

OFFICIAL STATEMENT

Dated April 22, 2020

Rating:
S&P: "AAA"
(see "OTHER INFORMATION –
Rating" 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.

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

\$4,290,000

**CITY OF GRAND PRAIRIE, TEXAS
(Dallas, Tarrant and Ellis Counties)**

WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, NEW SERIES 2020

Dated Date: April 15, 2020

Due: January 15, as shown on page 2

Interest to accrue from the Delivery Date

PAYMENT TERMS. . . Interest on the \$4,290,000 City of Grand Prairie, Texas Water and Wastewater System Revenue Refunding Bonds, New Series 2020 (the "Bonds") will accrue from the "Delivery Date" (as defined below), estimated to be May 19, 2020, will be payable January 15 and July 15 of each year, until maturity or prior redemption, commencing January 15, 2021, 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 Texas Government Code, Chapter 1207, as amended, and an ordinance (the "Bond Ordinance") adopted by the City Council of the City on April 21, 2020. In the Bond Ordinance the City delegated to a Pricing Officer pursuant to the provisions of Chapter 1207, Texas Government Code, authority to effect the sale of the Bonds and to establish certain terms related to the issuance of the Bonds. The terms of sale are included in a "Pricing Certificate" which completed the sale of the Bonds. The Bond Ordinance and the Pricing Certificate are sometimes collectively referred to herein as the "Ordinance". The Bonds, together with the Outstanding Bonds Similarly Secured (defined herein), are special obligations of the City of Grand Prairie, Texas (the "City"), payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the City's Water and Wastewater System (the "System"). **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - Authority for Issuance" and "THE BONDS – Security and Source of Payment").

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

CUSIP PREFIX: 386168

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

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

DELIVERY. . . It is expected that the Bonds will be available for delivery through DTC on May 19, 2020.

FROST BANK

MATURITY SCHEDULE**CUSIP Prefix: 386168⁽¹⁾**

Principal Amount	Maturity Date	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 555,000	1/15/2021	5.000%	0.990%	XN3
610,000	1/15/2022	5.000%	1.050%	XP8
680,000	1/15/2023	5.000%	1.100%	XQ6
820,000	1/15/2024	5.000%	1.130%	XR4
200,000	1/15/2025	4.000%	1.150%	XS2
210,000	1/15/2026	5.000%	1.200%	XT0
220,000	1/15/2027	5.000%	1.240%	XU7
230,000	1/15/2028	5.000%	1.270%	XV5
240,000	1/15/2029	5.000%	1.330%	XW3
255,000	1/15/2030	5.000%	1.390%	XX1
270,000	1/15/2031	5.000%	1.490%	XY9

(Interest to accrue from Delivery Date.)

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein provided by CUSIP Global Services (“CGS”), managed by S&P Global Market Intelligence, on behalf of the American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for services provided by CGS. CUSIP numbers have been assigned by an independent company not affiliated with the City, the Financial Advisor or the Underwriter and are included solely for the convenience of the registered and beneficial owners of the Bonds. None of the City, the Financial Advisor or the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Bonds maturing on January 15, 2031, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on January 15, 2030, 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 ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OF COMPLETENESS OF SUCH INFORMATION.

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

OFFICIAL STATEMENT SUMMARY

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

- THE CITY**..... The City of Grand Prairie (the “City”) is a political subdivision and municipal corporation of the State of Texas (the “State”), located in Dallas, Tarrant and Ellis Counties, Texas. The City covers approximately 80 square miles (see “INTRODUCTION - Description of the City”).
- THE BONDS** The \$4,290,000 City of Grand Prairie, Texas Water and Wastewater System Revenue Refunding Bonds, New Series 2020 (the “Bonds”) are issued as serial bonds maturing on January 15 in each of the years 2021 through 2031 (see “THE BONDS - Description of the Bonds”).
- PAYMENT OF INTEREST** Interest on the Bonds accrues from the “Delivery Date” estimated to be May 19, 2020, and is payable January 15, 2021, and each July 15 and January 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 1207, as amended, and an ordinance (the “Bond Ordinance”) adopted by the City Council of the City on April 21, 2020. In the Bond Ordinance the City delegated to a Pricing Officer pursuant to the provisions of Chapter 1207, Texas Government Code, authority to effect the sale of the Bonds and to establish certain terms related to the issuance of the Bonds. The terms of sale included in a “Pricing Certificate” which completed the sale of the Bonds. The Bond Ordinance and the Pricing Certificate are sometimes collectively referred to herein as the “Ordinance”. (see “THE BONDS - Authority for Issuance”).
- SECURITY AND SOURCE OF PAYMENT FOR THE BONDS** The Bonds constitute special obligations of the City, and, together with the Outstanding Bonds Similarly Secured, are payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues (as defined in the Ordinance) 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 maturing on January 15, 2031, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on January 15, 2030 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.
- USE OF PROCEEDS**..... Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City’s Water and Wastewater System outstanding debt as shown on Schedule I attached hereto, for debt service savings and (ii) pay the costs associated with the issuance of the Bonds (see “PLAN OF FINANCING”).
- RATING** The Bonds have been rated “AAA” with a stable outlook 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 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”).
- 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 ⁽¹⁾	Water Usage ⁽¹⁾ (gallons)			Net Revenues Available For Debt Service	Average Annual Debt Service Requirements	Coverage of Debt
		Average Day Usage	Peak Day Usage	Total Usage			
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	184,620	25,613,487	36,316,452	9,348,922,755	17,493,311	3,544,373	5.56
2018	187,000	26,064,236	39,935,407	9,513,445,970	21,272,129	3,589,166	5.93
2019	194,000	25,695,470	40,241,470	9,378,845,231	17,859,985	3,049,314	5.86

(1) Source: City Staff.

For additional information regarding the City, please contact:

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Length of Service	Term Expires	Occupation
Ron Jensen Mayor	17 Years	May 2022	President and Owner, Control Products
Jorja Jackson Clemson Place 1 - District 1 Deputy Mayor Pro-Tem	6 Years	May 2020 ⁽¹⁾	President, Store Service Inc.
Jim Swafford Place 2 - District 2	21 Years	May 2022	Retired Bank President
Mike Del Bosque Place 3 - District 3	2 Years	May 2020 ⁽¹⁾	Founder/CEO, Intire Health
John Lopez Place 4 - District 4	< 1 Year	May 2022	Administrative Supervisor at the Federal Reserve Bank of Dallas
Cole Humphreys Place 5 - District 5	1 Year	May 2021	Owner, Austin Insurance
Jeff Wooldridge Place 6 - District 6	6 Years	May 2021	Self Employed
Jeff Copeland Place 7 - At Large	6 Years	May 2020 ⁽¹⁾	President, Federal Title, Inc.
Greg Giessner Place 8 - At Large Mayor Pro-Tem	10 Years	May 2021	Agent, Farmers Insurance

(1) As a result of the COVID-19 pandemic, on March 18, 2020 the Governor of Texas issued an executive order that suspended certain provisions of the Texas Election Code, to allow political subdivisions that would otherwise hold elections on May 2, 2020 to move their general and special elections for 2020 only to the next uniform election date of November 3, 2020. The City has taken action to postpone its May 2, 2020 council election until November 3, 2020. Current Councilmembers with terms expiring in May 2020 will continue to serve until the postponed election takes place and their successors are sworn in.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service In Grand Prairie	Total Municipal Government Experience
Tom Hart	City Manager	19 Years	43 Years
Cheryl De Leon	Deputy City Manager	1 Year	19 Years
Bill Crolley	Deputy City Manager	23 Years	30 Years
Steve Dye	Chief Operating Officer	8 Years	33 Years
Megan Mahan	City Attorney	8 Years	10 Years
Cathy Dimaggio	City Secretary	18 Years	31 Years
Becky Brooks, CPA	Chief Financial Officer	2 Years	6 Years
Brady Olsen	Treasury and Debt Manager	1 Year	6 years
Kathleen Mercer	Budget Director	18 Years	20 Years
Gabe Johnson	Public Works Director	6 Years	10 Years
Cathy Patrick, CPA, CIA	Internal Auditor	20 Years	25 Years

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

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

Bond CounselNorton Rose Fulbright US LLP
Dallas, Texas

Disclosure Counsel West & Associates L.L.P.
Dallas, Texas

Financial Advisor.....Hilltop Securities Inc.
Dallas, Texas

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OFFICIAL STATEMENT
RELATING TO
\$4,290,000
CITY OF GRAND PRAIRIE, TEXAS
WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS,
NEW SERIES 2020

INTRODUCTION

This Official Statement, which includes Schedule I and Appendices hereto, provides certain information regarding the issuance of \$4,290,000 City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding Bonds, New Series 2020 (the “Bonds”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted by the City Council on April 21, 2020 and the Pricing Certificate except as otherwise indicated herein (see “SELECTED PROVISIONS OF THE BOND ORDINANCE”).

There follows in this Official Statement descriptions of the Obligations 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, Hilltop Securities Inc. (“HilltopSecurities”), Dallas, Texas.

DESCRIPTION OF THE CITY. . . The City is a political subdivision and home rule 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 Council members 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), streets, water and sanitary sewer utilities, environmental health services, parks and recreation, public transportation, public facilities, planning and zoning, and general administrative services. The 1970 Census population for the City was 71,462 while the 2010 population was 175,396. The estimated population for 2020 is 191,720. The City covers approximately 80 square miles.

COVID-19 AND CITY RESPONSE. . . The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance on March 19, 2020 of Executive Order GA-08 which, among other things, imposed limitations on social gatherings of more than 10 people. On March 31, 2020, the Governor issued Executive Order GA-14 which, among other things, extended the social gathering limitations until April 30, 2020 and temporarily closed school districts throughout the State through May 4, 2020. On April 17, 2020, the Governor issued Executive Order GA-16 that, among other things, supersedes Executed Order GA-14, requires all schools, including public, private, and higher education institutions, to remain physically closed for the 2019-2020 school year and confirms the social gathering limitation through April 30, 2020, unless otherwise extended, modified, rescinded, or superseded by the Governor. In addition to the actions by the state and federal officials, certain local officials, including the City, have declared a local state of disaster and have issued “shelter-in-place” orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce and negatively affect the System and the collection of Net Revenues (defined below), which secure the Bonds. (see “THE BONDS – Security and Source of Payment” and “THE SYSTEM”).

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City and the System. While the potential impact of the Pandemic on the City and the System cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the operations and financial condition of the City and the System and the collection of Net Revenues.

PLAN OF FINANCING

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

REFUNDED BONDS... The Refunded Bonds are being redeemed on the date set forth in Schedule I hereto (the "Redemption Date"). The principal and interest due on the Refunded Bonds are to be paid on the Redemption Date from funds to be deposited pursuant to an escrow agreement relating to the Refunded Bonds (the "Escrow Agreement") between the City and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Escrow Agent"). The Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriter, together with other available funds of the City, if any are necessary, will be irrevocably deposited with the Escrow Agent in an amount sufficient to accomplish the discharge and final payment of the Refunded Bonds on the Redemption Date. Such funds will be held by the Escrow Agent pending their disbursement to redeem the Refunded Bonds on the Redemption Date. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

By the deposit of a portion of the Bond proceeds with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of the Refunded Bonds in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrow Fund and such Refunded Bonds will not be deemed as being outstanding obligations of the City payable from the Net Revenues of the System nor for the purpose of applying any limitation on the issuance of debt. HilltopSecurities, in its capacity as financial advisor, will certify as to the sufficiency of the amount initially deposited with the Escrow Agent to pay the principal of and interest on the Refunded Bonds on the Redemption Date.

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

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

SOURCES OF FUNDS:

Par Amount of Bonds	\$ 4,290,000.00
Premium	660,405.05
Prior Debt Service Funds	62,712.50
DSRF Funds	<u>337,019.32</u>
TOTAL SOURCES:	<u><u>\$ 5,350,136.87</u></u>

USES OF FUNDS:

Deposit to Escrow Fund	\$ 5,207,048.85
Costs of Issuance	115,081.75
Underwriter's Discount	<u>28,006.27</u>
TOTAL USES:	<u><u>\$ 5,350,136.87</u></u>

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THE BONDS

DESCRIPTION OF THE BONDS. . . The Bonds are dated April 15, 2020, 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 May 19, 2020, will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on January 15, 2021 and each July 15 and January 15 thereafter until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System” herein).

AUTHORITY FOR ISSUANCE. . . The Bonds are authorized and issued pursuant to the Constitution and general laws of the State, particularly Texas Government Code, Chapter 1207, as amended, and an ordinance (the “Bond Ordinance”) adopted by the City Council of the City on April 21, 2020. In the Bond Ordinance the City delegated to a Pricing Officer pursuant to the provisions of Chapter 1207, Texas Government Code, authority to effect the sale of the Bonds and to establish certain terms related to the issuance of the Bonds. The terms of sale included in a “Pricing Certificate” which completed the sale of the Bonds. The Bond Ordinance and the Pricing Certificate are sometimes collectively referred to herein as the “Ordinance”.

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

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

RESERVE FUND. . . All funds deposited in the Reserve Fund (defined below), 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”).

Upon the issuance of the Bonds, the Required Reserve will be \$2,728,822.68. The current balance in the Reserve Fund is \$3,065,842.00. Upon the date of the initial delivery of the Bonds, \$337,019.32 will be transferred from the Reserve Fund and deposited with the Escrow Agent and applied to the redemption of the Refunded Bonds on the Redemption Date.

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

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

RATES. . . The City has covenanted in the Ordinance that it will at all times charge and collect rates for services rendered by the System to produce gross revenues in each Fiscal Year sufficient to: (i) pay for all maintenance, operation, debt service, depreciation, replacement and betterment charges of the System; (ii) pay the interest on and principal of the Bonds Similarly Secured and the amounts required to be deposited into the special Funds created and established for the payment and security of the Bonds Similarly Secured; (iii) produce Net Revenues each year in an amount reasonably estimated to be not less than 1.25 times the average annual

principal and interest requirements of the Outstanding Bonds Similarly Secured; and (iv) pay all outstanding, legally incurred indebtedness against the System, as and when the same become due.

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

OPTIONAL REDEMPTION OF THE BONDS. . . The City reserves the right, at its option, to redeem Bonds maturing on January 15, 2031, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on January 15, 2030, 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 Paying Agent/Registrar shall determine by lot the Bonds, or portions thereof, 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 BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND 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 (defined below), certified by an independent accounting or consulting firm to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, 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 is to be transferred and how the principal of, premium, if any, interest and redemption payments 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, the Financial Advisor and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each stated maturity of the Bonds in the aggregate principal amount of each such maturity 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 rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct or Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. **Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system described herein is discontinued.**

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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 the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds, unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date (hereinafter defined). The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those 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 the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to one or both series of 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 securities depository is not obtained, Bonds are required to be printed and delivered.

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

Effect of Termination of Book-Entry-Only System....In the event that the Book-Entry-Only System is discontinued, printed Bond certificates will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "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 Ordinances will be given only to DTC.

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

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 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 registered owners of the Bonds and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender 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) (“Wasson”) 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. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. 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 creditors’ rights

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, Mansfield 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, 2019 approximately 0.0% of the supply came from the City’s wells, 87.55% from DWU, 6.38% from Fort Worth, and 16.07% 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 (\$278,529 per million GPD in 2019) 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, 2019, no water has been purchased through this contract.

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

Fiscal Year Ended 9/30	Dallas Water Utilities		City of Ft.Worth	City of Cedar Hill/Midlothian	Total Cost of Water Purchased
	Volume Charges	Demand Charges	Volume Charges	Volume Charges	
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	1,582,870	15,082,034
2017	3,246,558	9,119,618	1,336,357	2,186,657	15,889,190
2018	3,624,469	9,479,477	1,984,800	2,051,049	17,139,795
2019	2,096,198	7,556,649	1,764,335	2,046,677	13,463,859

The City operates wells in 4 locations, with a total pumping capacity of 3,686,400 GPD. In addition, the City operates 14 pumps in nine locations with a production capacity of 64,728,000 GPD. Storage capacity consists of 34.0 million gallons of elevated storage and 15.9 million gallons of ground and underground storage.

The water distribution system consists of approximately 844 miles of water lines and 7,200 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 Bond Ordinance. In addition, the policy states that the City will strive to maintain working capital at 25% of budgeted expenditures. It is the City’s goal to set water and wastewater rates to achieve compliance with these policies. (See “TABLE 6 – Coverage and Fund Balances”).

Water Rates (Per 1,000 Gallons)	Current 10/1/2019	Previous 10/1/2018
<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	4.22	4.04
Per 1,000 gallons, all quantities over 20,000 gallons	7.57	7.24
Commercial	4.70	4.50
Industrial	4.70	4.50
Governmental	3.95	3.78
Fire Hydrant	8.85	8.43
 <u>Minimum Monthly Charge (Based on Meter Size):</u>		
5/8" of 3/4"	\$ 15.49	\$ 14.82
1"	19.93	19.07
1 1/4"	23.84	22.81
1 1/2"	25.88	24.17
2"	42.62	40.78
3"	132.14	126.65
4"	163.81	156.76
6"	245.60	235.02
8"	341.82	327.28
10"	356.64	341.28
12"	375.26	359.10
 <u>Wastewater Rates (Per 1,000 Gallons)</u>		
Classification		
Residential	\$ 4.32	\$ 4.13
Commercial	5.58	5.39
Industrial	5.58	5.39
Governmental	4.63	4.43
 <u>Wastewater Minimum charges based on meter size</u>		
5/8" of 3/4"	\$ 14.12	\$ 13.51
1"	15.29	14.63
1 1/4"	17.83	17.06
1 1/2"	18.59	17.79
2"	22.16	21.21
3"	32.82	31.41
4"	43.58	41.70
6"	67.62	64.71
8"	95.66	91.54
10"	122.47	117.20
12"	137.21	131.30

TABLE 2 – AVERAGE DAILY WATER USAGE (GALLONS)

Fiscal Year Ended 9/30	Average Daily Usage	Maximum Day's Use	Total Pumped In
2015	23,171,895	40,257,400	8,457,741,334
2016	24,564,056	42,474,976	8,966,030,397
2017	25,613,487	36,316,452	9,348,922,755
2018	26,064,236	39,935,407	9,513,445,970
2019	25,695,470	40,241,588	9,378,845,231

WASTEWATER SYSTEM

The City does not operate any wastewater treatment facilities. The City operates its own collection system with 771 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, 2019, the City paid \$93,885 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 20.59% in 2018/2019. 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
2015	17,862,300
2016	16,569,421
2017	16,307,400
2018	17,758,618
2019	19,182,600

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				
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	5,946,771	8,153,527	14,100,298	8,347	201,735	14,310,380	
2018	5,612,671	10,134,974	15,747,645	5,324	-	15,752,969	
2019	7,054,098	11,646,796	18,700,894	14,105	-	18,714,999	

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TABLE 4 – TEN LARGEST SYSTEM CUSTOMERS

Customer	Fiscal Year Ended September 30, 2019			
	Total Consumption ⁽¹⁾	Amount Billed		
		Billed	Water	Wastewater
Coca-Cola North America	165,173	\$ 1,329,196	\$ 743,279	\$ 585,917
Bell Helicopter	110,823	972,139	498,704	473,436
Fresh Express	47,916	424,243	218,932	205,311
Lockheed-Martin	43,684	394,544	196,578	197,966
Bigelow Colorado DBA Budget Suites	41,351	353,521	186,080	167,441
Poly America	40,085	342,805	180,383	162,422
North Texas Healthcare Laundry	34,918	305,144	157,620	147,524
Bigelow Arizona DBA Budget Suites	31,405	263,271	141,323	121,949
Mountain Creek Homeowners	29,996	320,490	215,602	104,888
Amerisouth VI, LTD.	27,914	317,119	208,597	108,522
Totals	<u>573,265</u>	<u>\$ 5,022,472</u>	<u>\$ 2,747,095</u>	<u>\$ 2,275,376</u>

(1) In 1,000 gallons.

TABLE 5 – WATER AND WASTEWATER CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Revenues ⁽¹⁾					
Sales to Customers	\$ 42,337,949	\$ 44,893,468	\$ 40,565,531	\$ 39,054,285	\$ 35,847,333
Wastewater Charges to Customers	28,616,537	28,328,868	26,663,505	24,983,819	23,500,825
Wastewater Surcharge/Monitoring	824,590	846,222	870,104	722,154	698,342
Impact Fees	2,757,880	2,743,483	2,652,051	2,407,003	1,789,880
Other	418,505	905,254	2,273,191	2,860,418	3,376,881
Total Revenues	<u>\$ 74,955,461</u>	<u>\$ 77,717,295</u>	<u>\$ 73,024,382</u>	<u>\$ 70,027,679</u>	<u>\$ 65,213,261</u>
Expenses ⁽²⁾					
Salaries & Personnel Benefits	\$ 8,724,269	\$ 8,072,319	\$ 8,149,266	\$ 7,690,878	\$ 6,983,821
Professional Services	6,501,575	6,236,044	9,637,701	6,672,050	5,573,076
Franchise Fees	2,840,985	2,927,443	2,691,080	2,561,398	2,376,121
Water Purchase	13,463,858	16,917,148	14,780,509	14,223,378	12,370,857
Wastewater Treatment	18,689,151	15,644,623	14,988,513	15,346,644	14,726,953
Other ⁽³⁾	6,875,638	6,650,589	5,284,002	5,035,914	4,754,974
Total Expenses	<u>\$ 57,095,476</u>	<u>\$ 56,448,166</u>	<u>\$ 55,531,071</u>	<u>\$ 51,530,262</u>	<u>\$ 46,785,802</u>
Available for Debt Service	<u>\$ 17,859,985</u>	<u>\$ 21,269,129</u>	<u>\$ 17,493,311</u>	<u>\$ 18,497,417</u>	<u>\$ 18,427,459</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.

TABLE 6 - COVERAGE AND FUND BALANCES⁽¹⁾

Average Annual Principal and Interest Requirements, All Water and Wastewater System Revenue Bonds, Fiscal Year Ended 9/30/2020	\$	3,029,175 ⁽¹⁾
Coverage of Average Annual Requirements based on 9/30/2019 Revenue Available for Debt Service		5.90 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 9/30/2020	\$	6,614,371 ⁽¹⁾
Coverage of Total Requirements based on 9/30/2019 Revenue Available for Debt Service		2.70 x

(1) Includes the Bonds.

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

1. Depreciation is considered an operating expense for financial GAAP 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,				
	2019	2018	2017	2016	2015
Water and Sewer System	\$ 333,806,096	\$ 355,110,305	\$ 334,067,330	\$ 318,164,331	\$ 301,857,087
Building and Equipment	16,177,629	28,519,085	27,331,777	26,557,353	24,806,644
Land	2,323,249	2,208,926	1,968,211	1,963,711	1,689,511
Total Value	<u>\$ 352,306,974</u>	<u>\$ 385,838,316</u>	<u>\$ 363,367,318</u>	<u>\$ 346,685,395</u>	<u>\$ 328,353,242</u>
Less: Accumulated Depreciation	<u>189,374,090</u>	<u>219,509,383</u>	<u>205,947,622</u>	<u>192,870,724</u>	<u>180,063,796</u>
	\$ 162,932,884	\$ 166,328,933	\$ 157,419,696	\$ 153,814,671	\$ 148,289,446
Plus: Construction in Progress	<u>25,722,078</u>	<u>22,374,315</u>	<u>33,526,601</u>	<u>26,223,557</u>	<u>19,859,905</u>
Net Property, Plant and Equipment	\$ 188,654,962	\$ 188,703,248	\$ 190,946,297	\$ 180,038,228	\$ 168,149,351

TABLE 8 - CITY'S EQUITY IN SYSTEM

	For Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Net Property, Plant and Equipment	\$ 188,654,962	\$ 188,703,248	\$ 190,946,297	\$ 180,038,228	\$ 168,149,351
Cash and Investments	70,467,408	89,064,365	71,855,683	58,542,306	60,569,566
Other Assets	7,345,674	6,369,580	6,157,799	10,478,287	14,840,113
Total Assets	<u>\$ 266,468,044</u>	<u>\$ 284,137,193</u>	<u>\$ 268,959,779</u>	<u>\$ 249,058,821</u>	<u>\$ 243,559,030</u>
Long-term debt	\$ 51,743,033	\$ 53,509,433	\$ 54,559,501	\$ 47,318,456	\$ 52,336,319
Other liabilities	25,569,840	26,059,710	21,692,544	19,329,664	17,105,604
Total Liabilities	<u>\$ 77,312,873</u>	<u>\$ 79,569,143</u>	<u>\$ 76,252,045</u>	<u>\$ 66,648,120</u>	<u>\$ 69,441,923</u>
City's Equity in System	\$ 189,155,171	\$ 204,568,050	\$ 192,707,734	\$ 182,410,701	\$ 174,117,107
Percent Equity in System	70.99%	72.00%	71.65%	73.24%	71.49%

DEBT INFORMATION

TABLE 9 – DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	All Outstanding			The Bonds			Total Water & Wastewater System Debt Service	% of Principal Retired
	Water & Principal	Wastewater Interest	Revenue Debt Service ⁽¹⁾ Total D/S	Principal	Interest	Total D/S		
2020	\$ 5,235,000	\$ 1,379,371	\$ 6,614,371	\$ -	\$ -	\$ -	\$ 6,614,371	
2021	4,565,000	1,156,974	5,721,974	555,000	231,681	786,681	6,508,654	
2022	4,685,000	1,044,544	5,729,544	610,000	169,500	779,500	6,509,044	
2023	4,765,000	923,952	5,688,952	680,000	137,250	817,250	6,506,202	
2024	4,800,000	782,869	5,582,869	820,000	99,750	919,750	6,502,619	51.53%
2025	4,940,000	627,900	5,567,900	200,000	75,250	275,250	5,843,150	
2026	3,935,000	479,598	4,414,598	210,000	66,000	276,000	4,690,598	
2027	3,680,000	353,781	4,033,781	220,000	55,250	275,250	4,309,031	
2028	2,085,000	269,748	2,354,748	230,000	44,000	274,000	2,628,748	
2029	2,140,000	214,838	2,354,838	240,000	32,250	272,250	2,627,088	86.02%
2030	1,800,000	165,266	1,965,266	255,000	19,875	274,875	2,240,141	
2031	820,000	130,528	950,528	270,000	6,750	276,750	1,227,278	
2032	850,000	103,280	953,280	-	-	-	953,280	
2033	880,000	74,736	954,736	-	-	-	954,736	
2034	610,000	50,912	660,912	-	-	-	660,912	96.60%
2035	630,000	32,016	662,016	-	-	-	662,016	
2036	650,000	12,256	662,256	-	-	-	662,256	
2037	160,000	1,832	161,832	-	-	-	161,832	
2038	160,000	1,144	161,144	-	-	-	161,144	
2039	160,000	392	160,392	-	-	-	160,392	100.00%
	<u>\$ 47,550,000</u>	<u>\$ 7,805,935</u>	<u>\$ 55,355,935</u>	<u>\$ 4,290,000</u>	<u>\$ 937,556</u>	<u>\$ 5,227,556</u>	<u>\$ 60,583,491</u>	

(1) Excludes the Refunded Bonds.

TABLE 10 – AUTHORIZED REVENUE BONDS

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

INVESTMENTS

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

LEGAL INVESTMENTS . . . Available City funds are invested as authorized by Texas law and 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. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (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) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in the State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section

2256.025; or (ii) a depository institution with a main office or branch office in the State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City in a certificate of deposit through (I) a broker that has its main office or a branch office in the State and is selected by the City as required by law or (II) a depository institution that has its main office or a branch office in the State 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, an entity 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; (10) fully collateralized repurchase agreements that have a defined termination date, are 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; (11) 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 (8) 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 (8) above, clauses (13) through (15) 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, (12) 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, (13) 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 bank organized under the laws of the United States or any state, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) 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 Treasury and Debt Manager, 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 Treasury and Debt Manager 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 derivatives and mortgage pass-through securities).

2. Municipal Securities (State, City, County, school or road district general obligation or revenue bonds) (out-of-state bonds shall only be general obligation bonds) with a remaining maturity of three years or less which have received a rating by at least two nationally recognized credit rating agencies of at least A or its equivalent.
3. Commercial paper with a stated maturity of 365 days or less from the date of its issuance that 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. The Sports Corp only allows this quality of commercial paper if managed through a local government investment pool.
4. Public Funds Investment Pool with a weighted average maturity of 90 days or less whose investment objectives include seeking to maintain a stable net asset value of \$1 per share. An investment pool shall invest funds in authorized investments permitted by the Public Funds Investment Act. The pool must enter into a contract approved (by resolution) by the Grand Prairie City Council to provide investment services to the City or by the Sports Corporation Board to provide services to the Sports Corp

The pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service. The pool must provide monthly reports that contain:

- the types and percentage breakdown of securities in which the pool is invested;
 - the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
 - the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
 - the book value versus the market value of the pool's portfolio, using amortized cost valuation;
 - the size of the pool;
 - the number of participants in the pool;
 - the custodian bank that is safekeeping the assets of the pool;
 - a listing of daily transaction activity of the entity participating in the pool;
 - the yield and expense ratio of the pool, including a statement regarding how yield is calculated;
 - the portfolio managers of the pool; and
 - any changes or addenda to the offering circular.
- a. To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool that uses amortize cost or fair value accounting must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, the governing body of the public funds investment pool shall take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005. In addition to the requirements of its investment policy and any other forms of reporting, a public funds investment pool that uses amortized cost shall report yield to its investors in accordance with regulations if the federal Securities and Exchange Commission applicable to reporting by money market funds.
 - b. To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:
 1. equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or
 2. of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.
 - c. To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAAM or at an equivalent rating by at least one nationally recognized rating service.
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 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 percent 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 10 percent of the total assets of the money market mutual fund.
 6. Collateralized or insured certificates of deposit and other evidences of deposit at federally insured banks, fully guaranteed or insured by the FDIC (Federal Deposit Insurance Corporation)\ in the State of Texas.

B. Prohibited Investments

The City's authorized investment options are more restrictive than those allowed by State law. Furthermore, this policy specifically prohibits investment in the following investment securities.

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 collateral and bears no interest.
3. Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years.
4. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

C. 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 and Sports Corp portfolio is expressed in terms of maximum commitment so as to allow flexibility to take advantage of market conditions. This policy represents the allowable maximum at the point in time that an investment is placed or security bought, as maturities and call features may affect the portfolio distribution.

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.

D. Qualifying Institutions

Financial institutions (Federally insured banks) with and through whom the City invests in Certificate of Deposits shall be located in the State of Texas. Broker/dealers through whom the City purchases U. S. Government securities may include 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 Hilltop Securities except that repurchase agreements shall not be executed through Hilltop Securities. In addition, other regional broker/dealers may be considered by the Investment Committee.

The City shall evaluate the financial institutions' and broker/dealers' soundness to the extent the investment committee considers necessary. Investigation may include review of rating agency reports, review of call reports, and analyses of management, profitability, capitalization, and asset quality. Financial institutions and broker/dealers with whom the City wishes to do business shall provide the financial data requested by the City.

The investment committee shall review the information and decide on the soundness of a financial institution or broker/dealer before adding the institution to the list of those with whom the City does business. The list of approved brokers/dealers shall be annually adopted by the Investment Committee. An institution must be approved by the investment committee and added to the approved list before any business can be transacted with the City.

The City will send the Investment Policy to all approved financial institutions and broker/dealers (approved organizations) annually with a statement that that the City is providing the investment policy to aid in meeting its duties under Financial Industry Regulatory Authority (FINRA) Rule 2111, relating to "knowing your customer." The City deems that by providing the investment policy to approved organizations, the approved organization has reviewed the City's investment policy in satisfaction of the duties under FINRA Rule 2111, which states that organizations are required to "have a reasonable basis to believe that a recommendation is suitable for a particular customer based on that customer's investment profile."

E. 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
- Obligations of the United States or its agencies and instrumentalities (except for derivatives and mortgage pass-through securities)
- 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, tax notes and certificates of obligation
- A Letter of Credit issued by a Federal Home Loan Bank

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

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 February 28, 2020, 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	39.96%	\$ 155,711,449
Federal Agency and Instrumentality Notes	60.04%	233,970,536
		<u>\$ 389,681,986</u>

SELECTED PROVISIONS OF THE BOND ORDINANCE

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

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

- (a) The term “Additional Bonds” shall mean the additional parity revenue bonds which the City reserves the right to issue in this Ordinance.
- (b) The term “Bonds” shall mean the water and wastewater system revenue refunding bonds authorized by this Ordinance and designated as “City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding Bonds, New Series 2020.”
- (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 2010", (ii) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding Bonds, New Series 2011", (iii) "City of Grand Prairie, Texas, Water and Wastewater System Refunding and Improvement Bonds, New Series 2011A", (iv) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding Bonds, New Series 2013", (v) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2014", (vi) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding Bonds, New Series 2015", (vii) "City of Grand Prairie, Texas, Water and Wastewater System Refunding and Improvement Bonds, New Series 2016", (viii) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2017", (ix) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2017A" and (x) "City of Grand Prairie, Texas, Water and Wastewater System Revenue Bonds, New Series 2019."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The amount to be accumulated in the Reserve Fund shall equal to the average annual debt service requirements (calculated on a Fiscal Year basis) on all outstanding Bonds Similarly Secured (the "Required Reserve"). The Required Reserve shall be established and maintained with Net Revenues of the System or other lawfully available funds of the City, the proceeds of sale of Bonds Similarly Secured or by depositing to the credit of the Reserve Fund, to the extent permitted by law, one or more surety

bonds or insurance policies issued by a company or institution having a rating in the highest rating category by two nationally recognized rating agencies or services, or any combination thereof. The City hereby covenants and agrees that any additional amount of the Required Reserve to be deposited in the Reserve Fund in connection with the issuance of the Bonds shall be funded by monthly installments from funds in the Revenue Fund in an amount of not less than 1/60th of the additional amount required to be maintained in said Reserve Fund with the first payment to be made on or before the date specified in the Pricing Certificate and any subsequent payments to be made on or before the 1st day of each month thereafter.

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

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

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

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

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

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

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

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

(c) That other than for the payment of the Bonds and the Previously Issued Bonds, the Net Revenues have not been in any manner pledged to the payment of any debt or obligation of the City or the System, other than debt or obligations which

have a lien on or pledge of the Net Revenues subordinate to the lien on and pledge of such Net Revenues to the Bonds Similarly Secured.

Section 18. Issuance of Additional Bonds.

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

- (i) The City is not then in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of the Outstanding Bonds Similarly Secured;
 - (ii) Each of the special Funds created for the payment and security of the Bonds Similarly Secured contains the amount of money then required to be on deposit therein;
 - (iii) The City has secured from a certified public accountant a certificate showing that the Net Earnings for either the completed Fiscal Year next preceding the date of the Additional Bonds or a consecutive twelve-month period out of the last fifteen months next preceding the date of the Additional Bonds is equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis at the time of the issuance of Additional Bonds) of all Bonds Similarly Secured which will be Outstanding after the issuance of the proposed Additional Bonds. However, (A) should the certificate of the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and (B) a change in the rates and charges for services afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant's certificate, and (C) an independent engineer or engineering firm having a national reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings covered by the accountant's certificate would have been, in his or their opinion, equal to at least 1.25 times the average annual principal and interest requirements (calculated on a Fiscal Year basis) of the Outstanding Bonds Similarly Secured after giving effect to the issuance of the Bonds, and Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph (iii) shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect;
 - (iv) The ordinance authorizing the Additional Bonds (A) requires that deposits shall be made into the Interest and Sinking Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due; and (B) provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be an amount equal to the Required Reserve for all Outstanding Bonds Similarly Secured theretofore issued and to be Outstanding after the issuance of said Additional Bonds; and
 - (v) The Additional Bonds are scheduled to mature only on January 15 or July 15 or both.
- (b) The term "Net Earnings," as used in this Ordinance shall mean all income, revenues, and receipts derived from the operation or by reason of the ownership of the System, including grants, gifts, contributions in aid of construction (but excluding meter deposits), interest earned on invested moneys in the special Funds created therein for the payment and security of Bonds Similarly Secured, after deduction of maintenance and operation expenses but not deducting depreciation, and other expenditures which, under standard accounting practice, should be classified as capital expenditures.
- (c) Wherever, in this Ordinance, the City reserves the right to issue Additional Bonds, such term shall also include, mean and refer to any other forms or types of obligations, whether now existing or hereafter authorized, which may be made lawfully payable from and secured by the Net Revenues.

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

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

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

- (a) A detailed statement of the income and expenditures of the System for such Fiscal Year.
- (b) A balance sheet as of the end of such Fiscal Year.
- (c) The accountant's comments regarding the manner in which the City has carried out the requirements of this Ordinance and his recommendations for any changes or improvements in the operation, records and accounts of the System.

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

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

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

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

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

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

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

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

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

Bonds or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at maturity,

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

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

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

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

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. 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.

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

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

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("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 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 2020, 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 2020, 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 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; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. In addition, the City will provide to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information described above under "Annual Reports."

For these purposes, (A) any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (B) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

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

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. However, certain CUSIPs were inadvertently omitted from certain continuing disclosure filings made by the City for Fiscal Year 2015. The City corrected these clerical errors in 2017.

OTHER INFORMATION

RATING

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

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

LEGAL OPINIONS

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

FINANCIAL ADVISOR

HilltopSecurities 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. HilltopSecurities, 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 \$28,006.27. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers

(including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its affiliates may have certain creditor and/or other rights against the City and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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 Pricing Officer in the Pricing Certificate approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and has authorized its further use in the reoffering of the Bonds by the Underwriter.

/s/ TOM HART

City Manager and Pricing Officer
City of Grand Prairie, Texas

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SCHEDULE OF REFUNDED BONDS

Water and Wastewater System Revenue Refunding and Improvement Bonds, New Series 2011A

<u>Original Dated Date</u>	<u>Original Maturity Date</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Date and Price of Redemption</u>
11/1/2011	1/15/2021	4.000%	\$ 815,000	6/22/2020 @ Par
	1/15/2022	4.000%	840,000	6/22/2020 @ Par
	1/15/2023	3.150%	875,000	6/22/2020 @ Par
	1/15/2024	3.300%	895,000	6/22/2020 @ Par
	1/15/2025	3.500%	215,000	6/22/2020 @ Par
	1/15/2026	3.600%	225,000	6/22/2020 @ Par
	1/15/2027	3.700%	235,000	6/22/2020 @ Par
	1/15/2028	3.800%	240,000	6/22/2020 @ Par
	1/15/2029	4.000%	250,000	6/22/2020 @ Par
	1/15/2030	4.000%	260,000	6/22/2020 @ Par
	1/15/2031	4.000%	275,000	6/22/2020 @ Par
			<u>\$ 5,125,000</u>	

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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 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 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.
- President George Bush Turnpike: a four and six-lane north-south tollway runs 10.5 miles through Grand Prairie from the northern City limits to I-20.

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

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

POPULATION

The estimated population for 2020 is 191,720. 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*).

LABOR FORCE

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2016	96,139	92,244	3,895	4.1%
2017	98,782	95,044	3,738	3.8%
2018	100,962	97,210	3,752	3.7%
2019	101,390	97,781	3,609	3.6%
2020 ⁽¹⁾	103,233	99,797	3,436	3.3%

Source: Texas Workforce Commission.

(1) As of February 2020.

INDUSTRIAL BASE

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

INDUSTRY PROFILE

<u>Industry</u>	<u>Percent of Total gross sales</u>
Wholesale Trade	32.42%
Manufacturing	24.62%
Retail Trade	21.89%
Construction	9.12%
Accommodation/Food Services	2.30%
Admin/Support/Waste Mgmt/Remediation Services	2.03%
Other Services (except Public Administration)	1.97%
Real Estate/Rental/Leasing	1.18%
Transportation/Warehousing	0.91%
Professional/Scientific/Technical Services	0.90%
Arts/Entertainment/Recreation	0.70%
Information	0.68%
Agriculture/Forestry/Fishing/Hunting	0.48%
Finance/Insurance	0.25%
Educational Services	0.18%
Health Care/Social Assistance	0.13%

Source: Texas Comptroller.

EMPLOYERS

<u>Company</u>	<u>Product-Service</u>	<u>Estimated Employees</u>
Grand Prairie Independent School District	Administration of Education Programs	4,100
Lockheed Martin Missiles and Fire Control	Research and Development in the Physical, Engineering, and Life	3,500
Poly-America Inc.	Unsupported Plastics Film and Sheet (except Packaging)	2,000
City of Grand Prairie	Public Administration	1,300
Bell Helicopter-Textron	Helicopter aircraft manufacturing	1,200
Lone Star Park at Grand Prairie	Racetracks	950
Forterra Pipe & Products, Inc.	Concrete Pipe Manufacturing	950
Republic National Distributing	Wine and Distilled Alcoholic Beverage Wholesalers	800
Flex-N-Gate	Auto Accessory Manufacturing	800
Arnold Transportation Services	General Freight Trucking	650

RECREATION

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

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

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

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

- Professional Sports: the Dallas Cowboys of the National Football League, the Texas Rangers of Major League Baseball, the Dallas Mavericks of the National Basketball Association, the Dallas Stars of the National Hockey League, the FC Dallas of Major League Soccer, Dallas Renegades of the XFL and the Grand Prairie Air Hogs of the American Associate of Independent Baseball. All have home games within 5-25 minutes of the City.
- NCAA-event schools: Southern Methodist University and Texas Christian University in Dallas and Fort Worth.

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

EDUCATION

Seven public universities and eight independent universities, including health related education facilities, in the region totaled enrollment of 139,860 in 2010 (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 Independent School District (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.

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APPENDIX B

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

For the Year Ended September 30, 2019

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, 2019, 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, 2019, 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.

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

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, 2019, 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, budget to actual schedules for the General Fund and Section 8 Fund, Schedule of Changes in Postemployment Benefits-Retiree Health Plan, Schedule of Changes in Postemployment Benefits-Texas Municipal Retirement System, Schedule of Contributions-Texas Municipal Retirement System, and Schedule of Changes in Net Pension Liability and Related Ratios- Texas Municipal Retirement System listed in the table of contents, 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2020, 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 11, 2020



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Management's Discussion and Analysis



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City of Grand Prairie, Texas

Management's Discussion and Analysis
For the Fiscal Year Ended September 30, 2019
(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, 2019. 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, 2019 by \$645,018,616 (net position).
- The City's total net position increased \$28,840,035, for the fiscal year ended September 30, 2019, primarily due to increased property tax assessments, sales tax collections, investment income and grant contributions.
- At September 30, 2019, the City's governmental funds reported combined ending fund balances of \$259,784,871. The \$41,554,116 unassigned fund balance in the General Fund represents 29.6% of total General Fund expenditures and transfers.
- The City's total long-term liabilities of \$702,198,221 increased by \$142,355,253 (25.4%) during the current fiscal year. In fiscal year 2019, net bonded debt increased by \$89,716,041, with the remaining liability comprised of pension and employee related obligations 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.

City of Grand Prairie, Texas

Management's Discussion and Analysis – Continued
For the Fiscal Year Ended September 30, 2019
(Unaudited)

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.

City of Grand Prairie, Texas

Management's Discussion and Analysis – Continued
For the Fiscal Year Ended September 30, 2019
(Unaudited)

The City reports thirty one 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 2 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.

City of Grand Prairie, Texas

Management's Discussion and Analysis – Continued

For the Fiscal Year Ended September 30, 2019

(Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total assets of the City at September 30, 2019 were \$1,356,220,804, deferred outflows of resources were \$43,569,629, total liabilities were \$749,031,656, and deferred inflows of resources were \$5,740,161 resulting in a net position of \$645,018,616.

The largest portion of the City's net position, \$487,259,273 (75.5%), 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	
	9/30/2018	9/30/2019	9/30/2018	9/30/2019	9/30/2018	9/30/2019
	Cash and investments	\$ 197,992,931	\$ 288,433,355	\$ 109,842,234	\$ 113,133,233	\$ 307,835,165
Other assets	21,559,545	20,685,432	9,942,867	11,679,221	31,502,412	32,364,653
Capital assets, net	656,874,694	685,704,072	233,225,420	236,585,491	890,100,114	922,289,563
Total assets	876,427,170	994,822,859	353,010,521	361,397,945	1,229,437,691	1,356,220,804
Deferred outflows of resources	14,636,899	39,225,451	1,811,090	4,344,178	16,447,989	43,569,629
Current liabilities	36,806,297	34,644,637	15,950,852	12,188,798	52,757,149	46,833,435
Long-term bonded debt	361,651,245	453,318,815	59,814,562	57,863,033	421,465,807	511,181,848
Other noncurrent liabilities	119,396,393	166,810,368	18,980,768	24,206,005	138,377,161	191,016,373
Total liabilities	517,853,935	654,773,820	94,746,182	94,257,836	612,600,117	749,031,656
Deferred inflows of resources	15,467,402	5,191,644	1,639,580	548,517	17,106,982	5,740,161
Net Position						
Net Investment in capital assets	266,214,537	311,019,615	173,815,271	176,239,658	440,029,808	487,259,273
Restricted	81,030,788	58,899,457	45,622,261	59,346,971	126,653,049	118,246,428
Unrestricted	10,497,407	4,163,774	38,998,317	35,349,141	49,495,724	39,512,915
Total net position	\$ 357,742,732	\$ 374,082,846	\$ 258,435,849	\$ 270,935,770	\$ 616,178,581	\$ 645,018,616

A portion of the City's net position totaling \$118,246,428, or 18.3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$39,512,915 may be used to meet the government's ongoing obligations to citizen's and creditors.

The City's net position increased by \$28,840,035 from the prior fiscal year due to an increase in property taxes, sales taxes, grants and other revenue sources. While overall operating revenues and expenditures increased proportionately, overall water and wastewater rates increased 4.5%.

City of Grand Prairie, Texas

Management's Discussion and Analysis – Continued

For the Fiscal Year Ended September 30, 2019

(Unaudited)

The fiscal year 2019 compared to fiscal 2018 changes in the City's net position were as follows:

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	9/30/2018	9/30/2019	9/30/2018	9/30/2019	9/30/2018	9/30/2019
Revenues:						
Program revenues:						
Charges for services	\$ 49,663,004	\$ 51,189,057	\$ 102,321,210	\$ 100,691,263	\$ 151,984,214	\$ 151,880,320
Operating grants and contributor	35,266,428	39,865,579	67,537	31,007	35,333,965	39,896,586
Capital grants and contributions	3,971,782	8,575,572	11,983,724	15,541,642	15,955,506	24,117,214
General revenues:						
Property tax	94,648,690	106,378,593	-	-	94,648,690	106,378,593
Sales tax	64,250,717	69,672,182	-	-	64,250,717	69,672,182
Other tax	2,208,298	2,231,019	-	-	2,208,298	2,231,019
Franchise fees	14,485,521	14,796,138	-	-	14,485,521	14,796,138
Investment income	3,506,788	9,776,886	43,661	65,360	3,550,449	9,842,246
Total revenues	268,001,228	302,485,026	114,416,132	116,329,272	382,417,360	418,814,298
Expenses:						
Support services	27,614,430	30,669,782	-	-	27,614,430	30,669,782
Public safety services	101,033,502	109,767,831	-	-	101,033,502	109,767,831
Recreation and leisure services	34,529,152	35,232,643	-	-	34,529,152	35,232,643
Development services	97,241,362	102,740,890	-	-	97,241,362	102,740,890
Interest on long-term debt	12,481,762	14,987,576	-	-	12,481,762	14,987,576
Water and wastewater	-	-	72,412,983	74,389,255	72,412,983	74,389,255
Solid waste	-	-	12,339,638	13,009,026	12,339,638	13,009,026
Municipal airport	-	-	2,744,301	2,962,253	2,744,301	2,962,253
Municipal golf course	-	-	3,309,267	3,458,592	3,309,267	3,458,592
Storm water	-	-	2,446,788	2,647,816	2,446,788	2,647,816
Total expenses	272,900,208	293,398,722	93,252,977	96,466,942	366,153,185	389,865,664
Increases (decreases) in net position						
before transfers	(4,898,980)	9,086,304	21,163,155	19,862,330	16,264,175	28,948,634
Transfers	6,272,419	7,253,810	(6,272,419)	(7,253,810)	-	-
Capital asset reassignments	-	-	-	(108,599)	-	(108,599)
Change in net position	1,373,439	16,340,114	14,890,736	12,499,921	16,264,175	28,840,035
Net position - beginning of year	356,369,293	357,742,732	243,545,113	258,435,849	599,914,406	616,178,581
Net position - end of year	\$ 357,742,732	\$ 374,082,846	\$ 258,435,849	\$ 270,935,770	\$ 616,178,581	\$ 645,018,616

Governmental activities - Governmental activities increased the City's net position by \$16,340,114 in comparison with beginning net position, primarily due to an overall increase in property tax assessments, when compared to fiscal year 2018. Net position of governmental operations accounts for 58.0% of total net position.

Business-type activities - Business-type activities increased the City's net position by \$12,499,921 in comparison with beginning net position. Overall operating revenues and expenditures increased proportionately. Net position for business-type activities represents 42.0% of total primary government net position.

City of Grand Prairie, Texas

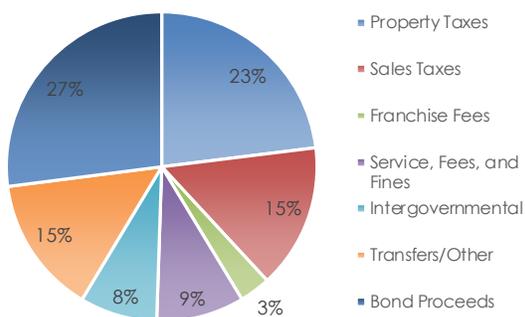
Management's Discussion and Analysis – Continued
 For the Fiscal Year Ended September 30, 2019
 (Unaudited)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

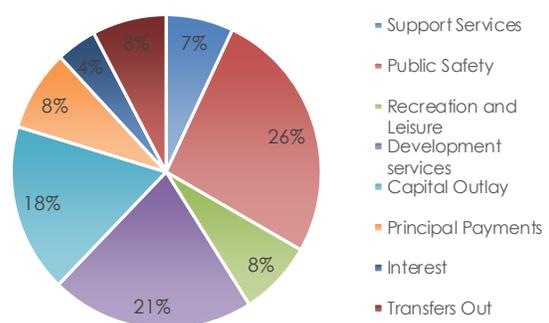
Governmental funds - The focus of City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure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

At fiscal year-end 2019, the City's governmental funds (excluding internal service funds) reported combined ending fund balances of \$259,784,871, an increase of \$89,292,545 in comparison with the prior year. The unassigned fund balance portion is 16.0% 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 (\$75,907); amounts restricted by statutes, bond covenants or granting agencies (\$133,513,209) either for debt service payments, grant-related use, special taxing districts, or for capital projects. In addition, committed funds (\$81,520,543) require formal action by City Council. Finally, funds may be assigned (\$3,121,096) 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, \$460,334,504 and \$371,041,959, respectively, for fiscal year 2019.

**Figure 1
 Revenue Sources
 Governmental Funds**



**Figure 2
 Expenditures
 Governmental Funds**



The General Fund is the chief operating fund of the City. At fiscal year-end, unassigned fund balance of the General Fund was \$41,554,116, while total fund balance was \$45,180,271. 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 32.6% of total general fund operating expenditures, while total fund balance represents 35.4% of that same amount. General Fund's fund balance increased in the amount of \$11,435,220 from the prior fiscal year.

Other major funds with significant changes in fund balance include Streets CIP, Grants, Debt Service and Epic 2 CIP. The Streets CIP Fund increased by \$15,910,889 due to an overall increase in street construction funded from bond proceeds issued for this purpose.

City of Grand Prairie, Texas

Management's Discussion and Analysis – Continued

For the Fiscal Year Ended September 30, 2019

(Unaudited)

The Grants Fund increased by \$2,344,780 due to collections of grant funds and repayment of an interfund loan.

The Debt Service Fund decreased by \$1,801,056 due to payment toward principal and interest retirement for Crime Control and Prevention District.

The Epic 2 CIP Fund increased by \$38,041,636 due to bond proceeds acquired for the purpose of the investment in Epic Central.

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 \$268,216,940 and \$18,214,256, respectively, at September 30, 2019. The enterprise funds' net investment in capital assets represented 65.7% of total enterprise fund's net position. The internal service funds' net investment in capital assets represented 8.9% of total internal service funds' net position. The enterprise funds' unrestricted net position was 12.2% of their total net position, and internal service funds' unrestricted net position was 91.1% of their total funds' net position. The City's enterprise funds and the internal service funds reported income before contributions and transfers of \$3,682,304 and \$5,828,144, respectively. 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 \$133,052,665 and expenses of \$119,903,347 (excluding non-operating revenues and expenses, and contributions and transfers) by activity.

Figure 3
Revenues by Activity
Proprietary Funds

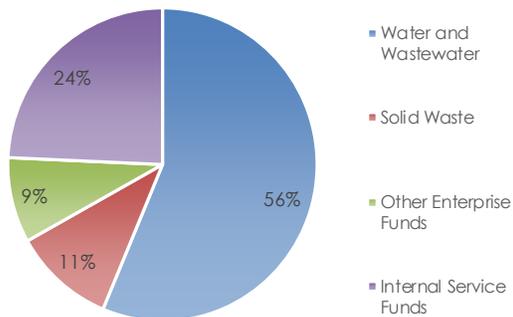
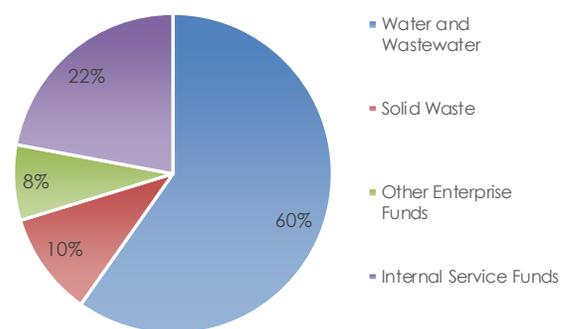


Figure 4
Expenses by Activity
Proprietary Funds



City of Grand Prairie, Texas

Management's Discussion and Analysis – Continued
 For the Fiscal Year Ended September 30, 2019
 (Unaudited)

General Fund Budgetary Highlights

Actual General Fund revenues were \$13,330,309, or 9.7%, higher than final budgeted revenues for fiscal year 2019. Property taxes, sales taxes, hotel/motel taxes, and franchise fees were 76.6% of General Fund budgeted revenues. Actual General Fund expenditures were \$3,271,722, or 3.0%, lower than final budgeted expenditures for fiscal year 2019. Budgeted excess of revenues over expenditures before other financing sources and uses was \$6,475,457 compared to actual of \$23,077,488, resulting in a net positive budget variance of \$16,602,031. 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 \$11,751,892.

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 \$922,289,563. 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 \$32,189,449.

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

- Continued expansion of Grand Central Park's Epic Center and PlayGrand
- Construction of Fire Station #4 and Fire Station #3 upgraded
- Continued construction of frontage roads along Interstates 30 and 20
- Continued street assessment implementation
- Continued expansion of several city facilities including Service Center and City Hall
- Continued improvements to water distributions and sewer systems

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	
	9/30/2018	9/30/2019	9/30/2018	9/30/2019	9/30/2018	9/30/2019
Land	\$ 46,573,694	\$ 46,708,853	\$ 4,717,011	\$ 4,831,334	\$ 51,290,705	\$ 51,540,187
Construction in progress	163,246,220	168,140,079	24,493,829	28,648,888	187,740,049	196,788,967
Depreciable capital assets	929,414,228	991,496,881	461,444,005	432,339,063	1,390,858,233	1,423,835,944
Accumulated depreciation	(482,359,448)	(520,641,741)	(257,429,425)	(229,233,794)	(739,788,873)	(749,875,535)
Total capital assets, net	\$ 656,874,694	\$ 685,704,072	\$ 233,225,420	\$ 236,585,491	\$ 890,100,114	\$ 922,289,563

Additional information regarding capital assets can be found starting on page 55 in Note 2.D.

City of Grand Prairie, Texas

Management's Discussion and Analysis – Continued
 For the Fiscal Year Ended September 30, 2019
 (Unaudited)

Long-term debt - At September 30, 2019, the City had the following long-term liabilities:

**Table 4
 Long-Term Debt**

	Governmental Activities		Business-type Activities		Total Primary Government	
	9/30/2018	9/30/2019	9/30/2018	9/30/2019	9/30/2018	9/30/2019
	Bonded debt	\$ 361,651,245	\$ 453,318,815	\$ 59,814,562	\$ 57,863,033	\$ 421,465,807
Compensated absences	18,085,656	18,363,930	563,394	472,012	18,649,050	18,835,942
Other post employment benefits	53,746,401	55,519,084	5,697,240	5,885,150	59,443,641	61,404,234
Net pension liability	46,045,042	91,550,173	4,880,877	9,616,144	50,925,919	101,166,317
Pollution liability	58,375	77,037	-	-	58,375	77,037
Closure and post closure liability	-	-	7,939,257	8,232,699	7,939,257	8,232,699
Other liabilities	1,460,919	1,300,144	-	-	1,460,919	1,300,144
Total long-term debt	\$ 481,047,638	\$ 620,129,183	\$ 78,895,330	\$ 82,069,038	\$ 559,942,968	\$ 702,198,221
Long-term debt to net position percentage	134%	166%	31%	30%	91%	109%

Of the total bonded debt, \$453,318,815, or 88.7%, is backed by the full faith and credit of the City with a property tax pledge.

During this fiscal year, the City issued \$120,655,800 in new bonded debt, and retired principal on outstanding bonded debt totaling \$36,505,129. The City's total interest expense for all bonded debt was \$16,108,504.

Additional information is detailed in the Note 2.H to the Basic Financial Statements, pages 60 - 73.

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

	<u>Fitch</u>	<u>Standard & Poor's</u>
General obligation bonds	AA+	AAA
Sales tax revenue bonds (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 2020 budget including 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 continue to increase overall; and indicate healthy activities in the residential sector and commercial type permitting. Although the City is largely built out and mature, there are still several areas available, mainly in the south sector with higher end residential areas along Joe Pool Lake. In addition, there is a leveling of multi-family developments, but a major increase in retail construction, in large part due to toll road 161 and emerging destination facilities, such as Epic and Epic Waters.

City of Grand Prairie, Texas

Management's Discussion and Analysis – Continued
For the Fiscal Year Ended September 30, 2019
(Unaudited)

The City population as of September 2019 was 191,720 which is a 1.22% increase over prior year. Grand Prairie's population continues to increase annually with even more growth expected as a result of continued development and mobility through the City. New and improved roadways among I20, I30, SH360, and SH161 continue to make additional demands on the City for increased services. Our diverse economy, the overall DFW metroplex economy and major transportation access all serve to create a synergy.

The following indicators were taken into account when adopting the budget for fiscal year 2020:

- 10.64% increase in assessed property values;
- A 1.28% increase in budgeted sales tax collections as compared to prior fiscal year collections. There was no change in the City's sales tax rate.
- 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 \$6,319,342 for the General Fund and \$4,298,070 for the General Obligation Debt Service Fund. The City maintained the same property tax rate of \$0.669998 per \$100 valuation for fiscal year 2020.

Budgeted sales tax revenues across all funds were increased by \$1,088,361, or 1.6% over prior fiscal year collections with no change in the sales tax rate.

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

The City's total approved operating appropriations for fiscal year 2020 is \$405,818,416, an increase of 6%, as compared to prior fiscal year projected expenditures. General Fund approved appropriations for fiscal year 2020 is \$146,255,856, an increase of 5%, over fiscal year 2019. 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 an increase in healthcare costs. Other changes in total budgeted operating appropriations include increases of \$4,570,779 in the Water/Wastewater Fund.

Fiscal year 2020 budgeted appropriations for the General Obligation Debt Service Fund increased by \$4,613,833, or 14.8%, over fiscal year 2019 due to Epic Central and next capital projects.

The City's approved appropriations for capital projects in fiscal year 2020 totals \$83,415,536. Planned capital projects include:

- \$16,275,760 in street and signal projects
- \$20,911,267 in water and wastewater requests
- \$6,045,000 in storm drainage projects
- \$9,223,833 in fire equipment and stations' relocations
- \$3,204,000 in Lake Parks

City of Grand Prairie, Texas

Management's Discussion and Analysis – Continued

For the Fiscal Year Ended September 30, 2019

(Unaudited)

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.



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Basic Financial Statements



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City of Grand Prairie, Texas
Statement of Net Position
September 30, 2019

	Primary Government			Grand Prairie	Grand Prairie
	Governmental Activities	Business-Type Activities	Total	Sports Facilities Development	Housing Finance Corporation
ASSETS					
Cash and cash equivalents	\$ 113,141,482	\$ 17,439,534	\$ 130,581,016	\$ 4,410,454	\$ 644,391
Investments	34,577,463	80,448,008	115,025,471	5,505,501	-
Receivables, net	20,572,219	8,149,829	28,722,048	1,000,640	-
Intergovernmental receivables	2,211,810	48,130	2,259,940	-	-
Inventories and supplies	157,349	728,832	886,181	-	-
Prepays	462,884	33,600	496,484	142	33,411
Restricted assets:					
Cash and cash equivalents	11,990,248	6,903,497	18,893,745	-	1,430,826
Investments	128,724,162	8,342,194	137,066,356	-	-
Internal balances	(2,718,830)	2,718,830	-	-	-
Lease payments receivable	-	-	-	9,727,004	-
Estimated unguaranteed residual value	-	-	-	30,726,465	-
Capital assets:					
Nondepreciable	214,848,932	33,480,222	248,329,154	-	1,612,851
Depreciable, net	470,855,140	203,105,269	673,960,409	-	11,232,119
Total assets	994,822,859	361,397,945	1,356,220,804	51,370,206	14,953,598
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refundings	2,366,413	471,971	2,838,384	-	-
Related to OPEB	670,928	71,121	742,049	-	-
Related to TMRS pension	36,188,110	3,801,086	39,989,196	-	-
Total deferred outflows of resources	39,225,451	4,344,178	43,569,629	-	-
LIABILITIES					
Accounts payable	14,354,329	4,746,681	19,101,010	174,703	135,812
Retainage payable	2,645,548	121,403	2,766,951	-	-
Accrued liabilities	11,555,265	945,100	12,500,365	-	277,222
Unearned revenue	3,188,035	1,041,283	4,229,318	-	-
Current liabilities payable from restricted assets:					
Accrued interest	2,863,679	327,214	3,190,893	-	-
Customer deposits	37,781	5,007,117	5,044,898	-	88,042
Noncurrent liabilities:					
Due within one year:					
Compensated absences	8,292,305	373,856	8,666,161	-	-
Environmental remediation obligation	77,037	-	77,037	-	-
Other liabilities	160,776	-	160,776	-	-
Current portion of long-term debt	34,865,000	5,395,000	40,260,000	-	315,525
Due in more than one year:					
Compensated absences	10,071,625	98,156	10,169,781	-	-
Other postemployment benefits	55,519,084	5,885,150	61,404,234	-	-
Closure and postclosure liability	-	8,232,699	8,232,699	-	-
Net pension liability	91,550,173	9,616,144	101,166,317	-	-
Other liabilities	1,139,368	-	1,139,368	-	-
Long-term debt	418,453,815	52,468,033	470,921,848	-	14,934,999
Total liabilities	654,773,820	94,257,836	749,031,656	174,703	15,751,600
DEFERRED INFLOWS OF RESOURCES					
Related to OPEB	3,318,722	351,790	3,670,512	-	-
Related to TMRS pension	1,872,922	196,727	2,069,649	-	-
Total deferred outflows of resources	5,191,644	548,517	5,740,161	-	-
NET POSITION					
Net investment in capital assets	311,019,615	176,239,658	487,259,273	-	(1,200,813)
Restricted for:					
Debt service	1,450,430	7,770,761	9,221,191	-	-
Capital projects	6,752,898	51,576,210	58,329,108	-	-
Support Services	6,583,501	-	6,583,501	-	-
Public safety	17,377,077	-	17,377,077	-	-
Recreation and leisure	11,684,374	-	11,684,374	-	-
Development services	12,890,297	-	12,890,297	-	-
Other specific purposes	2,160,880	-	2,160,880	-	-
Facility lease	-	-	-	41,401,219	-
Replacement reserve	-	-	-	-	138,043
Unrestricted	4,163,774	35,349,141	39,512,915	9,794,284	264,768
Total net position	\$ 374,082,846	\$ 270,935,770	\$ 645,018,616	\$ 51,195,503	\$ (798,002)

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Grand Prairie, Texas
Statement of Activities
For the Year Ended September 30, 2019

Functions/Activity	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Support services	\$ 30,669,782	\$ 5,980,183	\$ 236,336	\$ -
Public safety services	109,767,831	16,094,926	3,811,946	-
Recreation and leisure services	35,232,643	13,181,720	744,002	-
Development services and other	102,740,890	15,932,228	35,073,295	8,575,572
Interest on long-term debt	14,987,576	-	-	-
Total governmental activities	293,398,722	51,189,057	39,865,579	8,575,572
Business-type activities:				
Water and wastewater	74,389,255	74,890,101	-	10,305,819
Solid waste	13,009,026	14,117,342	-	-
Municipal airport	2,962,253	2,189,495	31,007	-
Municipal golf course	3,458,592	2,283,669	-	-
Storm water	2,647,816	7,210,656	-	5,235,823
Total business-type activities	96,466,942	100,691,263	31,007	15,541,642
Total primary government	\$ 389,865,664	\$ 151,880,320	\$ 39,896,586	\$ 24,117,214
Component units:				
Grand Prairie Sports Facilities Development	\$ 7,211,123	\$ 1,132,668	\$ -	\$ 1,085,723
Grand Prairie Housing Finance Corporation	6,274,206	6,182,455	-	-
Total component units	\$ 13,485,329	\$ 7,315,123	\$ -	\$ 1,085,723
General revenues:				
Taxes				
Property taxes				
Sales taxes				
Hotel/motel and other taxes				
Franchise fees (and those based on gross receipts)				
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				

The Notes to the Basic Financial Statements are an integral part of this statement.

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		
\$ (24,453,263)	\$ -	\$ (24,453,263)	\$ -	\$ -
(89,860,959)	-	(89,860,959)	-	-
(21,306,921)	-	(21,306,921)	-	-
(43,159,795)	-	(43,159,795)	-	-
(14,987,576)	-	(14,987,576)	-	-
(193,768,514)	-	(193,768,514)	-	-
-	10,806,665	10,806,665	-	-
-	1,108,316	1,108,316	-	-
-	(741,751)	(741,751)	-	-
-	(1,174,923)	(1,174,923)	-	-
-	9,798,663	9,798,663	-	-
-	19,796,970	19,796,970	-	-
(193,768,514)	19,796,970	(173,971,544)	-	-
			(4,992,732)	-
			-	(91,751)
			(4,992,732)	(91,751)
106,378,593	-	106,378,593	-	-
69,672,182	-	69,672,182	-	-
2,231,019	-	2,231,019	-	-
14,796,138	-	14,796,138	-	-
9,776,886	65,360	9,842,246	298,642	20,343
7,253,810	(7,253,810)	-	-	-
-	(108,599)	(108,599)	-	-
210,108,628	(7,297,049)	202,811,579	298,642	20,343
16,340,114	12,499,921	28,840,035	(4,694,090)	(71,408)
357,742,732	258,435,849	616,178,581	55,889,593	(726,594)
\$ 374,082,846	\$ 270,935,770	\$ 645,018,616	\$ 51,195,503	\$ (798,002)

City of Grand Prairie, Texas

Balance Sheet
 Governmental Funds
 September 30, 2019

	General	Section 8	Streets CIP
ASSETS			
Cash and cash equivalents	\$ 24,512,549	\$ 380,095	\$ 1,623,912
Investments	17,577,463	533,109	40,360,381
Property tax receivable, net	1,489,963	-	-
Sales tax receivable	5,957,606	-	-
Franchise fees receivable	2,656,448	-	-
Other receivables, net	2,206,953	-	-
Intergovernmental receivables	1,768,052	-	-
Due from other funds	-	-	-
Inventory	-	-	-
Prepays	-	-	-
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Total assets	56,169,034	913,204	41,984,293
LIABILITIES			
Accounts payable	2,987,729	39,614	537,812
Retainage payable	-	-	238,525
Accrued liabilities	5,681,315	100,956	-
Due to other funds	252,330	-	-
Customer deposits	-	-	-
Unearned revenue	627,099	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	9,548,473	140,570	776,337
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	1,440,290	-	-
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	1,440,290	-	-
FUND BALANCES			
Nonspendable	-	-	-
Restricted	505,059	772,634	17,448,839
Committed	-	-	23,759,117
Assigned	3,121,096	-	-
Unassigned	41,554,116	-	-
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Total fund balances	45,180,271	772,634	41,207,956
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Total liabilities, deferred inflows of resources and fund balances	\$ 56,169,034	\$ 913,204	\$ 41,984,293
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The Notes to the Basic Financial Statements are an integral part of this statement.

Grants	Debt Service	Epic 2 CIP	Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,012,747	\$ 250,624	\$ 41,180,836	\$ 48,259,477	\$ 119,220,240
-	3,500,000	-	84,330,672	146,301,625
-	641,840	-	-	2,131,803
-	-	-	5,960,669	11,918,275
-	-	-	68,632	2,725,080
19,179	8,795	-	1,562,134	3,797,061
443,758	-	-	-	2,211,810
-	-	-	3,598,296	3,598,296
-	-	-	57,106	57,106
-	-	-	18,801	18,801
3,475,684	4,401,259	41,180,836	143,855,787	291,980,097
1,310,528	87,150	461,375	8,002,219	13,426,427
-	-	676,741	1,730,282	2,645,548
94,123	-	-	1,403,106	7,279,500
-	-	-	3,345,966	3,598,296
-	-	-	37,781	37,781
355,451	-	-	2,205,485	3,188,035
1,760,102	87,150	1,138,116	16,724,839	30,175,587
-	579,349	-	-	2,019,639
-	579,349	-	-	2,019,639
-	-	-	75,907	75,907
1,715,582	3,734,760	40,042,720	69,293,615	133,513,209
-	-	-	57,761,426	81,520,543
-	-	-	-	3,121,096
-	-	-	-	41,554,116
1,715,582	3,734,760	40,042,720	127,130,948	259,784,871
<u>\$ 3,475,684</u>	<u>\$ 4,401,259</u>	<u>\$ 41,180,836</u>	<u>\$ 143,855,787</u>	<u>\$ 291,980,097</u>

City of Grand Prairie, Texas
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2019

Total fund balance - total governmental funds		\$ 259,784,871
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
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 \$1,626,525).		684,077,547
Certain revenues are not available to pay for current-period expenditures; therefore, these revenues are deferred in the funds.		2,019,639
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	(2,863,679)	
Unamortized loss of bond refundings	2,366,413	
Deferred pension and OPEB contributions, and investment and actuarial experience (excluding internal service fund totals of \$455,965).	31,211,429	30,714,163
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 \$2,718,830).		15,495,426
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	(426,790,000)	
Unamortized bond premium/discount, net	(26,528,815)	
Compensated absences (excluding internal service fund totals of \$48,607)	(18,315,323)	
Other post employment benefits (excluding internal service fund totals of \$760,081)	(54,759,003)	
Net pension liability (excluding internal service fund totals of \$1,311,695)	(90,238,478)	
Environmental remediation obligation	(77,037)	
Other liabilities	(1,300,144)	(618,008,800)
Net position of governmental activities		\$ 374,082,846

The Notes to the Basic Financial Statements are an integral part of this statement.



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City of Grand Prairie, Texas
Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019

	<u>General</u>	<u>Section 8</u>	<u>Streets CIP</u>
REVENUES			
Property taxes	\$ 66,107,431	\$ -	\$ -
Sales taxes	34,381,013	-	-
Other taxes	307,752	-	-
Franchise fees	14,796,138	-	-
Charges for goods and services	5,964,359	6,394,316	-
Licenses and permits	3,242,194	276,854	-
Fines and forfeitures	7,380,465	-	-
Intergovernmental	2,610,586	30,240,183	-
General and administrative	4,886,831	-	-
Rents and royalties	292,710	-	-
Investment income	9,490,011	-	-
Contributions	131,686	-	-
Other	1,116,180	41,548	118,067
	<hr/>	<hr/>	<hr/>
Total revenues	150,707,356	36,952,901	118,067
EXPENDITURES			
Current operations:			
Support services	22,976,923	-	-
Public safety services	87,527,565	-	-
Recreation and leisure services	2,844,027	-	-
Development services and other	13,461,438	37,002,422	9,725,625
Capital outlay	815,459	38,680	9,687,553
Debt service:			
Principal retirement	-	-	-
Interest and other charges	4,456	-	284,166
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Total expenditures	127,629,868	37,041,102	19,697,344
Excess (deficiency) of revenues over (under) expenditures	23,077,488	(88,201)	(19,579,277)
OTHER FINANCING SOURCES (USES)			
Transfers in	253,579	79,091	1,003,165
Transfers out	(12,957,767)	(50,000)	(33,944)
Bonds issued	-	-	31,181,550
Premium on bonds issued	-	-	3,339,395
Proceeds from sale of capital assets	1,061,920	7,851	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(11,642,268)	36,942	35,490,166
Net change in fund balances	11,435,220	(51,259)	15,910,889
Fund balances - beginning of year	33,745,051	823,893	25,297,067
	<hr/>	<hr/>	<hr/>
Fund balances - end of year	\$ 45,180,271	\$ 772,634	\$ 41,207,956

The Notes to the Basic Financial Statements are an integral part of this statement.

Grants	Debt Service	Epic 2 CIP	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 29,543,689	\$ -	\$ 10,407,365	\$ 106,058,485
-	-	-	35,130,394	69,511,407
-	-	-	1,923,267	2,231,019
-	-	-	-	14,796,138
1,212	-	-	15,806,255	28,166,142
-	-	-	211,975	3,731,023
-	-	-	2,945,674	10,326,139
3,603,755	-	-	566,797	37,021,321
-	-	-	-	4,886,831
-	-	-	4,469,291	4,762,001
2,030	-	274,026	10,819	9,776,886
199,943	-	-	3,444,855	3,776,484
-	-	-	399,563	1,675,358
3,806,940	29,543,689	274,026	75,316,255	296,719,234
-	-	-	3,102,915	26,079,838
1,305,019	-	-	8,534,826	97,367,410
198,120	-	1,073,820	24,545,921	28,661,888
2,583,659	-	-	16,102,041	78,875,185
2,288,285	-	3,337,129	48,383,800	64,550,906
-	21,050,000	-	10,035,000	31,085,000
-	10,344,745	529,124	4,521,704	15,684,195
6,375,083	31,394,745	4,940,073	115,226,207	342,304,422
(2,568,143)	(1,851,056)	(4,666,047)	(39,909,952)	(45,585,188)
5,467,157	50,000	8,402,683	22,765,985	38,021,660
(554,234)	-	-	(15,141,592)	(28,737,537)
-	-	34,305,000	51,438,450	116,925,000
-	-	-	4,202,218	7,541,613
-	-	-	57,226	1,126,997
4,912,923	50,000	42,707,683	63,322,287	134,877,733
2,344,780	(1,801,056)	38,041,636	23,412,335	89,292,545
(629,198)	5,535,816	2,001,084	103,718,613	170,492,326
\$ 1,715,582	\$ 3,734,760	\$ 40,042,720	\$ 127,130,948	\$ 259,784,871

City of Grand Prairie, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities For the Year Ended September 30, 2019

Net change in fund balances - total governmental funds	\$ 89,292,545
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.	64,550,906
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 \$194,365).	(43,131,371)
Governmental funds do not report capital contributions.	7,795,044
The net effect of various transactions involving capital assets (i.e., disposals, sales, and reassignments) are not reported in the governmental funds.	(394,425)
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	(116,925,000)
Bond principal retirement	31,085,000
Bond premium issued	(7,541,613)
Amortization of bond premiums/discounts	1,714,043
Amortization of loss on refundings	(264,781)
	(91,932,351)
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	(752,643)
Compensated absences	(289,917)
Pollution remediation obligation	(18,662)
Postemployment benefit obligation	(1,748,415)
Pension liability	(44,823,813)
Deferred pension and OPEB contributions, and investment and actuarial experience	34,625,733
Other liabilities	160,775
	(12,846,942)
Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(269,428)
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 \$638,385).	3,276,136
Change in net position of governmental activities	\$ 16,340,114

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Grand Prairie, Texas
Statement of Net Position
Proprietary Funds
September 30, 2019

	Business-Type Activities - Enterprise Funds				Governmental
	Water Wastewater	Solid Waste	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 11,411,835	\$ 4,394,846	\$ 1,632,853	\$ 17,439,534	\$ 5,911,490
Investments	64,154,009	13,624,532	2,669,467	80,448,008	17,000,000
Accounts receivable, net	6,714,905	634,217	800,707	8,149,829	-
Intergovernmental receivable	-	-	48,130	48,130	-
Inventories and supplies	630,769	-	98,063	728,832	100,243
Prepays	-	-	33,600	33,600	444,083
Restricted assets:					
Cash and cash equivalents	6,903,497	-	-	6,903,497	-
Investments	8,265,842	-	76,352	8,342,194	-
Total current assets	98,080,857	18,653,595	5,359,172	122,093,624	23,455,816
Noncurrent assets:					
Capital assets:					
Land	2,323,249	1,748,378	759,707	4,831,334	737,566
Buildings	2,684,793	1,941,583	15,164,448	19,790,824	1,705,575
Equipment	13,492,836	9,385,323	2,300,333	25,178,492	2,304,194
Infrastructure	333,806,096	10,613,146	42,950,505	387,369,747	-
Construction in progress	25,722,078	2,567,382	359,428	28,648,888	-
Less: accumulated depreciation	(189,374,022)	(11,760,125)	(28,099,647)	(229,233,794)	(3,120,810)
Total noncurrent assets	188,655,030	14,495,687	33,434,774	236,585,491	1,626,525
Total assets	286,735,887	33,149,282	38,793,946	358,679,115	25,082,341
DEFERRED OUTFLOWS OF RESOURCES					
Debt refundings	471,971	-	-	471,971	-
Related to OPEB	42,709	14,528	13,884	71,121	9,185
Related to TMRS pension	2,243,238	796,242	761,606	3,801,086	519,079
Total deferred outflows of resources	2,757,918	810,770	775,490	4,344,178	528,264
LIABILITIES					
Current liabilities:					
Accounts payable	3,999,635	498,241	248,805	4,746,681	927,902
Retainage payable	121,403	-	-	121,403	-
Accrued interest	321,775	-	5,439	327,214	-
Accrued liabilities	575,758	242,265	127,077	945,100	4,275,765
Compensated absences	232,538	56,148	85,170	373,856	48,607
Unearned revenue	905,606	-	135,677	1,041,283	-
Current portion of long-term debt	5,235,000	-	160,000	5,395,000	-
Current liabilities payable from restricted assets:					
Customer deposits	4,930,765	-	76,352	5,007,117	-
Total current liabilities	16,322,480	796,654	838,520	17,957,654	5,252,274
Noncurrent liabilities:					
Compensated absences	38,148	30,584	29,424	98,156	-
Other postemployment benefits	3,534,176	1,202,189	1,148,785	5,885,150	760,081
Closure and postclosure liability	-	8,232,699	-	8,232,699	-
Net pension liability	5,675,034	2,014,367	1,926,743	9,616,144	1,311,695
Long-term debt	51,743,033	-	725,000	52,468,033	-
Total noncurrent liabilities	60,990,391	11,479,839	3,829,952	76,300,182	2,071,776
Total liabilities	77,312,871	12,276,493	4,668,472	94,257,836	7,324,050
DEFERRED INFLOWS OF RESOURCES					
Related to OPEB	211,259	71,862	68,669	351,790	45,434
Related to TMRS pension	116,099	41,211	39,417	196,727	26,865
Total deferred inflows of resources	327,358	113,073	108,086	548,517	72,299
NET POSITION					
Net investment in capital assets	129,194,197	14,495,687	32,549,774	176,239,658	1,626,525
Restricted for:					
Debt service	7,770,761	-	-	7,770,761	-
Capital projects	51,576,210	-	-	51,576,210	-
Unrestricted	23,312,408	7,074,799	2,243,104	32,630,311	16,587,731
Total net position	\$ 211,853,576	\$ 21,570,486	\$ 34,792,878	\$ 268,216,940	\$ 18,214,256
Reconciliation to government-wide Statement of Net Position:					
Adjustments to reflect the consolidation of internal service fund activities related to Enterprise Funds				2,718,830	
Net position of business-type activities				\$ 270,935,770	

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Grand Prairie, Texas
Statement of Revenues, Expenses,
And Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2019

	Business-Type Activities - Enterprise Funds				Governmental
	Water Wastewater	Solid Waste	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
OPERATING REVENUES					
Water sales	\$ 42,337,949	\$ -	\$ -	\$ 42,337,949	\$ -
Wastewater services	28,616,537	-	-	28,616,537	-
Water and wastewater fees	2,757,880	-	-	2,757,880	-
Wastewater surcharges	824,590	-	-	824,590	-
Solid waste fees	-	13,923,016	-	13,923,016	-
Charges for services	-	-	10,971,799	10,971,799	6,198,393
Intergovernmental revenue	-	-	31,007	31,007	-
Insurance premiums	-	-	-	-	26,122,284
Miscellaneous	353,145	194,326	712,021	1,259,492	9,718
Total operating revenue	74,890,101	14,117,342	11,714,827	100,722,270	32,330,395
OPERATING EXPENSES					
Salaries and benefits	8,724,269	3,178,149	3,084,281	14,986,699	2,127,829
Supplies and miscellaneous purchases	1,209,422	589,134	1,336,576	3,135,132	2,515,779
Purchased services	6,501,575	5,601,531	1,987,092	14,090,198	1,069,957
Insurance costs	-	-	-	-	20,130,766
Water purchases	13,463,858	-	-	13,463,858	-
Wastewater treatment	18,689,151	-	-	18,689,151	-
General and administrative costs	4,093,278	411,308	140,486	4,645,072	-
Franchise fees	2,840,985	373,833	289,097	3,503,915	-
Miscellaneous	1,572,938	921,386	336,165	2,830,489	437,440
Depreciation	14,620,755	1,487,597	1,974,345	18,082,697	194,365
Total operating expenses	71,716,231	12,562,938	9,148,042	93,427,211	26,476,136
Operating income	3,173,870	1,554,404	2,566,785	7,295,059	5,854,259
NONOPERATING REVENUES (EXPENSES)					
Investment income	65,360	-	-	65,360	-
Gain (loss) on property disposition	(1,625,935)	(560,616)	2,893	(2,183,658)	(26,115)
Interest expense	(1,446,477)	(1,098)	(46,882)	(1,494,457)	-
Total nonoperating revenues (expenses)	(3,007,052)	(561,714)	(43,989)	(3,612,755)	(26,115)
Income before contributions and transfers	166,818	992,690	2,522,796	3,682,304	5,828,144
CONTRIBUTIONS AND TRANSFERS					
Capital contributions-impact fees	1,897,862	-	-	1,897,862	-
Capital contributions	8,407,956	-	5,235,823	13,643,779	-
Transfers in - capital assets	-	-	-	-	116,690
Transfers out - capital assets	(68,558)	(40,041)	-	(108,599)	-
Transfers in	125,559	-	1,899,011	2,024,570	450,000
Transfers out	(3,562,207)	(300,907)	(5,415,266)	(9,278,380)	(2,480,313)
Total contributions and transfers	6,800,612	(340,948)	1,719,568	8,179,232	(1,913,623)
Change in net position	6,967,430	651,742	4,242,364	11,861,536	3,914,521
Net position - beginning of year	204,886,146	20,918,744	30,550,514	256,355,404	14,299,735
Net position - end of year	\$ 211,853,576	\$ 21,570,486	\$ 34,792,878	\$ 268,216,940	\$ 18,214,256
Reconciliation to government-wide Statement of Activities:					
Total change in net position				\$ 11,861,536	
Adjustments to reflect the consolidation of internal service fund activities related to Enterprise Funds				638,385	
Change in net position of business-type activities				<u>\$ 12,499,921</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Grand Prairie, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2019

	Business-Type Activities - Enterprise Funds				Governmental
	Water Wastewater	Solid Waste	Other Nonmajor	Total	Activities Internal Service Funds
Cash flows from operating activities:					
Cash receipts from customers	\$ 74,105,215	\$ 13,937,295	\$ 11,046,078	\$ 99,088,588	\$ -
Cash receipts from city and employee contributions	-	-	-	-	26,122,284
Cash receipts from interfund services provided	-	-	-	-	6,198,393
Cash receipts from other governments	-	-	2,162	2,162	-
Other operating cash receipts	353,145	194,326	712,021	1,259,492	9,718
Cash payments to suppliers for goods and services	(48,099,625)	(6,286,366)	(3,835,656)	(58,221,647)	(4,071,073)
Cash payments to employees for services	(8,063,974)	(2,877,958)	(2,803,610)	(13,745,542)	(1,740,459)
Cash payments for interfund services used	-	-	(289,097)	(289,097)	(20,130,766)
Other operating cash payments	(4,413,923)	(1,295,219)	(140,486)	(5,849,628)	-
Net cash provided by (used in) operating activities	13,880,838	3,672,078	4,691,412	22,244,328	6,388,097
Cash flows from noncapital financing activities:					
Transfers from other funds	125,559	-	1,899,011	2,024,570	566,690
Transfers to other funds	(3,562,207)	(300,907)	(5,415,266)	(9,278,380)	(2,480,313)
Contributions from other governments	710,381	-	-	710,381	-
Net cash provided by (used in) noncapital financing activities	(2,726,267)	(300,907)	(3,516,255)	(6,543,429)	(1,913,623)
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds	3,730,800	-	-	3,730,800	-
Capital impact fees from developers	1,897,862	-	-	1,897,862	-
Proceeds from disposition of capital assets	160,596	168,299	1,202,893	1,531,788	(26,115)
Acquisition and construction of capital assets	(8,793,453)	(2,072,535)	(495,828)	(11,361,816)	(203,589)
Principal paid on debt	(4,940,000)	(330,129)	(150,000)	(5,420,129)	-
Interest paid on debt	(1,604,918)	(1,098)	(47,749)	(1,653,765)	-
Net cash provided by (used in) capital and related financing activities	(9,549,113)	(2,235,463)	509,316	(11,275,260)	(229,704)
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	-	4	-	4	-
Interest received on investments	65,360	-	-	65,360	-
Net cash provided by (used in) investing activities	65,360	4	-	65,364	-
Net (decrease) increase in cash and equivalents	1,670,818	1,135,712	1,684,473	4,491,003	4,244,770
Cash and cash equivalents - beginning of year	16,644,514	3,259,134	(51,620)	19,852,028	1,666,720
Cash and cash equivalents - end of year	\$ 18,315,332	\$ 4,394,846	\$ 1,632,853	\$ 24,343,031	\$ 5,911,490
Reconciliation of operating income (loss) from operations to net cash from operating activities:					
Operating income (loss)	\$ 3,173,870	\$ 1,554,404	\$ 2,566,785	\$ 7,295,059	\$ 5,854,259
Adjustments to operating income (loss) to net cash from operating activities:					
Depreciation	14,620,755	1,487,597	1,974,345	18,082,697	194,365
Provisions for uncollectible accounts	(216,722)	(57,461)	(12,279)	(286,462)	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(642,816)	71,740	83,592	(487,484)	-
(Increase) decrease in due from other governments	-	-	(28,845)	(28,845)	-
(Increase) decrease in inventories and supplies	(116,556)	-	(26,078)	(142,634)	(28,800)
(Increase) decrease in prepaids	-	-	12,455	12,455	-
Increase (decrease) in accounts payable	(4,116,093)	8,268	(170,981)	(4,278,806)	(19,097)
Increase (decrease) in retainage payable	(12,642)	-	-	(12,642)	-
Increase (decrease) in accrued liabilities	102,950	307,339	19,542	429,831	196,785
Increase (decrease) in customer deposits	427,797	-	2,966	430,763	-
Increase (decrease) in unearned revenue	-	-	(10,761)	(10,761)	-
Increase (decrease) in compensated absences	(17,545)	17,137	9,026	8,618	(11,643)
Increase (decrease) in OPEB liability	48,675	16,557	15,822	81,054	10,466
Increase (decrease) in pension liability	629,165	266,497	255,823	1,151,485	191,762
Net cash provided by (used in) operating activities	\$ 13,880,838	\$ 3,672,078	\$ 4,691,412	\$ 22,244,328	\$ 6,388,097
Noncash investing, capital and financing activities:					
Capital contributions from developers/granting agencies	\$ 8,407,956	\$ -	\$ 5,235,823	\$ 13,643,779	\$ -
Reconciliation of ending cash and cash equivalents to Statement of Net Position:					
Unrestricted cash and cash equivalents - end of year	\$ 11,411,835	\$ 4,394,846	\$ 1,632,853	\$ 17,439,534	\$ 5,911,490
Restricted cash and cash equivalents - end of year	6,903,497	-	-	6,903,497	-
Total cash and cash equivalents - end of year	\$ 18,315,332	\$ 4,394,846	\$ 1,632,853	\$ 24,343,031	\$ 5,911,490

The Notes to the Basic Financial Statements are an integral part of this statement.



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Notes to the Basic Financial Statements



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City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Introduction

The City of Grand Prairie (City) is one of the Mid-Cities in the Dallas-Fort Worth Metroplex, 12 miles west of downtown Dallas, 18 miles east of downtown Fort Worth and 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.

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

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.

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, 2018, 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, Texas 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.

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

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

The GASB pronouncements effective in fiscal year 2019 and 2020 are listed as follows:

The GASB issued Statement No. 83, Certain Asset Retirement Obligations, in November 2016. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This standard became effective for the City in fiscal year 2019. The implementation had no effect on the City's financial statements.

The GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Debt Borrowings and Direct Placements, in April 2018. This statement improves the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. This standard became effective for the City in fiscal year 2019. The implementation had no effect on the City's financial statements.

The GASB issued Statement No. 84, Fiduciary Activities, in January 2017. This statement establishes standards of accounting and financial reporting for fiduciary activities. This standard becomes effective for the City in fiscal year 2020. This City has not yet determined the impact of this statement.

The GASB issued Statement No. 87, Leases, in June 2017. This Statement established standards of accounting and financial reporting for lease by lessees and lessors. This standard becomes effective for the City in fiscal year 2021. The City has not yet determined the impact of this statement.

The GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement establishes objectives to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and to simplify accounting for interest cost incurred before the end of a construction period. This standard becomes effective for the City in fiscal year 2021. The City has not yet determined the impact of this statement.

C. 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.

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

The Statement of Activities reports the change in the City's net position from October 1, 2018 to September 30, 2019. 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, 2019, 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 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.

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

Epic 2 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, 2019, 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.

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 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.

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

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.

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.

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

D. 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 2019, the funds receiving allocation of interest earnings were the Grants Fund, Epic 2 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.

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, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition 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

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

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 the following 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 and OPEB Employer contributions** – contributions made from the measurement date of the plans to the current fiscal year end (January to September). These contributions are deferred and recognized in the subsequent fiscal year.
- **Pension and OPEB investment experience** – the difference between projected and actual earnings of plan investments. The difference is deferred and recognized as pension plan expense over a closed five-year period as required by GASB No. 68 and 75.
- **Pension and OPEB assumption changes** – the difference resulting from a change in assumptions used to measure the underlying net pension and OPEB liability. These differences are deferred and recognized over the estimated average remaining lives of all members as of the beginning of the measurement period.

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 the following 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.
- **Pension and OPEB actuarial experience** – the difference between the expected and actual experience in the actuarial measurement of the total pension and OPEB 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 or OPEB through the plans (active and inactive employees) for the City determined at the beginning of the measurement date.
- **OPEB assumption changes** – the difference resulting from a change in assumptions used to measure the underlying net pension and OPEB liability. These differences are deferred and recognized over the estimated average remaining lives of all members as of the beginning of the measurement period.
- **Pension investment experience** – the difference between projected and actual earnings of plan investments. The difference is deferred and recognized as pension plan expense over a closed five-year period as required by GASB No. 68.

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

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 upon separation of employment. Fire and police civil service employees who have completed their introductory period are paid up to 90 days sick leave upon separation of employment, excluding indefinite suspensions. The valuation of the civil service sick leave is at current pay rates. The valuation of accrued compensated absences includes salary-related payments such as the City's share of taxes and contributions to the retirement plan in accordance with GASB 16.

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 78.

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.

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.

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

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 50 to 60 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.

E. 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.

Note 2. Detailed Notes

A. Deposits and Investments

Cash and Cash Equivalents

At September 30, 2019, the City reported cash and cash equivalents in the Statement of Net Position as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash	\$ 10,495,401	\$ 6,903,497	\$ 17,398,898
Pooled investments	120,085,615	11,990,248	132,075,863
Total cash and cash equivalents	<u><u>\$ 130,581,016</u></u>	<u><u>\$ 18,893,745</u></u>	<u><u>\$ 149,474,761</u></u>

City Of Grand Prairie, Texas
 Notes to the Basic Financial Statements
 September 30, 2019

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

Financial Institution	Book Balance	Bank Balance
Wells Fargo and BNY Mellon	\$ 17,372,492	\$ 19,048,332
Petty Cash	26,406	-
Total cash	\$ 17,398,898	\$ 19,048,332

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. The above book balance includes monies held in escrow, pushing the book balance above the collateral value. Per Wells Fargo Bank, N.A. and BNY Mellon's contractual obligation to the City, the collateral value held in the City's name at September 30, 2019 was \$9,050,261.

Grand Prairie Sports Facilities Development

At September 30, 2019, the carrying amount of the Sports Corporation's deposits included in cash and cash equivalents was \$72,271 while the bank balance of the Sports Corporation's deposits was \$72,751. 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, 2018, including restricted cash, totaled \$743,761 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 \$644,391. Restricted cash of \$99,370 (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 reserves of \$126,715 and bonds held by a trustee of \$1,204,741 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.

- 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.

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

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:

	September 30, 2019	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)		
Cash	\$ 17,398,898	\$ -	\$ -	\$ -		
Investments measured at amortized cost:						
Investment Pools:						
Texpool	89,222,124	-	-	-	1	AAAm
Investments measured at net asset value (NAV):						
Investment Pools:						
TexStar	42,853,739	-	-	-	1	AAAm
Investments by fair value level:						
U.S. government agency securities:						
US Treasuries	29,004,706	-	29,004,706	-	3	AAA
FAMCA	49,073,639	-	49,073,639	-	367	Not Rated
FFCB	53,236,109	-	53,236,109	-	515	AAA
FHLB	55,819,083	-	55,819,083	-	206	AAA
FHLMC	41,001,660	-	41,001,660	-	211	AAA
FNMA	23,956,630	-	23,956,630	-	178	AAA
Total	\$ 401,566,588	\$ -	\$ 252,091,827	\$ -		

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 (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.

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

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 policies. 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, 2019.

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.

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

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 2018-2019 fiscal year.

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:

	September 30, 2019	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)		
Cash	\$ 72,271	\$ -	\$ -	\$ -		
Investments measured at amortized cost:						
Investment Pools:						
Texpool	4,338,183	-	-	-	1	AAAm
Investments by fair value level:						
U.S. government agency securities:						
US Treasuries	998,815	-	998,815	-	119	Not Rated
FFCB	3,007,997	-	3,007,997	-	214	AAA
FNMA	1,498,689	-	1,498,689	-	112	AAA
Total	\$ 9,915,955	\$ -	\$ 5,505,501	\$ -		

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, 2019 was \$4,338,183 in the Public Funds Investment Pool (TexPool) and \$5,505,501 in U.S. agency instrumentalities.

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

B. Receivables

At September 30, 2019, receivables, including applicable allowances for uncollectible accounts, consisted of the following:

Governmental Activities	General	Grants	Debt Service	Nonmajor Governmental	Total Governmental
Receivables:					
Property taxes	\$ 2,341,099	\$ -	\$ 972,115	\$ -	\$ 3,313,214
Sales taxes	5,957,606	-	-	5,960,669	11,918,275
Franchise fees	2,656,448	-	-	68,632	2,725,080
Other	2,657,086	19,179	8,795	1,562,134	4,247,194
Total receivables, gross	13,612,239	19,179	980,910	7,591,435	22,203,763
Less:					
Allowance for uncollectibles	(1,301,269)	-	(330,275)	-	(1,631,544)
Total receivables, net	\$ 12,310,970	\$ 19,179	\$ 650,635	\$ 7,591,435	\$ 20,572,219

Business-Type Activities:	Water Wastewater	Solid Waste	Other Nonmajor	Total Business-Type
Receivables:				
Trade accounts	\$ 11,282,162	\$ 1,788,569	\$ 868,456	\$ 13,939,187
Other	-	-	165,000	165,000
Total receivables, gross	11,282,162	1,788,569	1,033,456	14,104,187
Less:				
Allowance for uncollectibles	(4,567,257)	(1,154,352)	(232,749)	(5,954,358)
Total receivables, net	\$ 6,714,905	\$ 634,217	\$ 800,707	\$ 8,149,829

C. Restricted Assets

At September 30, 2019, restricted assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 11,990,248	\$ 6,903,497	\$ 18,893,745
Investments	128,724,162	8,342,194	137,066,356
	\$ 140,714,410	\$ 15,245,691	\$ 155,960,101

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

Assets were restricted for the following purposes:

Purpose	Governmental Activities	Business-Type Activities	Total
Customer deposits	\$ 37,781	\$ 5,007,117	\$ 5,044,898
Debt service	4,314,109	7,770,761	12,084,870
Capital projects	85,666,391	2,467,813	88,134,204
Support services	8,299,083	-	8,299,083
Public safety	17,377,077	-	17,377,077
Recreation and leisure	11,684,374	-	11,684,374
Development services	12,890,297	-	12,890,297
Other specific purposes	445,298	-	445,298
Total restricted assets	\$ 140,714,410	\$ 15,245,691	\$ 155,960,101

D. Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

Governmental Activities	Balance October 1, 2018	Additions	Transfers/ Disposals/ Reclassification	Balance September 30, 2019
Non-depreciable capital assets:				
Land	\$ 46,573,694	\$ 52,753	\$ 82,406	\$ 46,708,853
Construction in progress	163,246,220	56,955,396	(52,061,537)	168,140,079
Total non-depreciable capital assets	209,819,914	57,008,149	(51,979,131)	214,848,932
Depreciable capital assets:				
Buildings	208,833,286	994,666	21,927,843	231,755,795
Equipment	123,576,348	5,888,857	(2,720,106)	126,745,099
Infrastructure	597,004,594	8,535,622	27,455,771	632,995,987
Total depreciable capital assets	929,414,228	15,419,145	46,663,508	991,496,881
Less accumulated depreciation for:				
Buildings	(78,400,924)	(7,387,723)	-	(85,788,647)
Equipment	(70,517,868)	(10,921,641)	5,043,443	(76,396,066)
Infrastructure	(333,440,656)	(25,016,372)	-	(358,457,028)
Total accumulated depreciation	(482,359,448)	(43,325,736)	5,043,443	(520,641,741)
Total depreciable capital assets, net	447,054,780	(27,906,591)	51,706,951	470,855,140
Total capital assets, net	\$ 656,874,694	\$29,101,558	\$ (272,180)	\$ 685,704,072

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

Business-Type Activities	Balance October 1, 2018	Additions	Transfers/ Disposals/ Reclassification	Balance September 30, 2019
Non-depreciable capital assets:				
Land	\$ 4,717,011	\$ 114,323	\$ -	\$ 4,831,334
Construction in progress	24,493,829	8,177,589	(4,022,530)	28,648,888
Total non-depreciable capital assets	29,210,840	8,291,912	(4,022,530)	33,480,222
Depreciable capital assets:				
Buildings	19,891,241	63,220	(163,637)	19,790,824
Equipment	37,949,631	2,983,116	(15,754,255)	25,178,492
Infrastructure	403,603,133	12,728,572	(28,961,958)	387,369,747
Total depreciable capital assets	461,444,005	15,774,908	(44,879,850)	432,339,063
Less accumulated depreciation for:				
Buildings	(8,903,204)	(611,754)	163,635	(9,351,323)
Equipment	(22,868,311)	(2,823,529)	13,312,097	(12,379,743)
Infrastructure	(225,657,910)	(14,647,414)	32,802,596	(207,502,728)
Total accumulated depreciation	(257,429,425)	(18,082,697)	46,278,328	(229,233,794)
Total depreciable capital assets, net	204,014,580	(2,307,789)	1,398,478	203,105,269
Total capital assets, net	\$ 233,225,420	\$ 5,984,123	\$ (2,624,052)	\$ 236,585,491

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

Governmental activities:		Business-type activities:	
Support services	\$ 4,053,378	Water and wastewater	\$ 14,620,755
Public safety services	8,002,308	Solid waste	1,487,597
Recreation and leisure services	8,087,137	Other business-type activities	1,974,345
Development services	22,988,548		
Internal services funds (see note below)	194,365		
Total governmental activities	\$ 43,325,736	Total business-type activities	\$ 18,082,697

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, 2019, a summary of changes in capital assets of the Sports Corporation was as follows:

	Balance October 1, 2018	Additions/ Completions	Transfers/ Disposals/ Reclasses	Balance September 30, 2019
Equipment	\$ 310,078	\$ -	\$ -	\$ 310,078
Less accumulated depreciation	(310,078)	-	-	(310,078)
Total	\$ -	\$ -	\$ -	\$ -

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

At September 30, 2019, a summary of changes in capital assets of the Housing Finance Corporation was as follows:

	Balance January 1, 2018	Additions/ Completions	Transfers/ Disposals/ Reclasses	Balance December 31, 2018
Non-depreciable capital assets:				
Land	\$ 1,612,851	\$ -	\$ -	\$ 1,612,851
Total non-depreciable capital assets	1,612,851	-	-	1,612,851
Depreciable capital assets:				
Buildings	20,584,396	661,472	(360,344)	20,885,524
Less accumulated depreciation	(9,027,105)	(986,644)	360,344	(9,653,405)
Total depreciable capital assets, net	11,557,291	(325,172)	-	11,232,119
Housing Finance Corporation assets, net	<u>\$ 13,170,142</u>	<u>\$ (325,172)</u>	<u>\$ -</u>	<u>\$ 12,844,970</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, 2019, 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 Center/Sales Tax Fund for \$3,002,683. 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 2 CIP Fund to begin planning for this project. A portion of the funds loaned remain outstanding at September 30, 2019.

At September 30, 2019, interfund balances existed between the Red Light Safety Fund and the General Fund for \$252,330, between the Red Light Safety Fund and the Crime Sales Tax Fund for \$38,820, and between the Red Light Safety Fund and the Other Capital Projects Fund for \$213,510.

Cost Reimbursements

The cost of the City's central general and administrative services is allocated to the designated special revenue and enterprise funds. These costs are reported as interfund services provided and used rather than interfund 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.

City Of Grand Prairie, Texas
 Notes to the Basic Financial Statements
 September 30, 2019

For the year ended September 30, 2019, cost reimbursements were as follows:

Fund	Amount
Water and wastewater funds	\$ 4,093,278
Solid waste funds	411,308
Storm water funds	67,722
Airport fund	72,764
Other nonmajor governmental funds	241,759
Total to general fund	\$ 4,886,831

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, 2019, franchise fees paid to the General Fund were as follows:

Fund	Amount
Water and wastewater funds	\$ 2,840,985
Solid waste funds	373,833
Storm water funds	289,097
Total	\$ 3,503,915

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.

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.

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

At September 30, 2019, 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 2 CIP Fund
General Fund	\$ -	\$ 79,091	\$ -	\$ 817,635	\$ -	\$ 2,700,000
Section 8 Fund	-	-	-	-	50,000	-
Streets CIP Fund	-	-	-	28,674	-	-
Grants Fund	-	-	97,045	-	-	-
Debt Service Fund	-	-	-	-	-	-
Nonmajor Governmental Funds	253,579	-	906,120	1,923,071	-	5,702,683
Internal Service Funds	-	-	-	795,575	-	-
Water & Wastewater Fund	-	-	-	1,902,202	-	-
Solid Waste Fund	-	-	-	-	-	-
Nonmajor Enterprise Funds	-	-	-	-	-	-
Total	\$ 253,579	\$ 79,091	\$1,003,165	\$ 5,467,157	\$ 50,000	\$ 8,402,683

Transfers out	Transfers In					
	Nonmajor Governmental Funds	Water Wastewater Fund	Solid Waste Fund	Other Nonmajor Enterprise Funds	Internal Service Fund	Total
General Fund	\$ 9,103,420	\$ -	\$ -	\$ -	\$ 257,621	\$12,957,767
Section 8 Fund	-	-	-	-	-	50,000
Streets CIP Fund	5,270	-	-	-	-	33,944
Grants Fund	347,630	109,559	-	-	-	554,234
Debt Service Fund	-	-	-	-	-	-
Nonmajor Governmental Funds	5,590,139	16,000	-	750,000	-	15,141,592
Internal Service Funds	535,727	-	-	1,149,011	-	2,480,313
Water & Wastewater Fund	1,479,336	-	-	-	180,669	3,562,207
Solid Waste Fund	289,197	-	-	-	11,710	300,907
Nonmajor Enterprise Funds	5,415,266	-	-	-	-	5,415,266
Total	\$ 22,765,985	\$ 125,559	\$ -	\$ 1,899,011	\$ 450,000	\$40,496,230

From Governmental Activities to Business-Type Activities:

- \$109,559 from Grants Fund to Water and Wastewater Fund for project funding
- \$16,000 from PID Fund to Water and Wastewater Fund for capital project funding
- \$750,000 from Park Venue Sales Tax Fund to Municipal golf Fund for fiscal operations

City Of Grand Prairie, Texas
 Notes to the Basic Financial Statements
 September 30, 2019

From Business-Type Activities to Governmental Activities:

- \$200,000 from Solid Waste Fund to Street Maintenance Fund for capital project funding
- \$89,197 from Solid Waste Fund to Street Maintenance Fund for payments in lieu of property taxes
- \$5,367,266 from Storm Water Utility Fund to Storm Drainage CIP Fund for capital project funding
- \$150,000 from Water and Wastewater Fund to IT Acquisition Fund for technology services
- \$48,000 from Airport Fund to Capital Lending Reserve for repayment of interfund loan
- \$11,710 from Solid Waste Fund to Risk Management Fund for fiscal operations
- \$180,669 from Water and Wastewater Fund to Risk Management Fund for operations
- \$1,279,336 from Water and Wastewater Fund to Street Maintenance Fund for payments in lieu of property taxes
- \$50,000 from Water and Wastewater Fund to Equipment Services Fund for capital project funding
- \$1,902,202 from Water and Wastewater Fund to Grants Fund for project funding

Other significant transfers made between governmental funds included the following:

- \$6,703,420 General to Park Venue, along with other sources, for fiscal operations
- \$4,402,683 from Epic Sales Tax Fund to Epic 2 CIP for capital project funding
- \$2,200,000 from General to IT & Equipment Acquisition funds (annual appropriation)
- \$817,635 from General to Grants to fund matching requirements related to operating grants
- \$257,621 from General to Risk Management for fiscal operations
- \$3,700,000 from Park Venue to Park Capital Fund for improvements to infrastructure and equipment at city wide parks
- \$450,000 from Lake Parks to Lake Parks CIP for improvements to park amenities
- \$1,300,000 from Capital Reserve and Capital & Lending Funds to EPIC 2 CIP for building improvements & equipment
- \$2,700,000 from General Fund to EPIC 2 CIP for capital project funding

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	\$ 1,343,838	\$ 579,349	\$ 1,923,187
Ambulance	96,452	-	96,452
Total	\$ 1,440,290	\$ 579,349	\$ 2,019,639

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

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

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, 2019.

	Governmental Activities	Business-Type Activities	Total
Prepaid pipeline lease	\$ 963,281	\$ 135,497	\$ 1,098,778
Prepaid arrangements - Cemetery Fund	1,658,188	-	1,658,188
Unspent grant funds - Texas Water Development Board	-	905,606	905,606
Prepaid rental deposits - Parks	190,757	-	190,757
Park Venue Fund deposits on events to be held	15,598	-	15,598
Event Revenue	4,760	180	4,940
Unspent program revenue - CDBG Program	355,451	-	355,451
Total unearned revenue	\$ 3,188,035	\$ 1,041,283	\$ 4,229,318

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.

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

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

	Balance October 1, 2018	Borrowings or Increase	Payments or Decrease	Balance September 30, 2019	Due Within One Year
Primary government:					
Governmental activities:					
General obligation bonds	\$ 70,210,000	\$ -	\$ (9,390,000)	\$ 60,820,000	\$ 8,595,000
Combination tax and revenue certificates of obligation	141,775,000	109,820,000	(9,730,000)	241,865,000	13,740,000
Tax increment and public district bonds	11,155,000	7,105,000	(3,275,000)	14,985,000	3,260,000
Sales tax revenue bonds - Epic	74,825,000		(2,110,000)	72,715,000	2,195,000
Sales tax revenue bonds - Crime	20,530,000		(4,650,000)	15,880,000	5,085,000
Sales tax revenue bonds - Park Venue	22,455,000		(1,930,000)	20,525,000	1,990,000
Issuance premiums/discounts, net	20,701,245	7,541,617	(1,714,047)	26,528,815	-
Total long-term debt	361,651,245	124,466,617	(32,799,047)	453,318,815	34,865,000
Compensated absences	18,085,656	8,806,597	(8,528,323)	18,363,930	8,292,305
Other post employment benefits liability	53,746,401	4,660,000	(2,887,318)	55,519,083	-
Net pension liability	46,045,042	67,324,605	(21,819,474)	91,550,173	-
Environmental remediation liability	58,375	42,395	(23,733)	77,037	77,037
Other liabilities	1,460,919	-	(160,775)	1,300,144	160,776
Total governmental activities	481,047,638	205,300,214	(66,218,670)	620,129,182	43,395,118
Business-type activities:					
Certificates of obligation	1,035,000	-	(150,000)	885,000	160,000
Water and wastewater revenue bonds	54,435,000	3,730,800	(4,940,000)	53,225,800	5,235,000
Obligations under capital leases	330,129	-	(330,129)	-	-
Issuance premiums/discounts, net	4,014,433	-	(262,200)	3,752,233	-
Total long-term debt	59,814,562	3,730,800	(5,682,329)	57,863,033	5,395,000
Compensated absences	463,394	472,012	(463,394)	472,012	373,856
Other post employment benefits liability	5,697,240	491,185	(303,275)	5,885,150	-
Net pension liability	4,880,877	7,027,117	(2,291,850)	9,616,144	-
Closure and post closure liability	7,939,257	293,442	-	8,232,699	-
Total business-type activities	78,795,330	12,014,556	(8,740,848)	82,069,038	5,768,856
Total primary government	\$ 559,842,968	\$ 217,314,770	\$ (74,959,518)	\$ 702,198,220	\$ 49,163,974
Component unit activities:					
Housing Finance Corporation:					
Notes payable/developer loan	\$ 3,557,116	\$ 41,759	\$ (58,351)	\$ 3,540,524	\$ 60,525
Revenue bonds	7,395,000	-	(235,000)	7,160,000	255,000
Subordinate revenue bonds	4,550,000	-	-	4,550,000	-
Total component units	\$ 15,502,116	\$ 41,759	\$ (293,351)	\$ 15,250,524	\$ 315,525

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

At September 30, 2019, 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 2010	2.0-4.25	2010	2030	\$ 5,480,000	\$ -
Series 2011	2.0-5.3	2011	2031	11,550,000	4,340,000
Series 2011A	2.0-5.0	2011	2025	30,960,000	11,845,000
Series 2012	1.0-2.0	2012	2026	27,400,000	4,745,000
Series 2013	1.5-3.25	2013	2033	10,975,000	3,770,000
Series 2013A	3.0-4.125	2014	2034	2,220,000	1,800,000
Series 2015	1.75-5.0	2016	2027	10,270,000	7,855,000
Series 2016	3.0-5.0	2016	2030	33,810,000	26,465,000
Total general obligation bonds					60,820,000
Combination tax and revenue certificates of obligation					
Series 2010	2.0-4.25	2010	2030	590,000	-
Series 2011	2.0-5.3	2011	2031	6,305,000	4,375,000
Series 2011A	2.0-4.0	2011	2031	7,430,000	5,155,000
Series 2013	2.0-3.25	2013	2033	8,830,000	6,715,000
Series 2013A	2.0-4.125	2014	2034	11,945,000	9,755,000
Series 2014	3.0-5.0	2015	2034	26,125,000	18,965,000
Series 2015	2.0-5.0	2016	2035	27,380,000	23,745,000
Series 2016	2.0-4.0	2016	2036	33,705,000	30,060,000
Series 2017	2.25-5.0	2017	2037	36,515,000	33,275,000
Series 2018	2.0-4.0	2018	2039	40,605,000	40,605,000
Series 2019A	2.0-5.0	2019	2039	34,910,000	34,910,000
Series 2019B	1.5-3.0	2019	2034	34,305,000	34,305,000
Total combination tax and revenue certificates of obligation					241,865,000
Tax increment and public improvement district debt					
Series 2001 TIRZ 1	3 month LIBOR + .31%	2000	2022	17,900,000	4,580,000
Series 2011 TIRZ 1	2.0-5.3	2011	2020	655,000	80,000
Series 2013 TIRZ 1	2.0-3.25	2013	2020	2,820,000	435,000
Series 2015 TIRZ 1	1.750-5.0	2016	2027	895,000	225,000
Series 2015 PID 5	2.0-5.0	2016	2035	640,000	450,000
Series 2016 TIRZ 1	3.0-5.0	2016	2030	3,135,000	2,110,000
Series 2016 PID	3.0-5.0	2016	2030	180,000	-
Series 2019 PID	1.5-2.5	2019	2026	7,105,000	7,105,000
Total tax increment and public improvement district debt					14,985,000
Sales tax revenue debt					
Series 2008 Crime Control	6mo LIBOR* 62.075+1.0	2008	2022	54,800,000	15,880,000
Total Crime Control					15,880,000
Series 2009 Park Venue subordinate	3.77	2009	2027	13,390,000	7,770,000
Series 2013 Park Venue	2.0-4.0	2013	2027	11,060,000	6,550,000
Series 2016 Park Venue	2.0-4.0	2016	2036	6,730,000	6,205,000
Total Park Venue					20,525,000
Sales tax revenue debt					
Series 2015 EPIC	3.721-5.032	2015	2040	74,825,000	72,715,000
Total EPIC					72,715,000
Total general obligation debt					426,790,000
Unamortized bond premiums/discounts					26,528,815
Total long-term debt - governmental activities					\$ 453,318,815

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

At September 30, 2019, changes in long-term debt for the City's governmental activities were as follows:

	Balance October 1, 2018	Borrowings or Increase	Payments or Decrease	Balance September 30, 2019	Due Within One Year
General obligation bonds:					
Series 2010	\$ 250,000	\$ -	\$ (250,000)	\$ -	\$ -
Series 2011	5,040,000	-	(700,000)	4,340,000	735,000
Series 2011A	14,520,000	-	(2,675,000)	11,845,000	2,805,000
Series 2012	5,355,000	-	(610,000)	4,745,000	625,000
Series 2013	4,230,000	-	(460,000)	3,770,000	460,000
Series 2013A	1,890,000	-	(90,000)	1,800,000	90,000
Series 2015	8,620,000	-	(765,000)	7,855,000	790,000
Series 2016	30,305,000	-	(3,840,000)	26,465,000	3,090,000
Total general obligation bonds	70,210,000	-	(9,390,000)	60,820,000	8,595,000
Combination tax and revenue certificates of obligation					
Series 2010	25,000	-	(25,000)	-	-
Series 2011	4,640,000	-	(265,000)	4,375,000	275,000
Series 2011A	5,500,000	-	(345,000)	5,155,000	355,000
Series 2013	7,100,000	-	(385,000)	6,715,000	395,000
Series 2013A	10,215,000	-	(460,000)	9,755,000	475,000
Series 2014	20,890,000	-	(1,925,000)	18,965,000	2,025,000
Series 2015	24,985,000	-	(1,240,000)	23,745,000	1,300,000
Series 2016	31,905,000	-	(1,845,000)	30,060,000	1,880,000
Series 2017	36,515,000	-	(3,240,000)	33,275,000	3,360,000
Series 2018	-	40,605,000	-	40,605,000	1,885,000
Series 2019A	-	34,910,000	-	34,910,000	1,790,000
Series 2019B	-	34,305,000	-	34,305,000	-
Total combination tax and revenue certificates of obligation	141,775,000	109,820,000	(9,730,000)	241,865,000	13,740,000
Tax increment and public improvement district debt					
Series 2001 TIRZ 1	5,910,000	-	(1,330,000)	4,580,000	1,420,000
Series 2011 TIRZ 1	160,000	-	(80,000)	80,000	80,000
Series 2013 TIRZ 1	855,000	-	(420,000)	435,000	435,000
Series 2015 TIRZ 1	440,000	-	(215,000)	225,000	225,000
Series 2015 PID 5	515,000	-	(65,000)	450,000	70,000
Series 2016 - TIRZ 1	3,095,000	-	(985,000)	2,110,000	1,030,000
Series 2016 - PID	180,000	-	(180,000)	-	-
Series 2019 - PID	-	7,105,000	-	7,105,000	-
Total tax increment and public	11,155,000	7,105,000	(3,275,000)	14,985,000	3,260,000
Sales tax revenue debt:					
Crime Control					
Series 2008	20,530,000	-	(4,650,000)	15,880,000	5,085,000
Total Crime Control	20,530,000	-	(4,650,000)	15,880,000	5,085,000
Park Venue					
Series 2009 subordinate	8,760,000	-	(990,000)	7,770,000	1,030,000
Series 2013	7,225,000	-	(675,000)	6,550,000	690,000
Series 2016 Park Venue	6,470,000	-	(265,000)	6,205,000	270,000
Total Park Venue	22,455,000	-	(1,930,000)	20,525,000	1,990,000
EPIC					
Series 2015 EPIC	74,825,000	-	(2,110,000)	72,715,000	2,195,000
Total EPIC	74,825,000	-	(2,110,000)	72,715,000	2,195,000
Total change in long term debt	340,950,000	116,925,000	(31,085,000)	426,790,000	34,865,000
Unamortized bond premiums/discounts	20,701,245	7,541,617	(1,714,047)	26,528,815	-
Total change in long-term debt - governmental activities	\$ 361,651,245	\$ 124,466,617	\$ (32,799,047)	\$ 453,318,815	\$ 34,865,000

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

On November 1, 2018, the City issued \$40,605,000 in Combination Tax and Revenue Certificates, Series 2018. The proceeds were used to fund public safety, library, street, and other City structure improvements.

On August 29, 2019, the City issued \$34,910,000 and \$34,305,000 in Combination Tax and Revenue Certificates, Series 2019A and 2019B. The proceeds were used to fund public safety, library, street, and other City structure improvements as well as parks associated with the EPIC Central development.

Outstanding Bond Debt Defeasement

At September 30, 2019, certain outstanding debt of the city was considered to be defeased. The following table details such outstanding defeased debt:

Type of Obligation	Defeased Debt Outstanding
Certificates of obligation	\$ 1,515,000
General obligation refunding bonds	3,060,000
Total debt defeasement	\$ 4,575,000

At September 30, 2019, 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
2020	\$ 8,595,000	\$ 2,329,201	\$ 10,924,201	\$ 13,740,000	\$ 8,864,762	\$ 22,604,762
2021	8,445,000	1,984,073	10,429,073	14,145,000	8,408,527	22,553,527
2022	8,140,000	1,664,626	9,804,626	16,380,000	7,811,348	24,191,348
2023	6,905,000	1,383,801	8,288,801	16,710,000	7,179,598	23,889,598
2024	6,545,000	1,123,383	7,668,383	17,260,000	6,557,461	23,817,461
2025	5,595,000	875,726	6,470,726	11,680,000	6,015,409	17,695,409
2026	5,250,000	638,414	5,888,414	11,740,000	5,572,095	17,312,095
2027	4,735,000	405,508	5,140,508	12,085,000	5,121,456	17,206,456
2028	2,315,000	234,408	2,549,408	12,565,000	4,646,166	17,211,166
2029	2,205,000	126,660	2,331,660	13,055,000	4,154,004	17,209,004
2030	770,000	61,303	831,303	13,555,000	3,647,741	17,202,741
2031	405,000	40,956	445,956	14,080,000	3,133,656	17,213,656
2032	375,000	26,856	401,856	13,550,000	2,640,573	16,190,573
2033	385,000	13,306	398,306	14,045,000	2,142,557	16,187,557
2034	155,000	3,197	158,197	13,990,000	1,611,028	15,601,028
2035	-	-	-	9,595,000	1,145,806	10,740,806
2036	-	-	-	8,065,000	786,300	8,851,300
2037	-	-	-	6,045,000	504,100	6,549,100
2038	-	-	-	4,695,000	289,300	4,984,300
2039	-	-	-	4,885,000	97,700	4,982,700
	<u>\$ 60,820,000</u>	<u>\$ 10,911,418</u>	<u>\$ 71,731,418</u>	<u>\$ 241,865,000</u>	<u>\$ 80,329,587</u>	<u>\$ 322,194,587</u>

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

Fiscal Year	Tax and Tax Increment Bonds (TIFs)			Sales Tax Revenue Bonds-Crime Control		
	Principal	Interest	Total	Principal	Interest	Total
2020	3,260,000	832,555	4,092,555	5,085,000	523,818	5,608,818
2021	2,675,000	553,378	3,228,378	5,550,000	362,321	5,912,321
2022	2,170,000	282,912	2,452,912	5,245,000	188,894	5,433,894
2023	540,000	148,333	688,333	-	-	-
2024	555,000	136,834	691,834	-	-	-
2025	565,000	123,450	688,450	-	-	-
2026	5,220,000	58,203	5,278,203	-	-	-
	<u>\$ 14,985,000</u>	<u>\$ 2,135,665</u>	<u>\$ 17,120,665</u>	<u>\$ 15,880,000</u>	<u>\$ 1,075,033</u>	<u>\$ 16,955,033</u>

Fiscal Year	Sales Tax Revenue Bonds-Park Venue			Sales Tax Revenue Bonds-EPIC		
	Principal	Interest	Total	Principal	Interest	Total
2020	1,990,000	701,651	2,691,651	2,195,000	3,266,962	5,461,962
2021	2,050,000	637,855	2,687,855	2,285,000	3,177,362	5,462,362
2022	2,120,000	571,674	2,691,674	2,375,000	3,084,162	5,459,162
2023	2,190,000	499,449	2,689,449	2,475,000	2,987,162	5,462,162
2024	2,270,000	418,804	2,688,804	2,575,000	2,886,162	5,461,162
2025	2,360,000	331,134	2,691,134	2,680,000	2,781,062	5,461,062
2026	2,450,000	240,997	2,690,997	2,785,000	2,675,647	5,460,647
2027	1,170,000	172,548	1,342,548	2,895,000	2,567,509	5,462,509
2028	370,000	142,438	512,438	3,010,000	2,449,919	5,459,919
2029	385,000	127,338	512,338	3,140,000	2,323,165	5,463,165
2030	400,000	111,638	511,638	3,275,000	2,187,743	5,462,743
2031	420,000	95,238	515,238	3,425,000	2,035,914	5,460,914
2032	435,000	78,138	513,138	3,590,000	1,868,185	5,458,185
2033	455,000	60,338	515,338	3,770,000	1,692,208	5,462,208
2034	470,000	43,600	513,600	3,955,000	1,507,503	5,462,503
2035	485,000	28,081	513,081	4,145,000	1,313,832	5,458,832
2036	505,000	10,100	515,100	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>\$ 20,525,000</u>	<u>\$ 4,271,021</u>	<u>\$ 24,796,021</u>	<u>\$ 72,715,000</u>	<u>\$ 41,963,334</u>	<u>\$ 114,678,334</u>

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

Fiscal Year	Total		
	Principal	Interest	Total
2020	34,865,000	16,518,949	51,383,949
2021	35,150,000	15,123,516	50,273,516
2022	36,430,000	13,603,616	50,033,616
2023	28,820,000	12,198,343	41,018,343
2024	29,205,000	11,122,644	40,327,644
2025	22,880,000	10,126,781	33,006,781
2026	27,445,000	9,185,356	36,630,356
2027	20,885,000	8,267,021	29,152,021
2028	18,260,000	7,472,931	25,732,931
2029	18,785,000	6,731,167	25,516,167
2030	18,000,000	6,008,425	24,008,425
2031	18,330,000	5,305,764	23,635,764
2032	17,950,000	4,613,752	22,563,752
2033	18,655,000	3,908,409	22,563,409
2034	18,570,000	3,165,328	21,735,328
2035	14,225,000	2,487,719	16,712,719
2036	12,925,000	1,901,553	14,826,553
2037	10,625,000	1,384,448	12,009,448
2038	9,510,000	933,270	10,443,270
2039	9,950,000	493,089	10,443,089
2040	5,325,000	133,977	5,458,977
	<u>\$ 426,790,000</u>	<u>\$ 140,686,058</u>	<u>\$ 567,476,058</u>

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

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, 2019, long-term debt for the City's business-type activities consisted of the following:

	Interest Rate %	Year of Issue	Year of Maturity	Original Amount	Amount Outstanding
Water and wastewater:					
Revenue bonds					
Series 2010	0.0-2.587	2010	2030	\$ 4,995,000	\$ 3,110,000
Series 2011	2.0-4.25	2011	2031	8,940,000	1,965,000
Series 2011A	2.0-5.0	2011	2031	11,020,000	5,905,000
Series 2013	2.0-4.0	2013	2026	14,045,000	8,890,000
Series 2013A	0.0-0.31	2013	2019	1,805,000	-
Series 2014	0.0-1.990	2014	2030	4,000,000	2,800,000
Series 2015	2.25-4.0	2015	2027	4,155,000	3,475,000
Series 2016	2.0-5.0	2016	2036	17,625,000	16,265,000
Series 2017	0.0-0.8	2017	2030	5,110,000	4,330,000
Series 2017A	2.0-4.0	2017	2036	2,755,000	2,755,000
Series 2019	0.0-0.49	2019	2039	3,730,800	3,730,800
Total bonds payable - water wastewater					53,225,800
Unamortized bond premiums/discounts					3,752,233
Total long-term debt - water wastewater					56,978,033
Municipal airport:					
Certificates of obligation bonds					
Series 2004A	2.25-5.0	2004	2024	2,120,000	885,000
Solid waste					
Obligations under capital lease					
D8T tractor	2.99	2016	2018	772,839	-
Total obligations under capital lease					-
Total long-term debt - business-type activities					\$ 57,863,033

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

At September 30, 2019, changes in long-term debt for the City's business-type activities were as follows:

	Balance October 1, 2018	Borrowings or Increase	Payments or Decrease	Balance September 30, 2019	Due Within One Year
Water and wastewater:					
Revenue bonds					
Series 2010	\$ 3,345,000	\$ -	\$ (235,000)	\$ 3,110,000	\$ 240,000
Series 2011	2,805,000	-	(840,000)	1,965,000	585,000
Series 2011A	6,655,000	-	(750,000)	5,905,000	780,000
Series 2013	10,150,000	-	(1,260,000)	8,890,000	1,320,000
Series 2013A	305,000	-	(305,000)	-	-
Series 2014	3,040,000	-	(240,000)	2,800,000	240,000
Series 2015	3,595,000	-	(120,000)	3,475,000	385,000
Series 2016	17,065,000	-	(800,000)	16,265,000	1,085,000
Series 2017	4,720,000	-	(390,000)	4,330,000	390,000
Series 2017A	2,755,000	-	-	2,755,000	50,000
Series 2019	-	3,730,800	-	3,730,800	160,000
Total revenue bonds	54,435,000	3,730,800	(4,940,000)	53,225,800	5,235,000
Bond premiums/discounts	4,014,433	-	(262,200)	3,752,233	-
Total water and wastewater	58,449,433	3,730,800	(5,202,200)	56,978,033	5,235,000
Municipal airport:					
Certificate of obligation					
Series 2004A	1,035,000	-	(150,000)	885,000	160,000
Total municipal airport	1,035,000	-	(150,000)	885,000	160,000
Solid waste:					
Obligations under capital lease					
D8T tractor	330,129	-	(330,129)	-	-
Total general obligation bonds	330,129	-	(330,129)	-	-
Total solid waste	330,129	-	(330,129)	-	-
Total change in long-term debt - business-type activities	\$59,814,562	\$3,730,800	\$(5,682,329)	\$ 57,863,033	\$5,395,000

On July 1, 2019, the City issued \$3,730,800 in Water and Wastewater System Revenue Bonds, Series 2019. The proceeds were used to improve and extend the Water and Wastewater system and to pay the costs associated with the issuance of the bonds.

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

At September 30, 2019, 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
2020	\$ 5,235,000	\$ 1,468,997	\$ 6,703,997
2021	5,380,000	1,324,107	6,704,107
2022	5,525,000	1,178,577	6,703,577
2023	5,640,000	1,027,404	6,667,404
2024	5,695,000	857,772	6,552,772
2025	5,155,000	684,274	5,839,274
2026	4,160,000	528,159	4,688,159
2027	3,915,000	393,944	4,308,944
2028	2,325,000	301,004	2,626,004
2029	2,390,000	236,534	2,626,534
2030	2,060,000	176,802	2,236,802
2031	1,095,000	131,500	1,226,500
2032	850,000	99,000	949,000
2033	880,000	70,800	950,800
2034	610,000	47,400	657,400
2035	630,000	29,000	659,000
2036	650,000	9,800	659,800
2037	160,000	-	160,000
2038	160,000	-	160,000
2039	710,800	-	710,800
Total	\$ 53,225,800	\$ 8,565,074	\$ 61,790,874

At September 30, 2019, 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
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	\$ 885,000	\$ 114,165	\$ 999,165

Capital Lease Obligations – Solid Waste

The City entered into a capital lease agreement in July 2016 for the purchase of a D8T tractor. The leased property under the capital lease is classified as equipment with the total capitalized cost of \$812,791 and an amortized value of approximately \$549,967 at September 30, 2019. Amortization expense has been included in depreciation expense for the year ended September 30, 2019. As of September 30, 2019, there are no lease payments due.

City Of Grand Prairie, Texas
 Notes to the Basic Financial Statements
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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.

At September 30, 2019, compliance with these covenants can be demonstrated as follows:

System revenue ⁽¹⁾	\$ 76,853,323	
Operating expenses:		
Water purchased	13,463,858	
Sewage disposal contract	18,607,009	
Other operating expenses	25,024,611	
	<u>57,095,478</u>	
Total expenses ⁽²⁾	<u>57,095,478</u>	
Net revenue (available for debt service)	\$ 19,757,845	
Average annual principal and interest requirements, all water and wastewater revenue bonds at September 30, 2019	\$	3,089,544
Coverage of average annual requirements based on September 30, 2019 revenue available for debt service		6.40

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

(2) Excludes depreciation expense.

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

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, 2011, semi-annual retirements of the Bonds began and continues through January 1, 2034. The bonds are non-recourse liabilities collateralized solely by the land and construction in progress, less the accrued interest.

A summary of long-term debt activity during the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Note payable	\$ 2,173,343	\$ -	\$ (58,351)	\$ 2,114,992	\$ 60,525
Revenue bonds	7,395,000	-	(235,000)	7,160,000	255,000
Subordinate bonds	4,550,000	-	-	4,550,000	-
Developer loan	1,383,773	41,759	-	1,425,532	-
Total	\$ 15,502,116	\$ 41,759	\$ (293,351)	\$ 15,250,524	\$ 315,525

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
2019	\$ 60,525	\$ 88,732	\$ 255,000	\$ 549,488
2020	63,148	86,109	265,000	529,837
2021	65,885	83,372	295,000	508,981
2022	68,740	80,517	315,000	485,731
2023	71,719	77,538	340,000	460,738
2024-2028	407,999	338,284	2,165,000	1,853,025
2029-2033	504,410	241,873	3,155,000	852,887
2034-2038	623,604	122,679	370,000	14,338
2039-2040	248,962	9,752	-	-
Total	\$ 2,114,992	\$ 1,128,856	\$ 7,160,000	\$ 5,255,025

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

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.

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

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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:

Year	Amount
2020	\$ 1,756,920
2021	1,756,920
2022	1,888,689
2023	1,932,612
2024	1,932,612
Thereafter	5,057,002
	<hr/> 14,324,755
Less interest	3,650,000
	<hr/> 10,674,755
Less current portion	947,751
	<hr/> 9,727,004
Non-current portion	\$ 9,727,004

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

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

The lease has been accounted for as a capital lease. However, only the base rent payments are determinable and are included in the lease payments receivable at the net present value of future rent payments. The remaining portion of the Facility is recorded as estimated unguaranteed residual value of the lease. Its fair value is estimated to be approximately equal to the differences between the original cost plus capitalized improvements of the Facility, net of what accumulated depreciation would be, and the fixed lease payments receivable. Therefore, this amount is being amortized over the life of the lease (thirty years). Amortization for the year ended September 30, 2019 was \$4,162,306. Additional contingent rentals are recorded as revenue when received.

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
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The capital lease is being amortized using the interest method over the 30-year life of the lease. The Corporation has recorded lease rental and interest for the year ended September 30, 2019 as follows:

Nominal interest on the lease	\$ 1,759,320
Amortization of the lease	<u>(947,751)</u>
Net interest	811,569
Contingent rentals received (includes rent for simulcast facility prior to completion of project)	<u>199,360</u>
Total lease rental and interest	<u><u>\$ 1,010,929</u></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 \$8,232,699 in the Solid Waste Fund. The total liability represents the cumulative amount reported to date based on the use of 48.02% of the estimated capacity of the landfill.

The City will recognize the remaining estimated cost of closure and post closure care of \$9,133,789 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.

Environmental Remediation Obligations

The City has recorded a liability and an asset related to environmental remediation in the amount of \$77,037, 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.

- 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 Service Center and is responsible for a leaking petroleum storage tank and groundwater monitoring.
- The City owns the Historic Museum and is responsible for the asbestos abatement.
- The City owns the Development Center and is responsible for the asbestos abatement.

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
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Environmental remediation liability activity in fiscal year 2019 was as follows:

Property Description	Beginning Balance 9/30/2018	Additions	Reductions	Ending Balance 9/30/2019	Current Portion
Copeland Home Asbestos Abatement	\$ 24,250	\$ -	\$ 3,350	\$ 20,900	\$ 20,900
Historic Museum- 1516 W Main Street	3,406	-	3,406	-	-
Service Center	30,719	-	16,977	13,742	13,742
Development Center Abatement	-	42,395	-	42,395	42,395
Total	\$ 58,375	\$ 42,395	\$ 23,733	\$ 77,037	\$ 77,037

Other Liabilities

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. As of September 30, 2019, the liability equaled \$1,300,144.

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:

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

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.

City Of Grand Prairie, Texas
 Notes to the Basic Financial Statements
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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, 2018 actuarial report, as of September 30, 2019, was \$1,963,491.

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, 2019 were \$2,182,469.

At September 30, 2019, 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
2019	\$ 3,971,327	\$ 15,449,741	\$ 15,275,108	\$ 4,145,960
2018	3,861,819	16,301,886	16,192,378	3,971,327
2017	3,628,897	19,578,864	19,345,942	3,861,819

J. Defined Benefit Pension Plan

Plan Description

The City participates as one of 887 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.

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

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

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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

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

Employees Covered by Benefit Terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	768
Inactive employees entitled to but not yet receiving benefits	588
Active employees	1,337
Total	2,693

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 16.30% and 16.09% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$16,358,302, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
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Actuarial Assumptions

The Total Pension Liability in the December 31, 2018 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 Tables with Blue Collar Adjustment, 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 three-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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal Actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of 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 weighting 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 assumption 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). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.54%
Private Equity	5.0%	7.75%
Total	100.0%	

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
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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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(A)	(B)	(A) - (B)
Balance at December 31, 2017	\$ 555,774,884	\$ 504,848,965	\$ 50,925,919
Changes for the year:			
Service cost	16,602,489	-	16,602,489
Interest	37,557,203	-	37,557,203
Change of benefit terms	4,761,778	-	4,761,778
Difference between expected and actual experience	(2,432,012)	-	(2,432,012)
Changes in assumptions	-	-	-
Contributions - employer	-	15,114,190	(15,114,190)
Contributions - employee	-	6,565,122	(6,565,122)
Net investment income	-	(15,122,712)	15,122,712
Benefit payments*	(24,869,802)	(24,869,802)	-
Administrative expense	-	(292,270)	292,270
Other changes	-	(15,270)	15,270
Net changes	31,619,656	(18,620,742)	50,240,398
Balance at December 31, 2018	<u>\$ 587,394,540</u>	<u>\$ 486,228,223</u>	<u>\$ 101,166,317</u>

* Includes refunds of employee contributions

Sensitivity of the Net Pension Liability to Changes in the 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 one-percentage-point lower (5.75%) or one-percentage-point higher (7.75%) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
1% Decrease	Current Single Rate	1% Increase
\$ 184,487,310	\$ 101,166,317	\$ 32,866,959

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.tms.com.

City Of Grand Prairie, Texas
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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the city recognized pension expense of \$28,727,398.

At September 30, 2019, 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]	\$ 1,621,929	\$ 2,069,652
Difference in assumptions	126,850	
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	26,126,521	-
Employer's contributions to the pension plan subsequent to the measurement date	12,113,896	-
	\$ 39,989,196	\$ 2,069,652

The \$12,113,896 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, 2020. 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
2019	\$ 9,484,226
2020	3,511,933
2021	3,433,681
2022	9,504,778
2023	(128,970)
Total	\$ 25,805,648

K. Other Postemployment Benefits (OPEB)

Plan Description

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.

City Of Grand Prairie, Texas

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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.

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.

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.

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.

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.

City Of Grand Prairie, Texas
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Retirees that do not continue coverage through our retiree health care plans do not receive payment in lieu of retiree health care.

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

Employees Covered by Benefit Terms

For retiree health insurance at the September 30, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	169
Active employees	1,323
	<hr/>
Total	1,492
	<hr/> <hr/>

For TMRS supplemental death at the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	585
Inactive employees entitled to but not yet receiving benefits	124
Active employees	1,337
	<hr/>
Total	2,046
	<hr/> <hr/>

Contributions

For retiree health insurance, retirees and their spouses currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums.

Monthly retiree contribution rates are as follows:

Retiree 2018 Monthly Health Care Premiums (Employee Pays Portion)

	<u>Monthly Health Care Premium</u>
Over 65 Retiree (Grandfathered by age)	
Employee only	\$ 125
Employee plus spouse	138

Total OPEB Liability

The City of Grand Prairie retiree health insurance total OPEB liability of \$57,183,449 was measured as of September 30, 2019, and was determined by an actuarial valuation as of that date.

The City of Grand Prairie TMRS supplemental death total OPEB liability of \$4,220,784 measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

City Of Grand Prairie, Texas
 Notes to the Basic Financial Statements
 September 30, 2019

Actuarial Assumptions

The retiree health insurance total OPEB liability in the September 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50%
Discount Rate	3.83%
Mortality rates - retirees	RP-2014 Combined Table projected using MP-2018

The discount rate was selected by City of Grand Prairie based on the Bond Buyer 20-Bond General Obligation Index to reflect yields on long-term municipal bonds as of the measurement date.

The TMRS supplemental death total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Discount Rate	3.71%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	PR2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The discount rate was based on the Fidelity index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

Change in OPEB Liability Retiree Health Insurance	Total OPEB Liability
Balance at September 30, 2018	\$ 55,800,537
Changes for the year:	
Service cost	2,115,571
Interest	2,162,740
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments*	(2,895,398)
Net changes	1,382,913
Balance at September 30, 2019	\$ 57,183,450
Change in OPEB Liability TMRS Supplemental Death	Total OPEB Liability
Balance at December 31, 2017	\$ 3,643,104
Changes for the year:	
Service cost	149,994
Interest	122,449
Difference between expected and actual experience	600,432
Changes in assumptions	(257,696)
Benefit payments*	(37,499)
Net changes	577,680
Balance at December 31, 2018	\$ 4,220,784

*Due to the Plan being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City's retiree health insurance calculated using the discount rate of 3.83%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.83%) or 1 percentage point higher (4.83%) than the current discount rate:

Sensitivity of the OPEB Liability to Changes in the Discount Rate		
1% Decrease	Current Discount Rate	1% Increase
\$ 62,568,085	\$ 57,183,449	\$ 50,605,854

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

The following presents the total OPEB liability of the City's TMRS supplemental plan calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.71%) or 1 percentage point higher (4.71%) than the current discount rate:

Sensitivity of the OPEB Liability to Changes in the Discount Rate		
Current		
1% Decrease	Discount Rate	1% Increase
\$ 4,917,484	\$ 4,220,784	\$ 3,676,391

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the City's retiree health insurance, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

Sensitivity of the OPEB Liability to Changes in the Healthcare Cost Rate		
Current		
1% Decrease	Discount Rate	1% Increase
\$ 49,945,011	\$ 57,183,449	\$ 64,681,542

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$847,860. At September 30, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following resources:

Retiree Health Insurance

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ -	\$ 2,142,058
Difference in assumptions	-	1,308,488
Difference in projected and actual earnings on OPEB plan investments	-	-
Employer's contributions to the OPEB plan subsequent to the measurement date	-	-
	<u>\$ -</u>	<u>\$ 3,450,546</u>

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

TMRS Supplemental Death

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference in expected and actual experience	\$ 512,521	\$ -
Difference in assumptions	201,108	219,966
Difference in projected and actual earnings on OPEB plan investments	-	-
Employer's contributions to the OPEB plan subsequent to the measurement date	28,420	
	<u>\$ 742,049</u>	<u>\$ 219,966</u>

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$28,420 will be recognized as a reduction of the total OPEB liability in the City's financial statements September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Retiree Health Insurance

Measurement Period Ended September 31,	Net deferred outflows (inflows) of resources
<u> </u>	<u> </u>
2020	\$ (862,636)
2021	(862,636)
2022	(862,636)
2023	(862,638)
Total	<u>\$ (3,450,546)</u>

TMRS Supplemental Death

Measurement Year Ended December 31,	Net deferred outflows (inflows) of resources
<u> </u>	<u> </u>
2019	\$ 91,818
2020	91,818
2021	91,818
2022	91,818
2023	84,740
Thereafter	41,651
Total	<u>\$ 493,663</u>

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

L. Fund Balance

At September 30, 2019, fund balances were classified as follows:

	General	Section 8	Streets CIP	Grants	Debt Service	Epic 2 CIP	Nonmajor Governmental Funds	Total
Fund balances								
Nonspendable:								
Inventory and prepaids	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,907	\$ 75,907
Spendable:								
Restricted for:								
Employee Welfare	97,991	-	-	-	-	-	-	97,991
Library Memorials	42,429	-	-	-	-	-	-	42,429
At Risk Youths	37,797	-	-	-	-	-	-	37,797
Greg Hunter Scholarships	62,040	-	-	-	-	-	-	62,040
State Training (Fire)	1,091	-	-	-	-	-	-	1,091
Prairie Paws Adoptions	242,838	-	-	-	-	-	-	242,838
Section 8	-	772,634	-	-	-	-	-	772,634
Street Improvements	-	-	17,448,839	-	-	-	-	17,448,839
Debt Service	-	-	-	-	3,734,760	-	-	3,734,760
Epic & Epic Central	-	-	-	-	-	40,042,720	2,901,625	42,944,345
Park Venue	-	-	-	-	-	-	5,681,127	5,681,127
Streets	20,873	-	-	-	-	-	2,313,516	2,334,389
Crime	-	-	-	-	-	-	13,457,116	13,457,116
Hotel Motel	-	-	-	-	-	-	764,393	764,393
Police seizure	-	-	-	-	-	-	567,053	567,053
Municipal Court	-	-	-	-	-	-	394,236	394,236
Red Light Safety	-	-	-	-	-	-	2,631,807	2,631,807
Lake Parks	-	-	-	-	-	-	2,337,229	2,337,229
Public Improvement Districts	-	-	-	-	-	-	3,471,782	3,471,782
Tax Increment Financing	-	-	-	-	-	-	15,103,679	15,103,679
Other special revenue	-	-	-	-	-	-	287,407	287,407
Park Venue Capital Projects	-	-	-	-	-	-	4,009,531	4,009,531
Fire Capital Projects	-	-	-	-	-	-	7,798,656	7,798,656
Municipal Facilities Capital Projects	-	-	-	-	-	-	4,335,445	4,335,445
Other Capital Projects	-	-	-	-	-	-	3,239,013	3,239,013
Total restricted	505,059	772,634	17,448,839	-	3,734,760	40,042,720	69,293,615	131,797,627
Committed to:								
Street Improvements	-	-	23,759,117	-	-	-	-	23,759,117
Park Venue	-	-	-	-	-	-	1,791,687	1,791,687
Cable Operations	-	-	-	-	-	-	654,966	654,966
Cemetery Operations	-	-	-	-	-	-	2,846,153	2,846,153
Verizon Theatre	-	-	-	-	-	-	2,490,718	2,490,718
Fire Capital Projects	-	-	-	-	-	-	3,760,220	3,760,220
Municipal Facilities Capital Projects	-	-	-	-	-	-	17,559,980	17,559,980
Drainage Capital Projects	-	-	-	-	-	-	13,266,838	13,266,838
Police Capital Projects	-	-	-	-	-	-	710,141	710,141
Other Capital Projects	-	-	-	-	-	-	2,976,016	2,976,016
Capital Lending/Reserve	-	-	-	-	-	-	11,704,707	11,704,707
Total committed	-	-	23,759,117	-	-	-	57,761,426	81,520,543
Assigned to:								
Home Match Cash	263,592	-	-	-	-	-	-	263,592
KGPB Commissions	1,299	-	-	-	-	-	-	1,299
Youth Scholarship Fund	4,020	-	-	-	-	-	-	4,020
Section 8 Relief	79,730	-	-	-	-	-	-	79,730
Police Memorials	6,984	-	-	-	-	-	-	6,984
State Training (Police)	667	-	-	-	-	-	-	667
Fire- State Supplemental Funds	2,465,142	-	-	-	-	-	-	2,465,142
Parks Education Foundation	14,658	-	-	-	-	-	-	14,658
First Offender Program	42,649	-	-	-	-	-	-	42,649
Kirby Creek Accessibility Garden	22,077	-	-	-	-	-	-	22,077
US Marshals Service Agreement	184,694	-	-	-	-	-	-	184,694
GPPD Boxing Program	19,143	-	-	-	-	-	-	19,143
GPPD Explorer Program	15,883	-	-	-	-	-	-	15,883
GPPD Mounted Patrol	558	-	-	-	-	-	-	558
Total assigned	3,121,096	-	-	-	-	-	-	3,121,096
Unassigned	41,554,116	-	-	1,715,582	-	-	-	43,269,698
Total fund balances	\$45,180,271	\$772,634	\$41,207,956	\$1,715,582	\$3,734,760	\$40,042,720	\$ 127,130,948	\$ 259,784,871

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

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 30-year contract with the City of Dallas, which expires in 2042, for the purchase of water. Grand Prairie currently takes up to 33.8 million gallons a day (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 30-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 20-year term, allows the City to purchase up to 2.5 MGD maximum flow unless otherwise agreed to in writing. As of September 30, 2019, no water has been purchased through this contract.

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 20.58% during fiscal year 2019. 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.

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

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, 2019, the City paid \$43,395 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, 2019. The City's total committed but unexpended expenditures for such authorized capital projects at year-end approximates \$50,399,327. Funding for these contracts will be received through various capital projects funds and enterprise funds.

City Of Grand Prairie, Texas
Notes to the Basic Financial Statements
September 30, 2019

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, 2019, the Municipal Airport Fund had outstanding revenue-backed certificates of obligations. Segment information for this Fund is as follows:

	Municipal Airport
Condensed statement of net position:	
Current assets	\$ 2,316,819
Capital assets	15,113,349
Deferred outflows of resources	129,576
Total assets and deferred outflows of resources	17,559,744
Current liabilities	428,646
Long-term liabilities	1,253,349
Deferred inflows of resources	18,611
Total liabilities and deferred inflows of resources	1,700,606
Net position: Net investment in capital assets	14,228,349
Net position: Unrestricted	1,630,789
Total net position	\$ 15,859,138
Condensed statement of revenues, expenses and changes in net position:	
Sales to customers	\$ 1,477,474
Intergovernmental revenue	31,007
Miscellaneous	712,021
Total operating revenues	2,220,502
Depreciation	878,482
Other operating expenses	2,058,653
Total operating expenses	2,937,135
Interest expense	(46,882)
Total nonoperating revenues (expenses)	(46,882)
Loss before transfers	(763,515)
Transfers in	1,149,011
Transfers out	(48,000)
Change in net position	337,496
Net position at the beginning of the year	15,521,642
Net position at the end of the year	\$ 15,859,138
Condensed statement of cash flows:	
Net cash provided (used) by:	
Operating activities	208,151
Noncapital financing activities	1,101,011
Capital and related financing activities	(394,479)
Investing activities	-
Beginning cash and cash equivalent balances	69,224
Ending cash and cash equivalent balances	\$ 983,907

City Of Grand Prairie, Texas

Notes to the Basic Financial Statements

September 30, 2019

O. Tax Abatements and Economic Incentive Agreements

The City has incentive agreements with companies which may refund or rebate certain amounts of taxes based on performance indicators. These agreements are governed by Chapter 312 of the Texas Local Government Code. Recipients may be eligible based on their impact to the City's economy, as usually measured by job creation. Agreements may also contain recapture or 'clawback' provisions in the event of non-performance of the agreement standards. The City's Management Services division reviews the performance of the companies under these agreements for their compliance with stated standards. As of the 2018 certified roll (used for 2019 fiscal year) the City's abatement agreements with seven companies resulted in \$33,336,517 in appraised values, totaling \$225,354 in taxes abated on the 2018 certified tax roll (used for the 2019 fiscal year).

P. Subsequent Events

On November 19, 2019, the City Council issued \$19,475,000 in GO Refunding Bonds, Series 2019.

The City has evaluated all other events or transactions that occurred after September 30, 2019 up through March 11, 2020, the date the financial statements were available to be issued.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[Closing Date]

Norton Rose Fulbright US LLP
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IN REGARD to the authorization and issuance of the “City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding Bonds, New Series 2020,” dated April 15, 2020, in the principal amount of \$4,290,000 (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, the defeasance and discharge of the City’s outstanding obligations being refunded by 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 a pricing certificate executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the “Bond Ordinance” and, jointly with the pricing certificate, 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, an Escrow Agreement (the “Escrow Agreement”) between the City and The Bank of New York Mellon Trust Company, N.A. (the “Escrow Agent”), a special report of Samuel Klein and Company (the “Accountants”) 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 Bond Ordinance), are payable solely from and equally and ratably secured by a lien on and pledge of the Net Revenues (as defined in the Bond 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. The Escrow Agreement has been duly authorized, executed and delivered and is a binding and enforceable agreement in accordance with its terms and the outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a fund with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the special report of the Accountants as to the sufficiency of cash deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. 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 the owners thereof.

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 financial asset securitization investment trust, 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.

Page 3 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "City of Grand Prairie, Texas, Water and Wastewater System Revenue Refunding Bonds, New Series 2020"

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Financial Advisory Services
Provided By

