
	<u>\$ 129,231,162</u>	<u>\$ 14,566,380</u>	<u>\$ 143,797,542</u>

Assets were restricted for the following purposes:

Purpose	Governmental Activities	Business-Type Activities	Total
Customer deposits	\$ 41,300	\$ 3,979,628	\$ 4,020,928
Debt service	12,201,122	6,545,499	18,746,621
Capital projects	83,608,031	4,041,253	87,649,284
Public safety	13,315,636	-	13,315,636
Recreation and leisure	7,966,143	-	7,966,143
Development services	11,701,886	-	11,701,886
Other specific purposes	<u>397,044</u>	<u>-</u>	<u>397,044</u>
Total restricted assets	<u>\$ 129,231,162</u>	<u>\$ 14,566,380</u>	<u>\$ 143,797,542</u>

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**CITY OF GRAND PRAIRIE, TEXAS**  
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**D. Capital Assets**

Capital asset activity for the year ended September 30, 2016 was as follows:

	Balance October 1, 2015	Additions	Transfers/ Disposals/ Reclassification	Balance September 30, 2016
<b>Governmental Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 44,780,245	\$ 16,993	\$ 251,651	\$ 45,048,889
Construction in progress	45,232,534	51,249,041	(22,113,833)	74,367,742
Total non-depreciable capital assets	90,012,779	51,266,034	(21,862,182)	119,416,631
Depreciable capital assets:				
Buildings	191,295,557	480,670	646,844	192,423,071
Equipment	90,358,512	8,100,034	(193,462)	98,265,084
Infrastructure	574,792,094	2,309,614	(10,730,994)	566,370,714
Total depreciable capital assets	856,446,163	10,890,318	(10,277,612)	857,058,869
Less accumulated depreciation for:				
Buildings	(59,482,147)	(6,133,887)	99,047	(65,516,987)
Equipment	(55,575,442)	(7,433,752)	2,640,042	(60,369,152)
Infrastructure	(289,753,215)	(23,814,836)	28,428,668	(285,139,383)
Total accumulated depreciation	(404,810,804)	(37,382,475)	31,167,757	(411,025,522)
Total depreciable capital assets, net	451,635,359	(26,492,157)	20,890,145	446,033,347
Total capital assets, net	\$ 541,648,138	\$ 24,773,877	\$ (972,037)	\$ 565,449,978
	Balance October 1, 2015	Additions	Transfers/ Disposals/ Reclassification	Balance September 30, 2016
<b>Business-Type Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 4,197,596	\$ 274,200	\$ -	\$ 4,471,796
Construction in progress	20,658,300	17,604,503	(10,535,160)	27,727,643
Total non-depreciable capital assets	24,855,896	17,878,703	(10,535,160)	32,199,439
Depreciable capital assets:				
Buildings	16,975,259	1,500,000	-	18,475,259
Equipment	32,195,166	5,019,960	(548,676)	36,666,450
Infrastructure	337,421,984	11,952,318	10,270,160	359,644,462
Total depreciable capital assets	386,592,409	18,472,278	9,721,484	414,786,171
Less accumulated depreciation for:				
Buildings	(7,150,820)	(553,318)	-	(7,704,138)
Equipment	(18,773,389)	(2,266,229)	435,976	(20,603,642)
Infrastructure	(184,756,278)	(13,120,859)	14,432	(197,862,705)
Total accumulated depreciation	(210,680,487)	(15,940,406)	450,408	(226,170,485)
Total depreciable capital assets, net	175,911,922	2,531,872	10,171,892	188,615,686
Total capital assets, net	\$ 200,767,818	\$ 20,410,575	\$ (363,268)	\$ 220,815,125

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

<b>Governmental Activities:</b>		<b>Business-type Activities:</b>	
Support services	\$ 3,040,111	Water and wastewater	\$ 13,094,418
Public safety services	6,076,369	Solid Waste	1,298,813
Recreation and leisure services	7,056,604	Other business-type activities	1,547,175
Development services	21,134,366		
Internal services funds (see note below)	75,025		
Total governmental activities	<u>\$ 37,382,475</u>	Total business-type	<u>\$ 15,940,406</u>

Capital assets held by the government's internal service funds are charged to various functions based on their usage of the assets.

At September 30, 2016, a summary of changes in capital assets of the Sports Corporation was as follows:

	Balance October 1, 2015	Additions/ Completions	Transfers/ Disposals/ Reclasses	Balance September 30, 2016
Equipment	\$ 310,078	\$ -	\$ -	\$ 310,078
Less accumulated depreciation	(310,078)	-	-	(310,078)
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

At September 30, 2016, a summary of changes in capital assets of the Housing Finance Corporation was as follows:

	Balance January 1, 2015	Additions/ Completions	Transfers/ Disposals/ Reclasses	Balance December 31, 2015
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	20,200,913	380,037	(277,233)	20,303,717
Less accumulated depreciation	(7,434,014)	(902,463)	277,233	(8,059,244)
Total depreciable capital assets, net	<u>12,766,899</u>	<u>(522,426)</u>	<u>-</u>	<u>12,244,473</u>
Housing Finance Corporation assets, net	<u>\$ 14,379,750</u>	<u>\$ (522,426)</u>	<u>\$ -</u>	<u>\$ 13,857,324</u>

**E. Interfund Transactions**

Interfund Receivables and Payables

Interfund receivables and payables are reported in the City's financial statements as due to/from other funds. At September 30, 2016, interfund balances existed between the Capital Lending Reserve Fund and the Park Venue CIP Fund for \$90,953, and between the Capital Lending Reserve Fund and Epic CIP Fund for \$3,493,636. In May 2014, citizens approved a quarter-cent sales tax to construct The Epic Center. Through an interfund borrowing agreement approved by the City Council, funds were loaned to the Epic CIP Fund to begin planning for this project. A portion of the funds loaned remain outstanding at September 30, 2016.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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and used rather than interfund transfers. Interfund services provided and used are arms-length transactions between departments or funds that would be treated as revenues, expenditures or expenses if they were with an external organization. The distinguishing aspect of interfund services provided and used are that each department or fund both gives and receives consideration.

Cost reimbursements for general and administrative services (indirect costs) are recorded as general and administrative revenue in the City's General Fund. Indirect costs are recorded as general and administrative expenses in the funds receiving these services.

For the year ended September 30, 2016, cost reimbursements were as follows:

<u>Fund</u>	<u>Amount</u>
Water and Wastewater Funds	\$ 3,508,628
Solid Waste Funds	370,267
Grant Fund	21,459
Storm Water Funds	82,413
Airport Fund	62,812
Other Nonmajor Governmental Funds	<u>228,563</u>
Total to General Fund	<u>\$ 4,274,142</u>

**Franchise Fees**

The City's enterprise funds, which use public right-of-way, 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 right-of-way. These payments, 4% of gross revenues, are reported as interfund services provided and used rather than interfund transfers, and are reported as revenue (franchise fees) in the General Fund and expenses in the enterprise funds.

For the year ended September 30, 2016, franchise fees paid to the General Fund were as follows:

<u>Fund</u>	<u>Amount</u>
Water and Wastewater Funds	2,561,398
Solid Waste Funds	326,754
Storm Water Funds	<u>225,659</u>
Total	<u>\$ 3,113,811</u>

**Interfund Transfers**

Interfund transfers are made 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) make payments in lieu of property taxes.

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Two of the City's enterprise funds, the Water and Wastewater Fund and the Solid Waste Fund, make payments in lieu of property taxes to the Street Maintenance Fund, which is a Nonmajor Governmental Fund 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' capital assets. Since the calculation methodology is not the same as that applied to similar activities in the private sector in several respects, these payments are recorded as transfers in/out rather than as operating revenues/expenses.

At September 30, 2016, transfers between the City's governmental activities and the City's business-type activities consisted of the following:

Transfers out:	Transfers In					
	General Fund	Section 8 Fund	Streets CIP Fund	Grants Fund	Debt Service Fund	Epic CIP Fund
General Fund	\$ -	\$ -	\$ 550,033	470,127	\$ -	\$ 2,000,000
Section 8 Fund	-	-	-	-	50,000	-
Streets CIP Fund	-	-	-	706,482	-	-
Grants Fund	11,326	-	-	-	-	-
Nonmajor Governmental Funds	-	-	18,220	75,000	120,000	5,062,280
Internal Service Funds	-	-	-	-	-	-
Water & Wastewater Fund	-	-	-	-	-	-
Solid Waste Fund	-	-	-	-	-	-
Nonmajor Enterprise Funds	-	-	-	-	-	-
<b>Total</b>	<b>\$ 11,326</b>	<b>\$ -</b>	<b>\$ 568,253</b>	<b>\$ 1,251,615</b>	<b>\$ 170,000</b>	<b>\$ 7,062,280</b>

Transfers out:	Transfers In					
	Nonmajor Governmental Funds	Water Wastewater Fund	Solid Waste Fund	Other Nonmajor Enterprise Funds	Internal Service Fund	Total
General Fund	8,527,608	\$ -	-	\$ -	257,621	\$ 11,805,389
Section 8 Fund	-	-	-	-	-	50,000
Streets CIP Fund	-	-	-	-	-	706,482
Grants Fund	33,067	-	-	-	-	44,393
Nonmajor Governmental Funds	-	16,000	-	275,000	-	5,566,500
Internal Service Funds	24,022	-	-	-	-	24,022
Water & Wastewater Fund	1,315,157	-	-	-	30,669	1,345,826
Solid Waste Fund	383,118	-	-	-	11,710	394,828
Nonmajor Enterprise Funds	3,648,000	-	-	-	-	3,648,000
<b>Total</b>	<b>\$ 13,930,972</b>	<b>\$ 16,000</b>	<b>\$ -</b>	<b>\$ 275,000</b>	<b>\$ 300,000</b>	<b>\$ 23,585,440</b>

**From Governmental Activities to Business-Type Activities:**

- \$16,000 from PID Fund to Water and Wastewater Fund for capital project funding
- \$275,000 from Park Venue Sales Tax Fund to Municipal Golf Fund to cover fiscal operations

**From Business-Type Activities to Governmental Activities:**

- \$1,165,157 from Water and Wastewater Fund to Street Maintenance Fund for payments in lieu of property taxes
- \$83,118 from Solid Waste Fund to Street Maintenance Fund for payments in lieu of property taxes
- \$3,600,000 from Storm Water Utility Fund to Storm Drainage CIP Fund for capital project funding

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- \$200,000 from Solid Waste to Street Maintenance Fund for capital project funding
- \$150,000 from Water and Wastewater Fund to IT Acquisition Fund for technology acquisitions
- \$100,000 from Solid Waste to IT Acquisition Fund for technology acquisitions
- \$48,000 from Airport Fund to Capital Lending Reserve for repayment of interfund loan
- \$11,710 from Solid Waste Fund to Risk Management Fund to cover fiscal operations

Other significant transfers made between governmental funds included the following:

- \$5,368,452 from General Fund to Park Venue Fund to cover fiscal operations
- \$3,931,916 from Epic Sales Tax Fund to Epic CIP fund for capital project funding
- \$3,159,155 from General Fund to IT Acquisition Fund (annual appropriation)
- \$2,000,000 from General Fund to Epic CIP Fund for capital project funding
- \$1,130,364 from Capital Lending Reserve Fund to Epic CIP Fund for capital project funding
- \$706,482 from Streets CIP Fund to Grants Fund to fund grant-related capital projects
- \$568,253 from General Fund to Street CIP Fund for capital project funding
- \$451,907 from General Fund to Grants Fund to fund matching requirements related to operating grants
- \$257,621 from General Fund to Risk Management Fund to cover fiscal operations
- \$120,000 from Cemetery Fund to Debt Service Fund for the payment of debt

**F. Deferred Outflows/Inflows of Resources**

Deferred Inflows of Resources - Unavailable Revenue

The governmental funds report unavailable revenues from the following sources:

	General Fund	Debt Service Fund	Total
Property taxes	\$ 978,680	\$ 396,821	\$ 1,375,501
Ambulance	1,422,845	-	1,422,845
Total	<u>\$ 2,401,525</u>	<u>\$ 396,821</u>	<u>\$ 2,798,346</u>

In the government-wide Statement of Activities, these amounts were reported as revenue in the period in which they were earned.

**G. 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, 2016.

	Governmental Activities	Business-Type Activities	Total
Advanced funding agreement for street project - TxDot	\$ 6,302,092	\$ -	\$ 6,302,092
Prepaid pipeline lease	1,200,732	168,322	1,369,054
Prepaid arrangements - Cemetery Fund	1,193,417	-	1,193,417
Unspent grant funds - Texas Water Development Board	-	274,431	274,431
Prepaid rental deposits - Parks	190,616	-	190,616
Unspent program revenue - CDBG Program	150,113	-	150,113
Unspent program revenue - Neighborhood Stabilization Program	41,171	-	41,171
Total unearned revenue	<u>\$ 9,078,141</u>	<u>\$ 442,753</u>	<u>\$ 9,520,894</u>

## H. Long-Term Obligations

### Compensated Absences and Postemployment Benefits

Governmental activities record liabilities for compensated absences and retiree postemployment costs at the government-wide financial statement level. Generally, these liabilities are paid from the General Fund. Liabilities for business-type activities are recorded and liquidated in the fund that incurs the liability.

### Long-Term Debt

#### Governmental Activities

Long-term debt in the governmental activities column of the government-wide Statement of Net Position consists of general obligation bonds (including refunding), certificates of obligation bonds, sales tax revenue bonds, and unamortized bond premium/discounts. The certificates of obligation bonds include bonds issued in 2010 for Tax Increment Financing Zones No. 2 project.

General obligation bonds and certificates of obligation provide funds for the acquisition and construction of 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.

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Below is a summary of the changes in noncurrent liabilities of the City's primary government and component units:

	Balance October 1, 2015	Borrowings or Increase	Payments or Decrease	Balance September 30, 2016	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General obligation bonds	\$ 80,715,000	\$ 10,270,000	\$ (11,020,000)	\$ 79,965,000	\$ 8,995,000
Combination tax and revenue certificates of obligation	81,142,000	27,380,000	(12,677,000)	95,845,000	5,145,000
Tax increment and public improvement district bonds	19,888,000	1,535,000	(3,853,000)	17,570,000	3,140,000
Sales tax revenue bonds - Epic	-	74,825,000	-	74,825,000	-
Sales tax revenue bonds - Crime	32,205,000	-	(3,545,000)	28,660,000	3,890,000
Sales tax revenue bonds - Park Venue	20,670,000	-	(1,505,000)	19,165,000	1,565,000
Issuance premiums/discounts, net	5,921,533	4,788,386	(425,967)	10,283,952	-
<b>Total long-term debt</b>	<b>240,541,533</b>	<b>118,798,386</b>	<b>(33,025,967)</b>	<b>326,313,952</b>	<b>22,735,000</b>
Compensated absences	15,246,671	8,770,493	(7,554,920)	16,462,244	7,182,455
Other post employment benefits	4,960,922	806,667	-	5,767,589	-
Pension liability	45,568,993	43,088,633	(17,421,057)	71,236,569	-
Environmental remediation liability	130,884	281,424	(265,878)	146,430	146,430
Other liabilities	3,782,471	-	(1,160,776)	2,621,695	1,160,776
<b>Total governmental activities</b>	<b>310,231,474</b>	<b>171,745,603</b>	<b>(59,428,598)</b>	<b>422,548,479</b>	<b>31,224,661</b>
<b>Business-type activities:</b>					
Certificates of obligation	1,450,000	-	(130,000)	1,320,000	140,000
Water and wastewater revenue bonds	55,630,000	4,155,000	(8,775,000)	51,010,000	4,510,000
Obligations under capital leases	-	1,807,378	(551,075)	1,256,303	513,512
Issuance premiums/discounts, net	1,086,319	245,649	-	1,331,968	-
<b>Total long-term debt</b>	<b>58,166,319</b>	<b>6,208,027</b>	<b>(9,456,075)</b>	<b>54,918,271</b>	<b>5,163,512</b>
Compensated absences	414,156	653,676	(609,916)	457,916	446,975
Pension liability	5,137,343	4,865,655	(1,935,533)	8,067,465	-
Closure and post closure liability	6,648,851	364,682	-	7,013,533	-
<b>Total business-type activities</b>	<b>70,366,669</b>	<b>12,092,040</b>	<b>(12,001,524)</b>	<b>70,457,185</b>	<b>5,610,487</b>
<b>Total primary government</b>	<b>\$ 380,598,143</b>	<b>\$ 183,837,643</b>	<b>\$ (71,430,122)</b>	<b>\$ 493,005,664</b>	<b>\$ 36,835,148</b>
<b>Component Unit Activities:</b>					
<b>Housing Finance Corporation:</b>					
Notes payable	\$ 3,424,442	\$ 194,770	\$ (36,721)	\$ 3,582,491	\$ 53,921
Line of credit	83,812	-	(40,094)	43,718	43,718
Revenue bonds	8,005,000	-	(190,000)	7,815,000	200,000
Subordinate revenue bonds	4,550,000	-	-	4,550,000	-
<b>Total component units</b>	<b>\$ 16,063,254</b>	<b>\$ 194,770</b>	<b>\$ (266,815)</b>	<b>\$ 15,991,209</b>	<b>\$ 297,639</b>

**CITY OF GRAND PRAIRIE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

At September 30, 2016, long-term debt for the City's governmental activities consisted of the following:

	Interest Rate %	Year of Issue	Year of Maturity	Original Amount	Amount Outstanding
General obligation bonds:					
Series 2007	4.0-4.50	2007	2027	33,098,000	\$ 18,350,000
Series 2008	4.0-5.50	2009	2029	8,985,000	6,785,000
Series 2010	2.0-4.25	2010	2030	5,480,000	4,185,000
Series 2011	2.0-5.3	2011	2031	11,550,000	6,380,000
Series 2011A	2.0-5.0	2011	2025	27,145,000	19,195,000
Series 2012	1.0-2.0	2012	2026	7,740,000	6,535,000
Series 2013	1.5-3.25	2013	2033	10,975,000	6,385,000
Series 2013A	3.0-4.125	2014	2034	2,220,000	2,060,000
Series 2015	1.750-5.0	2016	2027	10,270,000	10,090,000
Total general obligation bonds					<u>79,965,000</u>
Combination tax and revenue certificates of obligation					
Series 2007	4.0-4.50	2007	2027	6,610,000	4,270,000
Series 2008A	4.0-5.50	2009	2029	13,185,000	9,020,000
Series 2010	2.0-4.25	2010	2030	590,000	455,000
Series 2011	2.0-5.3	2011	2031	6,305,000	5,145,000
Series 2011A	2.0-4.0	2011	2031	7,430,000	6,170,000
Series 2013	2.0-3.25	2013	2033	8,830,000	7,845,000
Series 2013A	2.0-4.125	2014	2034	11,945,000	11,095,000
Series 2014	3.0-5.0	2015	2034	26,125,000	24,465,000
Series 2015	2.0-5.0	2016	2035	27,380,000	27,380,000
Total Combination tax and revenue certificates of obligation					<u>95,845,000</u>
Tax increment and public improvement district debt					
Series 2001 TIRZ 1	3 month LIBOR +.31%	2000	2022	17,900,000	8,305,000
Series 2007 PID 15	4.0-4.50	2007	2017	1,235,000	145,000
Series 2008A TIRZ 1	4.0-5.50	2008	2021	10,550,000	5,100,000
Series 2008A PID 1	4.0-5.50	2008	2019	1,500,000	520,000
Series 2011 TIRZ 1	2.0-5.3	2011	2020	655,000	310,000
Series 2013 TIRZ 1	2.0-3.25	2013	2020	2,820,000	1,675,000
Series 2015 TIRZ 1	1.750-5.0	2016	2027	895,000	875,000
Series 2015 PID 5	2.0-5.0	2016	2035	640,000	640,000
Total tax increment and public improvement district debt					<u>17,570,000</u>
Sales tax revenue debt					
Series 2007A Crime Control	12mo LIBOR*62.075+.75	2007	2017	5,000,000	800,000
Series 2008 Crime Control	6mo LIBOR*62.075+1.07	2008	2022	54,800,000	27,860,000
Total Crime Control					<u>28,660,000</u>
Series 2009 Park Venue subordinate	3.77	2009	2027	13,390,000	10,630,000
Series 2013 Park Venue	2.0-4.0	2013	2027	11,060,000	8,535,000
Total Park Venue					<u>19,165,000</u>
Sales tax revenue debt					
Series 2015 EPIC	3.721-5.032	2015	2040	74,825,000	74,825,000
Total EPIC					<u>74,825,000</u>
Total general obligation debt					316,030,000
Unamortized bond premiums/discounts					<u>10,283,952</u>
<b>Total long-term debt - governmental activities</b>					<b><u>\$ 326,313,952</u></b>

**CITY OF GRAND PRAIRIE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

At September 30, 2016, changes in long-term debt for the City's governmental activities were as follows:

	Balance October 1, 2015	Borrowings or Increase	Payments or Decrease	Balance September 30, 2016	Due Within One Year
General obligation bonds:					
Series 2006-A	\$ 2,830,000	\$ -	\$ (2,830,000)	\$ -	\$ -
Series 2007	21,025,000	-	(2,675,000)	18,350,000	2,795,000
Series 2008	7,140,000	-	(355,000)	6,785,000	380,000
Series 2010	4,415,000	-	(230,000)	4,185,000	235,000
Series 2011	7,015,000	-	(635,000)	6,380,000	660,000
Series 2011A	21,050,000	-	(1,855,000)	19,195,000	1,935,000
Series 2012	7,110,000	-	(575,000)	6,535,000	585,000
Series 2013	7,990,000	-	(1,605,000)	6,385,000	1,595,000
Series 2013A	2,140,000	-	(80,000)	2,060,000	85,000
Series 2015	-	10,270,000	(180,000)	10,090,000	725,000
Total general obligation bonds	<u>80,715,000</u>	<u>10,270,000</u>	<u>(11,020,000)</u>	<u>79,965,000</u>	<u>8,995,000</u>
Combination tax and revenue certificates of obligation					
Series 2006-A	8,742,000	-	(8,742,000)	-	-
Series 2007	4,570,000	-	(300,000)	4,270,000	310,000
Series 2008A	9,610,000	-	(590,000)	9,020,000	500,000
Series 2010	480,000	-	(25,000)	455,000	25,000
Series 2011	5,390,000	-	(245,000)	5,145,000	250,000
Series 2011A	6,495,000	-	(325,000)	6,170,000	330,000
Series 2013	8,205,000	-	(360,000)	7,845,000	370,000
Series 2013A	11,525,000	-	(430,000)	11,095,000	435,000
Series 2014	26,125,000	-	(1,660,000)	24,465,000	1,740,000
Series 2015	-	27,380,000	-	27,380,000	1,185,000
Total Combination tax and revenue	<u>81,142,000</u>	<u>27,380,000</u>	<u>(12,677,000)</u>	<u>95,845,000</u>	<u>5,145,000</u>
Tax increment and public improvement district debt					
Series 2001 TIRZ 1	9,385,000	-	(1,080,000)	8,305,000	1,155,000
Series 2006A TIRZ 1	1,113,000	-	(1,113,000)	-	-
Series 2007 PID 15	285,000	-	(140,000)	145,000	145,000
Series 2008A TIRZ 1	5,980,000	-	(880,000)	5,100,000	920,000
Series 2008A PID 1	675,000	-	(155,000)	520,000	165,000
Series 2011 TIRZ 1	380,000	-	(70,000)	310,000	75,000
Series 2013 TIRZ 1	2,070,000	-	(395,000)	1,675,000	405,000
Series 2015 TIRZ 1	-	895,000	(20,000)	875,000	215,000
Series 2015 PID 5	-	640,000	-	640,000	60,000
Total tax increment and public	<u>19,888,000</u>	<u>1,535,000</u>	<u>(3,853,000)</u>	<u>17,570,000</u>	<u>3,140,000</u>
Sales tax revenue debt:					
Crime Control					
Series 2007A	1,570,000	-	(770,000)	800,000	800,000
Series 2008	30,635,000	-	(2,775,000)	27,860,000	3,090,000
Total Crime Control	<u>32,205,000</u>	<u>-</u>	<u>(3,545,000)</u>	<u>28,660,000</u>	<u>3,890,000</u>
Park Venue					
Series 2009 subordinate	11,505,000	-	(875,000)	10,630,000	915,000
Series 2013	9,165,000	-	(630,000)	8,535,000	650,000
Total Park Venue	<u>20,670,000</u>	<u>-</u>	<u>(1,505,000)</u>	<u>19,165,000</u>	<u>1,565,000</u>
EPIC					
Series 2015 EPIC	-	74,825,000	-	74,825,000	-
Total Baseball	<u>-</u>	<u>74,825,000</u>	<u>-</u>	<u>74,825,000</u>	<u>-</u>
Total change in long term debt	234,620,000	114,010,000	(32,600,000)	316,030,000	22,735,000
Unamortized bond premiums/discounts	5,921,533	4,788,386	(425,967)	10,283,952	-
<b>Total change in long-term debt - governmental activities</b>	<u>\$ 240,541,533</u>	<u>\$ 118,798,386</u>	<u>\$ (33,025,967)</u>	<u>\$ 326,313,952</u>	<u>\$ 22,735,000</u>

**CITY OF GRAND PRAIRIE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

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On November 3, 2015, the City issued \$28,020,000 in Combination Tax and Revenue Certificates, Series 2015. The proceeds were used to fund public safety, library, street, and other City structure improvements.

On November 3, 2015, the City issued \$74,825,000 in taxable Sales Tax Revenue Bonds, Series 2015. The proceeds will be used to fund the Epic Center under construction at Central Park.

On November 3, 2015, the City issued \$11,165,000 in General Obligation Refunding Bonds, Series 2015. \$2,650,000 was used to advance refund the outstanding Series 2006A General Obligation Bonds, and \$9,150,000 was used to advance refund the outstanding Series 2006A Combination Tax and Revenue Certificate of Obligations. The net proceeds of \$12,054,513 (after payment of issuance costs) were used to pay the outstanding balance on the refunded bonds. As a result, the refunded bonds are considered defeased, and the liability for those bonds has been removed from the government-wide statements. There is no remaining outstanding principal at September 30, 2016 related to the refunded bonds. The refunding resulted in a decrease in the City's debt service payments of \$1,502,325, which resulted in an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of \$1,318,287.

Outstanding Bond Debt Defeasement

At September 30, 2016, certain outstanding debt of the city was 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	\$ 1,655,000
General Obligation Refunding Bonds	4,415,000
Total debt defeasement	<u>\$ 6,070,000</u>

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**CITY OF GRAND PRAIRIE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

At September 30, 2016, the aggregate debt service payments for long-term debt through the final year of maturity for the City's governmental activities were as follows:

Fiscal Year	General Obligation Bonds			Certificates of Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 8,995,000	\$ 2,890,579	\$ 11,885,579	\$ 5,145,000	\$ 3,802,110	\$ 8,947,110
2018	8,950,000	2,559,813	11,509,813	5,335,000	3,619,363	8,954,363
2019	8,995,000	2,230,398	11,225,398	5,535,000	3,411,541	8,946,541
2020	8,055,000	1,903,535	9,958,535	5,780,000	3,169,966	8,949,966
2021	7,835,000	1,588,833	9,423,833	6,035,000	2,908,580	8,943,580
2022	7,405,000	1,315,448	8,720,448	6,315,000	2,632,801	8,947,801
2023	6,125,000	1,081,405	7,206,405	6,595,000	2,356,115	8,951,115
2024	5,715,000	869,474	6,584,474	6,860,000	2,096,896	8,956,896
2025	4,715,000	671,674	5,386,674	5,280,000	1,861,484	7,141,484
2026	4,310,000	486,214	4,796,214	5,130,000	1,640,478	6,770,478
2027	3,745,000	307,984	4,052,984	5,340,000	1,421,278	6,761,278
2028	1,585,000	183,230	1,768,230	5,065,000	1,209,230	6,274,230
2029	1,440,000	112,725	1,552,725	5,270,000	997,778	6,267,778
2030	775,000	63,753	838,753	4,505,000	795,121	5,300,121
2031	405,000	40,956	445,956	4,650,000	617,249	5,267,249
2032	375,000	26,856	401,856	3,765,000	470,573	4,235,573
2033	385,000	13,306	398,306	3,920,000	325,809	4,245,809
2034	155,000	3,197	158,197	3,490,000	167,759	3,657,759
2035	-	-	-	1,830,000	45,750	1,875,750
	<u>\$ 79,965,000</u>	<u>\$ 16,349,380</u>	<u>\$ 96,314,380</u>	<u>\$ 95,845,000</u>	<u>\$ 33,549,881</u>	<u>\$ 129,394,881</u>

Fiscal Year	Tax and Tax Increment Bonds (TIFs)			Sales Tax Revenue Bonds-Crime Control		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 3,140,000	\$ 1,499,350	\$ 4,639,350	\$ 3,890,000	\$ 925,378	\$ 4,815,378
2018	3,160,000	1,247,003	4,407,003	4,240,000	799,013	5,039,013
2019	3,305,000	979,150	4,284,150	4,650,000	666,521	5,316,521
2020	3,300,000	693,150	3,993,150	5,085,000	523,818	5,608,818
2021	2,720,000	401,413	3,121,413	5,550,000	362,321	5,912,321
2022	1,710,000	132,825	1,842,825	5,245,000	188,894	5,433,894
2023	75,000	7,950	82,950	-	-	-
2024	80,000	5,600	85,600	-	-	-
2025	80,000	2,000	82,000	-	-	-
	<u>\$ 17,570,000</u>	<u>\$ 4,968,441</u>	<u>\$ 22,538,441</u>	<u>\$ 28,660,000</u>	<u>\$ 3,465,945</u>	<u>\$ 32,125,945</u>

Continued on next page.

**CITY OF GRAND PRAIRIE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

Fiscal Year	Sales Tax Revenue Bonds-Park Venue			Sales Tax Revenue Bonds-EPIC		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 1,565,000	\$ 644,053	\$ 2,209,053	\$ -	3,395,262	\$ 3,395,262
2018	1,615,000	595,704	2,210,704	-	3,395,262	3,395,262
2019	1,665,000	545,691	2,210,691	2,110,000	3,353,062	5,463,062
2020	1,720,000	490,514	2,210,514	2,195,000	3,266,962	5,461,962
2021	1,785,000	432,067	2,217,067	2,285,000	3,177,362	5,462,362
2022	1,860,000	371,136	2,231,136	2,375,000	3,084,162	5,459,162
2023	1,930,000	305,412	2,235,412	2,475,000	2,987,162	5,462,162
2024	2,010,000	232,566	2,242,566	2,575,000	2,886,162	5,461,162
2025	2,095,000	152,772	2,247,772	2,680,000	2,781,062	5,461,062
2026	2,105,000	71,785	2,176,785	2,785,000	2,675,647	5,460,647
2027	815,000	15,610	830,610	2,895,000	2,567,509	5,462,509
2028	-	-	-	3,010,000	2,449,919	5,459,919
2029	-	-	-	3,140,000	2,323,165	5,463,165
2030	-	-	-	3,275,000	2,187,743	5,462,743
2031	-	-	-	3,425,000	2,035,914	5,460,914
2032	-	-	-	3,590,000	1,868,185	5,458,185
2033	-	-	-	3,770,000	1,692,208	5,462,208
2034	-	-	-	3,955,000	1,507,503	5,462,503
2035	-	-	-	4,145,000	1,313,832	5,458,832
2036	-	-	-	4,355,000	1,105,153	5,460,153
2037	-	-	-	4,580,000	880,348	5,460,348
2038	-	-	-	4,815,000	643,970	5,458,970
2039	-	-	-	5,065,000	395,389	5,460,389
2040	-	-	-	5,325,000	133,977	5,458,977
	<u>\$ 19,165,000</u>	<u>\$ 3,857,310</u>	<u>\$ 23,022,310</u>	<u>\$ 74,825,000</u>	<u>\$ 52,106,920</u>	<u>\$ 126,931,920</u>

Fiscal Year	Total		
	Principal	Interest	Total
2017	\$ 22,735,000	\$ 13,156,732	\$ 35,891,732
2018	23,300,000	12,216,158	35,516,158
2019	26,260,000	11,186,363	37,446,363
2020	26,135,000	10,047,945	36,182,945
2021	26,210,000	8,870,576	35,080,576
2022	24,910,000	7,725,266	32,635,266
2023	17,200,000	6,738,044	23,938,044
2024	17,240,000	6,090,698	23,330,698
2025	14,850,000	5,468,992	20,318,992
2026	14,330,000	4,874,124	19,204,124
2027	12,795,000	4,312,381	17,107,381
2028	9,660,000	3,842,379	13,502,379
2029	9,850,000	3,433,668	13,283,668
2030	8,555,000	3,046,617	11,601,617
2031	8,480,000	2,694,119	11,174,119
2032	7,730,000	2,365,614	10,095,614
2033	8,075,000	2,031,323	10,106,323
2034	7,600,000	1,678,459	9,278,459
2035	5,975,000	1,359,582	7,334,582
2036	4,355,000	1,105,153	5,460,153
2037	4,580,000	880,348	5,460,348
2038	4,815,000	643,970	5,458,970
2039	5,065,000	395,389	5,460,389
2040	5,325,000	133,977	5,458,977
	<u>\$ 316,030,000</u>	<u>\$ 114,297,877</u>	<u>\$ 430,327,877</u>

**CITY OF GRAND PRAIRIE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

Business-Type Activities

Long-term debt in the business-type activities column of the government-wide Statement of Net Position consists of general obligation refunding bonds, water and wastewater system revenue bonds, certificates of obligation bonds, and unamortized bond premiums/discounts. Bonds issued for business-type activities are secured by a pledge of the property tax levy of the City, but are self-supporting obligations which are paid from the respective net revenues of each activity. Bond proceeds are used to fund additions and improvements to the City's water and wastewater system, solid waste system, municipal golf courses, and municipal airport.

At September 30, 2016, long-term debt for the City's business-type activities consisted of the following:

	<u>Interest Rate %</u>	<u>Year of Issue</u>	<u>Year of Maturity</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Water Wastewater:					
Revenue bonds					
Series 2007	4.0-4.50	2007	2027	15,845,000	\$ 10,195,000
Series 2008	3.5-5.50	2009	2029	4,940,000	3,715,000
Series 2010	0.0-2.587	2010	2030	4,995,000	3,795,000
Series 2011	2.0-4.25	2011	2031	8,940,000	4,415,000
Series 2011A	2.0-5.0	2011	2031	11,020,000	8,055,000
Series 2013	2.0-4.0	2013	2026	14,045,000	12,255,000
Series 2013A	0.0-0.31	2013	2019	1,805,000	905,000
Series 2014	0.0-1.990	2014	2030	4,000,000	3,520,000
Series 2015	2.25-4.0	2015	2027	4,155,000	4,155,000
Total bonds payable - water wastewater					51,010,000
Unamortized bond premiums/discounts					1,331,968
Total long-term debt - water wastewater					52,341,968
Municipal Airport:					
Certificates of obligation bonds					
Series 2004A	2.25-5.0	2004	2024	2,120,000	1,320,000
Solid Waste					
Obligations under capital lease					
D8T tractor	2.99	2016	2018	772,839	543,361
Landfill compactor	2.99	2016	2018	1,034,539	712,942
<b>Total long-term debt - business-type activities</b>					<b>\$ 54,918,271</b>

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**CITY OF GRAND PRAIRIE, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

At September 30, 2016, changes in long-term debt for the City's business-type activities were as follows:

	Balance October 1, 2015	Borrowings or Increase	Payments or Decrease	Balance September 30, 2016	Due Within One Year
<b>Water and wastewater:</b>					
Revenue bonds					
Series 2006A	\$ 4,690,000	\$ -	\$ (4,690,000)	\$ -	\$ -
Series 2007	10,910,000	-	(715,000)	10,195,000	745,000
Series 2008	3,915,000	-	(200,000)	3,715,000	205,000
Series 2010	4,010,000	-	(215,000)	3,795,000	220,000
Series 2011	5,180,000	-	(765,000)	4,415,000	795,000
Series 2011A	8,640,000	-	(585,000)	8,055,000	685,000
Series 2013	13,320,000	-	(1,065,000)	12,255,000	1,005,000
Series 2013A	1,205,000	-	(300,000)	905,000	300,000
Series 2014	3,760,000	-	(240,000)	3,520,000	240,000
Series 2015	-	4,155,000	-	4,155,000	315,000
Total revenue bonds	55,630,000	4,155,000	(8,775,000)	51,010,000	4,510,000
Bond premiums/discounts	1,086,319	245,649	-	1,331,968	-
Total water and wastewater	56,716,319	4,400,649	(8,775,000)	52,341,968	4,510,000
<b>Municipal airport:</b>					
Certificate of obligation					
Series 2004A	1,450,000	-	(130,000)	1,320,000	140,000
Total municipal airport	1,450,000	-	(130,000)	1,320,000	140,000
<b>Solid waste:</b>					
Obligations under capital lease					
D8T tractor	-	772,839	(229,478)	543,361	213,232
Landfill compactor	-	1,034,539	(321,597)	712,942	300,280
Total general obligation bonds	-	1,807,378	(551,075)	1,256,303	513,512
Total solid waste	-	1,807,378	(551,075)	1,256,303	513,512
<b>Total change in long-term debt - business-type activities</b>	<b>\$ 58,166,319</b>	<b>\$ 6,208,027</b>	<b>\$ (9,456,075)</b>	<b>\$ 54,918,271</b>	<b>\$ 5,163,512</b>

On November 3, 2015, the City issued \$4,155,000 in Water and Wastewater System Revenue Refunding Bonds, Series 2015. \$4,395,000 was used to advance refund the outstanding Series 2006A Water and Wastewater System Revenue Bonds. The net proceeds of \$4,426,843 (after payment of issuance costs) and a City contribution of \$63,685 were used to pay the outstanding balance on the refunded bonds. As a result, the refunded bonds are considered defeased, and the liability for those bonds has been removed from the government-wide statements. There is no remaining outstanding principal at September 30, 2016 related to the refunded bonds. The refunding resulted in a decrease in the City's debt service payments of \$479,698, which resulted in an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of \$447,089.

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**CITY OF GRAND PRAIRIE, TEXAS**  
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At September 30, 2016, the aggregate debt service payments for long-term debt through the final year of maturity for the City's water and wastewater system were as follows:

Fiscal Year	Water and Wastewater System Revenue Bonds		
	Principal	Interest	Total
2017	\$ 4,510,000	\$ 1,637,666	\$ 6,147,666
2018	4,635,000	1,506,384	6,141,384
2019	4,785,000	1,357,514	6,142,514
2020	4,630,000	1,204,374	5,834,374
2021	4,790,000	1,044,819	5,834,819
2022	4,965,000	876,827	5,841,827
2023	4,605,000	715,318	5,320,318
2024	4,640,000	563,574	5,203,574
2025	4,075,000	417,540	4,492,540
2026	3,050,000	290,173	3,340,173
2027	2,785,000	176,974	2,961,974
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>\$ 51,010,000</u>	<u>\$ 9,978,050</u>	<u>\$ 60,988,050</u>

At September 30, 2016, long-term debt is being repaid solely from airport revenues. Aggregate debt service payments for long-term debt through the final year of maturity for the City's municipal airport were as follows:

Fiscal Year	Certificates of Obligation		
	Principal	Interest	Total
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>\$ 1,320,000</u>	<u>\$ 275,695</u>	<u>\$ 1,595,695</u>

Capital Lease Obligations – Solid Waste

The City entered into two capital lease agreements in July 2016 for the purchase of a D8T tractor and a landfill compactor. The leased property under the capital lease is classified as equipment with the total capitalized cost of \$1,807,378 and an amortized values of approximately \$1,807,378 at September 30, 2016. Amortization expense has been include in depreciation expense for the year ended September 30, 2016.

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The following is a schedule of future minimum payments under the capital leases together with the present value of the net minimum lease payments as of September 30, 2016.

Year Ending September 30	
2017	\$ 551,075
2018	765,000
	<u>1,316,075</u>
Less amount representing interest	59,772
	<u>\$ 1,256,303</u>

Water and Wastewater System Debt Service Coverage

The following covenants are included in 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 twelve consecutive months out of the fifteen 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.

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**CITY OF GRAND PRAIRIE, TEXAS**  
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At September 30, 2016, compliance with these covenants can be demonstrated as follows:

System revenue (1)	\$ 70,027,679
Operating expenses:	
Water purchased	14,223,378
Sewage disposal contract	15,346,644
Other operating expenses	<u>21,960,240</u>
Total expenses (2)	<u>51,530,262</u>
Net revenue (available for debt service)	<u>\$ 18,497,417</u>
Average annual principal and interest requirements, all water and wastewater revenue bonds at September 30, 2016	\$ 4,065,870
Coverage of average annual requirements based on September 30, 2016 revenue available for debt service	4.55

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

(2) Excludes depreciation expense.

Grand Prairie Housing Finance Corporation

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 4.25% and is payable in equal monthly installments of \$12,438 through September 21, 2040.

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, 2014, 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.

Willow Tree Apartments has a \$145,000 line of credit which was obtained to allow Willow Tree to renovate the parking lot of the apartments. At December 31, 2015, the line had a balance of \$43,718. The line of credit accrues interest at 2.55% and was due September 4, 2016. The line of credit is secured by a certificate of deposit of Grand Prairie Housing Finance Corporation. The note was refinanced in early 2016.

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A summary of long-term debt activity during the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Note payable	\$ 2,165,948	\$ 153,011	\$ (36,721)	\$ 2,282,238	\$ 53,921
Line of Credit	83,812	43,718	(83,812)	43,718	43,718
Revenue bonds	8,005,000	-	(190,000)	7,815,000	200,000
Subordinate bonds	4,550,000	-	-	4,550,000	-
Developer loan	1,258,494	41,759	-	1,300,253	-
Total	<u>\$ 16,063,254</u>	<u>\$ 238,488</u>	<u>\$ (310,533)</u>	<u>\$ 15,991,209</u>	<u>\$ 297,639</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:

Year Ending December 31	Note Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 53,292	\$ 95,965	\$ 200,000	\$ 600,181
2017	55,601	93,655	220,000	584,619
2018	58,011	91,246	235,000	567,978
2019	60,525	88,732	255,000	549,488
2020	63,148	86,109	265,000	529,838
2021-2025	359,240	387,043	1,720,000	2,294,000
2026-2030	444,129	302,154	2,515,000	1,497,494
2031-2035	549,078	197,205	2,405,000	384,205
2036-2040	639,214	67,457	-	-
Total	<u>\$ 2,282,238</u>	<u>\$ 1,409,566</u>	<u>\$ 7,815,000</u>	<u>\$ 7,007,803</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.

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, 2015, outstanding conduit debt was as follows:

Bond Series	Original Issue Amount	Outstanding Amount
2004B Single-Family Mortgage Revenue & Refunding Bonds	\$ 7,500,000	\$ 948,263

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**Leases**

Grand Prairie Sports Facilities Development (Sports Corporation) – A Component Unit

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 Corporation, the parent company of MEC, 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 Sports Corporation.

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

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

<u>Year</u>	<u>Amount</u>
2017	\$ 1,716,990
2018	1,756,920
2019	1,756,920
2020	1,756,920
2021	1,756,920
Thereafter	<u>10,810,913</u>
	19,555,583
Less interest	<u>6,486,109</u>
Net present value	13,069,474
Less current portion	<u>709,005</u>
Non-current portion	<u><u>\$ 12,360,469</u></u>

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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 (thirty years). Amortization for the year ended September 30, 2016 was \$3,748,178. Additional contingent rentals are recorded as revenue when received.

The capital lease is being amortized using the interest method over the thirty-year life of the lease. The Corporation has recorded lease rental and interest for the year ended September 30, 2016 as follows:

Nominal interest on the lease	\$ 1,599,601
Amortization of the lease	(544,144)
Net interest	<u>1,055,457</u>
Contingent rentals received (includes rent for simulcast facility prior to completion of project)	<u>237,331</u>
Total lease rental and interest	<u>\$ 1,292,788</u>

**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 \$7,013,533 in the Solid Waste Fund. The total liability represents the cumulative amount reported to date based on the use of 43.78% of the estimated capacity of the landfill.

The City will recognize the remaining estimated cost of closure and post closure care of \$9,113,746 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.

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**Environmental Remediation Obligations**

The City has recorded a liability and an asset related to environmental remediation in the amount of \$146,430, in the Statement of Net Position and 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.

- Transportation Center at 1821 W. Freeway for a release determination report and soil disposal.
- The City owns the building and is responsible for the asbestos abatement of the Copeland home located at 125 SW Dallas Street.
- The City owns the building and is responsible for the asbestos abatement of the old Fire Annex building located at 317 W Main Street.
- The City owns the buildings and is responsible for the asbestos abatement located at 318-321 W Main Street.

Environmental remediation liability activity in fiscal year 2016 was as follows:

Property Description	Beginning			Ending	
	Balance 9/30/2015	Additions	Reductions	Balance 9/30/2016	Current Portion
Transportation Center - 1821 W Freeway	\$ 30,128	\$ 46,927	\$ 32,460	\$ 44,595	\$ 44,595
Copeland Home Asbestos Abatement	21,510	59,760	-	81,270	81,270
Old Fire Annex Asbestos Abatement	79,246	-	79,246	-	-
318-321 W Main	-	36,750	16,185	20,565	20,565
Total	<u>\$ 130,884</u>	<u>\$ 143,437</u>	<u>\$ 127,891</u>	<u>\$ 146,430</u>	<u>\$ 146,430</u>

**Other Liabilities**

**Outlet Mall Developer Agreement**

Two payments are scheduled to be made from Tax Increment Financing District funds when the requirements of the agreement are met during the prior twelve month period.

**Sales Tax Payback**

During fiscal year 2008, the Texas Comptroller of Public Accounts notified the City of an error in sales tax payments made to the City. The error was the result of a local business reporting and paying taxes incorrectly to the State Comptroller over several years. The overpayment by the business resulted in an overpayment to the City for \$2,386,466. In 2012, a liability for this amount was recorded by the City and is repaid from future sales tax revenue over a period of thirteen years.

At September 30, 2016, amounts still owed were as follows:

Outlet Mall Developer	\$ 1,000,000
State Comptroller's Office	<u>1,621,695</u>
Total Other Liabilities	<u>\$ 2,621,695</u>

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**I. 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 as follows:

<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, 2016 actuarial report, as of September 30, 2016, was \$1,966,347.

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, 2016 were \$1,662,550.

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At September 30, 2016, the change in estimates of accrual liabilities for health coverage for the risk management fund:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2016	\$ 5,005,726	\$ 16,770,731	\$ 18,147,560	\$ 3,628,897
2015	\$ 4,532,519	\$ 15,633,569	\$ 15,160,362	\$ 5,005,726

**J. Defined Benefit Pension Plan**

Plan Description

The City of Grand Prairie participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	25 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating Transfers
Annuity Increase to retirees	70% of CPI Repeating

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Additional information related to the TMRS Plan is located in the TMRS CAFR.

Employees Covered by Benefit Terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	668
Inactive employees entitled to but not yet receiving benefits	420
Active employees	<u>1,231</u>
Total	<u>2,319</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Grand Prairie were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Grand Prairie were 16.61% and 15.84% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$12,870,593, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary Increases	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year-set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

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Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

After the Asset Allocation Study analysis the experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with the emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs to TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumptions under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). As its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(A)	(B)	(A) - (B)
Balance at 12/31/2014	\$ 470,075,530	\$ 419,369,194	\$ 50,706,336
Changes for the year:			
Service cost	13,141,028	-	13,141,028
Interest	32,633,468	-	32,633,468
Change of benefit terms	-	-	-
Difference between expected and actual experience	1,187,598	-	1,187,598
Changes in assumptions	596,665	-	596,665
Contributions - employer	-	13,141,016	(13,141,016)
Contributions - employee	-	5,596,768	(5,596,768)
Net investment income	-	618,807	(618,807)
Benefit payments*	(20,907,275)	(20,907,275)	-
Administrative expense	-	(376,914)	376,914
Other changes	-	(18,616)	18,616
Net changes	26,651,484	(1,946,214)	28,597,698
Balance at 12/31/2015	\$ 496,727,014	\$ 417,422,980	\$ 79,304,034

\* Includes refunds of employee contributions

Sensitivity of Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$151,062,011	\$79,304,034	\$20,462,593

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

Pension Expense and Deferred Inflows/Outflows of Resources

For the year ended September 30, 2016, the city recognized pension expense of \$17,874,395.

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At September 30, 2016, the City reported deferred inflows/outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience [actuarial (gains) or losses]	\$ -	\$ (534,077)
Difference in assumptions	479,211	
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	26,054,298	-
Employer's contributions to the pension plan subsequent to the measurement date	9,286,755	-
	<u>\$ 35,820,264</u>	<u>\$ (534,077)</u>

\$9,286,755 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended December 31	Net deferred outflows (inflows) of resources
2016	\$ 6,656,980
2017	6,656,980
2018	6,656,980
2019	6,000,394
2020	28,098
Total	<u>\$ 25,999,432</u>

**K. Other Postemployment Benefits (OPEB)**

Supplemental Death 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 2015	Plan Year 2016
Active employees	Yes	Yes
Retirees	Yes	Yes

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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 2016, 2015, and 2014, were \$143,803, \$128,816, and, \$125,077, 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
2013	0.03%	0.03%	100%
2014	0.03%	0.03%	100%
2015	0.03%	0.03%	100%

Retiree Health 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 monthly premiums 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.

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Spouse Coverage

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

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

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

Child / Dependent Coverage

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

Opt-outs / Payment-in-lieu / Reimbursements

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

Types of Coverage Offered

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

Retiree 2016 Monthly Health Care Premiums (Employee Pays Portion)

	Monthly Health Care Premium
<b>Gold (Under Age 65)</b>	
Employee Only	\$ 208
Employee plus Spouse	514
Employee plus Child(ren)	326
Family	896
<b>Silver (Under Age 65)</b>	
Employee Only	149
Employee plus Spouse	353
Employee plus Child(ren)	293
Family	443
<b>Bronze (Under Age 65)</b>	
Employee Only	163
Employee plus Spouse	256
Employee plus Child(ren)	340
Family	486

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	<u>Premium</u>
<b>Over 65 Retiree (Grandfathered by Age)</b>	
Employee Only	\$ 97
Employee plus Spouse	147

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.

For the year ended September 30, 2016, the City's annual OPEB cost was as follows:

Annual required contribution	\$ 3,409,481
Interest on OPEB obligation	223,241
Adjustment to ARC	<u>(202,345)</u>
Annual OPEB cost (expense) end of year	3,430,377
Net estimated employer contributions	<u>2,623,710</u>
Increase/(decrease) in net OPEB obligation	806,667
Net OPEB obligation as of beginning of the year	<u>4,960,922</u>
Net OPEB obligation (asset) as of end of the year	<u><u>\$ 5,767,589</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2016 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 2,648,271	100.3%	\$ 4,691,875
2015	\$ 3,047,338	91.2%	\$ 4,960,922
2016	\$ 3,430,377	76.5%	\$ 5,767,589

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, 2016 was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
12/31/2015	-	\$ 45,917,131	\$ 45,917,131	0%	\$ 75,113,792	61.1%

At September 30, 2016, under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$45,917,131.

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Actuarial Methods and Assumptions

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

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

Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Inflation rate	3.0% per annum
Investment rate of return	4.5%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year amortization, closed
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
09/30/15	\$ 3,027,575	\$ 2,778,291	\$ 211,134	\$ 191,371	24.5200	\$ 3,047,338	\$ 269,047	\$ 4,960,922
09/30/16	\$ 3,409,481	\$ 2,623,710	\$ 223,241	\$ 202,345	24.5200	\$ 3,430,377	\$ 806,667	\$ 5,767,589

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**L. Fund Balance**

At September 30, 2016, fund balances were classified as follows:

	General	Section 8	Streets CIP	Grants	Debt Service	Epic CIP	Nonmajor Governmental Funds	Total
<b>FUND BALANCES:</b>								
Nonspendable:								
Inventory and prepaids	\$ 81,857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187,991	\$ 269,848
Spendable:								
Restricted for:								
Employee Welfare	59,773	-	-	-	-	-	-	59,773
Library Memorials	51,022	-	-	-	-	-	-	51,022
At Risk Youths	34,853	-	-	-	-	-	-	34,853
GPPD Boxing Program	17,425	-	-	-	-	-	-	17,425
Greg Hunter Scholarships	57,410	-	-	-	-	-	-	57,410
Prairie Paws Adoptions	176,285	-	-	-	-	-	-	176,285
Central Park Guardians	256	-	-	-	-	-	-	256
Section 8	-	1,670,926	-	-	-	-	-	1,670,926
Street Improvements	-	-	11,411,583	-	-	-	-	11,411,583
Grants	-	-	-	5,435,766	-	-	-	5,435,766
Debt Service	-	-	-	-	11,804,301	-	-	11,804,301
Epic	-	-	-	-	-	55,673,874	1,164,572	56,838,446
Park Venue	-	-	-	-	-	-	4,319,161	4,319,161
Streets	20,889	-	-	-	-	-	4,466,889	4,487,778
Crime	-	-	-	-	-	-	11,187,205	11,187,205
Hotel Motel	-	-	-	-	-	-	762,085	762,085
Police seizure	-	-	-	-	-	-	342,173	342,173
Municipal Court	-	-	-	-	-	-	373,294	373,294
Red Light Safety	-	-	-	-	-	-	1,041,732	1,041,732
Lake Parks	-	-	-	-	-	-	1,720,316	1,720,316
Public Improvement Districts	-	-	-	-	-	-	2,515,999	2,515,999
Tax Increment Financing	-	-	-	-	-	-	3,047,926	3,047,926
Other special revenue	25	-	-	-	-	-	371,376	371,401
Park Venue Capital Projects	-	-	-	-	-	-	1,961,694	1,961,694
Fire Capital Projects	-	-	-	-	-	-	511,516	511,516
Municipal Facilities Capital Projects	-	-	-	-	-	-	7,586,666	7,586,666
Other Capital Projects	-	-	-	-	-	-	1,006,044	1,006,044
<b>Total Restricted</b>	<b>417,938</b>	<b>1,670,926</b>	<b>11,411,583</b>	<b>5,435,766</b>	<b>11,804,301</b>	<b>55,673,874</b>	<b>42,378,648</b>	<b>128,793,036</b>
Committed to:								
Street Improvements	-	-	16,038,559	-	-	-	-	16,038,559
Epic CIP	-	-	-	-	-	7,373,707	-	7,373,707
Park Venue	-	-	-	-	-	-	2,970,955	2,970,955
Cable Operations	-	-	-	-	-	-	583,276	583,276
Lake Parks	-	-	-	-	-	-	609,080	609,080
Cemetery Operations	-	-	-	-	-	-	1,743,445	1,743,445
Verizon Theatre	-	-	-	-	-	-	2,428,944	2,428,944
Fire Capital Projects	-	-	-	-	-	-	721,617	721,617
Municipal Facilities Capital Projects	-	-	-	-	-	-	757,109	757,109
Drainage Capital Projects	-	-	-	-	-	-	11,869,721	11,869,721
Police Capital Projects	-	-	-	-	-	-	1,131,218	1,131,218
Other Capital Projects	-	-	-	-	-	-	1,832,660	1,832,660
Capital Lending/Reserve	-	-	-	-	-	-	16,255,489	16,255,489
<b>Total Committed</b>	<b>-</b>	<b>-</b>	<b>16,038,559</b>	<b>-</b>	<b>-</b>	<b>7,373,707</b>	<b>40,903,514</b>	<b>64,315,780</b>
Assigned to:								
Home Match Cash	184,100	-	-	-	-	-	-	184,100
KGPB Commissions	596	-	-	-	-	-	-	596
Impact Grand Prairie	4,979	-	-	-	-	-	-	4,979
Section 8 Relief	267,380	-	-	-	-	-	-	267,380
Building and Construction Management	3,879	-	-	-	-	-	-	3,879
Police Memorials	6,984	-	-	-	-	-	-	6,984
State Training (Police)	6,723	-	-	-	-	-	-	6,723
Fire- State Supplemental Funds	1,329,191	-	-	-	-	-	-	1,329,191
Parks Education Foundation	8,247	-	-	-	-	-	-	8,247
Westchester Park	12,740	-	-	-	-	-	-	12,740
Uptown Trust	56,869	-	-	-	-	-	-	56,869
First Offender Program	10,134	-	-	-	-	-	-	10,134
Kirby Creek Accessibility Garden	36,428	-	-	-	-	-	-	36,428
Take a Load Off Facility	224,646	-	-	-	-	-	-	224,646
US Marshals Service Agreement	39,044	-	-	-	-	-	-	39,044
<b>Total Assigned</b>	<b>2,191,940</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,191,940</b>
Unassigned								
	28,320,160	-	-	-	-	-	-	28,320,160
<b>Total fund balances:</b>	<b>\$ 31,011,895</b>	<b>\$ 1,670,926</b>	<b>\$ 27,450,142</b>	<b>\$ 5,435,766</b>	<b>\$ 11,804,301</b>	<b>\$ 63,047,581</b>	<b>\$ 83,470,153</b>	<b>\$ 223,890,764</b>

**M. Contracts, Commitments, and Contingent Liabilities**

Federal and State 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.

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.

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.

Water Purchase Contracts

The City has a thirty-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 (MGD), 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 (\$262,058) would extend for five years. The maximum may be increased in future years as needed. Grand Prairie has two intake points for City of Dallas water with a contractual right obligating the City of Dallas to meet Grand Prairie’s needs. Existing pipelines will provide up to 55 MGD.

A contract with the City of Fort Worth, effective until the year 2031, permits the City to purchase up to 2.5 MGD.

A contract with the City of Midlothian, executed in 2014 for a thirty-year term, permits the City to purchase up to an average of 4.5 MGD during the term of the contract. Beginning in January 2016, the City began purchasing water from the City of Midlothian at an average rate of 0.478 MGD.

A contract with the City of Arlington, executed in 2011 for a twenty-year term, allows the City to purchase up to 2.5 MGD maximum flow unless otherwise agreed to in writing. As of September 30, 2016, no water has been purchased through this contract.

**CITY OF GRAND PRAIRIE, TEXAS**  
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Wastewater Treatment Contracts

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 11.88% during fiscal year 2016. 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.

Mountain Creek Regional Wastewater System Contract (System)

The City entered into a contract in 2002 which is in effect for the entire useful life of the System. Although the City does not yet deliver flows to this System, the City is obligated to pay annual minimum fees equivalent to 21.9 million gallons of flow. For the fiscal year ended September 30, 2016, the City paid \$68,690 to the System.

Master and Other Agreements

The City and Texas NextStage, LP (NextStage) entered into agreements (development agreements, lease agreements and other ancillary agreements) on January 10, 2001, to design, develop and construct a performance hall (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 twenty one-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.

The City and the Texas Airhogs Baseball Club entered into agreements (development, lease, and other ancillary agreements) on June 26, 2007 to develop, construct and operate a minor league professional baseball stadium. The funding for the stadium was accomplished through a one-eighth cent sales tax approved by the citizens of Grand Prairie. Construction began in July 2007 and was completed in May 2008.

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

Stadium Lease – On October 19, 2016, the City entered into a four-year lease agreement with Nextel Promotional, LLC. In addition to Airhogs home baseball games, Nextel has unlimited use of the Stadium to hold other sporting and entertainment events. Nextel pays the City, in advance, a monthly lease payment of \$7,137 and ten percent of the total net profit generated by Neltex at, in, or through the stadium. Nextel is responsible for all utility services and the City is responsible for the maintenance of the building, landscaping, irrigation, art, and playgrounds.

Construction Commitments

The City has several approved outstanding major capital projects as of September 30, 2016. The City's total committed but unexpended expenditures for such authorized capital projects at year-end approximates \$50,125,377. Funding for these contracts will be received through various capital projects funds and enterprise funds.

**CITY OF GRAND PRAIRIE, TEXAS**  
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**N. Segment Information for Enterprise Funds**

The City maintains five enterprise funds – water and wastewater, solid waste, golf, airport, and storm water utility activities. At September 30, 2016, the Municipal Airport Fund had outstanding revenue-backed certificates of obligations. Segment information for this Fund is as follows:

	<u>Municipal Airport</u>
<u>Condensed statement of net position:</u>	
Current assets	\$ 1,801,445
Capital assets	16,582,896
Deferred outflows of resources	122,365
Total assets and deferred outflows of resources	<u>18,506,706</u>
Current liabilities	523,156
Long-term liabilities	1,461,852
Deferred inflows of resources	1,824
Total liabilities and deferred inflows of resources	<u>1,986,832</u>
Net position: Net investment in capital assets	15,262,896
Net position: Unrestricted	1,256,978
Total net position	<u>\$ 16,519,874</u>
<u>Condensed statement of revenues, expenses and changes in net position:</u>	
Sales to customers	\$ 772,361
Intergovernmental revenue	37,320
Miscellaneous	1,905,729
Total operating revenues	<u>2,715,410</u>
Depreciation	795,733
Other operating expenses	1,276,835
Total operating expenses	<u>2,072,568</u>
Interest expense	<u>(67,051)</u>
Total nonoperating revenues (expenses)	<u>(67,051)</u>
Income before transfers	575,791
Capital contributions	1,500,000
Transfers out	<u>(48,000)</u>
Change in net position	2,027,791
Net position at the beginning of the year	<u>14,492,083</u>
Net position at the end of the year	<u>\$ 16,519,874</u>
<u>Condensed statement of cash flows:</u>	
Net cash provided (used) by:	
Operating activities	\$ 1,403,600
Noncapital financing activities	(48,000)
Capital and related financing activities	(1,523,467)
Investing activities	-
Beginning cash and cash equivalent balances	186,107
Ending cash and cash equivalent balances	<u>\$ 18,240</u>

**O. Subsequent Events**

On November 1, 2016, the City Council issued:

- \$37,125,000 in General Obligation Refunding Bonds, Series 2016. The proceeds will be used to refund a portion of certain general obligations and certificates of obligations.
- \$33,705,000 in Combination Tax and Revenue Certificates, Series 2016. The proceeds will be used to fund City capital improvements.
- \$17,625,000 in Water and Wastewater Revenue Refunding Bonds, Series 2016. The proceeds are to be used to refund a portion of certain Water Wastewater System obligations.

The City has evaluated all other events or transactions that occurred after September 30, 2016 up through March 16, 2017, the date the financial statements were available to be issued.

**APPENDIX C**

FORM OF BOND COUNSEL'S OPINION

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[closing date]

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IN REGARD to the authorization and issuance of the "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2017A," dated October 15, 2017, in the principal amount of \$2,755,000 (the "Bonds"), we have examined into their issuance by the City of Grand Prairie, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds 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.



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