

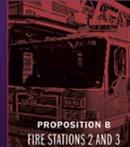


THE TRADE GROUP®
THE SALT LICK
ESTD BBQ 1967



LOOK TO THE FUTURE

As our City grows, we need to continually improve the services provided to our residents and the thousands of guests who visit our great City every year. Grapevine wants to renovate, expand, and relocate some of our facilities to improve safety, usability, and efficiency and comply with modern industry standards. Passage of the bonds will not result in a tax rate increase.

 PROPOSITION A GRAPEVINE ANIMAL SHELTER	 PROPOSITION B FIRE STATIONS 2 AND 3	 PROPOSITION C GOLF COURSE CLUBHOUSE
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**CITY OF GRAPEVINE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2017**

McPherson Farmhouse, c. 1886





CITY OF GRAPEVINE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2017

Prepared by: Fiscal Services Department

CITY OF GRAPEVINE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

HOME RULE, COUNCIL-MANAGER FORM OF GOVERNMENT

**William D. Tate
MAYOR**

CITY COUNCIL

Darlene Freed, Mayor Pro Tem

Chris Coy

Mike Lease

Paul Slechta

Duff O'Dell

Sharron Spencer

**Bruno Rumbelow
CITY MANAGER**

**Jennifer Hibbs
ASSISTANT CITY MANAGER**

**Greg Jordan
CHIEF FINANCIAL OFFICER**

CITY OF GRAPEVINE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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March 5, 2018

To the Honorable Mayor,
Members of the City Council, and
Citizens of the City of Grapevine, Texas

The Fiscal Services Department is pleased to submit the Comprehensive Annual Financial Report for the City of Grapevine. The City's Management assumes responsibility for both the accuracy of the data and the completeness and fairness of the presentation, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects. The data is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City government. To enable the reader to gain an understanding of the City's financial activities, all necessary disclosures have been included.

The City Charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City. The City Charter specifies that independent accountants selected by the City Council conduct such audits. Pattillo, Brown & Hill, LLP was selected by the City Council to conduct this year's audit. The independent auditors' report on the basic financial statements is included in the financial section of this report. This report fulfills the requirement of state law which requires the City file to the State an annual financial statement and audit opinion within 180 days after the last day of the municipality's Fiscal Year (FY).

Pattillo, Brown & Hill, LLP has issued an unmodified ("clean") opinion on the City of Grapevine's financial statements for the year ended September 30, 2017. The independent audit report is located at the front of the financial section of this report.

The Management and Discussion Analysis (MD&A) is a narrative introduction, overview, and analysis to accompany the basic financial statements. The MD&A can be found immediately following the independent auditors' report. The letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of State and Local Governments, and the information can be found in the Single Audit Section of this report.

Fiscal Services • 200 South Main Street • Grapevine, Texas • 76051 • 817-410-3113 • Fax 817-410-3013



Profile of the City of Grapevine

Incorporated in February 1907, Grapevine is a home rule City operating under a Council-Manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a six-member Council. The City Manager is appointed by the City Council and is responsible for carrying out policies and for the daily management of the City. Council members serve three-year staggered terms, with two Council members elected each year. The Mayor is elected to serve a three-year term.

The City is located in the center of the Dallas/Fort Worth metropolitan complex, 21 miles northwest of downtown Dallas and 19 miles northeast of downtown Fort Worth. Three major freeways, State Hwy 114, State Hwy 121, and Interstate Hwy 635, intersect in the heart of Grapevine, providing excellent access to Dallas, Fort Worth and the area shopping, entertainment, and employment centers. The City is located in Northeast Tarrant County and is home to the Dallas/Fort Worth International Airport. Two-thirds of the airport properties are located within Grapevine city limits and Grapevine participates in a Revenue Share Agreement with the cities of Ft. Worth and Dallas. The City is approximately 35 square miles and serves an approximate population of 51,000.

The City provides a full range of services, including police and fire protection, emergency ambulance service, planning and zoning, public improvements, water and sewer services, sanitation services, extensive parks and recreation facilities, library services, street and other public infrastructure maintenance and improvements, and general administrative services. The City also offers a 36-hole golf course, a very active economic development focus and an aggressive marketing plan to continue to grow and develop industry and tourism within the City. The City also provides internal services, through the General Fund, for fleet services and risk management.

The City of Grapevine's Home Rule Charter provides for the submission of the budget to the City Council by the City Manager. At least sixty days and no more than ninety days before the beginning of the fiscal year, the City Manager must submit a proposed budget to the City Council. The annual budget serves as the foundation for the City of Grapevine's financial planning and control. The budget is prepared by fund and department, and the City Manager can approve the transfer of expenditures within a fund, but transfers between funds requires approval from the governing Council. The Grapevine Code of Ordinances establishes a balanced budget provision for the General and Debt Service funds. Total estimated expenditures within these funds shall not exceed the total estimated resources, but it does, however, provide for disclosure when a deviation from a balanced budget is necessary. The budget may be amended and appropriations altered in cases of public necessity, upon declaration of the City Council.

Component units are legally separate organizations that a primary government must include as a part of its financial reporting entity. The City has included financial statements for five blended component units due to their fiscal dependency on the primary government. The Tax Increment Financing District Reinvestment Zones Numbers One and Two, the Crime Control and Prevention District, the Grapevine 4B Economic Development Corporation, and the 4B Transit Fund, which accounts for local sales tax used to fund Grapevine's participation in the commuter rail development project with the Fort Worth Transit Authority for the future construction of the Main Street Rail Station. The 4B Economic Development Fund accounts for a portion of the local sales tax which is used to stimulate the local economy, promote new development, and spur redevelopment of other areas.

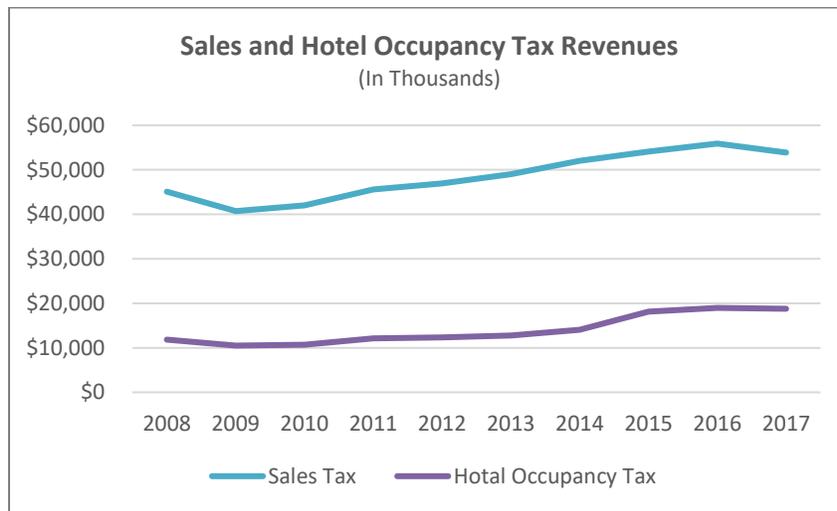
The Heritage Foundation is a legally separate organization that is a discretely presented component unit of the City. The Foundation was organized to promote the preservation, protection and economic development of Grapevine's physical and cultural heritage. Additional information on all six component units can be found in Note I in the notes to the financial statements.

Local Economy

During FY 2017, Grapevine continued to experience economic growth due to superior access to major highways, an aggressive economic development program, and a stable political climate. In addition, the City of Grapevine is in close proximity to DFW International Airport, which helps to promote tourism, and it is the largest employer in Grapevine with more than 28% of the total employment base. Other local economic indicators for Grapevine in FY 2017 include an unemployment rate of 3.4% and personal income per capita slightly increased over the past several fiscal years.

Sales tax, the single largest revenue stream for the City, has been on a decline during 2017 which is expected to remain consistent over the next year. The City has expectations that these sales tax decreases will recover over the next few years as many of the construction and development projects that are currently in process reach completion.

The City's hotel and occupancy tax receipts have been on a steady incline over the last several years. Since 2012, hotel occupancy tax revenues have increased 5.25%. This growth was driven by higher occupancy rates for hotels located in the City and by a 1% increase in the hotel occupancy tax rate (from 6% to 7%) which went in to effect October 1, 2014. Growth has been relatively flat for 2017 and it is also expected to remain this way through 2018, however, hotel occupancy taxes are expected to grow over the next several years as current and future hotel construction and expansion projects are completed within the City.



Long-term Financial Planning

The City Council establishes long term financial goals each year as a part of the budgeting process. For FY 2017, the Council continued with the following goals:

- (1) Maintain financial stability and strong fiscal management
- (2) Sustain existing programs at high service levels
- (3) Provide a safe and secure community
- (4) Address future transportation needs
- (5) Continue to enhance tourism development
- (6) Invest in "Quality of Life" capital projects

Grapevine continued to maintain financial stability and strong fiscal management for FY 2017. The General, Debt Service, Utility Enterprise, and Stormwater Drainage funds ended the fiscal year with fund balances that meet or exceed their requirement. The City also maintained existing services and transferred from the General Fund \$3,000,000 to the Quality of Life Fund, \$200,000 to the Crime District Fund, \$3,279,000 to the Street Maintenance and Capital Replacement Fund, and \$982,000 to the Capital Acquisition Fund.

In meeting the goal of providing a safe and secure community, the Police Department responded to 47,751 calls for service while the Fire Department responded to 6,161 calls for service and 4,432 ambulance runs.

Major Economic Initiatives and Community Development

Grapevine continues to experience strong construction growth. In FY 2017, construction values exceeded \$260 million, compared to \$251 million in FY 2016. The largest category in this fiscal year was \$139 million in new Commercial Construction, which accounted for approximately 53% of the construction values. A total of 85 single-family residential homes were permitted in FY 2017 valued at \$26,300,683. The following are some other major community development projects and economic initiatives that occurred or continued during FY 2017.

In December 2013, the City of Grapevine purchased approximately 185 acres of property in the northeast portion of the city. It is the intention of the city to conduct a market/feasibility study and develop a master plan for the property. The city has been successful in marketing the property to developers, most notably to Kubota and Mercedes Benz, which both signed development deals in 2015.

Kubota Tractor Corporation unveiled its new North American Headquarters building in Grapevine on April 12, 2017, with a ribbon cutting ceremony with Governor Greg Abbott, Masatoshi Kimata, President and Representative Director of the Kubota Group, along with State and local officials. The company's move to Texas from Torrance, California, is the most significant change it has undertaken in its successful 45-year history in the U.S. Kubota's new Corporate Office facility was built with sustainability features designed specifically to qualify for the LEED Gold certification.

In May 2017, the City cleared the way for the award-winning Salt Lick BBQ to join the Grapevine, Texas family. Construction began in the fall of 2017. Once completed in late 2018, the 10 acre property nestled in its wooded and relaxed location will offer 10,000 square feet of indoor and outdoor dining as well as a specialty wine and beer bar.

In August 2017, the City proudly announced that THE TRADE GROUP® will be relocating their global headquarters to Grapevine, Texas. The company has made the Inc. 5000 list of fastest growing private companies for the past four years and is one of the nation's leading trade show exhibit and event companies. Known for its dedication to design excellence, the company provides trade show exhibit design and fabrication services, state-of-the-art live event planning, event execution and management, general contracting services for events, RFID technology/interactive experiences, as well as immersive corporate and commercial design and production.

In FY 2006, the citizens of Grapevine overwhelmingly voted to approve the creation of an economic development fund for the primary purpose of providing passenger rail service to the City. Since that time, the City has worked closely with TEX Rail to achieve this goal. The future station will consist of an observation tower, public plaza, parking garage, public meeting spaces, market hall, and retail spaces. In conjunction with the aforementioned projects, the City has entered into agreements to include a 121 room AAA, four diamond level hotel to this project. The train station and parking garage are slated to be completed by December 31, 2018. The remaining construction is expected to be completed later in 2019.

Awards and Acknowledgements

The City's Fiscal Services Department was awarded the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report ("CAFR") for the fiscal year ended September 30, 2016. This was the 30th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City's Purchasing Division received the 2017 Annual Achievement of Excellence in Procurement® Award. The continuously evolving AEP criteria is designed to measure state of the art in best practices. There were 206 agencies in the United States and Canada that earned the award with 69 of them being cities. Grapevine staff have worked diligently and therefore received this award for 4th consecutive year.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire Fiscal Services Department. We would also like to express our appreciation to other City department staff that provided information and contributed to the preparation of this report.

We would also like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and professional manner.

Respectfully submitted by:



Greg Jordan
Chief Financial Officer



Jeff Strawn
Managing Director of Financial Services



Nicole Bradshaw, CPA
Director of Internal Audit



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Grapevine
Texas**

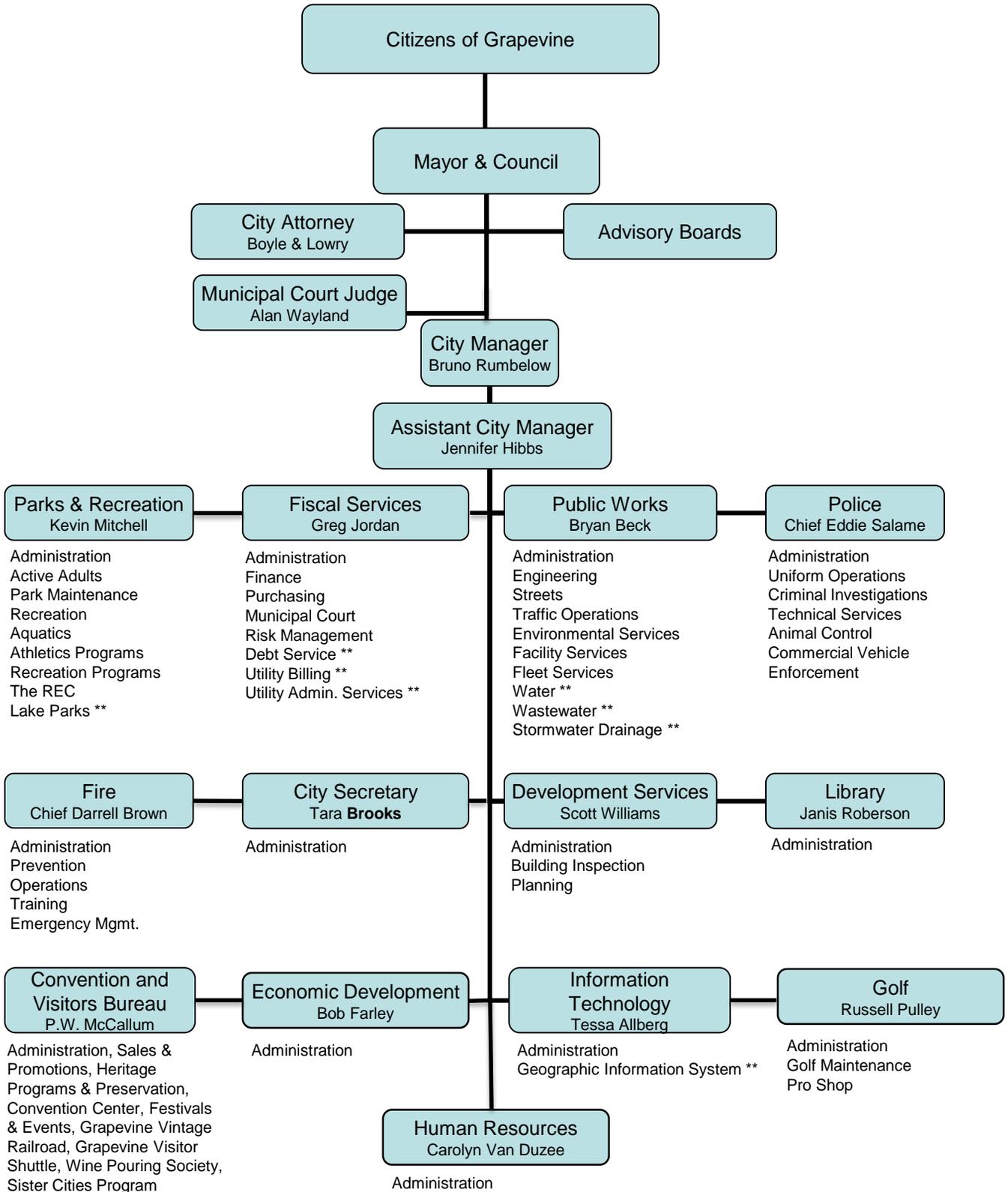
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO

City of Grapevine Organization Chart



CITY OF GRAPEVINE, TEXAS
ADMINISTRATIVE OFFICIALS

Bruno Rumbelow
City Manager

Jennifer Hibbs
Assistant City Manager

Tara Brooks
City Secretary

John F. Boyle, Jr.
City Attorney

Alan Wayland
Municipal Court Judge

Greg Jordan
Chief Financial Officer

Bryan Beck
Director of Public Works

Scott Williams
Director of Development Services

Darrell Brown
Fire Chief

Edward Salame
Chief of Police

Janis Roberson
Library Director

Kevin Mitchell
Director of Parks and Recreation

Russell E. Pulley
Director of Golf

P. W. McCallum
Executive Director, Convention & Visitors Bureau

Carolyn Van Duzee
Human Resources Director

Nicole L. Bradshaw, CPA, CGMA
Internal Audit Director

Tessa Allberg
Chief Technical Officer

Jeff Strawn
Managing Director of Financial Services

Robert Smeby
Purchasing Agent

Gary W. Livingston
Management Services Director

John Butkus
Capital Budget Director

Robert Farley
Director of Economic Development

FINANCIAL SECTION

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P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Grapevine, 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 unit, each major fund, and the aggregate remaining fund information of the City of Grapevine, Texas (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, 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 unit, each major fund, and the aggregate remaining fund information of the City of Grapevine, Texas, as of September 30, 2017, 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 and required supplementary information, as 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 nonmajor fund financial statements and schedules, statistical section, and Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2018, 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 5, 2018

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis

As management of the City of Grapevine (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$399,052,155 (net position).
- The City's total net position increased by \$8,901,260 from operations. \$6,322,886 of this increase was attributable to governmental activities and \$2,578,374 was due to business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$146,033,856, a decrease of \$13,881,272 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,452,240 or 22% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The statement of net position presents information on all of the City's assets, deferred outflows (inflows) of resources, and liabilities, with the difference 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.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, culture and recreation, public works, transportation, tourism and economic development. The business-type activities of the City include water and sewer services and the lake enterprise activities (golf course).

The government-wide financial statements include not only the City itself (known as the primary government), but also include the Heritage Foundation which is a legally separate entity for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The Tax Increment Reinvestment Zones Numbers One and Two, the Crime Control and Prevention District (Crime District), and the Grapevine 4B Economic Development Corporation, although legally separate, function for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

Fund financial statements—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The fund financial statements for governmental funds, proprietary funds, and fiduciary funds can be found in the financial section of this report.

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

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

The City maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Hotel Occupancy Tax Fund, Crime District Fund, 4B – Economic Development Fund, 4B – Transit Fund, Grant Fund, Debt Service Fund, TIF #1 Capital Projects Fund and General Facilities and Equipment Fund, all of which are considered to be major funds. Data from the other 11 governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

Proprietary funds—The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Fund, and Lake Enterprise Fund (golf course).

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Lake Enterprise Fund, which are both major funds.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds. Agency funds are one of the City’s fiduciary fund types. Agency funds account for funds held in an agency capacity for the Industrial Development Corporation, the Police Department entitled “Police Department Case Settlement” and the W.D. Tate Scholarship. The second type of fiduciary fund is a trust fund, the Grapevine Health Reimbursement Account (HRA). See Note I for additional information pertaining to fiduciary funds.

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 *required supplementary information*. The required supplementary information section of this report includes budgetary comparison schedules for the General Fund and major special revenue funds with legally adopted budgets which include the Hotel Occupancy Tax Fund, Crime District Fund, 4B Economic Development Fund, and 4B Transit Fund. This section of the report also includes schedules detailing the City’s progress in funding its obligations to provide pension and OPEB benefits to its employees.

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on the City’s pension and OPEB plans.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. As of September 30, 2017, the City’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$399,052,155.

CITY OF GRAPEVINE'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 168,042,416	\$ 181,994,910	\$ 32,802,715	\$ 30,652,849	\$ 200,845,131	\$ 212,647,759
Capital assets	<u>320,398,947</u>	<u>282,253,588</u>	<u>124,872,370</u>	<u>128,863,442</u>	<u>445,271,317</u>	<u>411,117,030</u>
Total assets	<u>488,441,363</u>	<u>464,248,498</u>	<u>157,675,085</u>	<u>159,516,291</u>	<u>646,116,448</u>	<u>623,764,789</u>
Deferred outflows of resources	<u>14,208,122</u>	<u>16,900,916</u>	<u>1,456,416</u>	<u>1,761,880</u>	<u>15,664,538</u>	<u>18,662,796</u>
Long-term liabilities	215,437,613	216,233,080	18,822,590	18,864,649	234,260,203	235,097,729
Other liabilities	<u>22,643,203</u>	<u>22,060,466</u>	<u>3,295,693</u>	<u>3,980,666</u>	<u>25,938,896</u>	<u>26,041,132</u>
Total liabilities	<u>238,080,816</u>	<u>238,293,546</u>	<u>22,118,283</u>	<u>22,845,315</u>	<u>260,199,099</u>	<u>261,138,861</u>
Deferred inflows of resources	<u>2,305,925</u>	<u>2,089,713</u>	<u>223,807</u>	<u>211,448</u>	<u>2,529,732</u>	<u>2,301,161</u>
Net position:						
Net investment						
in capital assets	214,480,835	176,590,969	122,774,540	126,509,518	337,255,375	303,100,487
Restricted	73,871,676	78,218,685	3,466,783	3,205,263	77,338,459	81,423,948
Unrestricted	<u>(26,089,767)</u>	<u>(14,043,499)</u>	<u>10,548,088</u>	<u>8,506,627</u>	<u>(15,541,679)</u>	<u>(5,536,872)</u>
Total net position	\$ <u>262,262,744</u>	\$ <u>240,766,155</u>	\$ <u>136,789,411</u>	\$ <u>138,221,408</u>	\$ <u>399,052,155</u>	\$ <u>378,987,563</u>

The largest portion of the City's net position (\$337,255,375) reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire capital assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that 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.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. Restricted net position includes (1) use of impact fees for construction purposes \$3,466,783, (2) debt service \$10,110,670, (3) capital projects \$36,423,616, (4) court security and technology \$304,947, (5) public safety \$472,509, (6) records preservation \$18,826, (7) economic development \$15,603,782, (8) transportation \$357, (9) culture and recreation \$159,723, and (10) tourism \$10,777,246.

For fiscal year-end 2017, the City is able to report positive balances in two categories of net position for the City as a whole. Unrestricted net position is a deficit for the governmental activities and in total for the City. This is due in part to the recognition of the net pension liability under the requirements of GASB Statement No. 68, the recognition of the net OPEB obligation under GASB Statement No. 45, and also due to the fact that the City has a substantial amount of debt related to TIF #2 which is not capital-related.

Analysis of the City's Operations

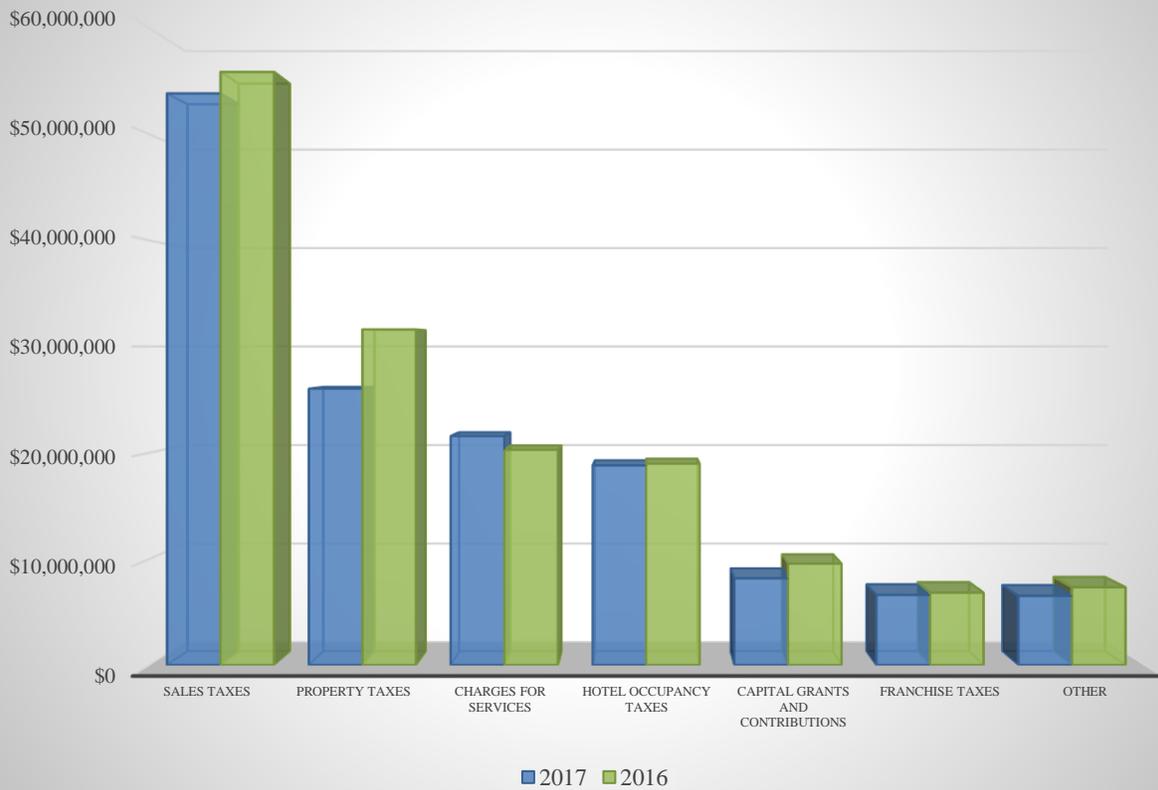
The following table provides a summary of the City's operations for the year ended September 30, 2017, and 2016:

CITY OF GRAPEVINE'S CHANGES IN NET POSITION

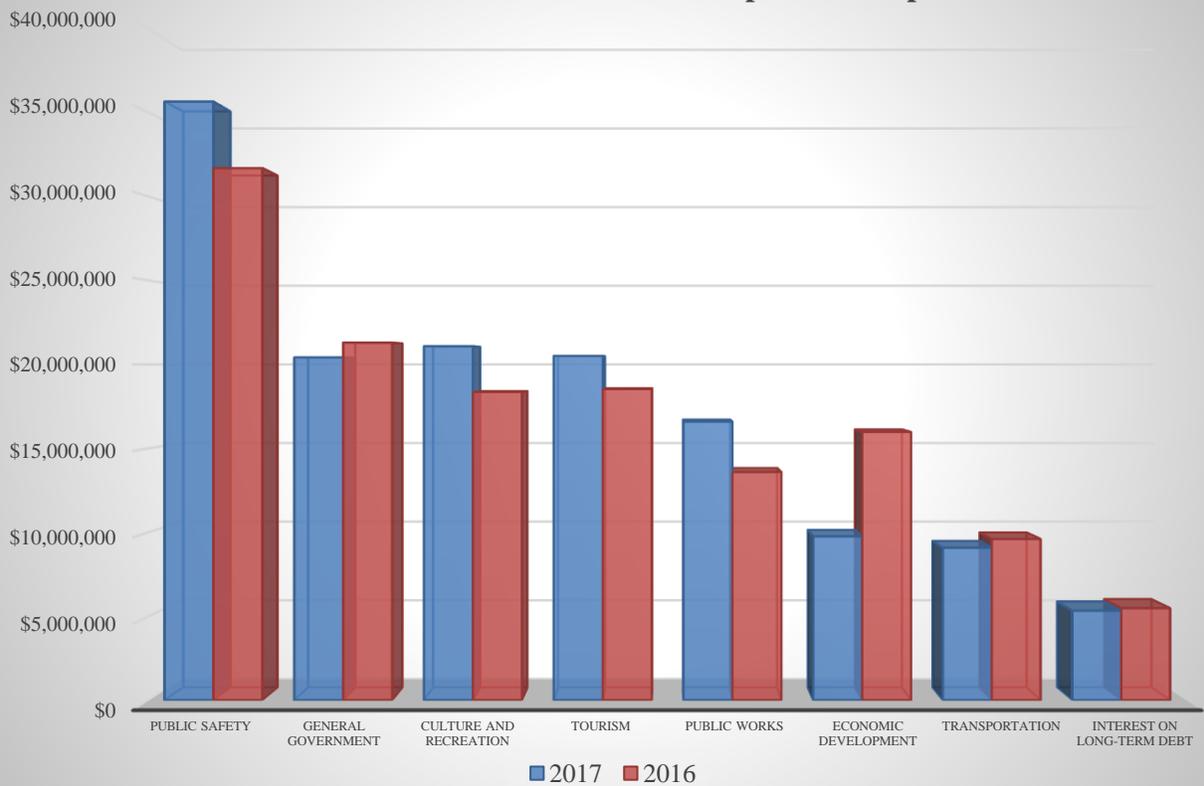
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 21,563,067	\$ 20,265,199	\$ 27,836,919	\$ 26,640,704	\$ 49,399,986	\$ 46,905,903
Operating grants and contributions	1,078,764	382,612	-	-	1,078,764	382,612
Capital grants and contributions	8,171,034	9,548,715	1,803,197	17,980,963	9,974,231	27,529,678
General revenues:						
Property taxes	26,027,260	31,616,778	-	-	26,027,260	31,616,778
Hotel occupancy taxes	18,800,663	18,964,558	-	-	18,800,663	18,964,558
Sales taxes	53,853,888	55,883,649	-	-	53,853,888	55,883,649
Mixed beverage taxes	1,733,258	1,710,043	-	-	1,733,258	1,710,043
Franchise taxes	6,602,482	6,818,261	-	-	6,602,482	6,818,261
Investment earnings	1,523,410	886,949	305,651	147,858	1,829,061	1,034,807
Miscellaneous	579,445	203,915	-	-	579,445	203,915
Gain on sale of capital assets	1,604,953	4,143,738	-	3,044	1,604,953	4,146,782
Total revenues	<u>141,538,224</u>	<u>150,424,417</u>	<u>29,945,767</u>	<u>44,772,569</u>	<u>171,483,991</u>	<u>195,196,986</u>
Expenses:						
General government	20,417,359	21,300,608	-	-	20,417,359	21,300,608
Public safety	35,650,701	31,685,529	-	-	35,650,701	31,685,529
Culture and recreation	21,087,425	18,353,520	-	-	21,087,425	18,353,520
Public works	16,585,032	13,590,399	-	-	16,585,032	13,590,399
Transportation	9,077,750	9,600,441	-	-	9,077,750	9,600,441
Tourism	20,506,911	18,526,251	-	-	20,506,911	18,526,251
Economic development	9,757,152	15,976,338	-	-	9,757,152	15,976,338
Interest on long-term debt	5,332,385	5,479,872	-	-	5,332,385	5,479,872
Water and sewer	-	-	20,926,232	20,497,966	20,926,232	20,497,966
Lake enterprise	-	-	3,241,784	3,256,158	3,241,784	3,256,158
Total expenses	<u>138,414,715</u>	<u>134,512,958</u>	<u>24,168,016</u>	<u>23,754,124</u>	<u>162,582,731</u>	<u>158,267,082</u>
Increases in net position						
before transfers	3,123,509	15,911,459	5,777,751	21,018,445	8,901,260	36,929,904
Transfers	<u>3,199,377</u>	<u>(2,163,540)</u>	<u>(3,199,377)</u>	<u>2,163,540</u>	<u>-</u>	<u>-</u>
Change in net position	6,322,886	13,747,919	2,578,374	23,181,985	8,901,260	36,929,904
Net position, beginning	240,766,155	227,018,236	138,221,408	115,039,423	378,987,563	342,057,659
Prior period adjustment	<u>15,173,703</u>	<u>-</u>	<u>(4,010,371)</u>	<u>-</u>	<u>11,163,332</u>	<u>-</u>
Net position, beginning (restated)	<u>255,939,858</u>	<u>227,018,236</u>	<u>134,211,037</u>	<u>115,039,423</u>	<u>390,150,895</u>	<u>342,057,659</u>
Net position, ending	<u>\$ 262,262,744</u>	<u>\$ 240,766,155</u>	<u>\$ 136,789,411</u>	<u>\$ 138,221,408</u>	<u>\$ 399,052,155</u>	<u>\$ 378,987,563</u>

Governmental activities – Governmental activities increased the City's net position by \$6,322,886. Overall total revenues for fiscal year 2017 were 5.9% lower than the previous fiscal year and the City experienced decreases in several categories of revenue. The largest of the revenue decreases came from property taxes, which can be attributed to the participant entities withdrawing from TIF #1. Another reason for the reduction in revenue was a 3.6% decrease in sales tax caused by a decline in economic activity. The City's operating expenses for 2017 increased by \$3,901,757 or 2.9%. The City incurred more expenses in 2017 in most functions due to a 3% payroll increase which was budgeted in order to maintain the City's standing in the market. Overall net position increased by \$21,496,589. Of this amount, \$15,173,703 is attributable to a prior period adjustment that was recorded to properly state capital assets.

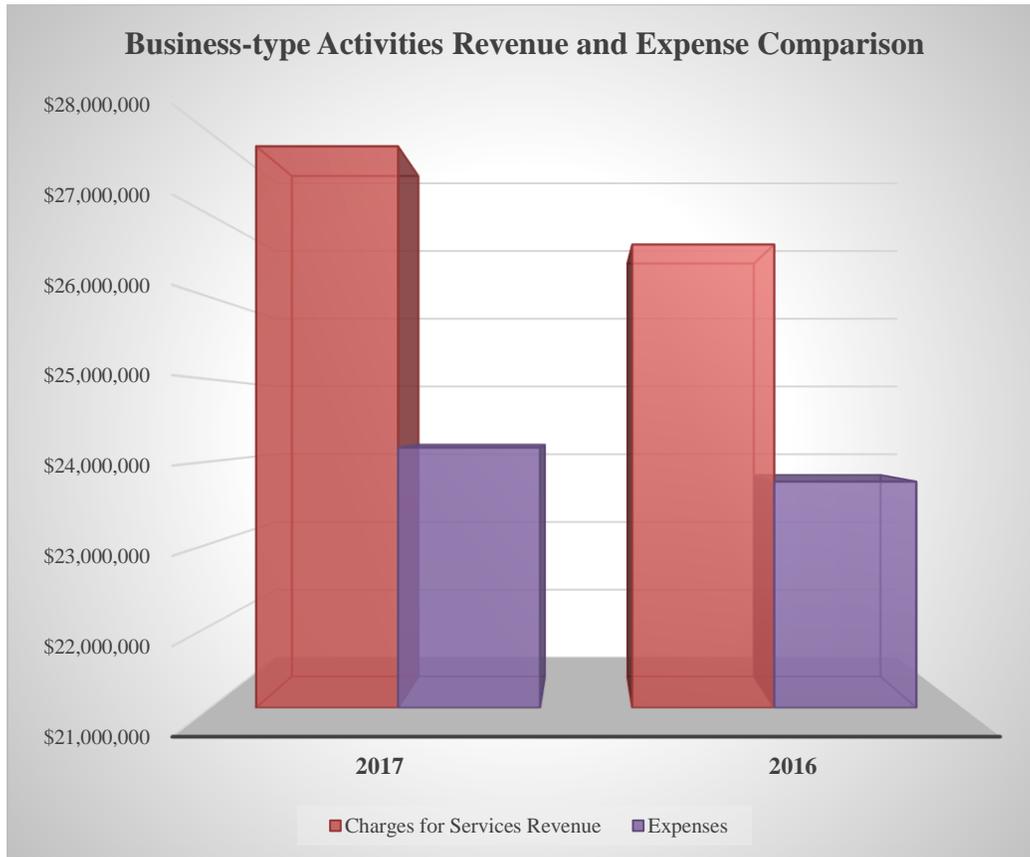
Governmental Activities Revenues By Source



Governmental Activities - Functional Expenses Comparison



Business-type activities – Business-type activities increased the City’s net position by \$2,578,374. The increase is primarily due to an increase in demand and number of customers for all business-type activities. The Water and Sewer Fund experienced a decrease in capital contributions from developers in the City and donated utility easements. The Lake Enterprise Fund (golf course) had a decline in operations over the last few years due to extensive flooding in fiscal year 2015. Operating activities of the Lake Enterprise Fund have now fully recovered to pre-flood levels. Expenses of the business-type activities remained relatively stable as costs rose.



FINANCIAL ANALYSIS OF THE CITY’S FUNDS

Governmental funds – As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$146,033,856, a decrease of \$13,881,272 compared with the prior year. Unassigned fund balance is \$6,376,282 (4%), which is available for spending at the City’s discretion. The remainder of fund balance is not available for new spending because it is (1) nonspendable (\$2,095,417) (2) restricted for debt service, capital projects, court security and technology, public safety, economic development, transportation, tourism, records preservation and culture and recreation programs (\$93,282,619) (3) committed for stormwater drainage and public arts (\$2,241,401) (4) or assigned for economic development, capital projects, tourism, public safety and culture and recreation programs (\$42,038,137).

Significant changes in fund balances of major funds are as follows:

General Fund – The fund balance decreased by \$338,785 for FY 2017. Every year the General Fund makes transfers to other funds and this year some of those transfers included \$7,261,000 to nonmajor governmental funds for capital projects designated by the City Council and \$200,000 to the Crime District Fund (CCPD). Fund balance in the General Fund was also impacted by the decrease in revenues and increased operating costs. This fiscal year the City experienced a decrease in sales taxes which contributed to the General Fund revenue decrease of \$894,257. This decrease was anticipated in the budget for FY 2017. Overall operating expenditures increased from the previous year by \$2,178,180 as well. The City's self-insurance activities are reported within the General Fund and claims cost and retiree health care costs have increased significantly over the prior year. Additionally, payroll related costs grew as a 3% increase in wages was allocated as a part of the FY 2017 budget.

Special Revenue – Hotel Occupancy Tax Fund – The net change in fund balance in the Hotel Occupancy Tax Fund was \$4,516,399, which decreased from the prior year by \$1,843,707. This slowdown in growth in this fund is a result of increased expenditures, as revenues for this fund remained fairly flat for FY 2017. Expenditures in the Hotel Occupancy Tax Fund increased from the prior year by \$2,052,953. This increase can be primarily attributed to an effort to increase marketing and promotion of festivals, events, and the City as a whole by the Convention and Visitors Bureau of the City and to budgeted payroll increases.

Special Revenue – Crime District Fund – Fund balance of the Crime District Fund decreased by \$1,781,875. Expenditures in this fund were only \$19,409 over budget, but actual sales tax revenues fell short of budgeted projections by \$696,290. This shortfall in revenues, caused by a general economic decline, ultimately caused the fund to end in a deficit of \$343,841.

Special Revenue – 4B – Economic Development – The 4B fund balance decreased by \$14,783,621 over last fiscal year. This decrease can be primarily attributed to transfers out to the Streets Fund and General Facilities and Equipment fund for \$4,794,050 and \$10,482,755, respectively. These transfers were made to fund the Kubota Drive and Grapevine Main capital projects. Additionally, capital outlay expenditures of \$4,716,788 were incurred during the year to purchase additional land.

Special Revenue – 4B – Transit – The 4B-Transit fund balance decreased by \$464,844 over last fiscal year. This decrease was due to a transfer of excess funds in the amount of \$475,248 that was moved to the 4B Economic Development Fund. Other than this transfer, operations within this fund are consistent with prior periods. Most of the economic sales tax dollars received in this fund, \$9,077,750, are being used to pay the Ft. Worth Transit Authority. The remainder, \$330,613, is transferred to the Hotel Occupancy Tax Fund to cover a portion of the City's shuttle visitors bus system.

Special Revenue – Grant Fund – The fund balance in the Grant Fund decreased by \$1,012,399 from last fiscal year. The primary reason for the decrease in fund balance is that grant expenditures were incurred in FY 2017, but the related intergovernmental revenues were not available for spending, so they are reported as deferred inflows of resources. Significant grant programs with expenditures reported in the current year include projects related to disaster assistance through FEMA and the Texas Department of Transportation's Green Ribbon Program which the City is using to help fund landscape improvements along local highways.

Debt Service Fund – The total fund balance of \$10,922,698 is restricted for the payment of debt obligations. The decline in the balance of \$2,837,682 is attributable to prior year's debt restructuring resulting in excess payments over receipts.

Capital Projects – TIF #1 – The net change in fund balance of \$21,476,318 is primarily the result of the transfer of excess TIF funds which became available after all debt requirements of the TIF had been satisfied. The excess funds are available for future City and educational projects.

Capital Projects – General Facilities and Equipment – The fund balance increased \$9,181,161 from the prior year as a result of proceeds in excess of expenditures related to several projects. Major projects which contributed to the increase were the Grapevine Main project approved in 2017, IT infrastructure improvements, fire station remodels and the City’s fiber project being conducted jointly with the Grapevine Independent School District.

Proprietary Funds – The City of Grapevine’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the proprietary funds have already been addressed in the discussion of the City’s business-type activities.

General Fund Budgetary Highlights

Significant amendment changes:

There were no changes to budgeted revenues for the fiscal year 2017. Amendments increasing the budgeted expenditures included: \$1,569,991 associated with increased insurance costs covered by stop loss provisions, \$615,507 for reversal of anticipated salary attrition and \$372,064 for costs associated with an agreement for revenue sharing with the cities of Dallas and Fort Worth. In addition, other expenditure adjustments to the original budget were made to adjust allocations among categories and had no impact on the total expenditures.

Significant budget variances:

Revenues exceeded the budget by \$1,050,181 primarily due to increases in licenses and permits, intergovernmental revenue and miscellaneous revenue. Revenue from permits exceeded the budget by more than \$400,000. This included building, electrical, plumbing and mechanical permits and resulted from increase in the number of permits issued. Intergovernmental revenue exceeded budget as a result of proceeds from the Texas Ambulance Supplemental Payment Program. Revenue from the City’s participation in the Purchase Card Rebate and Buy Board programs as well as increases in lease revenue contributed to the favorable miscellaneous revenue variance.

Expenditures exceeded the original budget primarily due to increased health insurance costs and payments associated with the DFW Revenue Share agreement. After budget amendments, expenditures were lower than the Amended Budget by \$448,704. Expenditures reflecting favorable variances included professional services, operating supplies and utilities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets—The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$445,271,317 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, intangible assets and construction in progress. The total net increase in the City’s investment in capital assets for the current fiscal year was \$34,154,287 (8%).

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

- Public Safety Building construction totaling \$8,585,840 was added to construction in progress.
- Acquisition of vehicles and equipment totaling \$1,866,307, including \$784,211 related to public safety and \$479,033 related to public works.
- The Library renovation of \$576,776 was completed.
- Parks and recreation improvement projects of \$2,249,549 were completed, including \$1,030,814 in State Highway 114 landscape improvements and \$773,642 related to the completion of trail projects.
- The Golf Course bunker renovation was completed totaling \$347,423.
- The Water and Sewer Fund completed \$1,564,906 in projects, which extended and improved the City’s water and sewer system. Donated water and sewer assets totaled \$1,803,197.

CITY OF GRAPEVINE’S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 37,028,839	\$ 32,813,837	\$ 593,970	\$ 596,720	\$ 37,622,809	\$ 33,410,557
Right-of-way/easements	76,145,176	72,691,127	40,239,865	39,402,819	116,385,041	112,093,946
Construction in progress	50,988,604	38,202,094	3,210,218	1,574,202	54,198,822	39,776,296
Buildings	57,837,902	59,400,490	748,637	791,995	58,586,539	60,192,485
Improvements other than buildings	23,290,960	19,348,545	1,943,329	1,959,900	25,234,289	21,308,445
Machinery and equipment	18,534,219	15,277,127	1,770,050	2,164,556	20,304,269	17,441,683
Water storage rights	-	-	61,238	78,327	61,238	78,327
Infrastructure	<u>56,573,247</u>	<u>44,520,368</u>	<u>76,305,063</u>	<u>82,294,923</u>	<u>132,878,310</u>	<u>126,815,291</u>
Total	<u>\$ 320,398,947</u>	<u>\$ 282,253,588</u>	<u>\$ 124,872,370</u>	<u>\$ 128,863,442</u>	<u>\$ 445,271,317</u>	<u>\$ 411,117,030</u>

Additional information on the City’s capital assets can be found in Note V of the notes to the financial statements.

Long-term debt—At the end of the current fiscal year, the City had total bonded debt outstanding of \$153,549,689. Of this amount, \$136,059,689 comprises debt backed by the full faith and credit of the City.

CITY OF GRAPEVINE’S OUTSTANDING BONDS AND NOTES PAYABLE AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 77,020,000	\$ 83,970,000	\$ 2,205,000	\$ 2,365,000	\$ 79,225,000	\$ 86,335,000
Certificates of obligation	39,476,837	34,593,701	8,600,000	8,600,000	48,076,837	43,193,701
Revenue bonds	17,490,000	18,170,000	-	-	17,490,000	18,170,000
Notes payable	1,912,596	2,500,410	-	-	1,912,596	2,500,410
Premium on bonds issued	6,360,849	6,638,493	484,407	487,268	6,845,256	7,125,761
	<u>\$ 142,260,282</u>	<u>\$ 145,872,604</u>	<u>\$ 11,289,407</u>	<u>\$ 11,452,268</u>	<u>\$ 153,549,689</u>	<u>\$ 157,324,872</u>

Additional information on the City’s long-term debt can be found in Note VIII of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The following economic factors currently affect the City and were considered in developing the 2017-2018 fiscal year budget.

The economy continues to be strong for the City and the Dallas-Fort Worth Metroplex in general. The City continues to focus on quality of life, economic development and cultural, educational and recreational amenities the community has to offer.

Although the City has experienced recent declines in sales tax revenue, it is anticipated this will flatten out as various economic development projects are expected to be completed in 2017-2018.

The City has also seen annual increases in health insurance costs consistent with national trends resulting in a \$1.2 million increase in the 2018 budget.

Despite these changes, through increases in revenues and decreases in other expenses, the General Fund reserve requirement is expected to remain at approximately 22% of budgeted expenditures for the fiscal year 2018. This exceeds the requirement of 20% of budgeted expenditures.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City’s finances. If you have questions about this report or need additional information, contact the Finance Division, City of Grapevine, 200 S. Main Street, Grapevine, Texas 76051.

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**BASIC
FINANCIAL STATEMENTS**

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CITY OF GRAPEVINE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Heritage Foundation
ASSETS				
Cash and investments	\$ 148,699,052	\$ 18,366,534	\$ 167,065,586	\$ 495,660
Receivables, net:				
Taxes	11,206,220	-	11,206,220	-
Accounts	3,014,095	2,821,386	5,835,481	-
Notes	500,000	-	500,000	-
Internal balances	1,011,229	(1,011,229)	-	-
Due from primary government	-	-	-	5,147
Due from other governments	1,359,601	-	1,359,601	-
Inventory	525,635	71,840	597,475	-
Accrued interest	45,888	7,310	53,198	151
Prepaid expenses	1,074,670	37,497	1,112,167	-
Deposits	490,679	-	490,679	-
Restricted assets:				
Cash and investments	-	12,509,377	12,509,377	-
Assets held for sale	115,347	-	115,347	-
Capital assets (net of accumulated depreciation):				
Non-depreciable	164,162,619	44,044,053	208,206,672	450,067
Depreciable	156,236,328	80,828,317	237,064,645	803,281
Total assets	<u>488,441,363</u>	<u>157,675,085</u>	<u>646,116,448</u>	<u>1,754,306</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	13,470,683	1,307,432	14,778,115	-
Deferred loss on bond refunding	737,439	148,984	886,423	-
Total deferred outflows of resources	<u>14,208,122</u>	<u>1,456,416</u>	<u>15,664,538</u>	<u>-</u>
LIABILITIES				
Accounts payable	9,824,623	2,007,692	11,832,315	4,077
Contracts and retainage payable	1,918,726	8,572	1,927,298	-
Accrued and other liabilities	4,202,926	339,402	4,542,328	-
Developer deposits	2,180,439	-	2,180,439	-
Interest payable	914,301	8,681	922,982	-
Due to component unit	5,147	-	5,147	-
Due to other governments	197,449	-	197,449	-
Unearned revenue	3,399,592	-	3,399,592	7,533
Customer deposits	-	931,346	931,346	-
Noncurrent liabilities:				
Due within one year	13,007,221	531,400	13,538,621	-
Due in more than one year	202,430,392	18,291,190	220,721,582	-
Total liabilities	<u>238,080,816</u>	<u>22,118,283</u>	<u>260,199,099</u>	<u>11,610</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	2,305,925	223,807	2,529,732	-
Total deferred inflows of resources	<u>2,305,925</u>	<u>223,807</u>	<u>2,529,732</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	214,480,835	122,774,540	337,255,375	1,253,348
Restricted for:				
Use of impact fees	-	3,466,783	3,466,783	-
Debt service	10,110,670	-	10,110,670	-
Capital projects	36,423,616	-	36,423,616	-
Court security and technology	304,947	-	304,947	-
Public safety	472,509	-	472,509	-
Records preservation	18,826	-	18,826	-
Economic development	15,603,782	-	15,603,782	-
Transportation	357	-	357	-
Culture and recreation	159,723	-	159,723	-
Tourism	10,777,246	-	10,777,246	-
Unrestricted	(26,089,767)	10,548,088	(15,541,679)	489,348
Total net position	<u>\$ 262,262,744</u>	<u>\$ 136,789,411</u>	<u>\$ 399,052,155</u>	<u>\$ 1,742,696</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 20,417,359	\$ 2,155,437	\$ 66,284	\$ 6,177,615
Public safety	35,650,701	2,197,522	217,990	-
Culture and recreation	21,087,425	6,003,381	764,115	157,428
Public works	16,585,032	3,367,198	24,832	1,835,991
Transportation	9,077,750	-	5,543	-
Economic development	9,757,152	-	-	-
Tourism	20,506,911	7,839,529	-	-
Interest on long-term debt	5,332,385	-	-	-
Total governmental activities	<u>138,414,715</u>	<u>21,563,067</u>	<u>1,078,764</u>	<u>8,171,034</u>
Business-type activities:				
Water and sewer	20,926,232	24,662,647	-	1,803,197
Lake Enterprise	3,241,784	3,174,272	-	-
Total business-type activities	<u>24,168,016</u>	<u>27,836,919</u>	<u>-</u>	<u>1,803,197</u>
Total primary government	<u>\$ 162,582,731</u>	<u>\$ 49,399,986</u>	<u>\$ 1,078,764</u>	<u>\$ 9,974,231</u>
Component unit:				
Heritage Foundation	<u>\$ 191,895</u>	<u>\$ 14,175</u>	<u>\$ 63,785</u>	<u>\$ 1,747</u>

General revenues:

Taxes:
Property
Franchise
Hotel occupancy
Sales
Mixed beverage
Investment income
Gain on disposal of capital assets
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

Net position - beginning
Prior period adjustment
Net position - beginning, as restated

Net position - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position			Component
Primary Government			Unit
Governmental Activities	Business-type Activities	Total	Heritage Foundation
\$(12,018,023)	\$ -	\$(12,018,023)	\$ -
(33,235,189)	-	(33,235,189)	-
(14,162,501)	-	(14,162,501)	-
(11,357,011)	-	(11,357,011)	-
(9,072,207)	-	(9,072,207)	-
(9,757,152)	-	(9,757,152)	-
(12,667,382)	-	(12,667,382)	-
(5,332,385)	-	(5,332,385)	-
<u>(107,601,850)</u>	<u>-</u>	<u>(107,601,850)</u>	<u>-</u>
-	5,539,612	5,539,612	-
<u>-</u>	<u>(67,512)</u>	<u>(67,512)</u>	<u>-</u>
<u>-</u>	<u>5,472,100</u>	<u>5,472,100</u>	<u>-</u>
<u>(107,601,850)</u>	<u>5,472,100</u>	<u>(102,129,750)</u>	<u>-</u>
			<u>(112,188)</u>
26,027,260	-	26,027,260	-
6,602,482	-	6,602,482	-
18,800,663	-	18,800,663	-
53,853,888	-	53,853,888	-
1,733,258	-	1,733,258	-
1,523,410	305,651	1,829,061	6,214
1,604,953	-	1,604,953	-
579,445	-	579,445	19,787
<u>3,199,377</u>	<u>(3,199,377)</u>	<u>-</u>	<u>-</u>
<u>113,924,736</u>	<u>(2,893,726)</u>	<u>111,031,010</u>	<u>26,001</u>
6,322,886	2,578,374	8,901,260	(86,187)
<u>240,766,155</u>	<u>138,221,408</u>	<u>378,987,563</u>	<u>1,874,802</u>
<u>15,173,703</u>	<u>(4,010,371)</u>	<u>11,163,332</u>	<u>(45,919)</u>
255,939,858	134,211,037	390,150,895	1,828,883
<u>\$ 262,262,744</u>	<u>\$ 136,789,411</u>	<u>\$ 399,052,155</u>	<u>\$ 1,742,696</u>

CITY OF GRAPEVINE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Special Revenue			
	General	Hotel Occupancy Tax	Crime District	4B-Economic Development
ASSETS				
Cash and investments	\$ 4,929,095	\$ 26,079,634	\$ -	\$ 16,632,498
Receivables (net of allowances for uncollectibles):				
Accounts	2,645,075	102,331	3,826	-
Taxes	5,088,727	1,509,126	2,196,185	675,227
Accrued interest	3,198	5,597	-	7,278
Notes	-	-	-	-
Inventory	508,982	5,015	-	-
Due from other funds	6,783,947	-	-	-
Due from other governments	170,954	-	4,260	-
Prepaid items	433,646	107,063	54,745	1,167
Deposits	4,771	-	-	485,908
Assets held for sale	-	115,347	-	-
Total assets	\$ 20,568,395	\$ 27,924,113	\$ 2,259,016	\$ 17,802,078
LIABILITIES				
Accounts payable	\$ 2,210,856	\$ 2,566,670	\$ 266,584	\$ 284,148
Accrued liabilities	3,454,293	233,031	444,618	17,693
Due to other funds	-	-	1,887,395	-
Due to component unit	-	5,147	-	-
Due to other governments	197,363	86	-	-
Unearned revenue	1,602,114	1,318,331	4,260	-
Contracts and retainage payable	-	-	-	-
Developer deposits	-	-	-	-
Total liabilities	7,464,626	4,123,265	2,602,857	301,841
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	708,901	-	-	-
Total deferred inflows of resources	708,901	-	-	-
FUND BALANCES (DEFICITS)				
Nonspendable:				
Inventory	508,982	5,015	-	-
Prepaid items	433,646	107,063	54,745	-
Notes receivable	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Court security and technology	-	-	-	-
Economic development	-	-	-	7,693,840
Public safety	-	-	-	-
Records preservation	-	-	-	-
Tourism	-	10,774,995	-	-
Transportation	-	-	-	-
Culture and recreation	-	-	-	-
Committed for:				
Stormwater drainage operations	-	-	-	-
Public arts	-	-	-	-
Assigned for:				
Economic development	-	-	-	9,806,397
Capital projects	-	-	-	-
Tourism	-	12,913,775	-	-
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Unassigned	11,452,240	-	(398,586)	-
Total fund balances	12,394,868	23,800,848	(343,841)	17,500,237
Total liabilities, deferred inflows of resources and fund balances	\$ 20,568,395	\$ 27,924,113	\$ 2,259,016	\$ 17,802,078

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue</u>		<u>Capital Projects</u>					
<u>4B-Transit</u>	<u>Debt Service</u>	<u>Grant</u>	<u>TIF #1</u>	<u>General Facilities and Equipment</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	
\$ 682,440	\$ 10,891,761	\$ -	\$ 22,155,865	\$ 25,912,628	\$ 41,415,131	\$ 148,699,052	
-	-	-	-	-	262,863	3,014,095	
1,607,077	129,878	-	-	-	-	11,206,220	
357	3,332	-	584	14,927	10,615	45,888	
-	-	-	-	500,000	-	500,000	
-	-	-	-	-	11,638	525,635	
-	-	-	-	-	-	6,783,947	
-	-	1,096,349	-	-	88,038	1,359,601	
-	-	-	-	465,328	12,721	1,074,670	
-	-	-	-	-	-	490,679	
-	-	-	-	-	-	115,347	
<u>\$ 2,289,874</u>	<u>\$ 11,024,971</u>	<u>\$ 1,096,349</u>	<u>\$ 22,156,449</u>	<u>\$ 26,892,883</u>	<u>\$ 41,801,006</u>	<u>\$ 173,815,134</u>	
\$ 2,289,517	\$ -	198,690	\$ -	\$ 848,264	\$ 1,159,894	\$ 9,824,623	
-	-	14,325	-	-	38,966	4,202,926	
-	-	2,128,753	-	-	1,756,570	5,772,718	
-	-	-	-	-	-	5,147	
-	-	-	-	-	-	197,449	
-	-	-	-	-	474,887	3,399,592	
-	-	-	-	-	180,394	180,394	
-	-	-	-	-	2,180,439	2,180,439	
<u>2,289,517</u>	<u>-</u>	<u>2,341,768</u>	<u>-</u>	<u>848,264</u>	<u>5,791,150</u>	<u>25,763,288</u>	
<u>-</u>	<u>102,273</u>	<u>1,058,680</u>	<u>-</u>	<u>-</u>	<u>148,136</u>	<u>2,017,990</u>	
<u>-</u>	<u>102,273</u>	<u>1,058,680</u>	<u>-</u>	<u>-</u>	<u>148,136</u>	<u>2,017,990</u>	
-	-	-	-	465,328	11,638	990,963	
-	-	-	-	-	9,000	604,454	
-	-	-	-	500,000	-	500,000	
-	10,922,698	-	-	-	-	10,922,698	
-	-	-	20,222,664	19,437,400	15,362,467	55,022,531	
-	-	-	-	-	304,947	304,947	
-	-	-	1,933,785	-	5,976,157	15,603,782	
-	-	-	-	-	472,509	472,509	
-	-	-	-	-	18,826	18,826	
-	-	-	-	-	2,251	10,777,246	
357	-	-	-	-	-	357	
-	-	-	-	-	159,723	159,723	
-	-	-	-	-	1,195,703	1,195,703	
-	-	-	-	-	1,045,698	1,045,698	
-	-	-	-	-	-	9,806,397	
-	-	-	-	5,641,891	13,672,490	19,314,381	
-	-	-	-	-	-	12,913,775	
-	-	-	-	-	1,407	1,407	
-	-	-	-	-	2,177	2,177	
-	-	(2,304,099)	-	-	(2,373,273)	6,376,282	
<u>357</u>	<u>10,922,698</u>	<u>(2,304,099)</u>	<u>22,156,449</u>	<u>26,044,619</u>	<u>35,861,720</u>	<u>146,033,856</u>	
<u>\$ 2,289,874</u>	<u>\$ 11,024,971</u>	<u>\$ 1,096,349</u>	<u>\$ 22,156,449</u>	<u>\$ 26,892,883</u>	<u>\$ 41,801,006</u>	<u>\$ 173,815,134</u>	

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CITY OF GRAPEVINE, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Total fund balances - governmental funds balance sheet \$ 146,033,856

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not reported in the funds. 318,660,615

Certain receivables will not be collected soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds:

Property taxes	133,550
Property tax penalties and interest	38,271
Court fines and fees	450,877
Ambulance	163,644
Grants	1,142,328
Other	89,320

Accrued bond interest is not due and payable in the current period and therefore is not reported in the funds. (914,301)

Long-term liabilities and deferred losses on bond refundings reported as deferred outflows of resources are not due and payable in the current period and therefore are not reported in the funds.

A summary of these items are as follows:

Long-term liabilities:

Bonds payable	(140,347,686)
Notes payable	(1,912,596)
Compensated absences	(3,791,639)
Sales tax obligation	(251,579)
Net OPEB obligation	(23,896,850)

Deferred outflows of resources:

Deferred losses on bond refundings	737,439
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Included in the items related to long-term liabilities is the recognition of the City's net pension liability and a deferred outflow of resources and deferred inflows of resources related to the net pension liability:

Long-term liabilities:

Net pension liability	(45,237,263)
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Deferred outflows of resources:

Pension related deferred outflow of resources	13,470,683
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Deferred inflows of resources:

Pension related deferred inflow of resources	(2,305,925)
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Net position of governmental activities \$ 262,262,744

CITY OF GRAPEVINE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue				
General	Hotel Occupancy Tax	Crime District	4B-Economic Development		
REVENUES					
Property tax	\$ 9,655,982	\$ -	\$ -	\$ -	
Hotel occupancy tax	-	18,800,663	-	-	
Sales tax	27,153,906	-	13,229,439	4,062,180	
Mixed beverage tax	1,733,258	-	-	-	
Franchise tax	6,602,482	-	-	-	
Licenses and permits	1,883,200	-	-	-	
Intergovernmental	246,229	-	13,880	-	
Charges for services	5,445,726	7,839,529	-	-	
Fines and forfeitures	1,775,990	-	121,381	-	
Investment income	104,575	203,244	18,550	227,801	
Contributions	-	-	-	-	
Miscellaneous	710,326	142,125	9,091	275	
Total revenues	55,311,674	26,985,561	13,392,341	4,290,256	
EXPENDITURES					
Current:					
General government	16,883,362	-	162,852	-	
Public safety	14,585,498	-	15,127,731	-	
Culture and recreation	12,555,064	-	-	-	
Public works	7,789,478	-	-	-	
Tourism	-	19,735,647	-	-	
Economic Development	-	-	-	1,860,519	
Transportation	-	-	-	-	
Capital outlay	148,957	102,718	21,633	4,716,788	
Debt service:					
Principal	173,556	-	-	-	
Interest and fiscal charges	-	-	-	-	
Bond issuance costs	-	-	-	-	
Other	5,138	1,802	-	-	
Total expenditures	52,141,053	19,840,167	15,312,216	6,577,307	
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES					
	3,170,621	7,145,394	(1,919,875)	(2,287,051)	
OTHER FINANCING SOURCES (USES)					
Transfers in	3,925,937	330,613	200,000	2,475,248	
Transfers out	(7,461,000)	(2,959,608)	(62,000)	(17,699,621)	
Sale of capital assets	25,657	-	-	2,727,803	
Issuance of debt	-	-	-	-	
Premium on issuance of bonds	-	-	-	-	
Insurance recoveries	-	-	-	-	
Payment to bond refunding escrow agent	-	-	-	-	
Total other financing sources and uses	(3,509,406)	(2,628,995)	138,000	(12,496,570)	
NET CHANGE IN FUND BALANCES					
	(338,785)	4,516,399	(1,781,875)	(14,783,621)	
FUND BALANCES, BEGINNING					
	12,733,653	19,284,449	1,438,034	32,283,858	
FUND BALANCES, ENDING					
	\$ 12,394,868	\$ 23,800,848	\$(343,841)	\$ 17,500,237	

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue</u>		<u>Capital Projects</u>					
<u>4B-Transit</u>	<u>Debt Service</u>	<u>Grant</u>	<u>TIF #1</u>	<u>General Facilities and Equipment</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	
\$ -	\$ 10,772,372	\$ -	\$ 865,022	\$ -	\$ 4,697,348	\$ 25,990,724	
-	-	-	-	-	-	18,800,663	
9,408,363	-	-	-	-	-	53,853,888	
-	-	-	-	-	-	1,733,258	
-	-	-	-	-	-	6,602,482	
-	-	-	-	-	-	1,883,200	
-	-	1,091,514	-	500,000	86,888	1,938,511	
-	-	-	-	-	4,022,467	17,307,722	
-	-	-	-	-	70,268	1,967,639	
10,404	145,815	-	10,642	242,830	559,549	1,523,410	
-	-	-	-	-	370,387	370,387	
-	-	-	4,597	50,000	190,891	1,107,305	
<u>9,418,767</u>	<u>10,918,187</u>	<u>1,091,514</u>	<u>880,261</u>	<u>792,830</u>	<u>9,997,798</u>	<u>133,079,189</u>	
-	-	18,626	-	706,894	771,164	18,542,898	
-	-	319,066	-	31,206	377,298	30,440,799	
-	-	334,835	-	-	3,796,084	16,685,983	
-	-	-	-	-	2,736,496	10,525,974	
-	-	-	-	-	-	19,735,647	
-	-	-	861,274	-	7,035,359	9,757,152	
9,077,750	-	-	-	-	-	9,077,750	
-	-	2,271,092	-	14,996,733	10,338,102	32,596,023	
-	11,299,678	-	-	-	1,545,000	13,018,234	
-	5,113,209	-	-	-	736,450	5,849,659	
-	25,053	-	-	101,447	-	126,500	
-	13,997	-	-	1,963	97,340	120,240	
<u>9,077,750</u>	<u>16,451,937</u>	<u>2,943,619</u>	<u>861,274</u>	<u>15,838,243</u>	<u>27,433,293</u>	<u>166,476,859</u>	
<u>341,017</u>	<u>(5,533,750)</u>	<u>(1,852,105)</u>	<u>18,987</u>	<u>(15,045,413)</u>	<u>(17,435,495)</u>	<u>(33,397,670)</u>	
-	2,674,475	862,715	21,957,331	10,982,755	12,735,059	56,144,133	
(805,861)	-	(23,009)	(500,000)	(48,814)	(23,221,554)	(52,781,467)	
-	-	-	-	2,600,000	52,810	5,406,270	
-	1,365,000	-	-	9,535,000	-	10,900,000	
-	47,775	-	-	541,734	-	589,509	
-	-	-	-	615,899	33,236	649,135	
-	(1,391,182)	-	-	-	-	(1,391,182)	
<u>(805,861)</u>	<u>2,696,068</u>	<u>839,706</u>	<u>21,457,331</u>	<u>24,226,574</u>	<u>(10,400,449)</u>	<u>19,516,398</u>	
(464,844)	(2,837,682)	(1,012,399)	21,476,318	9,181,161	(27,835,944)	(13,881,272)	
<u>465,201</u>	<u>13,760,380</u>	<u>(1,291,700)</u>	<u>680,131</u>	<u>16,863,458</u>	<u>63,697,664</u>	<u>159,915,128</u>	
<u>\$ 357</u>	<u>\$ 10,922,698</u>	<u>\$(2,304,099)</u>	<u>\$ 22,156,449</u>	<u>\$ 26,044,619</u>	<u>\$ 35,861,720</u>	<u>\$ 146,033,856</u>	

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CITY OF GRAPEVINE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances - total governmental funds	\$(13,881,272)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount of capital assets recorded in the current period.	31,246,648
Governmental funds do not recognize capital assets contributed by other entities. However, in the Statement of Activities, the fair value of those assets are recognized as revenue, then depreciated over their estimated useful lives.	6,427,127
Depreciation on capital assets is reported in the Statement of Activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(11,077,025)
The net effect of various miscellaneous transactions involving capital assets (i.e., the sales, trade-ins, and donations) is to decrease net position.	(3,997,842)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of debt	(11,489,509)
Repayment of principal of long-term debt	13,018,234
Bond refunding	1,424,114
Amortization of:	
Premium on bond issuance	867,152
Loss on refunding	(257,611)
Interest is accrued in the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period.	(92,267)
Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences liability	(381,362)
Net OPEB obligation	(3,024,973)
Net pension liability	(2,269,584)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(188,944)
Change in net position of governmental activities	<u>\$ 6,322,886</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 18,366,534	\$ -	\$ 18,366,534
Receivables, net	2,768,329	53,057	2,821,386
Accrued interest	7,275	35	7,310
Prepaid items	35,441	2,056	37,497
Inventory	-	71,840	71,840
Total current assets	<u>21,177,579</u>	<u>126,988</u>	<u>21,304,567</u>
Noncurrent assets:			
Restricted cash and investments:			
Bond construction	9,042,594	-	9,042,594
Impact fees	3,466,783	-	3,466,783
Total restricted cash and investments	<u>12,509,377</u>	<u>-</u>	<u>12,509,377</u>
Capital assets:			
Land	548,132	45,838	593,970
Easements	40,239,865	-	40,239,865
Construction in progress	3,187,366	22,852	3,210,218
Buildings	449,395	2,105,843	2,555,238
Improvements other than buildings	-	8,397,341	8,397,341
Infrastructure	122,572,148	-	122,572,148
Vehicles, machinery and equipment	3,224,191	1,179,200	4,403,391
Water storage rights	683,547	-	683,547
Less accumulated depreciation	(49,033,250)	(8,750,098)	(57,783,348)
Net capital assets	<u>121,871,394</u>	<u>3,000,976</u>	<u>124,872,370</u>
Total noncurrent assets	<u>134,380,771</u>	<u>3,000,976</u>	<u>137,381,747</u>
Total assets	<u>155,558,350</u>	<u>3,127,964</u>	<u>158,686,314</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	914,711	392,721	1,307,432
Deferred loss on bond refunding	148,984	-	148,984
Total deferred outflows of resources	<u>1,063,695</u>	<u>392,721</u>	<u>1,456,416</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(Continued)
SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,857,247	\$ 150,445	\$ 2,007,692
Accrued liabilities	287,472	51,930	339,402
Due to other funds	-	1,011,229	1,011,229
Accrued bond interest payable	8,681	-	8,681
Retainage payable	8,572	-	8,572
Compensated absences	32,585	23,815	56,400
Bonds payable	475,000	-	475,000
Customer deposits	931,346	-	931,346
Total current liabilities	<u>3,600,903</u>	<u>1,237,419</u>	<u>4,838,322</u>
Noncurrent liabilities:			
Bonds payable	10,814,408	-	10,814,408
Net OPEB obligation	1,991,735	925,232	2,916,967
Net pension liability	3,071,780	1,318,835	4,390,615
Compensated absences	97,753	71,447	169,200
Total noncurrent liabilities	<u>15,975,676</u>	<u>2,315,514</u>	<u>18,291,190</u>
Total liabilities	<u>19,576,579</u>	<u>3,552,933</u>	<u>23,129,512</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>156,581</u>	<u>67,226</u>	<u>223,807</u>
Total deferred inflows of resources	<u>156,581</u>	<u>67,226</u>	<u>223,807</u>
NET POSITION			
Net investment in capital assets	119,773,564	3,000,976	122,774,540
Restricted for:			
Impact fees	3,466,783	-	3,466,783
Unrestricted	<u>13,648,538</u>	<u>(3,100,450)</u>	<u>10,548,088</u>
Total net position	<u>\$ 136,888,885</u>	<u>\$(99,474)</u>	<u>\$ 136,789,411</u>

CITY OF GRAPEVINE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
OPERATING REVENUES			
Charges for services	\$ 23,717,015	\$ 3,149,481	\$ 26,866,496
Miscellaneous	<u>945,632</u>	<u>24,791</u>	<u>970,423</u>
Total operating revenues	<u>24,662,647</u>	<u>3,174,272</u>	<u>27,836,919</u>
OPERATING EXPENSES			
Salaries and benefits	3,084,396	1,506,842	4,591,238
Water purchases, storage, and treatment	10,057,820	-	10,057,820
Maintenance, repairs, and supplies	1,664,997	450,156	2,115,153
Depreciation	3,026,054	481,942	3,507,996
General and administrative	<u>3,083,757</u>	<u>802,844</u>	<u>3,886,601</u>
Total operating expenses	<u>20,917,024</u>	<u>3,241,784</u>	<u>24,158,808</u>
OPERATING INCOME (LOSS)	<u>3,745,623</u>	<u>(67,512)</u>	<u>3,678,111</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	304,108	1,543	305,651
Interest and fiscal agent charges	<u>(9,208)</u>	<u>-</u>	<u>(9,208)</u>
Total nonoperating revenues (expenses)	<u>294,900</u>	<u>1,543</u>	<u>296,443</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>4,040,523</u>	<u>(65,969)</u>	<u>3,974,554</u>
Capital contributions	1,803,197	163,289	1,966,486
Transfers in	571,788	-	571,788
Transfers out	<u>(3,826,307)</u>	<u>(108,147)</u>	<u>(3,934,454)</u>
Total capital contributions and transfers	<u>(1,451,322)</u>	<u>55,142</u>	<u>(1,396,180)</u>
CHANGE IN NET POSITION	2,589,201	(10,827)	2,578,374
TOTAL NET POSITION, BEGINNING	<u>138,305,784</u>	<u>(84,376)</u>	<u>138,221,408</u>
PRIOR PERIOD ADJUSTMENT	<u>(4,006,100)</u>	<u>(4,271)</u>	<u>(4,010,371)</u>
NET POSITION, BEGINNING, AS RESTATED	<u>134,299,684</u>	<u>(88,647)</u>	<u>134,211,037</u>
TOTAL NET POSITION, ENDING	<u>\$ 136,888,885</u>	<u>\$ (99,474)</u>	<u>\$ 136,789,411</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 24,730,837	\$ 3,172,639	\$ 27,903,476
Cash paid to employees	(2,885,806)	(1,281,453)	(4,167,259)
Cash paid to suppliers for goods and services	(15,104,283)	(1,768,395)	(16,872,678)
Net cash provided by operating activities	<u>6,740,748</u>	<u>122,791</u>	<u>6,863,539</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal repayment on bonds	(160,000)	-	(160,000)
Interest and related fees paid on long-term debt	(4,100)	-	(4,100)
Proceeds from the sale of assets	3,141	-	3,141
Acquisition and construction of capital assets	(1,441,645)	(249,457)	(1,691,102)
Net cash used by capital and related financing activities	<u>(1,602,604)</u>	<u>(249,457)</u>	<u>(1,852,061)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments and cash equivalents	<u>305,350</u>	<u>1,553</u>	<u>306,903</u>
Net cash provided by investing activities	<u>305,350</u>	<u>1,553</u>	<u>306,903</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in	571,788	-	571,788
Transfer out	(3,826,307)	(108,147)	(3,934,454)
Net cash provided/(used) by noncapital financing activities	<u>(3,254,519)</u>	<u>(108,147)</u>	<u>(3,362,666)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
	2,188,975	(233,260)	1,955,715
CASH AND CASH EQUIVALENTS, BEGINNING			
	<u>28,686,936</u>	<u>233,260</u>	<u>28,920,196</u>
CASH AND CASH EQUIVALENTS, ENDING			
	<u>\$ 30,875,911</u>	<u>\$ -</u>	<u>\$ 30,875,911</u>
(Including \$12,509,377 of restricted cash and investments in the Water and Sewer Fund).			

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 3,745,623	\$(67,512)	\$ 3,678,111
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	3,026,054	481,942	3,507,996
(Increase) decrease in assets:			
Customer receivable	325,086	(1,633)	323,453
Other assets	803	(756)	47
Inventories	-	(4,010)	(4,010)
Increase (decrease) in liabilities:			
Accounts payable	(298,853)	4,264	(294,589)
Accrued liabilities	(19,483)	4,838	(14,645)
Other liabilities	-	(514,893)	(514,893)
Unearned revenue	(257,699)	-	(257,699)
Customer deposits	1,144	-	1,144
Net OPEB obligation	230,957	107,029	337,986
Net pension liability	(12,849)	101,844	88,995
Compensated absences	(35)	11,678	11,643
Total adjustments	2,995,125	190,303	3,185,428
Net cash provided by operating activities	\$ 6,740,748	\$ 122,791	\$ 6,863,539
 SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Contributions of capital assets	\$ 1,803,197	\$ -	\$ 1,803,197
Transfer of capital assets from governmental activities	-	163,289	163,289
Total non-cash capital and related financing activities	\$ 1,803,197	\$ 163,289	\$ 1,966,486

CITY OF GRAPEVINE, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

	Agency	Grapevine Health Care Reimbursement Trust
ASSETS		
Cash and cash equivalents	\$ 165,389	\$ 1,879,591
Accrued interest receivable	-	476
Total assets	165,389	1,880,067
LIABILITIES		
Due to beneficiary	165,389	-
Total liabilities	\$ 165,389	-
NET POSITION		
Held in trust for Grapevine Health Care Reimbursement		\$ 1,880,067

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Grapevine Health Care Reimbursement Trust
ADDITIONS	
Employer contributions	\$ 613,939
Investment income	<u>5,833</u>
Total additions	<u>619,772</u>
DEDUCTIONS	
Distributions	<u>1,158,158</u>
Change in net position	(538,386)
NET POSITION, BEGINNING	<u>2,418,453</u>
NET POSITION, ENDING	<u>\$ 1,880,067</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grapevine (“City”) is a municipal corporation incorporated under Article XI of the Texas Constitution (Home Rule Amendment). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, safety and convenience of its citizens.

The accounting and reporting policies of the City relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. The following represents the more significant accounting and reporting policies and practices used by the City.

A. Reporting Entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

Based on these criteria, the financial information of the following entities have been blended or discretely presented within the financial statements.

Blended Component Units

Grapevine Tax Increment Financing District Reinvestment Zone Number One and Two (the “TIFs”) were formed to finance and make public improvements under the authority of the Tax Increment Financing Act. The TIFs are governed by two separate boards of directors that are substantively the same as the City Council. The chairman of the board is also designated by the City Council. The City is obligated for the debts of both TIFs.

The Grapevine Crime Control and Prevention District (Crime District) was established to account for the accumulation and use of sales tax proceeds designated for crime reduction programs. One-half (1/2) cent of local sales and use tax within the district funds the Crime District. The Board of Directors of the Crime Control and Prevention District is substantively the same as the City Council. The City is entitled to and can otherwise access all of the resources of the Crime District.

The Grapevine 4B Economic Development Corporation consists of two funds. The 4B Transit Fund accounts for funds designated for Grapevine's participation in the commuter rail development project with the Fort Worth Transit Authority (the "T"). The 4B Economic Development Fund accounts for funds used to stimulate the local economy, development, and redevelopment opportunities. One-half (1/2) cent local sales and use tax within the district funds these two blended component units. Three eighths (3/8th) of one-half cent of the local sales tax is used to fund the 4B Transit Fund. One eighth (1/8th) of one-half cent of the local sales tax is used to fund the 4B Economic Development Fund. The Board of Directors of the Grapevine 4B Economic Development Corporation include citizens as members, but is substantively the same as the City Council. The City is entitled to and can otherwise access all of the resources of the Grapevine 4B Economic Development Corporation.

Discretely Presented Component Unit

Grapevine Heritage Foundation (the "Foundation") is a Texas nonprofit corporation governed by a 9-member board of directors appointed by City Council, which includes a City Council member and the Director of the City's Convention and Visitor's Bureau. The Foundation's operating budget is subject to the approval of the City Council. The City is able to impose its will on the Foundation. The boards are not substantively the same. The Foundation does not provide services to the City.

Complete financial statements for each of the TIF Funds may be obtained from the City of Grapevine, Finance Division, 200 South Main St., Grapevine Texas 76051. Separate financial statements for the Heritage Foundation, the Crime Control and Protection District, The 4B Transit Fund, and the 4B Economic Development Fund are not prepared.

B. Government-wide Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Culture and Recreation, Tourism, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a separate column in the fund financial statements. The non-major funds are detailed in the combining section of this report.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. In applying the susceptible to accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Generally, monies must be expended on a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. Ad valorem taxes are recognized as revenues in the year for which they are levied. Sales taxes, franchise taxes, hotel occupancy taxes, charges for services and fines are recognized as revenue as earned, when measurable and available. Licenses, permits, and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

All proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer and municipal golf course are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Governmental Funds

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

The City reports the following major governmental funds:

The **General Fund** accounts for several of the City's primary services (General Administration, Police Administration, Fire, Public Works, Libraries, Culture and Recreation, etc.) and is the primary operating fund of the City.

The **Hotel Occupancy Tax Fund** is a special revenue fund that accounts for all hotel occupancy tax revenues which are restricted by state statute and can only be used on expenditures related to tourism activities. Additional local revenues generated through tourism activities are accumulated in this fund and are assigned for use on expenditures related to tourism.

The **Crime District Fund** is a special revenue fund that accounts for the accumulation and use of sales tax proceeds restricted for crime reduction programs.

The **4B-Economic Development Fund** is a special revenue fund that accounts for the accumulation of sales tax restricted for economic development projects and local funds assigned by the City to stimulate the local economy, development, and redevelopment.

The **4B Transit Fund** is a special revenue fund that accounts for the accumulation of sales taxes restricted to fund the City's participation in the commuter rail development project with the Fort Worth Transit Authority (the "T").

The **Grant Fund** is a capital projects fund that accounts for the funds received from external sources as they relate to grants awarded to the City.

The **Debt Service Fund** is used to account for the accumulation of restricted property tax resources levied for the payment of general long-term debt principal, interest and related costs of governmental funds.

The **Tax Increment Financing Number One (TIF #1) Capital Projects Fund** is used to account for capital acquisition and construction, economic incentives, and other expenditures authorized by the TIF #1 Board of Directors.

The **General Facilities and Equipment Fund** is a capital projects fund used to account for the general financing, acquisition, construction and improvements of the City's buildings and capital equipment.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The following is a description of the major proprietary funds of the City:

The Water and Sewer Fund accounts for the operation of the City's water and sewer utility activities including administration, operation and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

The Lake Enterprise Fund includes the operations of a municipal golf course.

Fiduciary Funds

There are four fiduciary funds: three agency funds and the Grapevine Health Reimbursement Trust Fund (HRA). Agency funds represent funds held in an agency capacity for the Industrial Development Corporation, funds held for the Police Department entitled “Police Department Case Settlement” and funds held for the W.D. Tate Scholarship. These funds do not belong to the City. The Industrial Development Corporation is organized solely for the purposes of promoting and developing commercial, industrial, manufacturing and medical research enterprises to promote and encourage employment, public health and welfare. The HRA is an employee benefit trust account organized solely for the purpose of holding resources required to be held in trust for the members and beneficiaries of the defined employee medical plans. Trust funds use the economic resources measurement focus. Agency funds do not have a measurement focus.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the City are reported at fair value, except for the position in investment pools. Investment pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

3. Property Taxes and Other Receivables

The City’s property tax is levied each October 1, on the assessed value listed as of the prior January 1 for all real property located in the City. The appraisal of property within the City is the responsibility of the Central Appraisal Districts of Dallas, Denton, and Tarrant Counties as required by legislation passed by the Texas Legislature. The Appraisal Districts are required under such legislation to assess all property within their Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The assessed value upon which the completed tax year 2016 levy was based was approximately \$7,612,392,899. The value of property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action.

General property taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The combined tax rate to finance maintenance and operations and debt service for the year ended September 30, 2017, was \$0.289271 per \$100 of assessed valuation.

Property taxes attach as an enforceable lien on property as of January 1 following the levy date. Taxes are due by January 31 following the levy date. Property taxes levied for 2017 are recorded as receivables, net of estimated uncollectibles. The collections during 2017 and those considered “available” at year-end are recognized as revenues in 2017. The City considers property taxes available if they are collected within 60 days after year-end. Prior year levies were recorded using these same principles. The remaining receivables are reflected as deferred inflows of resources in the fund financial statements.

Governmental trade and property tax receivables are shown net of an allowance for uncollectibles. All other allowances for uncollectible accounts are based on accounts outstanding in excess of 360 days of the invoice date. The property tax receivable allowance is based on the average collection rate of delinquent taxes over the last 20 years.

Property taxes are imposed nonexchange revenues. Assets from imposed nonexchange transactions are recorded when the entity has enforceable legal claim to the asset, or when the entity receives resources, whichever comes first. The enforceable legal claim date for property taxes is the assessment date. The assessment date has been designated in the enabling legislation as October 1.

The allowance for uncollectible accounts for utility billing is estimated based on a percentage of sales.

4. *Inventories and Prepaid Items*

Inventories are valued at average cost on a first-in, first-out basis. Inventories in the General Fund are recorded using the consumption method (i.e., recorded as an expenditure when used rather than when purchased).

Prepaid items are payments made by the City in the current year to provide services occurring in the subsequent fiscal year. A corresponding portion of fund balance is shown as nonexpendable in governmental funds to indicate it is not available for other subsequent expenditures. Prepaid items are defined as payments of greater than \$1,000 that benefit future periods. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. *Restricted Assets*

Certain proceeds of the City’s general obligation bonds and certificates of obligation are classified as restricted assets on the balance sheet because their use is limited by applicable bond restrictions. Also included in restricted assets are impact fees, which are restricted for use in infrastructure projects.

6. *Assets Held for Sale*

Assets held for sale in the Hotel Occupancy Tax Fund consist of properties that are owned by the City which are being held for redevelopment. These assets are valued at estimated realizable value or historical cost, whichever is less.

7. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Infrastructure assets are defined by the City as assets costing in excess of \$50,000 that have an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings - wood framed	20
Buildings - metal storage	7
Buildings - steel framed	40
Water and sewer system	30-50
General infrastructure	20-30
Improvements other than buildings	10-20
Machinery and equipment	3-10
Motor vehicles	3-10

8. *Deferred Inflows and Outflows of Resources*

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred loss on debt refundings – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General	Grant Fund	Debt Service	Nonmajor Governmental	Total
Property taxes	\$ 53,708	\$ -	\$ 79,842	\$ -	\$ 133,550
Property tax penalties and interest	15,840	-	22,431	-	38,271
Court fines and fees	163,644	-	-	-	163,644
Ambulance	450,877	-	-	-	450,877
Grants	24,832	1,058,680	-	58,816	1,142,328
Other	-	-	-	89,320	89,320
Total	<u>\$ 708,901</u>	<u>\$ 1,058,680</u>	<u>\$ 102,273</u>	<u>\$ 148,136</u>	<u>\$ 2,017,990</u>

In addition, the City has deferred inflows of resources which are required to be reported on the Statements of Net Position under the full accrual basis of accounting. Deferred inflows of resources reported in the Statements of Net Position are as follows:

- Differences between expected and actual economic experience for the City’s pension – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).
- Changes of economic and demographic actuarial assumptions or of other inputs included in determining the pension liability – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

9. *Compensated Absences*

It is the City’s policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Employees are reimbursed upon termination for accumulated vacation and only non-exempt employees are reimbursed for compensatory time. The liabilities for these amounts are accrued as they are incurred in the government-wide and proprietary fund financial statements. Employees are not reimbursed upon termination for accumulated sick leave.

10. *Long-term Debt*

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

11. *Pension*

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (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 the benefit terms. Investments are reported at fair value.

12. *Fund Balance Classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover the gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

13. *Fund balance flow assumptions*

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

14. *Net position flow assumption*

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

15. *Future financial reporting requirements*

The City has reviewed GASB pronouncements which become effective in future years and notes the following statements are applicable to the City.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – This statement changes the focus of accounting of postemployment benefits other than pensions from how much it costs to adequately fund the benefits over time to a point-in-time liability that is reflected on the employer’s financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the City in fiscal year 2018.

Statement No. 84, *Fiduciary Activities* – This statement establishes criteria for identifying fiduciary activities of governments and for identifying fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will become effective for the City in fiscal year 2020.

Statement No. 87, *Leases* – This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective for the City in fiscal year 2021.

II. DEFICIT FUND EQUITY

The Crime District Fund (special revenue fund – major fund) had a deficit fund balance of \$343,841 at fiscal year-end. This deficit is primarily the result of an unexpected decline in sales tax revenue. This deficit will be eliminated as resources are obtained (e.g., from revenues or transfers in).

The Grant Fund (capital projects fund – major fund) had a deficit fund balance of \$2,304,099 at fiscal year-end. This deficit is primarily the result of timing differences between when grant expenditures are incurred and when they will be reimbursed by granting agencies. This deficit will be eliminated by transfers in or when the City receives reimbursement for the related grants.

The Lake Parks Fund (special revenue fund – nonmajor fund) had a deficit fund balance of \$2,359,485 at fiscal year-end. This deficit exists because of significant flooding events that have occurred over the past two years. This deficit will be eliminated as resources are obtained (e.g., from revenues or transfers in).

The Lake Enterprise Fund had a deficit net position of \$99,474 at fiscal year-end. This deficit exists because of significant flooding events. This deficit will be eliminated as resources are obtained (e.g., from revenues or transfers in).

III. CASH AND INVESTMENTS

The City categorizes 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 that 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 a 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.

Of the City’s investments, \$3,684,955 were valued using the option-adjusted discount cash flow model, \$5,041,148 were valued using documented trade history in the exact security, and \$2,751,410 were valued using the present value of expected future cash flow model.

As of September 30, 2017, the City had the following cash and investments:

	9/30/2017	Fair Value Measurement Using			Percent of Total Portfolio	Weighted Average Maturity (Days)
		(Level 1)	(Level 2)	(Level 3)		
Primary government						
Cash and cash equivalents						
Cash deposits - City	\$ 23,211,003					
Cash deposits - trust and agency	<u>577,196</u>					
Total cash and cash equivalents	<u>23,788,199</u>					
Investments measured at net asset value per share:						
Investment pools:						
TexPool	4,168,963				2.64%	37
TexPool Prime	12,738,941				8.07%	51
LOGIC	129,452,568				82.02%	33
Investments by fair value level:						
Certificates of Deposit:	739,433	\$ -	\$ 739,433	\$ -	0.47%	799
Debt securities:						
State and Municipal Bonds	1,764,273	-	1,764,273	-	1.12%	182
Federal Farm Credit Bonds	3,048,379	-	3,048,379	-	1.93%	297
Federal Home Loan Bank Bonds	498,841	-	498,841	-	0.32%	394
Federal Home Loan Mortgage Corporation	1,493,278	-	1,493,278	-	0.95%	482
Federal National Mortgage Association	<u>3,933,309</u>	-	<u>3,933,309</u>	-	2.49%	495
Total investments	<u>157,837,985</u>	-	<u>11,477,513</u>	-		
Total cash and investments of the primary government	<u>\$ 181,626,184</u>	<u>\$ -</u>	<u>\$ 11,477,513</u>	<u>\$ -</u>		
Portfolio weighted average maturity (days)						103
Discretely Presented Component Unit						
Cash deposits	<u>\$ 489,419</u>					
Total cash and investments of the reporting entity	<u>\$ 182,115,603</u>					

Investment pools are not categorized as to investment risk since specific securities relating to the City cannot be identified. Under the TexPool Participation Agreement, administrative and investment services to TexPool and TexPool Prime are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accountants. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool and TexPool Prime.

Under the LOGIC Participation Agreement, administrative and investment services to LOGIC are provided by Hilltop Securities, Inc. and JP Morgan Asset Management, Inc. as co-administrators. The administrators settle all trades for LOGIC and secure and value its assets every day. The fair value of the City's position in these pools is the same as the value of the pool shares. As of September 30, 2017, the City's investments in LOGIC, TexPool and TexPool Prime were all rated AAAM by Standard & Poor's.

TexPool, TexPool Prime and LOGIC each have a redemption notice period of one day and may redeem daily. The investment pools' 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.

Interest Rate Risk. In accordance with its investment policy, the City minimizes the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates, by:

- a. Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.
- b. Investing operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds.
- c. Diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

Credit Risk. In accordance with its investment policy, the City minimizes credit risk, the risk of loss due to the failure of the issuer or backer of the investment by:

- a. Limiting investments to the safest types of investments.
- b. Pre-qualifying the financial institutions and broker/dealers with which the City will do business.
- c. Diversifying the investment portfolio so that potential losses on individual issuers will be minimized.

Concentration of Credit Risk. The City's investment policy allows up to 100% to be invested in U. S. Treasury Bills/Notes/Bonds, and U. S. Agencies and Instrumentalities. The City's investment in the securities of U. S. agencies are rated AAA by Standard & Poor's.

Custodial Credit Risk. State statutes require that all City deposits in financial institutions be fully collateralized by U. S. Government obligations or obligations of the State of Texas or its agencies. The City’s deposits were fully collateralized by government securities, or had a letter of credit issued by the Federal Home Loan Bank as required by State statutes at September 30, 2017.

IV. RECEIVABLES

Receivables as of year-end for the City’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Accrued				Gross	Less	
	Interest	Taxes	Accounts	Notes	Receivables	Allowance for	Total
						Uncollectibles	
General	\$ 3,198	\$ 6,097,551	\$ 4,163,698	\$ -	\$ 10,264,447	\$(2,527,447)	\$ 7,737,000
Hotel Occupancy	5,597	1,530,945	95,500	-	1,632,042	(14,988)	1,617,054
Crime District	-	2,196,185	3,826	-	2,200,011	-	2,200,011
4B - Economic Development	7,278	675,227	-	-	682,505	-	682,505
4B - Transit	357	1,607,077	-	-	1,607,434	-	1,607,434
Debt Service	3,332	1,258,689	-	-	1,262,021	(1,128,811)	133,210
Debt Service TIF #1	584	-	-	-	584	-	584
General Facilities and Equipment	14,927	-	-	500,000	514,927	-	514,927
Nonmajor governmental funds	10,615	-	262,863	-	273,478	-	273,478
Water and Sewer	7,275	-	2,933,618	-	2,940,893	(165,289)	2,775,604
Lake Enterprise	35	-	53,057	-	53,092	-	53,092
Total	<u>\$ 53,198</u>	<u>\$ 13,365,674</u>	<u>\$ 7,512,562</u>	<u>\$ 500,000</u>	<u>\$ 21,431,434</u>	<u>\$(3,836,535)</u>	<u>\$ 17,594,899</u>

V. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

Primary Government

	Beginning Balance	Transfers and Additions	Transfers and Retirements	Prior Period Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 32,813,837	\$ 5,949,865	\$(1,734,863)	\$ -	\$ 37,028,839
Right of way	72,691,127	3,758,110	(2,130,948)	1,826,887	76,145,176
Construction in progress	<u>38,202,094</u>	<u>22,248,564</u>	<u>(9,569,426)</u>	<u>107,372</u>	<u>50,988,604</u>
Total assets not being depreciated	<u>143,707,058</u>	<u>31,956,539</u>	<u>(13,435,237)</u>	<u>1,934,259</u>	<u>164,162,619</u>
Capital assets, being depreciated:					
Buildings	82,012,634	1,833,684	(887,789)	(1,880)	82,956,649
Improvement other than buildings	33,520,060	6,255,284	-	(176,837)	39,598,507
Equipment and vehicles	41,161,186	6,105,188	(431,184)	(33,063)	46,802,127
Infrastructure	<u>126,685,805</u>	<u>2,307,598</u>	<u>(53,720)</u>	<u>(1,472,579)</u>	<u>127,467,104</u>
Total capital assets being depreciated	<u>283,379,685</u>	<u>16,501,754</u>	<u>(1,372,693)</u>	<u>(1,684,359)</u>	<u>296,824,387</u>
Less accumulated depreciation:					
Buildings	(22,612,144)	(2,265,101)	136,029	(377,531)	(25,118,747)
Improvement other than buildings	(14,171,516)	(1,706,912)	(136,029)	(293,090)	(16,307,547)
Equipment and vehicles	(25,884,058)	(2,833,641)	398,318	51,473	(28,267,908)
Infrastructure	<u>(82,165,437)</u>	<u>(4,271,371)</u>	<u>-</u>	<u>15,542,951</u>	<u>(70,893,857)</u>
Total accumulated depreciation	<u>(144,833,155)</u>	<u>(11,077,025)</u>	<u>398,318</u>	<u>14,923,803</u>	<u>(140,588,059)</u>
Total capital assets being depreciated, net	<u>138,546,530</u>	<u>5,424,729</u>	<u>(974,375)</u>	<u>13,239,444</u>	<u>156,236,328</u>
Governmental activities capital assets, net	<u>\$ 282,253,588</u>	<u>\$ 37,381,268</u>	<u>\$(14,409,612)</u>	<u>\$ 15,173,703</u>	<u>\$ 320,398,947</u>
	Beginning Balance	Transfers and Additions	Transfers and Retirements	Prior Period Adjustments	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,643,545	\$ -	\$(1,046,825)	\$(2,750)	\$ 593,970
Easements	39,402,819	837,046	-	-	40,239,865
Construction in progress	<u>1,574,202</u>	<u>3,200,922</u>	<u>(1,564,906)</u>	<u>-</u>	<u>3,210,218</u>
Total assets not being depreciated	<u>42,620,566</u>	<u>4,037,968</u>	<u>(2,611,731)</u>	<u>(2,750)</u>	<u>44,044,053</u>
Capital assets, being depreciated:					
Buildings	2,555,238	-	-	-	2,555,238
Improvement other than buildings	7,011,565	1,394,248	-	(8,472)	8,397,341
Vehicles, machinery and equipment	4,315,896	86,702	15,425	(14,632)	4,403,391
Water storage rights	683,547	-	-	-	683,547
Infrastructure	<u>130,665,234</u>	<u>2,596,943</u>	<u>(1,976,998)</u>	<u>(8,713,031)</u>	<u>122,572,148</u>
Total capital assets being depreciated	<u>145,231,480</u>	<u>4,077,893</u>	<u>(1,961,573)</u>	<u>(8,736,135)</u>	<u>138,611,665</u>
Less accumulated depreciation:					
Buildings	(1,763,243)	(43,358)	-	-	(1,806,601)
Improvement other than buildings	(6,098,490)	(363,994)	-	8,472	(6,454,012)
Equipment and vehicles	(2,151,340)	(433,278)	(14,813)	(33,910)	(2,633,341)
Water storage rights	(605,220)	(17,089)	-	-	(622,309)
Infrastructure	<u>(48,370,311)</u>	<u>(2,650,277)</u>	<u>(449)</u>	<u>4,753,952</u>	<u>(46,267,085)</u>
Total accumulated depreciation	<u>(58,988,604)</u>	<u>(3,507,996)</u>	<u>(15,262)</u>	<u>4,728,514</u>	<u>(57,783,348)</u>
Total capital assets being depreciated, net	<u>86,242,876</u>	<u>569,897</u>	<u>(1,976,835)</u>	<u>(4,007,621)</u>	<u>80,828,317</u>
Business-type activities capital assets, net	<u>\$ 128,863,442</u>	<u>\$ 4,607,865</u>	<u>\$(4,588,566)</u>	<u>\$(4,010,371)</u>	<u>\$ 124,872,370</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 745,246
Public safety	1,318,928
Public works	4,904,714
Culture and recreation	3,280,709
Tourism	<u>827,428</u>
Total depreciation expense - governmental activities	<u>\$ 11,077,025</u>
Business-type activities:	
Water and sewer	\$ 3,026,054
Lake Enterprise	<u>481,942</u>
Total depreciation expense - business-type activities	<u>\$ 3,507,996</u>

	<u>Beginning Balance</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balance</u>
Discretely Presented Component Unit:				
Capital assets, not being depreciated:				
Land	\$ <u>450,067</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>450,067</u>
Total assets not being depreciated	<u>450,067</u>	<u>-</u>	<u>-</u>	<u>450,067</u>
Capital assets, being depreciated:				
Building	1,031,174	-	-	1,031,174
Improvements other than building	945,651	-	-	945,651
Vehicles and equipment	<u>31,275</u>	<u>-</u>	<u>-</u>	<u>31,275</u>
Total capital assets being depreciated	<u>2,008,100</u>	<u>-</u>	<u>-</u>	<u>2,008,100</u>
Less accumulated depreciation:				
Building	(265,149)	(26,419)	-	(291,568)
Improvements other than building	(835,013)	(46,963)	-	(881,976)
Vehicles and equipment	<u>(31,275)</u>	<u>-</u>	<u>-</u>	<u>(31,275)</u>
Total accumulated depreciation	<u>(1,131,437)</u>	<u>(73,382)</u>	<u>-</u>	<u>(1,204,819)</u>
Total capital assets being depreciated, net	<u>876,663</u>	<u>(73,382)</u>	<u>-</u>	<u>803,281</u>
Discretely presented component unit capital assets, net	<u>\$ 1,326,730</u>	<u>\$ (73,382)</u>	<u>\$ -</u>	<u>\$ 1,253,348</u>

Construction Commitments

The City has active construction commitments as of September 30, 2017, totaling \$9,050,913. This includes building projects, street construction and improvements of existing streets, and repair and maintenance of existing water and sewer systems.

<u>Project</u>	<u>Commitment</u>
Streets and drainage projects	\$ 678,801
Water and wastewater projects	1,700,246
Fiber optic cable project	3,478,661
Fire stations	414,942
Train station	1,614,292
Public safety building	206,948
Parks projects	<u>957,023</u>
Total	<u>\$ 9,050,913</u>

The commitments for buildings, streets and drainage construction will be funded from unexpended general obligation and certificates of obligation bond proceeds. Water and wastewater projects will be funded from unexpended certificates of obligation and revenue bond proceeds and operations.

VI. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2017, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Crime District Fund	\$ 1,887,395
	Grant Fund	2,128,753
	Lake Parks Fund (nonmajor fund)	1,756,570
	Lake Enterprise Fund	<u>1,011,229</u>
Total General Fund		<u>\$ 6,783,947</u>

Interfund balances for all of the funds are created by short-term deficiencies in cash position in the individual fund. It is anticipated that the balances will be repaid in one year or less. Similar transactions such as this also exist between the primary government and the City’s discretely presented component unit. The balances due to and due from component unit and primary government at September 30, 2017 consisted of the following:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Component unit - Heritage Foundation	Primary Government - Hotel Occupancy Tax Fund	<u>\$ 5,147</u>

Interfund Transfers

Various funds received transfers from the General Fund during fiscal year 2017 amounting to \$7,461,000. Those transfers included: \$200,000 to the Crime District Fund for operating and administrative costs and \$7,261,000 to nonmajor funds for capital projects.

Other transfers included: \$3,925,937 from various funds to the General Fund for administrative fees incurred in the General Fund on behalf of other funds, \$2,674,475 from the Hotel Occupancy Tax Fund and the 4-B Economic Development Fund to the Debt Service Fund for payment of debt obligations, \$2,000,000 from the Water & Sewer Fund to the 4-B Economic Development Fund for economic development incentives, \$475,248 from the 4-B Transit Fund to the 4-B Economic Development Fund for capital projects, \$330,613 from the 4-B Transit Fund to the Hotel Occupancy Tax Fund for the purchase of a visitor shuttle, \$862,715 from nonmajor funds to the Grant Fund for grant matching funds, \$21,957,331 of excess funds from TIF #1 Debt Service Fund to the TIF #1 Capital Projects Fund for capital projects, \$10,982,755 from the 4-B Economic Development Fund and TIF #1 Capital Projects Fund to General Facilities and Equipment Fund for capital projects, \$5,451,050 from the 4-B Economic Development Fund, Crime District Fund, Hotel Occupancy Fund and nonmajor governmental funds to various nonmajor funds for capital projects, and \$23,009 from the Grant Fund to nonmajor governmental funds to reallocate excess local matching funds. Additionally, the governmental activities transferred capital assets of \$163,289 to the business-type activities.

The primary purpose of interfund transfers is the transfer of resources from one fund to support expenditures of another fund in accordance with the authority established for the individual fund.

A summary of interfund transfers by fund type is as follows:

Transfers in	Transfers out	Amount	Total
General Fund	Hotel Occupancy Tax Fund	\$ 1,428,542	
	4B-Economic Development Fund	306,433	
	Nonmajor governmental funds	256,508	
	Water and Sewer Fund	1,826,307	
	Lake Enterprise Fund	<u>108,147</u>	
Total General Fund			\$ 3,925,937
Hotel Occupancy Tax Fund	4B-Transit Fund		330,613
Grant Fund	Nonmajor governmental funds		862,715
Crime District Fund	General Fund		200,000
4-B Economic Development Fund	Water and Sewer Fund	2,000,000	
	4B-Transit Fund	<u>475,248</u>	
Total 4-B Economic Development Fund			2,475,248
Debt Service Fund	Hotel Occupancy Tax Fund	1,081,066	
	4-B Economic Development Fund	<u>1,593,409</u>	
Total Debt Service			2,674,475
TIF #1 Capital Projects	Nonmajor governmental		21,957,331
General Facilities and Equipment	4-B Economic Development Fund	10,482,755	
	TIF #1 Capital Projects	<u>500,000</u>	
Total General Facilities and Equipment			10,982,755
Nonmajor governmental	General Fund	7,261,000	
	4-B Economic Development Fund	4,794,050	
	Grant Fund	23,009	
	Crime District Fund	62,000	
	Hotel Occupancy Tax Fund	450,000	
	Nonmajor governmental	<u>145,000</u>	
Total nonmajor governmental			12,735,059
Water and Sewer Fund	General Facilities and Equipment	48,814	
	4-B Economic Development Fund	<u>522,974</u>	
Total Water and Sewer Fund			571,788
Business-type Activities	Governmental activities		<u>163,289</u>
Total			<u>\$ 56,879,210</u>

VII. LEASES

Operating Leases

Lake Parks:

The City entered into a 25-year lease agreement with the United States Corps of Engineers to operate and maintain approximately 770 acres of property at Lake Grapevine. The City is required to pay the cost to maintain and operate the property with revenues generated from park operations. The term of the operating lease is from October 2004 through September 2029. The agreement covers the park areas of Meadowmere Park, Oak Grove Park and Silver Lake Park (“Vineyards”).

The City entered into another 25-year lease agreement with the United State Corps of Engineers to operate and maintain an additional 44.5 acres at Lake Grapevine referred to as Rockledge Park. The term of this operating lease is from March 2009 through March 2034.

Gaylord Texan Resort and Convention Center

The City leased property from the United States Corps of Engineers and subsequently entered into a sublease agreement with the Gaylord Texan Resort and Convention Center (Gaylord) on March 18, 1994, for a portion of the leased property. The contract is for 49 years and rent payment is \$1 per year. The project opened on April 4, 2004 with 1,511 room convention hotel and over 400,000 square feet of convention, meeting, exhibit and related amenities and support facilities. In subsequent years, The City and Gaylord entered into various addendums pertaining to the United States Corps of Engineers leased property. Gaylord will complete and open its \$120 million Vineyard Tower expansion in summer of 2018. This project is expected to increase the number of rooms by 303 and also provide 86,000 square feet of additional meeting space. This will rank Gaylord as the nation’s second-largest non-gaming convention hotel when measured by total self-contained exhibit and meeting space.

Cowboys Golf Course:

The City entered into a 25-year lease agreement with the Cowboys Golf Course in 1994. The Cowboys Golf course management company’s rental fee is 3% of Cowboys’ gross revenues from operations.

VIII. LONG-TERM LIABILITIES

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with principal maturing each year. A summary of the terms of general obligation bonds outstanding and their corresponding allocations to the governmental and business-type activities at September 30, 2017, follows:

Purpose	Interest Rates	Amount
Governmental activities	2.5% - 5.25%	\$ 59,125,000
Governmental activities, refunding	2.5% - 5.25%	<u>17,895,000</u>
Total governmental		77,020,000
Business-type activities, refunding	2.0% - 5.25%	<u>2,205,000</u>
Total general obligation debt		<u>\$ 79,225,000</u>

Annual debt service requirements for general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 6,940,000	\$ 3,063,070	\$ 475,000	\$ 84,400
2019	6,885,000	2,837,770	835,000	53,675
2020	5,325,000	2,587,683	440,000	27,000
2021	5,580,000	2,337,683	455,000	9,100
2022	4,300,000	2,114,489	-	-
2023-2027	20,255,000	8,069,400	-	-
2028-2032	22,515,000	3,886,245	-	-
2033-2037	<u>5,220,000</u>	<u>130,500</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 77,020,000</u>	<u>\$ 25,026,840</u>	<u>\$ 2,205,000</u>	<u>\$ 174,175</u>

Certificates of Obligation

The City also issued certificates of obligation (“COs”) to finance the acquisition and construction of capital assets including certain capital improvement projects, municipal facilities, and machinery and equipment. Interest rates on the outstanding COs range from 3.00% – 7.00%.

The City issued Combination Tax and Revenue Certificates of Obligation, Series 2017 in the amount of \$9,535,000 to provide funds for the acquisition of equipment for the IT Department, acquisition of land for new fire stations and renovation of existing fire stations. The bonds have interest rates ranging from 3% to 5% and mature over the next 20 years.

Annual debt service requirements to maturity for certificates of obligation of the primary government are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 3,573,694	\$ 1,922,955	\$ -	\$ -
2019	3,470,590	1,365,723	400,000	272,569
2020	3,612,553	1,237,351	400,000	260,569
2021	3,610,000	1,089,041	405,000	250,519
2022	3,635,000	939,797	425,000	241,688
2023-2027	14,450,000	2,686,238	2,305,000	1,020,357
2028-2032	4,215,000	774,677	2,780,000	542,882
2033-2036	<u>2,910,000</u>	<u>243,156</u>	<u>1,885,000</u>	<u>89,297</u>
Total	<u>\$ 39,476,837</u>	<u>\$ 10,258,938</u>	<u>\$ 8,600,000</u>	<u>\$ 2,677,881</u>

Advanced Refunding

In January 2017, the City issued \$1,365,000 of General Obligation Refunding Bonds, Series 2017 with interest rates ranging from 2% to 3%. The proceeds were used to advance refund \$1,390,000 of outstanding Series 2007 Certificates of Obligation which had interest rates ranging from 3.60% to 4.375%. The net proceeds of \$1,391,182 (including a \$47,775 premium) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, the Series 2007 Certificates of Obligation are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$34,114. This amount is being amortized over the remaining life of the refunding debt. The Series 2007 Certificates of Obligation were advance refunded to reduce the City's total debt service payments over 11 years by \$150,450 and to obtain an economic gain (difference between the net present values of the debt service payments on the old and new debt) of \$129,068.

Revenue Bonds

The City issued sales tax revenue bonds to finance the acquisition of certain assets for the City. The interest rates on the outstanding sales tax revenue bonds range from 2.54% – 5.99%.

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2018	\$ 695,000	\$ 897,714
2019	715,000	877,912
2020	740,000	853,654
2021	770,000	824,856
2022	800,000	791,700
2023-2027	4,650,000	3,316,536
2028-2032	6,120,000	1,846,061
2033-2035	<u>3,000,000</u>	<u>182,396</u>
Total	\$ <u>17,490,000</u>	\$ <u>9,590,829</u>

Notes Payable

The City issued notes payable to finance the construction of capital improvement projects, municipal facilities, and machinery and equipment. The interest rates on the outstanding notes payable range from 2.0% – 7.5%.

The debt service requirements to maturity for the notes payable are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2018	\$ 717,596	\$ 43,119
2019	590,000	21,763
2020	<u>605,000</u>	<u>7,563</u>
Total	\$ <u>1,912,596</u>	\$ <u>72,445</u>

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2017:

	Balance 9/30/2016	Increases	Reductions	Balance 9/30/2017	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 83,970,000	\$ 1,365,000	\$(8,315,000)	\$ 77,020,000	\$ 6,940,000
Certificates of obligation	34,593,701	9,535,000	(4,651,864)	39,476,837	3,573,694
Sales tax revenue bonds	18,170,000	-	(680,000)	17,490,000	695,000
Total bonds payable	<u>136,733,701</u>	<u>10,900,000</u>	<u>(13,646,864)</u>	<u>133,986,837</u>	<u>11,208,694</u>
Notes payable - taxes	2,345,000	-	(570,000)	1,775,000	580,000
Notes payable	155,410	-	(17,814)	137,596	137,596
Total notes payable	<u>2,500,410</u>	<u>-</u>	<u>(587,814)</u>	<u>1,912,596</u>	<u>717,596</u>
Total bonds and notes	<u>139,234,111</u>	<u>10,900,000</u>	<u>(14,234,678)</u>	<u>135,899,433</u>	<u>11,926,290</u>
Premium on bond issues	6,638,492	589,509	(867,152)	6,360,849	-
Net governmental bonds and notes outstanding	<u>145,872,603</u>	<u>11,489,509</u>	<u>(15,101,830)</u>	<u>142,260,282</u>	<u>11,926,290</u>
Sales tax obligation	425,135	-	(173,556)	251,579	133,021
Net OPEB obligation	20,871,877	4,572,680	(1,547,707)	23,896,850	-
Net pension liability	45,653,188	6,436,852	(6,852,777)	45,237,263	-
Compensated absences	3,410,277	3,527,688	(3,146,326)	3,791,639	947,910
Total governmental long-term liabilities	<u>\$ 216,233,080</u>	<u>\$ 26,026,729</u>	<u>\$(26,822,196)</u>	<u>\$ 215,437,613</u>	<u>\$ 13,007,221</u>

The liability for compensated absences and the pension-related liability are paid from the General Fund, Crime District Fund, and enterprise funds base on the assignment of an employee at termination. The OPEB-related long-term liabilities are generally liquidated by the General Fund.

	Balance 9/30/2016	Increases	Reductions	Balance 9/30/2017	Due Within One Year
Business-type activities:					
Water and sewer obligations					
General obligation bonds	\$ 2,365,000	\$ -	\$(160,000)	\$ 2,205,000	\$ 475,000
Certificates of obligation	8,600,000	-	-	8,600,000	-
Premium on bond issues	487,268	-	(2,860)	484,408	-
Net water and sewer bonds payable	<u>11,452,268</u>	<u>-</u>	<u>(162,860)</u>	<u>11,289,408</u>	<u>475,000</u>
Net business-type bonds payable	<u>11,452,268</u>	<u>-</u>	<u>(162,860)</u>	<u>11,289,408</u>	<u>475,000</u>
Net OPEB obligation	2,578,981	510,914	(172,928)	2,916,967	-
Net pension liability	4,619,443	436,527	(665,355)	4,390,615	-
Compensated absences	213,957	198,847	(187,204)	225,600	56,400
Total business-type long-term liabilities	<u>\$ 18,864,649</u>	<u>\$ 1,146,288</u>	<u>\$(1,188,347)</u>	<u>\$ 18,822,590</u>	<u>\$ 531,400</u>

Other Long-term Liabilities – Texas Comptroller of Public Accounts

As of September 30, 2017, the City has two payout agreements with the Texas Comptroller of Public Accounts for overpayment of sales taxes that total \$251,579. These amounts will be withheld from sales tax receipts until August 2019.

Pledged Revenues

Tax Increment Financing District #2

On June 6, 2000, the City issued Combination Tax and Tax Increment Revenue Certificates of Obligation, Series 2000. These bonds were subsequently refunded with Combination Tax and Tax Increment Reinvestment Zone Revenue Refunding Bonds, Series 2005A, and with Combination Tax and Tax Increment Reinvestment Zone Revenue Refunding Bonds, Series 2015A. These bonds represent direct obligations of the City and are payable from a combination of the levy and collection of a direct and continuing ad valorem tax within the limits prescribed by law on all taxable property within the City and a subordinate lien on and pledge of the tax increments deposited into the tax increment fund established for TIF #2. The proceeds of the bonds were used to finance various public improvements within the zone. At September 30, 2017, the remaining principal and interest on the bonds was \$17,140,000 and \$3,532,050 respectively. Principal and interest payments for the fiscal year were \$1,545,000 and \$736,450. Tax increment revenues for TIF #2 for the current year were \$4,697,348. The outstanding revenue bonds have a final maturity of August 15, 2026.

Sales Tax Revenue Bonds

On January 29, 2014, the City issued Grapevine 4B Economic Development Corporation Sales Tax Revenue Bonds, Series 2014. The bonds are special obligations of the Corporation payable from and secured by a lien on and pledge of certain revenues which include the proceeds of the $\frac{1}{4}$ of the $\frac{1}{2}$ cent sales and use tax levied within the City for the benefit of the Corporation. These bonds were issued to acquire land within the City to be used to promote new and expanded business enterprises. At September 30, 2017, the remaining balances for principal and interest on the debt are \$17,490,000 and \$9,590,828 respectively. The bonds mature on February 15, 2034. Annual debt service requirements through February 15, 2034 do not exceed \$1,600,000 per year. Sales tax revenue collections in the 4B-Economic Development fund were \$4,062,180.

IX. DEFINED BENEFIT PENSION PLAN

Plan Description. The City participates as one of 872 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 agency 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 Sections 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.

Benefits Provided. TMRS provides retirement and disability 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 actuarially equivalent 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.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

Starting in 1998, the City granted an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1998, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A Summary of the plan provisions is as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, or 5 years at age 60 and above
Updated service credit	100% repeating, transfers
Annuity increase to retirees	70% of CPI, repeating

Employees covered by benefit terms

At the December 31, 2016, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	360
Inactive employees entitled to but not yet receiving benefits	233
Active employees	<u>566</u>
Total	<u><u>1,159</u></u>

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions 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 were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City was 19.06% in calendar years 2016 and 2017, respectively. The City’s contributions to TMRS for the year ended September 30, 2017, were \$7,815,149, and were equal to the required contributions.

Net Pension Liability. The City’s Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%

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 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010, through December 31, 2014, first used in the December 31, 2010, valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013, valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. 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 expenses 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 arithmetic real rates return for each major assets class in fiscal year 2017 are summarized in the following table:

Asset Class	Target	Long-Term Expected
	Allocation	Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

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 period 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 12/31/2015	\$ 244,143,786	\$ 193,871,155	\$ 50,272,631
Changes for the year:			
Service cost	7,293,298	-	7,293,298
Interest	16,410,412	-	16,410,412
Difference between expected and actual experience	(1,109,085)	-	(1,109,085)
Contributions - employer	-	7,526,300	(7,526,300)
Contributions - employee	-	2,764,119	(2,764,119)
Net investment income	-	13,104,905	(13,104,905)
Benefit payments, including refunds of employee contributions	(9,346,450)	(9,346,450)	-
Administrative expense	-	(147,973)	147,973
Other changes	-	(7,973)	7,973
Net changes	<u>13,248,175</u>	<u>13,892,928</u>	<u>(644,753)</u>
Balance at 12/31/2016	<u>\$ 257,391,961</u>	<u>\$ 207,764,083</u>	<u>\$ 49,627,878</u>

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 86,331,400	\$ 49,627,878	\$ 19,527,612

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of \$10,231,685.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 2,483,665
Changes in actuarial assumptions	-	46,067
Difference between projected and actual investment earnings	8,841,734	-
Contributions subsequent to the measurement date	<u>5,936,381</u>	<u>-</u>
Total	<u>\$ 14,778,115</u>	<u>\$ 2,529,732</u>

\$5,936,381 reported as deferred outflows of resources related to pension 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>For the Year Ended September 30,</u>	
2017	\$ 2,222,450
2018	2,222,450
2019	2,087,282
2020	<u>(220,180)</u>
Total	<u>\$ 6,312,002</u>

X. COMMITMENTS AND CONTINGENCIES

The City is a defendant in several pending lawsuits. City management estimates, based on the advice of legal counsel, that the potential claims against the City, in excess of insurance coverage, would not materially affect the basic financial statements of the City.

The City participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability that may arise as the result of these audits is not believed to be estimable or probable.

XI. TAX ABATEMENTS

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code, Chapter 311 (Tax Increment Financing Act) and Chapter 312 (Property Redevelopment and Tax Abatement) of the Texas Tax Code. The economic development agreements are designed to support the creation of new businesses, the expansion and retention of existing businesses within the City, and the attraction of companies that offer high impact jobs and share the community's values. Recipients may be eligible to receive economic assistance based on the employment, economic or community impact of the project requesting assistance. Recipients generally commit to building or remodeling real property and related infrastructure, redeveloping properties, expanding operations or bringing targeted business to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The City has the following categories of economic development agreements:

- General Economic Development – The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or a percentage of hotel occupancy taxes or sales taxes received by the City, may result in fee reductions such as utility charges or building inspection or permit fees, or make lump sum payments to offset moving expenses, tenant finish-outs, demolition costs, infrastructure reimbursements, redevelopment costs, or other expenses. For fiscal year 2017, the City rebated \$3,019,397 in taxes and made incentive payments of \$2,475,000 under these agreements.
- Tax Increment Financing – The City has adopted two Tax Increment Financing zones (“TIFs”) under Chapter 311 of the Texas Tax Code. The City enters into economic development and infrastructure reimbursement agreements which earmark TIF revenues for payment to developers and represent obligations over the life of the TIF or until the terms of the agreements have been met. Additionally, the City enters into general economic development agreements under Chapter 380 of the Texas Local Government Code which are funded with TIF resources. The City made \$1,410,250 in payments for TIF obligations and \$861,274 in incentive payments from general TIF resources.

XII. RISK MANAGEMENT

The City purchases a fully-insured program for property and casualty insurance coverage through Travelers Insurance and workers' compensation coverage through Texas Municipal League. The City is insured at the following limits:

<u>Policy</u>	<u>Limits</u>	<u>Deductible</u>
General liability	\$1,000,000 per occurrence/\$2,000,000 aggregate	\$10,000
Automobile liability	\$1,000,000 per occurrence	\$0
Automobile physical damage	Actual cash value	\$1,000
Excess liability	\$10,000,000 per occurrence/\$10,000,000 aggregate	\$0
Property	\$226,609,539	varies by peril
Workers' compensation	Statutory/employers' liability	\$1,000,000

Risk Management oversees the City's self-insured employee health plan and retiree health plans. UMR is the third-party administrator for the employee and pre-65 retiree health plans. Claims and other plan administration services are performed by UMR. All participating funds make payments to the General Fund for their portion of property and casualty and health plan cost.

Financial responsibility in a self-insured funding arrangement is on the City, the risk of losses exceeding an affordable threshold is transferred to an insurance company through the purchase of stop-loss insurance with Munich Re. Stop-loss insurance protects the City from plan claims costs exceeding a specified deductible during the plan year.

Specific Excess Loss Insurance

The City has specific excess loss insurance to cover specific claims incurred by plan participants. The City has a \$175,000 specific deductible for each medical plan member and an aggregating specific deductible of \$85,000 for all plan members. The specific benefit period reimbursement maximum under this coverage is unlimited per covered person.

Aggregate Excess Loss Insurance

The City also has coverage for aggregate claims incurred under the self-insured health plan. Under this coverage, aggregate claims in excess of an estimate annual aggregate attachment point of \$11,235,225 would be covered up to an aggregate benefit period reimbursement maximum of \$1,000,000.

The City establishes the insurance claim liability based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City’s financial statements. Activity for the last two years is as follows:

	<u>2017</u>	<u>2016</u>
Claims payable, beginning of year	\$ 1,084,743	\$ 1,300,408
Current year claims and changes in estimates	12,442,261	9,017,459
Payments on claims	<u>(11,521,639)</u>	<u>(9,233,124)</u>
Claims payable at end of year	<u>\$ 2,005,365</u>	<u>\$ 1,084,743</u>

XIII. WATER STORAGE RIGHTS

Water storage rights of \$683,547 (net of accumulated amortization of \$622,309) represent rights in the Federal Reservoir at Lake Grapevine purchased through a long-term contract with the federal government and are recorded at cost, with amortization being recorded using the straight-line method over the initial term of the contract of 40 years. Approximately 4 years remain on the contract.

XIV. IMPACT FEES

The City records impact fees received in excess of the cost of physical connection to the Water and Sewer system as revenues. Corresponding cash is recorded as a restricted asset for future expansion of the Water and Sewer system.

XV. WATER AND SEWER CONTRACTS

The City has separate contracts with the Trinity River Authority of Texas (“TRA”) for the purchase of treated water and for the transportation, treatment and disposal of wastewater. The contracts require the City to pay varying amounts based on the costs associated with water purchased and wastewater transported and/or treated and disposed. The costs include the City’s proportionate share of TRA’s operating and maintenance expenses, related debt service costs, plus certain other miscellaneous charges. The City also purchases water from the City of Dallas-Water Utilities and Dallas County Park Cities Municipal Utilities District.

Payments during 2017 for the purchase of treated water were \$8,549,638 and payments made for the transportation, treatment, and disposal of wastewater by TRA were \$1,508,182. If the City were unable to fulfill its obligations under the contracts, the only liability for future payment would be its proportionate share of debt service requirements. In addition, the City does not retain an ongoing financial interest in TRA and has no representation on the TRA Board; therefore, the TRA contracts are not considered to be joint venture agreements.

XVI. OTHER POSTEMPLOYMENT BENEFITS

Post-retirement Health Care Benefits

The City provides certain health care and life insurance benefits through a single-employer defined benefit OPEB plan, under City ordinance, for all full and part-time employees that meet eligibility requirements. Eligible individuals include retired employees who have satisfied the requirement as defined by the Texas Municipal Retirement System and their dependents that were covered prior to retirement. The requirement as defined by the Texas Municipal Retirement System is any age with 20 years of service or 5 years of service for age 60 and above. City Council members that serve three terms will be classified as retired employees when they leave office. As of the measurement date the City had 573 active members and 189 retirees eligible to participate in the City's plan.

Retirees pay premiums for coverage in the OPEB programs. There is not a maximum employer paid premium amount (capped benefit). Active employees do not contribute to the retiree health care plan.

Retirees are eligible for medical, dental, vision, and prescription insurance until they become Medicare eligible. Retirees are also eligible for a \$20,000 life insurance policy. Once Medicare eligible, retirees are eligible for dental, vision, and life insurance only. At that time, the City medical plan will no longer be available. The City supplements 70% of the premium to all retirees who either (1) retire after the age of 65 or (2) are covered pre-Medicare in the retiree medical program. Spouses of retirees will receive the City supplement if they have been on the plan for one year prior to retirement.

Retirees are eligible for benefits immediately upon retirement. If the employee returns to work for an employer that offers health coverage, they become ineligible for the City's plan and cannot rejoin the City's health plan at a later date.

In the event that an active employee passes away, the spouse and dependents will become eligible for retiree coverage if (1) the employee was eligible for retirement as defined by the Texas Municipal Retirement System; and (2) the employee had dependent coverage at the time of death. Coverage will continue under the plan as long as monthly retiree premiums are paid by the specified due date, until dependents are no longer considered eligible dependents as defined by the plan, until the covered dependent becomes Medicare eligible, or until a surviving spouse remarries.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that is projected recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The annual OPEB cost for the fiscal year ending September 30, 2017, is as follows:

Annual Required Contribution (ARC)	\$ 5,059,361
Interest on Net OPEB Obligation	938,035
Adjustment to the ARC	<u>(913,803)</u>
Annual OPEB Cost	5,083,593
Employer Contributions	<u>(1,720,635)</u>
Increase (Decrease) in Net OPEB Obligation	3,362,958
Net OPEB Obligation/(Asset), beginning of year	<u>23,450,859</u>
 Net OPEB Obligation/(Asset), ending of year	 <u>\$ 26,813,817</u>

Expenses for post-retirement health care benefits are recognized on a pay-as-you-go basis. In addition to the employer contribution, the retirees paid \$257,578 in the form of premiums which funded current medical claims.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2017, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2015	\$ 4,974,080	\$ 1,395,024	28.0%	\$ 19,758,720
9/30/2016	5,133,536	1,441,397	28.1%	23,450,859
9/30/2017	5,083,592	1,720,635	33.8%	26,813,817

Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2016	-	\$ 62,225,981	\$ 62,225,981	-	\$ 39,444,551	157.76%

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

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

Significant methods and assumptions were as follows:

Actuarial Valuation Date	12/31/2016
Actuarial Cost Method	Individual Entry Age Normal Cost Method
Amortization Method	Level as a percentage of employee payroll
Amortization Period	30-year open amortization
Actuarial Assumptions:	
Inflation rate	2.50% per annum
Investment Rate of Return	4.00% per annum, net of expenses
Payroll Growth Rate	3.00% per annum
Medical Trend	Initial rate of 7.50%, declining to an ultimate rate of 4.50% after 14 years

There is no separately issued audited benefit plan report available for the City's OPEB plan.

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

XVII. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2017, expenditures exceeded appropriations in the Crime District Fund by \$19,409.

XVIII. PRIOR PERIOD ADJUSTMENT

Adjustments to capital assets resulted in an increase to beginning net position of \$15,173,703 in the governmental activities and a decrease in beginning net position of \$4,010,371 in the business-type activities. Additionally, a reduction of prior year revenues resulted in a decrease in beginning net position of \$45,919 in the discretely presented component unit.

XIX. SUBSEQUENT EVENT

On October 3, 2017, the City Council approved an ordinance appropriating and transferring \$500,000 to the Public Agencies Retirement Services (PARS) for the purpose of funding the Other Post-Employment Benefits (OPEB) Trust.

On October 3, 2017, the City Council authorized the sale of Tax Notes, Series 2017 for \$970,000 with coupon payment of 1.560% and maturity date of August 2018. The note will provide funds to acquire vehicles and equipment for various City departments.

On November 7, 2017, the City held a special election to consider three bond propositions for a total of \$24,700,000. Proposition A included issuance of \$3,900,000 of general obligation bonds for animal shelter facilities, and the levying of a tax payment thereof. Proposition B included issuance of \$16,000,000 of general obligation bonds for firefighting facilities, and the levying of a tax payment thereof. Proposition C included issuance of \$4,800,000 of general obligation bonds for a multi-use facility and clubhouse at the Grapevine Municipal Golf Course, and the levying of a tax payment thereof. All three propositions were approved by voters.

On November 7, 2017, the City Council approved an amended and restated economic development agreement with the Coury Collection, LLC for the construction of a minimum of a 115-130 room, AAA, four diamond level quality, full-service boutique hotel with at least one full service dining establishment. The initial investment is approximately \$28,000,000. The City is authorized under Chapter 380 of the Texas Local Government Code to provide economic development incentives to support the expansion of local business activity. The project is expected to be completed and opened by June 30, 2019.

On December 5, 2017, the City Council approved a contract with Coury Hospitality and Manhattan Construction to begin construction of the Grapevine Main garage, basement and site work. The contract is for a guaranteed maximum price not to exceed \$30,185,180. This project will be a part of the Downtown Grapevine TEX Rail Station located at the intersection of Dallas Road and Main Street which is due to open in 2018.

On February 6, 2018, the City of Grapevine entered into an economic development and incentive agreement with Grapevine Equity Partners, LLC for the proposed building of a new hotel, office, and retail project within the City. The City is authorized under Chapter 380 of the Texas Local Government Code to provide economic development incentives to support the expansion of local business activity. The scope of the project will include four new hotels, 55,000 square feet of new office space, and 25,000 square feet of retail space, for a total investment of approximately \$200,000,000. The City will provide a total economic grant of \$13,600,000 when the conditions of the agreement have been met. The project is expected to be completed and opened by December 30, 2023.

On February 20, 2018, the City Council approved the issuance of \$2,500,000 of Public Property Finance Act Contractual Obligations. These obligations have an interest rate of 3.95% and will mature on March 2028. These obligations will be used to finance softball field lighting.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF GRAPEVINE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 45,258,993	\$ 45,258,993	\$ 45,145,628	\$(113,365)
Licenses and permits	1,402,876	1,402,876	1,883,200	480,324
Intergovernmental	87,077	87,077	246,229	159,152
Charges for services	5,296,087	5,296,087	5,445,726	149,639
Fines and forfeitures	1,917,710	1,917,710	1,775,990	(141,720)
Investment income	15,750	15,750	104,575	88,825
Miscellaneous	<u>283,000</u>	<u>283,000</u>	<u>710,326</u>	<u>427,326</u>
Total revenues	<u>54,261,493</u>	<u>54,261,493</u>	<u>55,311,674</u>	<u>1,050,181</u>
EXPENDITURES				
Current:				
General government	15,271,681	17,506,879	16,883,362	623,517
Public safety	14,271,342	14,627,699	14,585,498	42,201
Culture and recreation	12,080,459	12,469,569	12,555,064	(85,495)
Public works	8,303,736	7,831,513	7,789,478	42,035
Capital outlay	69,720	148,959	148,957	2
Debt service principal	-	-	173,556	(173,556)
Debt service other	<u>-</u>	<u>5,138</u>	<u>5,138</u>	<u>-</u>
Total expenditures	<u>49,996,938</u>	<u>52,589,757</u>	<u>52,141,053</u>	<u>448,704</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES				
	<u>4,264,555</u>	<u>1,671,736</u>	<u>3,170,621</u>	<u>1,498,885</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,532,630	3,532,630	3,925,937	393,307
Transfers out	(7,461,000)	(7,461,000)	(7,461,000)	-
Sale of capital assets	<u>5,000</u>	<u>5,000</u>	<u>25,657</u>	<u>20,657</u>
Total other financing sources (uses)	<u>(3,923,370)</u>	<u>(3,923,370)</u>	<u>(3,509,406)</u>	<u>413,964</u>
NET CHANGE IN FUND BALANCES				
	341,185	(2,251,634)	(338,785)	1,912,849
FUND BALANCES, BEGINNING				
	<u>12,733,653</u>	<u>12,733,653</u>	<u>12,733,653</u>	<u>-</u>
FUND BALANCES, ENDING				
	<u>\$ 13,074,838</u>	<u>\$ 10,482,019</u>	<u>\$ 12,394,868</u>	<u>\$ 1,912,849</u>

**CITY OF GRAPEVINE, TEXAS
HOTEL OCCUPANCY TAX
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 17,314,978	\$ 17,314,978	\$ 18,800,663	\$ 1,485,685
Charges for services	7,154,292	7,154,292	7,839,529	685,237
Investment income	15,200	15,200	203,244	188,044
Miscellaneous	<u>75,000</u>	<u>75,000</u>	<u>142,125</u>	<u>67,125</u>
Total revenues	<u>24,559,470</u>	<u>24,559,470</u>	<u>26,985,561</u>	<u>2,426,091</u>
EXPENDITURES				
Current:				
Tourism	21,862,627	21,672,188	19,735,647	1,936,541
Capital outlay	58,000	58,000	102,718	(44,718)
Debt Service:				
Other	<u>-</u>	<u>1,802</u>	<u>1,802</u>	<u>-</u>
Total expenditures	<u>21,920,627</u>	<u>21,731,990</u>	<u>19,840,167</u>	<u>1,891,823</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>2,638,843</u>	<u>2,827,480</u>	<u>7,145,394</u>	<u>4,317,914</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	371,103	371,103	330,613	(40,490)
Transfers out	<u>(2,569,586)</u>	<u>(2,959,608)</u>	<u>(2,959,608)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,198,483)</u>	<u>(2,588,505)</u>	<u>(2,628,995)</u>	<u>(40,490)</u>
NET CHANGE IN FUND BALANCES	440,360	238,975	4,516,399	4,277,424
FUND BALANCES, BEGINNING	<u>19,284,449</u>	<u>19,284,449</u>	<u>19,284,449</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 19,724,809</u>	<u>\$ 19,523,424</u>	<u>\$ 23,800,848</u>	<u>\$ 4,277,424</u>

**CITY OF GRAPEVINE, TEXAS
CRIME DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 13,923,193	\$ 13,923,193	\$ 13,229,439	\$(693,754)
Intergovernmental	-	438	13,880	13,442
Fines and forfeitures	164,000	164,000	121,381	(42,619)
Investment income	1,000	1,000	18,550	17,550
Miscellaneous	-	-	9,091	9,091
Total revenues	14,088,193	14,088,631	13,392,341	(696,290)
EXPENDITURES				
Current:				
General government	151,464	162,852	162,852	-
Public safety	15,140,906	15,108,322	15,127,731	(19,409)
Capital outlay	-	21,633	21,633	-
Total expenditures	15,292,370	15,292,807	15,312,216	(19,409)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(1,204,177)	(1,204,176)	(1,919,875)	(715,699)
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	200,000	-
Transfers out	(62,000)	113,000	(62,000)	(175,000)
Total other financing sources (uses)	138,000	313,000	138,000	(175,000)
NET CHANGE IN FUND BALANCES	(1,066,177)	(891,176)	(1,781,875)	(890,699)
FUND BALANCES, BEGINNING	1,438,034	1,438,034	1,438,034	-
FUND BALANCES, ENDING	\$ 371,857	\$ 546,858	\$(343,841)	\$(890,699)

CITY OF GRAPEVINE, TEXAS
4B - ECONOMIC DEVELOPMENT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 3,480,798	\$ 3,480,798	\$ 4,062,180	\$ 581,382
Investment income	46,000	46,000	227,801	181,801
Miscellaneous	-	-	275	275
Total revenues	3,526,798	3,526,798	4,290,256	763,458
EXPENDITURES				
Current:				
Economic development	8,674,211	2,202,643	1,860,519	342,124
Capital outlay	-	4,747,748	4,716,788	30,960
Total expenditures	8,674,211	6,950,391	6,577,307	373,084
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(5,147,413)	(3,423,593)	(2,287,051)	1,136,542
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,475,248	2,475,248
Transfers out	(1,854,469)	(3,609,249)	(17,699,621)	(14,090,372)
Sale of capital assets	-	-	2,727,803	2,727,803
Total other financing sources (uses)	(1,854,469)	(3,609,249)	(12,496,570)	(8,887,321)
NET CHANGE IN FUND BALANCES	(7,001,882)	(7,032,842)	(14,783,621)	(7,750,779)
FUND BALANCES, BEGINNING	32,283,858	32,283,858	32,283,858	-
FUND BALANCES, ENDING	\$ 25,281,976	\$ 25,251,016	\$ 17,500,237	\$(7,750,779)

CITY OF GRAPEVINE, TEXAS
4B - TRANSIT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales taxes	\$ 10,442,395	\$ 10,442,395	\$ 9,408,363	\$(1,034,032)
Investment income	<u>3,000</u>	<u>3,000</u>	<u>10,404</u>	<u>7,404</u>
Total revenues	<u>10,445,395</u>	<u>10,445,395</u>	<u>9,418,767</u>	<u>(1,026,628)</u>
EXPENDITURES				
Current:				
Transportation	<u>9,471,292</u>	<u>9,471,292</u>	<u>9,077,750</u>	<u>393,542</u>
Total expenditures	<u>9,471,292</u>	<u>9,471,292</u>	<u>9,077,750</u>	<u>393,542</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>974,103</u>	<u>974,103</u>	<u>341,017</u>	<u>(633,086)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(371,103)</u>	<u>(371,103)</u>	<u>(805,861)</u>	<u>(434,758)</u>
Total other financing sources (uses)	<u>(371,103)</u>	<u>(371,103)</u>	<u>(805,861)</u>	<u>(434,758)</u>
NET CHANGE IN FUND BALANCE	603,000	603,000	(464,844)	(1,067,844)
FUND BALANCE, BEGINNING	<u>465,201</u>	<u>465,201</u>	<u>465,201</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,068,201</u>	<u>\$ 1,068,201</u>	<u>\$ 357</u>	<u>\$(1,067,844)</u>

CITY OF GRAPEVINE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Plan Year	2014	2015	2016
A. Total pension liability			
Service Cost	\$ 6,509,572	\$ 7,082,668	\$ 7,293,298
Interest (on the total pension liability)	15,338,396	16,144,617	16,410,412
Difference between expected and actual experience	(1,847,827)	(1,393,602)	(1,109,085)
Changes of assumptions	-	(77,299)	-
Benefit payments, including refunds of employee contributions	(8,121,165)	(9,417,307)	(9,346,450)
Net change in total pension liability	11,878,976	12,339,077	13,248,175
Total pension liability - beginning	<u>219,925,733</u>	<u>231,804,709</u>	<u>244,143,786</u>
Total pension liability - ending (a)	<u>\$ 231,804,709</u>	<u>\$ 244,143,786</u>	<u>\$ 257,391,961</u>
B. Plan fiduciary net position			
Contributions - employer	\$ 6,975,288	\$ 7,547,081	\$ 7,526,300
Contributions - employee	2,583,406	2,769,765	2,764,119
Net investment income	10,365,590	284,606	13,104,905
Benefit payments, including refunds of employee contributions	(8,121,165)	(9,417,307)	(9,346,450)
Administrative expense	(108,213)	(173,344)	(147,973)
Other	(8,897)	(8,562)	(7,972)
Net change in plan fiduciary net position	11,686,009	1,002,239	13,892,929
Plan fiduciary net position - beginning	<u>181,182,907</u>	<u>192,868,916</u>	<u>193,871,155</u>
Plan fiduciary net position - ending (b)	<u>192,868,916</u>	<u>193,871,155</u>	<u>207,764,084</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 38,935,793</u>	<u>\$ 50,272,631</u>	<u>\$ 49,627,877</u>
D. Plan fiduciary net position as a percentage of total pension liability	83.20%	79.41%	80.72%
E. Covered employee payroll	\$ 36,690,944	\$ 39,260,910	\$ 39,444,551
F. Net position liability as a percentage of covered employee payroll	106.12%	128.05%	125.82%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2017, only 3 years are included and additional years will be added in the future as the information becomes available.

CITY OF GRAPEVINE, TEXAS
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Fiscal Year	2014	2015	2016	2017
Actuarial determined contribution	\$ 6,911,778	\$ 7,193,830	\$ 7,395,291	\$ 7,815,149
Contributions in relation to the actuarially determined contribution	<u>6,911,778</u>	<u>7,193,830</u>	<u>7,395,291</u>	<u>7,815,149</u>
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	36,595,511	37,658,091	38,748,515	41,002,879
Contributions as a percentage of covered employee payroll	18.89%	19.10%	19.09%	19.06%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2017, only 4 years are included and additional years will be added in the future as the information becomes available.

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31st and become effective in January, 13 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	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 of with BB.

Other Information

There were no benefit changes during the year.

**CITY OF GRAPEVINE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
POST-RETIREMENT HEALTH CARE BENEFIT PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/2012	\$ -	\$ 41,596,928	0.0%	\$ 41,596,928	\$ 35,493,723	117.2%
12/31/2014	-	49,256,419	0.0%	49,256,419	36,690,944	134.2%
12/31/2016	-	62,225,981	0.0%	62,225,981	39,444,551	157.8%

CITY OF GRAPEVINE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Budgets

The City follows these procedures in establishing budgetary data reflected in the financial statements:

- (1) Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to September 15, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council, after public hearings. Total expenditures may not exceed appropriations at the individual fund level.
- (5) Budgets are legally adopted for the General Fund, Hotel Occupancy Tax Fund, the Crime District Fund, the 4B – Economic Development Fund, the 4B – Transit Fund, the Lake Park Fund, the Debt Service Fund and Enterprise Funds. Budgetary control is maintained at the fund level.
- (6) Budgets for the General, Hotel Occupancy Tax, Crime District, 4-B Economic Development Fund, 4B–Transit Fund, the Lake Park Fund, and Debt Service Fund are adopted in accordance with generally accepted accounting principles. Budget amounts are as amended by the City Council and adjusted for transfers of budgeted amounts between departments within any fund, authorized by the City Manager.
- (7) Budgetary comparison schedules are presented as required supplementary information for the General Fund and for each major special revenue fund. Capital Projects Funds have not been presented as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of these funds is not employed and comparison of actual results of operations to budgetary data for such funds is not presented.
- (8) The budgetary comparison schedules included in the required supplementary information present a comparison of budgetary data to actual results of operations for the General Fund, Hotel Occupancy Tax Fund, Crime District Fund, 4B–Economic Development Fund, and 4B–Transit Fund. A comparison of budgetary data to actual results of operations for the Debt Service Fund and the Lake Park Fund are presented as supplementary information.

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**COMBINING AND INDIVIDUAL
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues that are restricted in nature for a special purpose limited by state law and management intentions for expenditures.

Special Revenue Fund – to account for revenues that are restricted in name for a special purpose limited by state law and management intentions for expenditures. These funds include monies for state and federal forfeitures, copier service and replacement, library and parks programs and police in-service training.

Storm Drainage Fund – to account for the services in the management and acquisition of capital for storm water drainage utility projects in the City.

Lake Parks Fund – includes the operations of a municipal golf course.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

TIF #1 Fund – to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of TIF #1.

TIF #2 Fund – to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of TIF #2.

CAPITAL PROJECTS FUNDS

Capital Projects Funds – used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Parks Open Space and Recreation Fund - used to account for the financing, acquisition, construction and improvement of parks and public recreation facilities.

Tax Increment Financing (TIF) Number Two Fund – established for the financing, acquisition and construction of the infrastructure surrounding Gaylord Texas Resort and Convention Center.

Streets Fund – is used to account for the construction of improvements to various streets, drainage, and sidewalk projects.

Street Maintenance and Capital Replacement Fund – to account for resources provided and expended on street maintenance and capital replacements.

Capital Acquisition Fund – to account for financial resources for the replacement and acquisition of capital assets.

Quality of Life Fund – to account for capital projects as designated by the City Council.

**CITY OF GRAPEVINE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Special Revenue			Debt Service	
	Special Revenue	Storm Drainage	Lake Parks	TIF #1	TIF #2
ASSETS					
Cash	\$ 3,667,540	\$ 1,438,299	\$ -	\$ -	\$ 5,974,340
Receivables:					
Accounts, net	11,794	153,158	4,356	-	-
Accrued interest	1,107	330	-	-	1,817
Inventory	-	-	11,638	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>3,680,441</u>	<u>1,591,787</u>	<u>15,994</u>	<u>-</u>	<u>5,976,157</u>
LIABILITIES					
Liabilities:					
Accounts payable	70,455	19,833	134,094	-	-
Accrued and other liabilities	7,814	19,484	9,928	-	-
Due to other funds	-	-	1,756,570	-	-
Unearned revenue	-	-	474,887	-	-
Developer deposits	-	-	-	-	-
Contracts and retainage payable	-	-	-	-	-
Total liabilities	<u>78,269</u>	<u>39,317</u>	<u>2,375,479</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Nonspendable:					
Inventory	-	-	11,638	-	-
Prepaid items	-	-	-	-	-
Restricted:					
Capital projects	359,583	356,767	-	-	-
Court security and technology	304,947	-	-	-	-
Public safety	472,509	-	-	-	-
Records preservation	18,826	-	-	-	-
Tourism	2,251	-	-	-	-
Economic development	-	-	-	-	5,976,157
Culture and recreation	159,723	-	-	-	-
Committed for:					
Stormwater drainage operations	-	1,195,703	-	-	-
Public arts	1,045,698	-	-	-	-
Assigned for:					
Capital projects	1,237,201	-	-	-	-
Culture and recreation	1,407	-	-	-	-
Public safety	2,177	-	-	-	-
Unassigned	(2,150)	-	(2,371,123)	-	-
Total fund balances	<u>3,602,172</u>	<u>1,552,470</u>	<u>(2,359,485)</u>	<u>-</u>	<u>5,976,157</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,680,441</u>	<u>\$ 1,591,787</u>	<u>\$ 15,994</u>	<u>\$ -</u>	<u>\$ 5,976,157</u>

Capital Projects

Parks Open Space and Recreation	TIF #2	Streets	Street Maintenance and Capital Replacement	Capital Acquisition	Quality of Life	Total Other Governmental Funds
\$ 428,001	\$ 2,173,619	\$ 8,234,352	\$ 1,127,594	\$ 6,643,956	\$ 11,727,430	\$ 41,415,131
-	-	-	3,160	1,075	89,320	262,863
127	-	1,644	594	1,401	3,595	10,615
-	-	-	-	-	-	11,638
-	-	57,673	30,365	-	-	88,038
-	-	-	-	3,721	9,000	12,721
<u>428,128</u>	<u>2,173,619</u>	<u>8,293,669</u>	<u>1,161,713</u>	<u>6,650,153</u>	<u>11,829,345</u>	<u>41,801,006</u>
9,924	-	72,954	319,491	246,605	286,538	1,159,894
-	-	-	-	1,740	-	38,966
-	-	-	-	-	-	1,756,570
-	-	-	-	-	-	474,887
282,927	-	1,897,512	-	-	-	2,180,439
-	-	180,394	-	-	-	180,394
<u>292,851</u>	<u>-</u>	<u>2,150,860</u>	<u>319,491</u>	<u>248,345</u>	<u>286,538</u>	<u>5,791,150</u>
-	-	53,273	5,543	-	89,320	148,136
-	-	53,273	5,543	-	89,320	148,136
-	-	-	-	-	-	11,638
-	-	-	-	-	9,000	9,000
125,025	2,173,619	5,945,665	-	6,401,808	-	15,362,467
-	-	-	-	-	-	304,947
-	-	-	-	-	-	472,509
-	-	-	-	-	-	18,826
-	-	-	-	-	-	2,251
-	-	-	-	-	-	5,976,157
-	-	-	-	-	-	159,723
-	-	-	-	-	-	1,195,703
-	-	-	-	-	-	1,045,698
10,252	-	143,871	836,679	-	11,444,487	13,672,490
-	-	-	-	-	-	1,407
-	-	-	-	-	-	2,177
-	-	-	-	-	-	(2,373,273)
<u>135,277</u>	<u>2,173,619</u>	<u>6,089,536</u>	<u>836,679</u>	<u>6,401,808</u>	<u>11,453,487</u>	<u>35,861,720</u>
\$ <u>428,128</u>	\$ <u>2,173,619</u>	\$ <u>8,293,669</u>	\$ <u>1,161,713</u>	\$ <u>6,650,153</u>	\$ <u>11,829,345</u>	\$ <u>41,801,006</u>

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue			Debt Service	
	Special Revenue	Storm Drainage	Lake Park	TIF #1	TIF #2
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 4,697,348
Charges for services	288,883	1,422,565	2,294,840	-	-
Fines and forfeitures	70,268	-	-	-	-
Intergovernmental	57,665	-	-	-	-
Contributions	359,116	-	-	-	-
Investment income	35,645	12,118	-	136,747	50,061
Miscellaneous	8,931	-	7,812	-	-
Total revenues	820,508	1,434,683	2,302,652	136,747	4,747,409
EXPENDITURES					
Current:					
General government	339,702	-	-	-	-
Public safety	114,878	-	-	-	-
Culture and recreation	107,583	-	2,012,696	-	-
Public works	-	856,147	-	-	-
Economic development	-	-	-	5,625,109	1,410,250
Capital outlay	82,441	30,151	39,007	-	-
Debt service:					
Principal	-	-	-	-	1,545,000
Interest	-	-	-	-	736,450
Other	-	-	-	-	750
Total expenditures	644,604	886,298	2,051,703	5,625,109	3,692,450
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	175,904	548,385	250,949	(5,488,362)	1,054,959
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(209,000)	(257,127)	(144,381)	(21,957,331)	-
Sale of capital assets	-	-	-	-	-
Insurance recoveries	-	-	-	-	-
Total other financing sources (uses)	(209,000)	(257,127)	(144,381)	(21,957,331)	-
NET CHANGE IN FUND BALANCES	(33,096)	291,258	106,568	(27,445,693)	1,054,959
FUND BALANCES, BEGINNING	3,635,268	1,261,212	(2,466,053)	27,445,693	4,921,198
FUND BALANCES, ENDING	\$ 3,602,172	\$ 1,552,470	\$(2,359,485)	\$ -	\$ 5,976,157

Capital Projects

Parks Open Space and Recreation	TIF #2	Streets	Street Maintenance and Capital Replacement	Capital Acquisition	Quality of Life	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,697,348
16,179	-	-	-	-	-	4,022,467
-	-	-	-	-	-	70,268
-	-	4,401	24,822	-	-	86,888
-	-	-	-	-	11,271	370,387
4,558	21,701	82,046	25,378	73,134	118,161	559,549
-	-	23,858	149,215	1,075	-	190,891
<u>20,737</u>	<u>21,701</u>	<u>110,305</u>	<u>199,415</u>	<u>74,209</u>	<u>129,432</u>	<u>9,997,798</u>
-	-	-	199,544	231,918	-	771,164
-	-	-	157,840	104,580	-	377,298
-	-	-	1,675,805	-	-	3,796,084
-	-	-	1,880,349	-	-	2,736,496
-	-	-	-	-	-	7,035,359
112,685	-	5,400,093	341,313	1,302,335	3,030,077	10,338,102
-	-	-	-	-	-	1,545,000
-	-	-	-	-	-	736,450
-	606	-	-	95,984	-	97,340
<u>112,685</u>	<u>606</u>	<u>5,400,093</u>	<u>4,254,851</u>	<u>1,734,817</u>	<u>3,030,077</u>	<u>27,433,293</u>
(91,948)	21,095	(5,289,788)	(4,055,436)	(1,660,608)	(2,900,645)	(17,435,495)
-	-	4,794,050	3,279,000	1,656,741	3,005,268	12,735,059
-	-	-	-	-	(653,715)	(23,221,554)
-	-	-	-	52,810	-	52,810
-	-	-	-	33,236	-	33,236
-	-	4,794,050	3,279,000	1,742,787	2,351,553	(10,400,449)
(91,948)	21,095	(495,738)	(776,436)	82,179	(549,092)	(27,835,944)
<u>227,225</u>	<u>2,152,524</u>	<u>6,585,274</u>	<u>1,613,115</u>	<u>6,319,629</u>	<u>12,002,579</u>	<u>63,697,664</u>
<u>\$ 135,277</u>	<u>\$ 2,173,619</u>	<u>\$ 6,089,536</u>	<u>\$ 836,679</u>	<u>\$ 6,401,808</u>	<u>\$ 11,453,487</u>	<u>\$ 35,861,720</u>

CITY OF GRAPEVINE, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 11,656,719	\$ 11,656,719	\$ 10,772,372	\$(884,347)
Investment income	<u>40,000</u>	<u>40,000</u>	<u>145,815</u>	<u>105,815</u>
Total revenues	<u>11,696,719</u>	<u>11,696,719</u>	<u>10,918,187</u>	<u>(778,532)</u>
EXPENDITURES				
Debt service:				
Principal	9,649,680	9,649,680	11,299,678	(1,649,998)
Interest and fiscal charges	4,718,663	4,718,663	5,113,209	(394,546)
Bond issuance costs	-	-	25,053	(25,053)
Other	<u>-</u>	<u>-</u>	<u>13,997</u>	<u>(13,997)</u>
Total expenditures	<u>14,368,343</u>	<u>14,368,343</u>	<u>16,451,937</u>	<u>(2,083,594)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(2,671,624)</u>	<u>(2,671,624)</u>	<u>(5,533,750)</u>	<u>(2,862,126)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,674,475	2,674,475	2,674,475	-
Issuance of debt	-	-	1,365,000	1,365,000
Premium on issuance of debt	-	-	47,775	47,775
Payment to bond refunding escrow agent	<u>-</u>	<u>-</u>	<u>(1,391,182)</u>	<u>(1,391,182)</u>
Total other financing sources (uses)	<u>2,674,475</u>	<u>2,674,475</u>	<u>2,696,068</u>	<u>21,593</u>
NET CHANGE IN FUND BALANCE	2,851	2,851	(2,837,682)	(2,840,533)
FUND BALANCE, BEGINNING	<u>13,760,380</u>	<u>13,760,380</u>	<u>13,760,380</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 13,763,231</u>	<u>\$ 13,763,231</u>	<u>\$ 10,922,698</u>	<u>\$(2,840,533)</u>

CITY OF GRAPEVINE, TEXAS
LAKE PARK FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 2,091,000	\$ 2,091,000	\$ 2,294,840	\$ 203,840
Miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>7,812</u>	(17,188)
Total revenues	<u>2,116,000</u>	<u>2,116,000</u>	<u>2,302,652</u>	<u>186,652</u>
EXPENDITURES				
Current:				
Culture and recreation	1,824,778	1,869,338	2,012,696	(143,358)
Capital outlay	<u>75,000</u>	<u>39,009</u>	<u>39,007</u>	<u>2</u>
Total expenditures	<u>1,899,778</u>	<u>1,908,347</u>	<u>2,051,703</u>	(143,356)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>216,222</u>	<u>207,653</u>	<u>250,949</u>	<u>43,296</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(150,450)	(144,381)	(144,381)	-
Total other financing sources (uses)	<u>(150,450)</u>	<u>(144,381)</u>	<u>(144,381)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	65,772	63,272	106,568	43,296
FUND BALANCE, BEGINNING	<u>(2,466,053)</u>	<u>(2,466,053)</u>	<u>(2,466,053)</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$ (2,400,281)</u></u>	<u><u>\$ (2,402,781)</u></u>	<u><u>\$ (2,359,485)</u></u>	<u><u>\$ 43,296</u></u>

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2017

	Police Department Case Settlement			
	Balance 10/1/2016	Additions	Deletions	
Cash and cash equivalents	\$ <u>18,791</u>	\$ <u>526</u>	\$ <u>-</u>	\$ <u>19,317</u>
Total assets	\$ <u><u>18,791</u></u>	\$ <u><u>526</u></u>	\$ <u><u>-</u></u>	\$ <u><u>19,317</u></u>
Due to beneficiary	\$ <u>18,791</u>	\$ <u>526</u>	\$ <u>-</u>	\$ <u>19,317</u>
Total liabilities	\$ <u><u>18,791</u></u>	\$ <u><u>526</u></u>	\$ <u><u>-</u></u>	\$ <u><u>19,317</u></u>

	Industrial Development Corporation			
	Balance 10/1/2016	Additions	Deletions	
Cash and cash equivalents	\$ <u>130,866</u>	\$ <u>1,311</u>	\$ <u>-</u>	\$ <u>132,177</u>
Total assets	\$ <u><u>130,866</u></u>	\$ <u><u>1,311</u></u>	\$ <u><u>-</u></u>	\$ <u><u>132,177</u></u>
Due to beneficiary	\$ <u>130,866</u>	\$ <u>1,311</u>	\$ <u>-</u>	\$ <u>132,177</u>
Total liabilities	\$ <u><u>130,866</u></u>	\$ <u><u>1,311</u></u>	\$ <u><u>-</u></u>	\$ <u><u>132,177</u></u>

	W.D. Tate Scholarship			
	Balance 10/1/2016	Additions	Deletions	
Cash and cash equivalents	\$ <u>13,762</u>	\$ <u>133</u>	\$ <u>-</u>	\$ <u>13,895</u>
Total assets	\$ <u><u>13,762</u></u>	\$ <u><u>133</u></u>	\$ <u><u>-</u></u>	\$ <u><u>13,895</u></u>
Due to beneficiary	\$ <u>13,762</u>	\$ <u>133</u>	\$ <u>-</u>	\$ <u>13,895</u>
Total liabilities	\$ <u><u>13,762</u></u>	\$ <u><u>133</u></u>	\$ <u><u>-</u></u>	\$ <u><u>13,895</u></u>

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
(Continued)
YEAR ENDED SEPTEMBER 30, 2017

	Total Agency Funds			Balance 9/30/2017
	Balance 10/1/2016	Additions	Deletions	
Cash and cash equivalents	\$ <u>163,419</u>	\$ <u>1,970</u>	\$ <u>-</u>	\$ <u>165,389</u>
Total assets	\$ <u>163,419</u>	\$ <u>1,970</u>	\$ <u>-</u>	\$ <u>165,389</u>
Due to beneficiary	\$ <u>163,419</u>	\$ <u>1,970</u>	\$ <u>-</u>	\$ <u>165,389</u>
Total liabilities	\$ <u>163,419</u>	\$ <u>1,970</u>	\$ <u>-</u>	\$ <u>165,389</u>

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STATISTICAL SECTION

This part of the City of Grapevine, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

	Page
Financial Trends	86 – 97
<p>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</p>	
Revenue Capacity	98 – 103
<p>These schedules contain information to help the reader assess the City's most significant local revenue sources. Sales tax is the City's most significant revenue source. Beginning in FY 2010, sales tax revenue information became available to the City and is in Tables 5 and 6. Information about principal sales tax revenue payers is confidential under Texas statutes and is not provided. Additionally, information about the City's second most significant local revenue source, the property tax, is provided.</p>	
Debt Capacity	104 – 109
<p>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</p>	
Demographic and Economic Information	110 – 111
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</p>	
Operating Information	112 – 114
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</p>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF GRAPEVINE, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities:				
Net investment in capital assets	\$ 39,332	\$ 57,264	\$ 73,702	\$ 84,069
Restricted	34,200	40,419	55,622	61,712
Unrestricted	<u>29,360</u>	<u>25,626</u>	<u>13,109</u>	<u>10,421</u>
Total governmental activities net position	<u>\$ 102,892</u>	<u>\$ 123,309</u>	<u>\$ 142,433</u>	<u>\$ 156,202</u>
Business-type activities:				
Net investment in capital assets	\$ 68,641	\$ 68,785	\$ 70,055	\$ 70,771
Restricted	7,365	7,097	6,732	7,133
Unrestricted	<u>13,790</u>	<u>14,238</u>	<u>11,924</u>	<u>11,240</u>
Total business-type activities net position	<u>\$ 89,796</u>	<u>\$ 90,120</u>	<u>\$ 88,711</u>	<u>\$ 89,144</u>
Primary government:				
Net investment in capital assets	\$ 107,973	\$ 126,049	\$ 143,757	\$ 154,840
Restricted	41,565	47,516	62,354	68,845
Unrestricted	<u>43,150</u>	<u>39,864</u>	<u>25,033</u>	<u>21,661</u>
Total primary government net position	<u>\$ 192,688</u>	<u>\$ 213,429</u>	<u>\$ 231,144</u>	<u>\$ 245,346</u>

Source: Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 88,342	\$ 114,212	\$ 139,392	\$ 176,133	\$ 176,591	\$ 214,481
71,909	78,377	74,312	71,932	78,219	73,872
<u>14,469</u>	<u>(3,570)</u>	<u>(10,147)</u>	<u>(21,047)</u>	<u>(14,043)</u>	<u>(26,090)</u>
<u>\$ 174,720</u>	<u>\$ 189,019</u>	<u>\$ 203,557</u>	<u>\$ 227,018</u>	<u>\$ 240,767</u>	<u>\$ 262,263</u>
\$ 70,171	\$ 74,750	\$ 77,872	\$ 104,296	\$ 126,510	\$ 122,775
8,969	8,032	2,612	2,649	3,205	3,467
<u>10,530</u>	<u>6,912</u>	<u>11,590</u>	<u>8,094</u>	<u>8,507</u>	<u>10,548</u>
<u>\$ 89,670</u>	<u>\$ 89,694</u>	<u>\$ 92,074</u>	<u>\$ 115,039</u>	<u>\$ 138,222</u>	<u>\$ 136,790</u>
\$ 158,513	\$ 172,921	\$ 217,264	\$ 280,429	\$ 303,101	\$ 337,256
80,878	86,409	76,924	74,581	81,424	77,339
<u>24,999</u>	<u>19,382</u>	<u>1,443</u>	<u>(12,953)</u>	<u>(5,536)</u>	<u>(15,542)</u>
<u>\$ 264,390</u>	<u>\$ 278,712</u>	<u>\$ 295,631</u>	<u>\$ 342,057</u>	<u>\$ 378,989</u>	<u>\$ 399,053</u>

CITY OF GRAPEVINE, TEXAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
EXPENSES				
Governmental activities:				
General government	\$ 17,898	\$ 19,245	\$ 19,048	\$ 22,526
Public safety	23,701	26,031	27,095	27,588
Culture and recreation	26,753	25,657	27,175	26,673
Public works	18,573	18,670	19,136	10,563
Transportation	-	-	-	7,901
Economic development	-	-	-	3,394
Tourism	-	-	-	-
Interest on long-term debt	<u>6,403</u>	<u>5,093</u>	<u>5,432</u>	<u>5,140</u>
Total governmental activities expenses	<u>93,328</u>	<u>94,696</u>	<u>97,886</u>	<u>103,785</u>
Business-type activities:				
Water and sewer	17,415	17,160	17,647	18,972
Lake Enterprise	<u>2,786</u>	<u>2,885</u>	<u>2,955</u>	<u>3,062</u>
Total business-type activities expenses	<u>20,201</u>	<u>20,045</u>	<u>20,602</u>	<u>22,034</u>
Total primary government expenses	<u>\$ 113,529</u>	<u>\$ 114,741</u>	<u>\$ 118,488</u>	<u>\$ 125,819</u>
PROGRAM REVENUES				
Governmental activities:				
Fees, fines, and charges for services:				
General government	\$ 4,071	\$ 3,771	\$ 4,039	\$ 4,250
Public safety	3,597	3,759	3,660	3,346
Culture and recreation	7,479	7,829	8,530	9,198
Public works	1,372	1,344	1,467	1,378
Tourism	-	-	-	-
Operating grants and contributions	1,629	957	1,060	1,212
Capital grants and contributions	<u>1,891</u>	<u>5,204</u>	<u>3,819</u>	<u>1,302</u>
Total governmental activities program revenues	<u>20,039</u>	<u>22,864</u>	<u>22,575</u>	<u>20,686</u>
Business-type activities:				
Charges for services:				
Water and sewer	18,893	17,950	18,523	21,168
Lake Enterprise	2,862	2,649	2,377	2,862
Capital grants and contributions	<u>1,331</u>	<u>674</u>	<u>274</u>	<u>26,685</u>
Total business-type activities program revenues	<u>23,086</u>	<u>21,273</u>	<u>21,174</u>	<u>50,715</u>
Total primary government program revenues	<u>\$ 43,125</u>	<u>\$ 44,137</u>	<u>\$ 43,749</u>	<u>\$ 71,401</u>

TABLE 2

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 18,370	\$ 18,602	\$ 16,348	\$ 18,944	\$ 21,301	\$ 20,417
28,264	28,309	30,039	31,305	31,686	35,651
27,954	29,578	31,549	15,617	18,354	21,087
11,056	12,216	13,689	12,817	13,590	16,585
7,789	8,620	11,275	9,223	9,600	9,078
4,040	3,609	1,405	10,036	15,976	9,757
-	-	-	16,966	18,526	20,507
<u>4,590</u>	<u>4,095</u>	<u>6,029</u>	<u>6,013</u>	<u>5,480</u>	<u>5,332</u>
<u>102,063</u>	<u>105,029</u>	<u>110,334</u>	<u>120,921</u>	<u>134,513</u>	<u>138,414</u>
18,372	18,807	19,763	19,691	20,498	20,926
<u>3,053</u>	<u>3,156</u>	<u>2,764</u>	<u>2,850</u>	<u>3,256</u>	<u>3,242</u>
<u>21,425</u>	<u>21,963</u>	<u>22,527</u>	<u>22,541</u>	<u>23,754</u>	<u>24,168</u>
<u>\$ 123,488</u>	<u>\$ 126,992</u>	<u>\$ 132,861</u>	<u>\$ 143,462</u>	<u>\$ 158,267</u>	<u>\$ 162,582</u>
\$ 2,547	\$ 2,013	\$ 1,992	\$ 1,723	\$ 2,735	\$ 2,155
3,736	3,971	4,109	3,705	3,789	2,198
10,099	10,012	10,531	4,322	4,526	6,003
1,418	1,486	1,504	1,448	1,495	3,367
-	-	-	7,327	7,721	7,840
1,124	526	275	1,381	383	1,079
<u>810</u>	<u>108</u>	<u>203</u>	<u>1,609</u>	<u>9,549</u>	<u>8,171</u>
<u>19,734</u>	<u>18,116</u>	<u>18,614</u>	<u>21,515</u>	<u>30,198</u>	<u>30,813</u>
20,481	20,185	23,667	22,434	23,824	24,663
3,079	3,120	3,017	2,214	2,816	3,174
-	-	-	4,896	17,981	1,803
<u>23,560</u>	<u>23,305</u>	<u>26,684</u>	<u>29,544</u>	<u>44,621</u>	<u>29,640</u>
<u>\$ 43,294</u>	<u>\$ 41,421</u>	<u>\$ 45,298</u>	<u>\$ 51,059</u>	<u>\$ 74,819</u>	<u>\$ 60,453</u>

CITY OF GRAPEVINE, TEXAS
CHANGES IN NET POSITION
(Continued)
LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
NET (EXPENSE) REVENUES				
Governmental activities	\$(73,289)	\$(71,832)	\$(75,311)	\$(83,099)
Business-type activities	<u>2,885</u>	<u>1,228</u>	<u>572</u>	<u>1,996</u>
Total primary government net expense	<u>(70,404)</u>	<u>(70,604)</u>	<u>(74,739)</u>	<u>(81,103)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	27,974	30,385	33,092	29,559
Franchise	6,295	6,319	6,133	6,401
Hotel occupancy	11,842	10,498	10,725	12,105
Sales	45,098	40,712	42,000	45,572
Mixed beverage	1,295	1,188	1,226	1,223
Investment earnings	2,520	1,213	426	338
Miscellaneous	-	36	-	-
Gain on sale of capital assets	-	31	119	33
Transfers	<u>1,673</u>	<u>1,867</u>	<u>2,064</u>	<u>1,638</u>
Total governmental activities	<u>96,697</u>	<u>92,249</u>	<u>95,785</u>	<u>96,869</u>
Business-type activities:				
Investment earnings	1,046	401	83	75
Gain on disposal of capital assets	-	-	-	-
Miscellaneous	178	562	-	170
Transfers	<u>(1,673)</u>	<u>(1,867)</u>	<u>(2,064)</u>	<u>(1,638)</u>
Total business-type activities	<u>(449)</u>	<u>(904)</u>	<u>(1,981)</u>	<u>(1,393)</u>
Total primary government	<u>96,248</u>	<u>91,345</u>	<u>93,804</u>	<u>95,476</u>
CHANGE IN NET POSITION				
Governmental activities	23,408	20,417	20,474	13,770
Business-type activities	<u>2,436</u>	<u>324</u>	<u>(1,409)</u>	<u>432</u>
Total primary government	<u>\$ 25,844</u>	<u>\$ 20,741</u>	<u>\$ 19,065</u>	<u>\$ 14,202</u>

Notes:

For FY 2008, the City had \$11,561 in additional sales tax revenues due primarily to an increase in the sales tax local option from 1% to 2%.

Source: Comprehensive Annual Financial Reports

TABLE 2

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$(82,329)	\$(86,913)	\$(91,720)	\$(99,406)	\$(104,316)	\$(107,602)
<u>2,135</u>	<u>1,342</u>	<u>4,158</u>	<u>7,003</u>	<u>20,868</u>	<u>5,472</u>
<u>(80,194)</u>	<u>(85,571)</u>	<u>(87,562)</u>	<u>(92,403)</u>	<u>(83,448)</u>	<u>(102,130)</u>
32,048	29,979	30,917	30,903	31,617	26,027
6,356	6,618	6,785	6,824	6,818	6,602
12,327	12,772	14,025	18,103	18,965	18,801
46,932	49,047	52,020	54,060	55,884	53,854
1,051	1,159	1,567	1,648	1,710	1,733
286	159	120	266	887	1,523
170	6	23	11	204	579
-	-	262	1,490	4,144	1,605
<u>1,677</u>	<u>1,471</u>	<u>1,661</u>	<u>1,424</u>	<u>(2,164)</u>	<u>3,199</u>
<u>100,847</u>	<u>101,211</u>	<u>107,380</u>	<u>114,729</u>	<u>118,065</u>	<u>113,923</u>
68	152	20	43	148	306
-	-	-	-	3	-
-	-	-	-	-	-
<u>(1,677)</u>	<u>(1,471)</u>	<u>(1,661)</u>	<u>(1,424)</u>	<u>2,164</u>	<u>(3,199)</u>
<u>(1,609)</u>	<u>(1,319)</u>	<u>(1,641)</u>	<u>(1,381)</u>	<u>2,315</u>	<u>(2,893)</u>
<u>99,238</u>	<u>99,892</u>	<u>105,739</u>	<u>113,348</u>	<u>120,380</u>	<u>111,030</u>
18,518	14,298	15,658	15,323	13,748	6,323
<u>526</u>	<u>23</u>	<u>2,517</u>	<u>5,629</u>	<u>23,182</u>	<u>2,578</u>
<u>\$ 19,044</u>	<u>\$ 14,321</u>	<u>\$ 18,175</u>	<u>\$ 20,952</u>	<u>\$ 36,930</u>	<u>\$ 8,901</u>

CITY OF GRAPEVINE, TEXAS
FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
General fund				
Reserved**	\$ 727	\$ 632	\$ 714	\$ -
Unreserved	8,190	8,105	7,468	-
Nonspendable*	-	-	-	657
Unassigned	-	-	-	8,938
Total general fund	<u>\$ 8,917</u>	<u>\$ 8,737</u>	<u>\$ 8,182</u>	<u>\$ 9,595</u>
All other governmental funds				
Reserved for:				
Prepayments	\$ 91	\$ 583	\$ 118	\$ -
Debt service	29,863	31,784	40,700	-
Capital projects	6,249	20,566	16,861	-
Unreserved, reported in:				
Special revenue	10,002	9,238	11,347	-
Capital projects	24,982	18,631	20,426	-
Nonspendable:				
Inventories	-	-	-	15
Prepaid items	-	-	-	42
Notes receivable	-	-	-	-
Restricted for:				
Debt service	-	-	-	26,713
Capital projects	-	-	-	19,863
Court security and technology	-	-	-	-
Public safety	-	-	-	836
Economic development	-	-	-	28,985
Transportation	-	-	-	345
Culture and recreation	-	-	-	264
Records preservation	-	-	-	-
Tourism	-	-	-	4,605
Committed for:				
Stormwater drainage operations	-	-	-	3,005
Public arts	-	-	-	453
Assigned for:				
Economic development	-	-	-	-
Capital projects	-	-	-	9,322
Culture and recreation	-	-	-	841
Tourism	-	-	-	-
Public safety	-	-	-	-
Unassigned	-	-	-	(1,822)
Total all other governmental funds	<u>\$ 71,187</u>	<u>\$ 80,802</u>	<u>\$ 89,452</u>	<u>\$ 93,467</u>

Note:

* Includes inventory, advances to other funds, and prepaid items.

** The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in fiscal year 2011.

Source: Comprehensive Annual Financial Reports

TABLE 3

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
653	659	600	553	779	943
<u>11,742</u>	<u>11,303</u>	<u>12,318</u>	<u>13,402</u>	<u>12,753</u>	<u>11,452</u>
<u>\$ 12,395</u>	<u>\$ 11,962</u>	<u>\$ 12,918</u>	<u>\$ 13,955</u>	<u>\$ 13,532</u>	<u>\$ 12,395</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
18	18	15	23	17	482
14	4	23	122	305	171
-	-	-	-	-	500
28,858	29,051	28,234	25,720	18,682	10,923
17,655	90,741	68,131	48,216	22,143	55,024
-	-	-	-	-	305
1,078	1,088	1,288	1,818	1,310	473
35,493	41,198	40,137	46,996	56,461	15,604
369	412	459	461	465	-
152	41	48	38	49	160
-	-	-	-	-	19
5,954	5,268	6,544	-	-	10,777
3,179	2,024	990	613	923	1,196
600	697	841	954	1,084	1,046
-	-	1,717	1,384	3,269	9,806
10,627	8,043	13,382	16,034	25,033	19,313
635	677	732	910	1,270	1
-	-	-	12,801	19,140	12,914
-	-	-	-	-	2
<u>(1,777)</u>	<u>(841)</u>	<u>(1,123)</u>	<u>(1,477)</u>	<u>(3,769)</u>	<u>(5,076)</u>
<u>\$ 102,855</u>	<u>\$ 178,421</u>	<u>\$ 161,418</u>	<u>\$ 154,613</u>	<u>\$ 146,382</u>	<u>\$ 133,640</u>

CITY OF GRAPEVINE, TEXAS
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
REVENUES				
Taxes:				
Property	\$ 27,945	\$ 29,454	\$ 34,225	\$ 29,930
Hotel occupancy	11,842	10,498	10,725	12,105
Sales	45,098	40,712	42,000	45,572
Mixed beverage	1,295	1,188	1,226	1,223
Franchise	6,295	6,319	6,133	6,401
Licenses and permits	1,227	1,087	1,117	1,044
Intergovernmental	673	3,000	4,525	1,505
Charges for services	12,489	12,893	13,296	14,582
Fines and forfeitures	2,197	2,208	2,126	1,712
Contributions	391	556	8	73
Interest and miscellaneous	4,354	2,108	2,407	1,741
Total revenues	<u>113,806</u>	<u>110,023</u>	<u>117,788</u>	<u>115,888</u>
EXPENDITURES				
General government	15,024	15,435	16,367	17,681
Public safety	20,589	21,582	22,275	24,297
Culture and recreation	21,982	21,714	22,677	23,495
Public works	4,674	4,922	5,049	5,821
Operations	14,168	13,485	13,819	-
Transportation	-	-	-	7,901
Economic development	-	-	-	3,405
Tourism	-	-	-	-
Capital outlay	10,295	18,695	15,051	13,076
Debt service:				
Principal	11,492	11,880	12,096	12,328
Interest and fiscal charges	6,370	5,304	5,547	5,029
Payment to bond refunding escrow agent	-	-	-	-
Bond issuance costs	-	-	-	-
Other	2,527	2,535	1,050	30
Total expenditures	<u>107,121</u>	<u>115,552</u>	<u>113,931</u>	<u>113,063</u>

TABLE 4

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 32,147	\$ 28,326	\$ 33,470	\$ 30,931	\$ 31,650	\$ 25,991
12,326	12,772	14,025	18,103	18,965	18,801
46,932	49,047	52,020	54,060	55,884	53,854
1,051	1,159	1,567	1,648	1,710	1,733
6,356	6,618	6,785	6,824	6,662	6,602
1,542	1,248	1,337	1,527	1,745	1,883
1,012	1,175	430	974	1,356	1,939
13,572	13,286	13,755	14,681	15,568	17,308
2,017	2,258	2,413	2,100	1,967	1,968
194	162	169	304	253	370
1,192	731	872	872	2,861	2,630
<u>118,341</u>	<u>116,782</u>	<u>126,843</u>	<u>132,024</u>	<u>138,621</u>	<u>133,079</u>
13,979	13,714	15,611	17,878	19,768	18,543
25,539	25,674	27,215	28,672	27,803	30,441
24,832	26,202	27,707	12,931	14,731	16,686
6,061	7,037	8,335	8,077	7,938	10,526
-	-	-	-	-	-
7,789	8,620	11,275	9,223	9,600	9,078
4,543	3,609	1,405	10,036	15,976	9,757
-	-	-	16,179	17,702	19,735
9,446	17,011	53,121	24,476	33,576	32,596
11,164	11,462	12,664	14,477	16,099	13,018
4,564	3,864	6,695	6,405	6,234	5,850
-	-	-	22,812	1	-
-	-	-	358	73	127
25	394	269	21	10	120
<u>107,942</u>	<u>117,587</u>	<u>164,297</u>	<u>171,545</u>	<u>169,511</u>	<u>166,477</u>

CITY OF GRAPEVINE, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)**

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2008	2009	2010	2011
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ <u>6,685</u>	\$ <u>(5,529)</u>	\$ <u>3,857</u>	\$ <u>2,825</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	260	45,825	8,565	500
Notes payable issued	-	-	-	309
Premium on issuance of debt	-	2,184	344	-
Payments to escrow agent	76	(34,944)	(6,954)	-
Sale of capital assets	-	32	219	155
Insurance recoveries	-	-	-	-
Transfers in	16,531	17,415	14,510	17,593
Transfers out	(14,859)	(15,548)	(12,446)	(15,955)
Total other financing sources (uses)	<u>2,008</u>	<u>14,964</u>	<u>4,238</u>	<u>2,602</u>
NET CHANGE IN FUND BALANCES	\$ <u>8,693</u>	\$ <u>9,435</u>	\$ <u>8,095</u>	\$ <u>5,427</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>18.4%</u>	<u>20.4%</u>	<u>17.8%</u>	<u>16.8%</u>

Source: Comprehensive Annual Financial Reports

TABLE 4

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ <u>10,399</u>	\$(<u>805</u>)	\$(<u>37,454</u>)	\$(<u>39,521</u>)	\$(<u>30,890</u>)	\$(<u>33,398</u>)
-	78,640	19,500	35,065	3,070	10,900
-	-	-	-	-	-
-	3,455	-	3,757	192	590
-	(7,834)	-	(13,643)	-	(1,391)
112	204	250	6,110	13,856	5,406
-	-	-	800	540	649
15,244	19,768	18,507	17,248	21,735	56,144
(<u>13,568</u>)	(<u>18,297</u>)	(<u>16,846</u>)	(<u>15,585</u>)	(<u>17,764</u>)	(<u>52,781</u>)
<u>1,788</u>	<u>75,936</u>	<u>21,411</u>	<u>33,752</u>	<u>21,629</u>	<u>19,517</u>
\$ <u><u>12,187</u></u>	\$ <u><u>75,131</u></u>	\$(<u><u>16,043</u></u>)	\$(<u><u>5,769</u></u>)	\$(<u><u>9,261</u></u>)	\$(<u><u>13,881</u></u>)
<u>15.7%</u>	<u>14.7%</u>	<u>17.5%</u>	<u>30.2%</u>	<u>16.5%</u>	<u>14.1%</u>

TABLE 5

CITY OF GRAPEVINE, TEXAS

TAXABLE SALES BY CATEGORY

LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 (1)
Agriculture/forestry/fishing/hunting	\$ 113	\$ 107	\$ -	\$ -	\$ -	\$ -	\$ 414	\$ 514	\$ 91	\$ 245
Construction	33,550	27,636	19,347	23,201	32,162	38,720	46,112	49,895	53,763	44,770
Manufacturing	149,328	173,395	158,571	149,783	157,519	157,403	164,251	164,726	161,142	121,392
Wholesale trade	212,637	200,208	216,540	236,878	245,838	266,052	276,437	285,962	299,679	228,411
Retail trade	887,650	774,650	774,638	816,452	849,825	897,364	930,931	921,231	931,679	708,987
Transportation/warehousing	9,726	7,794	10,239	13,817	11,810	13,751	12,539	13,467	12,455	10,416
Information	22,836	28,136	29,311	36,209	42,137	49,559	58,753	68,853	68,143	30,515
Finance/insurance	4,641	1,379	964	1,049	993	804	808	808	885	750
Professional/scientific/technical	85,256	23,165	15,745	15,485	18,966	20,321	28,112	26,370	31,957	24,345
Real estate/rental/leasing	34,950	25,870	34,389	37,831	36,597	46,875	52,312	61,550	63,637	50,129
Management of companies/enterprises	1,644	938	15	1	-	-	-	-	-	-
Admin/support/waste mgmt/remediation svcs	35,281	35,470	37,065	54,218	47,264	47,117	60,296	76,038	55,143	41,612
Educational services	186	104	344	531	2,762	1,931	1,079	645	634	287
Health care/social assistance	3,594	1,903	1,930	2,465	2,999	2,961	2,028	1,735	1,784	1,189
Arts/entertainment/recreation	28,676	23,115	25,623	25,657	24,811	24,592	27,313	16,310	22,103	20,050
Accommodation/food service	421,867	402,661	413,133	453,507	477,342	472,830	522,296	572,882	586,562	447,377
Other services (except public administration)	20,877	21,970	24,736	24,868	24,250	33,721	38,588	47,645	49,898	29,470
Unclassified	6,997	9,849	-	17,457	-	-	-	8	-	-
Total	\$ 1,959,809	\$ 1,758,350	\$ 1,762,590	\$ 1,909,409	\$ 1,975,275	\$ 2,073,999	\$ 2,222,269	\$ 2,308,639	\$ 2,339,555	\$ 1,759,945
City direct sales tax rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Source: Texas Comptroller

(1) Only information for three quarters is available for the fiscal year.

CITY OF GRAPEVINE, TEXAS

DIRECT AND OVERLAPPING SALES TAX RATES

LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rate	State of Texas
2008	2.0%	6.25%
2009	2.0%	6.25%
2010	2.0%	6.25%
2011	2.0%	6.25%
2012	2.0%	6.25%
2013	2.0%	6.25%
2014	2.0%	6.25%
2015	2.0%	6.25%
2016	2.0%	6.25%
2017	2.0%	6.25%

Source: City Budget Office and Texas Comptroller

CITY OF GRAPEVINE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property Property	Personal Property			
2008	\$ 7,316,619	\$ 2,294,141	\$ 3,753,870	\$ 5,856,890	\$ 0.3625
2009	7,011,568	2,257,318	3,314,798	5,954,088	0.3500
2010	7,339,403	2,446,105	3,588,781	6,196,727	0.3500
2011	7,320,478	2,309,223	3,765,059	5,864,642	0.3500
2012	7,111,827	2,005,549	3,205,119	5,912,257	0.3480
2013	7,373,725	2,169,614	3,311,568	6,231,772	0.3457
2014	7,744,617	2,141,161	3,421,500	6,464,278	0.3425
2015	7,972,445	2,437,129	3,816,444	6,593,130	0.3324
2016	8,127,156	2,620,115	3,874,106	6,873,165	0.3284
2017	9,369,452	2,705,089	4,462,148	7,612,393	0.2893

Source: Grapevine/Colleyville ISD Tax Assessor

TABLE 8

CITY OF GRAPEVINE, TEXAS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates				Total Direct and Overlapping Rates
	Operating/ General Rate	General Obligation Debt Service	Total Direct Rate	Junior College	School District	Hospital District	County	
2008	\$ 0.1275	\$ 0.2350	\$ 0.3625	\$ 0.1390	\$ 1.2900	\$ 0.2300	\$ 0.2670	\$ 2.2890
2009	0.1189	0.2311	0.3500	0.1380	1.2900	0.2280	0.2640	2.2700
2010	0.1346	0.2154	0.3500	0.1380	1.2900	0.2280	0.2640	2.2700
2011	0.1346	0.2154	0.3500	0.1380	1.2900	0.2280	0.2640	2.2700
2012	0.1423	0.2057	0.3480	0.1490	1.3100	0.2280	0.2640	2.2990
2013	0.1357	0.2100	0.3457	0.1490	1.3201	0.2279	0.2640	2.3067
2014	0.1314	0.2111	0.3425	0.1490	1.3201	0.2279	0.2640	2.3035
2015	0.1274	0.2050	0.3324	0.1495	1.3201	0.2279	0.2640	2.2939
2016	0.1421	0.1863	0.3284	0.1495	1.3201	0.2279	0.2640	2.2899
2017	0.1265	0.1628	0.2893	0.1447	1.3967	0.2279	0.2540	2.3126

Source: Tarrant County Appraisal District

Note: Tax rate limitations imposed by the Home Rules Section of the Texas Constitution, Article II, Section 5, provide that a maximum tax rate of \$2.50 per \$100 valuation may be imposed in any one year. No provisions are made limiting the amount of this \$2.50 tax rate that can be used for debt service.

TABLE 9

CITY OF GRAPEVINE, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

(Unaudited) (Amounts Expressed in Thousands)

Taxpayer	FY 2017		Taxpayer	FY 2008	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Gaylord Texan Resort and Convention Center	\$ 559,232	8.14%	American Airlines Inc	\$ 326,664	5.58%
American Airlines Inc/Envoy Air Inc	375,480	5.46%	Gaylord Texan Resort and Convention Center	326,271	5.57%
Grapevine Mills, Ltd. Partnership	248,726	3.62%	Grapevine Mills, Ltd. Partnership	218,044	3.72%
Great Wolf Lodge	120,092	1.75%	CAE Simuflite/Simuflite Training Unit	158,400	2.70%
Mesa Airlines	103,188	1.50%	Great Wolf Lodge	106,360	1.82%
Fund Riverwalk LLC	90,029	1.31%	A & T Properties, Inc., etal	66,261	1.13%
CAE Simuflite	71,751	1.04%	Verde Riverwalk Apts II, LP	55,578	0.95%
Rackspace US Inc	68,645	1.00%	GTE Southwest, Inc /GTE Realty	52,104	0.89%
Silver Oaks LP	62,506	0.91%	Oncor Electric Deleverly	51,676	0.88%
Spirit Airlines Inc	57,432	0.84%	Irearc Media Corp.	51,467	0.88%
Total	\$ 1,757,081	25.56%	Total	\$ 1,412,825	24.12%

Source: Grapevine/Colleyville ISD Tax Assessor
Grapevine CAFR (2008)

CITY OF GRAPEVINE, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)

Fiscal Year Ended	Taxes Levied for the Fiscal Year			Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Original Levy	Adjustments	Adjusted Levy	Amount	Percentage of Levy Collected		Amount	Percentage of Levy
2008	\$ 21,113	\$ -	\$ 21,113	\$ 20,964	99.29%	\$ 115	\$ 21,079	99.84%
2009	22,250	-	22,250	21,936	98.59%	286	22,222	99.87%
2010	22,208	-	22,208	21,958	98.87%	215	22,173	99.84%
2011	21,114	-	21,114	20,954	99.24%	135	21,089	99.88%
2012	21,321	(1)	21,320	21,211	99.49%	91	21,302	99.92%
2013	21,467	(45)	21,422	21,364	99.73%	41	21,405	99.92%
2014	21,847	(34)	21,813	21,804	99.96%	(3)	21,801	99.95%
2015	22,020	(25)	21,995	21,952	99.80%	7	21,959	99.84%
2016	22,574	38	22,612	22,498	99.50%	33	22,531	99.64%
2017	22,020	-	22,020	21,905	99.48%	-	21,905	99.48%

Source: Grapevine/Colleyville ISD Tax Assessor

CITY OF GRAPEVINE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands, excluding Percentage of Personal Income and Per Capita)

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government Debt	Percentage of Personal Income	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Sales Tax Revenue Bonds	Notes Payable	Water and Sewer Obligations	General Obligation Bonds	Certificates of Obligation	Other Obligations			
2008	\$ 60,690	\$ 63,675	\$ -	\$ 3,195	\$ 11,570	\$ 6,685	\$ 3,980	\$ -	\$ 149,795	8.32%	\$ 2,996
2009	54,315	65,960	-	6,945	6,780	12,540	-	-	146,540	8.14%	2,431
2010	51,290	59,870	-	5,835	1,585	15,305	-	-	133,885	6.88%	2,614
2011	45,335	55,473	-	4,852	1,035	14,042	-	-	120,737	7.14%	2,569
2012	40,355	50,794	-	3,605	790	9,923	-	-	105,467	6.16%	2,201
2013	102,690	45,659	-	6,297	-	10,962	-	-	165,607	8.89%	3,380
2014	100,952	42,455	19,500	4,514	-	9,556	-	-	176,977	9.26%	3,612
2015	93,376	38,125	18,840	3,107	-	7,579	10,097	-	171,124	8.32%	3,492
2016	88,200	36,974	18,170	2,529	-	2,551	8,902	-	157,326	7.16%	3,147
2017	80,718	42,118	17,490	1,934	-	2,388	8,902	-	153,550	6.82%	3,011

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* See Table 18 for personal income and population data.

CITY OF GRAPEVINE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands except Percentage of Actual Taxable Value of Property and Per Capita)

Fiscal Year	Governmental Activities			Business-type Activities	Resources Restricted For Debt Service	Net Bonded Debt	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	(a) General Obligation Bonds	Certificates of Obligation	Total	General Obligation Bonds				
2008	\$ 60,690	\$ 63,675	\$ 124,365	\$ 6,685	\$ 29,863	\$ 101,187	1.73%	\$ 2,024
2009	54,315	65,960	120,275	12,540	31,784	101,031	1.70%	2,021
2010	51,290	59,870	111,160	15,305	40,700	85,765	1.38%	1,715
2011	45,335	55,473	100,808	15,135	26,713	89,230	1.52%	1,899
2012	40,355	50,794	91,149	9,895	28,858	72,186	1.22%	1,506
2013	102,690	45,659	148,349	10,845	29,051	130,143	2.09%	2,656
2014	100,952	42,455	143,407	9,556	20,985	131,978	2.04%	2,693
2015	93,376	38,125	131,501	7,579	19,603	119,477	1.81%	2,438
2016	88,200	36,974	125,174	2,551	17,938	127,725	1.86%	2,555
2017	80,718	42,118	122,836	2,388	16,087	109,137	1.43%	2,140

Note: Details regarding the City's outstanding debt can be found in notes to the financial statements.

^a See Table 7 for property value data.

^b See Table 18 for population data.

CITY OF GRAPEVINE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2017
(Unaudited)

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes:			
Carroll Independent School District	\$ 269,575,246	5.86%	\$ 15,797,109
Coppell Independent School District	274,501,084	1.90%	5,215,521
Dallas County	199,545,000	0.09%	179,591
Dallas County Community College District	263,140,000	0.09%	236,826
Dallas County Hospital District	703,770,000	0.09%	633,393
Dallas County Schools	40,330,000	0.09%	36,297
Denton County	645,305,000	*	-
Grapevine-Colleyville Independent School District	438,049,452	55.66%	243,818,325
Northwest Independent School District	803,407,028	0.08%	642,726
Tarrant County	321,795,000	6.04%	19,436,418
Tarrant County Hospital District	20,835,000	6.04%	<u>1,258,434</u>
Subtotal overlapping debt			287,254,639
Total direct - City of Grapevine	\$ 129,076,837	100.00%	<u>129,076,837</u>
Direct and Overlapping Debt			<u>\$ 416,331,476</u>
Total Direct and Overlapping Debt % of A.V.:		5.67%	
Total Direct and Overlapping Debt per Capita:		\$ 8,059	

* Less than .01%

The percentage of overlapping debt applicable is estimated using taxable assessed property values.

Source: Municipal Advisory Council of Texas

CITY OF GRAPEVINE, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

Tax rate limitations imposed by the Home Rules Section of the Texas Constitution, Article II, Section 5, provide that a maximum tax rate of \$2.50 per \$100 valuation may be imposed in any one year.

CITY OF GRAPEVINE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands, except for Coverage)

Fiscal Year	4B Economic Development Fund				Coverage
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Principal and Interest Payments	
2014	\$ 3,772	\$ 493	\$ 3,279	\$ 696	4.71
2015	3,983	1,664	2,319	1,594	1.45
2016	4,170	2,909	1,261	1,595	0.79
2017	4,290	1,861	2,429	1,593	1.52

Notes: ^a Includes tax revenues only

^b Includes transfers out.

Debt was issued in FY 2014, so data for previous years does not exist.

Source: Comprehensive Annual Financial Reports

CITY OF GRAPEVINE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands, except for Coverage)

Fiscal Year	Tax Increment Financing District Reinvestment Zone Number Two					Coverage
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Principal and Interest Payments		
2008	\$ 3,392	\$ 1,536	\$ 1,856	\$ 2,691	0.69	
2009	3,638	1,591	2,047	2,686	0.76	
2010	5,749	726	5,023	2,677	1.88	
2011	4,291	731	3,560	2,664	1.34	
2012	5,736	1,548	4,188	2,672	1.57	
2013	3,637	2,283	1,354	2,679	0.51	
2014	5,878	2,446	3,432	2,681	1.28	
2015	4,246	2,678	1,568	2,683	0.58	
2016	4,416	2,714	1,702	2,273	0.75	
2017	4,697	1,410	3,287	2,282	1.44	

Notes: ^a Includes tax revenues only^b Includes transfers out.

Source: Grapevine Tax Increment Financing District Reinvestment Zone Number Two Basic Financial Statements

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CITY OF GRAPEVINE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

(Unaudited) (Amounts Expressed in Thousands except for
Median Age and Unemployment Rate)

Calendar Year	(1) Estimated Population	(1) Personal Income	(1) Personal Income Per Capita	(1) Median Age	(2) School Enrollment	(3) Unemployment Rate
2008	50	\$ 1,800	\$ 36	36	14	4.2%
2009	50	1,800	36	36	14	6.6%
2010	50	1,900	38	36	14	6.0%
2011	47	1,692	36	35	14	6.3%
2012	48	1,711	36	35	14	5.6%
2013	49	1,862	38	38	14	5.1%
2014	49	1,911	39	38	14	4.7%
2015	49	2,058	42	39	14	3.3%
2016	50	2,197	42	39	14	3.6%
2017	51	2,252	44	39	14	3.4%

Sources: (1) Estimate from City Economic Development Dept staff; (population as of 12/31/16) Neilsen/Clarita's Report, ERSI
(2) Grapevine/Colleyville ISD
(3) U.S. Department of Labor - Bureau of Labor Statistics

CITY OF GRAPEVINE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

(Unaudited) (Amounts Expressed in Thousands except for
Percentage of Total City Employment)

2017			2008		
Employer	Employees	Percentage of of Total City Employment	Employer	Employees	Percentage of of Total City Employment
DFW International Airport	14.3	28.74%	DFW International Airport	16.0	31.37%
GameStop Corp.	2.4	4.82%	Gaylord Texan Resort and Convention Center	2.0	3.92%
Gaylord Texan Resort and Convention Center	2.0	4.02%	Grapevine/Colleyville ISD	1.6	3.14%
Grapevine/Colleyville ISD	1.9	3.82%	United Parcel Service	1.0	1.96%
City of Grapevine	0.7	1.41%	Baylor Medical Center	1.0	1.96%
Baylor Medical Center	0.7	1.41%	GameStop Corp.	0.5	0.98%
Great Wolf Lodge	0.6	1.21%	City of Grapevine	0.5	0.98%
Electronics Boutique	0.5	1.00%	DFW Hilton Hotel	0.5	0.98%
Pavestone Mfg.	0.4	0.80%	Pavestone Mfg.	0.5	0.98%
Texas Toyota	<u>0.4</u>	<u>0.80%</u>	Wal-Mart/Sams	<u>0.3</u>	<u>0.49%</u>
	<u>23.9</u>	<u>48.03%</u>		<u>23.9</u>	<u>46.76%</u>

Sources: City of Grapevine Economic Development Department, Infogroup, Inc.

TABLE 19

CITY OF GRAPEVINE, TEXAS
FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Whole Numbers)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government and administration	59	60	59	59	57	58	61	63	63	63
Public safety	238	237	236	237	237	240	241	245	246	258
Development services	15	15	15	15	15	15	16	19	19	19
Culture and recreational	163	174	175	169	169	172	175	206	207	209
Water and sewer	51	51	60	59	59	59	60	59	59	59
Golf course	29	29	28	26	26	26	26	26	25	25
Public works	<u>75</u>	<u>67</u>	<u>67</u>	<u>65</u>	<u>65</u>	<u>66</u>	<u>66</u>	<u>66</u>	<u>66</u>	<u>67</u>
Total	<u>630</u>	<u>633</u>	<u>640</u>	<u>630</u>	<u>628</u>	<u>636</u>	<u>645</u>	<u>684</u>	<u>685</u>	<u>700</u>

Source: Human Resources Department - City of Grapevine

TABLE 20

CITY OF GRAPEVINE, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Whole Numbers)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
City Secretary										
Ordinances prepared	66	67	78	67	68	61	74	72	90	84
Resolutions prepared	56	44	41	70	97	114	89	92	106	106
Fiscal Services										
Invoices processed	23,239	24,090	23,760	21,605	18,567	18,719	17,410	17,556	19,098	18,944
Ratio of ACH/checks	-	-	-	0.02	1.06	27.48	47.50	49.60	53.60	58.80
Public safety										
Police										
Calls for service	49,618	52,111	65,361	66,686	67,634	58,680	44,266	53,372	52,613	47,751
Traffic citations	27,363	26,068	25,533	18,995	23,817	21,447	24,441	19,138	14,566	13,269
Criminal offenses	3,905	3,796	3,552	3,346	1,366	3,219	2,948	2,743	2,812	2,740
Fire										
Fire runs	4,682	4,844	4,595	5,079	5,135	5,156	5,101	5,588	5,905	6,161
Ambulance runs	3,132	3,980	3,015	3,343	3,026	3,541	3,614	3,715	4,893	4,432
Municipal Court										
Cases filed	28,982	29,205	28,929	21,828	25,860	23,855	24,298	19,012	16,398	15,578
Cultural and recreational										
Parks & Recreation										
Recreation center membership-family	5,022	5,077	5,161	4,937	4,658	4,677	2,731	9,856	11,512	12,126
Recreation center membership-individual	2,898	3,128	2,969	2,923	2,861	2,852	2,502	5,227	4,660	5,687
Athletic league registrants- youth	4,105	4,100	5,984	4,750	7,014	6,126	6,250	5,324	6,860	1,450
Athletic league registrants- adult	11,212	9,025	10,944	9,500	10,536	9,588	9,248	7,720	7,370	5,746
Public swim attendance	36,533	34,231	33,039	31,744	38,274	48,680	46,120	75,245	101,774	106,359
% Campground occupancy rate	68.70	55.00	68.00	57.00	61.00	63.00	61.00	53.00	13.83	70.99
Total acres maintained	1,522	1,522	1,662	1,662	1,662	1,662	1,662	1,677	1,677	1,677
Library										
Volumes	183,529	191,437	197,509	205,194	186,817	197,377	204,206	252,227	259,203	234,546
Annual circulation	320,267	347,215	341,726	330,975	316,236	303,622	293,434	301,522	307,662	345,429
Public works										
Development services										
Permits issued	4,404	3,718	3,812	4,121	3,982	3,877	4,500	4,139	4,340	4,369
Streets										
Square yard of overlay completed	120,061	96,121	101,100	99,000	92,604	53,167	75,555	82,202	98,693	79,238
Linear feet of gutter wedge milled	16,696	15,345	16,278	17,500	15,123	72,713	45,792	43,359	50,034	48,404
Linear feet of curb and gutter replaced	3,985	3,533	1,847	1,600	4,015	3,969	944	300	3,926	1,605
Number of blocks crack sealed	92	168	193	210	205	257	174	133	179	149
Square feet of concrete rehab	48,578	39,512	43,340	4,000	39,002	47,813	96,068	15,706	28,735	49,069

CITY OF GRAPEVINE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Whole Numbers)

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Tourism										
Convention and visitor bureau										
Nash farm attendance	-	-	-	-	7,158	8,468	13,500	14,588	11,566	14,868
Main street days attendance	135,650	94,955	110,148	160,990	150,292	139,770	148,260	154,032	178,672	169,560
Grapefest attendance	205,350	264,283	266,129	243,180	262,322	262,910	266,170	263,832	260,151	268,180
Water and sewer										
Number of water connections	14,117	14,120	14,343	14,384	14,460	14,517	14,476	14,564	14,665	14,732
Average daily consumption MG (water)	10.75	10.37	10.23	11.98	10.74	10.40	9.35	9.40	9.30	9.21
System capacity - MG (Water)	26	26	27	27	27	27	27	27	27	27
Number of sewer connections	12,946	13,107	13,130	13,081	13,103	13,315	13,387	13,452	13,570	13,632
Number of refuse customers	11,279	11,955	11,865	11,895	11,911	11,964	12,110	12,175	12,272	12,318
Sewer system capacity (MGD)	8	8	8	8	8	8	8	8	8	8
Lake Enterprise										
Numbers of golfers, annually	70,200	62,882	56,053	65,052	67,555	71,706	68,368	48,689	55,913	64,424

Source: City departments

CITY OF GRAPEVINE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Whole Numbers)

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	36	30	30	32	32	35	35	35	35	35
Motorcycle Units	10	10	10	10	8	8	8	8	8	8
Fire										
Stations	5	5	5	5	5	5	5	5	5	5
Fire engines/trucks	8	8	8	9	9	10	10	10	10	11
EMS trucks	4	4	4	4	4	5	5	5	5	5
Public works										
Streets - paved (miles)	180	180	208	208	208	208	208	208	208	211
Traffic signals	74	74	74	75	75	75	75	75	75	76
Parks and recreation										
Acreage*	1,522	1,522	1,662	1,662	1,662	1,662	1,522	1,677	1,677	1,677
Playgrounds	35	35	35	35	35	36	37	37	37	38
Swimming pools	2	2	2	2	2	2	2	3	3	3
Splash parks	-	-	-	-	2	2	2	2	2	2
Tennis courts	8	8	8	8	8	8	8	8	8	8
Recreation centers	1	1	1	1	1	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1
Golf Courses	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	280	280	280	280	280	290	292	293	295	299
Wastewater										
Sanitary sewers (miles)	220	220	220	221	221	224	225	226	228	226

Source: City departments

*Golf course included and land leased from Corp. of Engineers

SINGLE AUDIT SECTION

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P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Grapevine, Texas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grapevine, Texas (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 5, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 5, 2018



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Honorable Mayor and
Members of the City Council
City of Grapevine, Texas

Report on Compliance for Each Major Federal Program

We have audited the City of Grapevine, Texas (the "City"), compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 5, 2018

CITY OF GRAPEVINE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
FEDERAL AWARDS				
<u>U.S. Department of Justice</u>				
Direct programs:				
DEA Controlled Substance Task Force 2	16.U01	N/A	\$ 17,703	\$ -
Bulletproof Vest Partnership Program - Body Armor Grant	16.607	OMB #1121-0235	7,690	-
Total U.S. Department of Justice			25,393	-
<u>U.S. Department of Transportation</u>				
Passed through the Texas Department of Transportation:				
Highway Planning and Construction - Green Ribbon Program Phase 1	20.205	0353-03-094	2,675	-
Highway Planning and Construction - Green Ribbon Program Phase 2	20.205	0353-03-096	280,000	-
Highway Planning and Construction - Grapevine Links Hike & Bike Trail	20.205	0364-06-011	934,795	-
Highway Planning and Construction - Gaylord Hike & Bike Trail	20.205	0902-48-663	225,686	-
Highway Planning and Construction - Fairway 2015 Flooding	20.205	0902-90-066	24,832	-
Total passed through the Texas Department of Transportation			1,467,988	-
Total U.S. Department of Transportation			1,467,988	-
<u>U.S. Department of Health and Human Services</u>				
Passed through the Texas Health and Human Services Commission:				
Medical Assistance Program -				
Texas Ambulance Supplemental Payment Program	93.778	N/A	146,122	-
Total passed through the Texas Health and Human Services Commission			146,122	-
Total U.S. Department of Health and Human Services			146,122	-
<u>U.S. Department of Homeland Security</u>				
Passed through the Texas Department of Public Safety:				
Disaster Grants - Public Assistance -				
Texas Severe Storms, Tornadoes, Straight-line Winds, and Flooding (DR-4223)	97.036	PW-02080	18,055	-
	97.036	PW-01744	124	-
	97.036	PW-02104	3,938	-
	97.036	PW-02102	544	-
	97.036	PW-02034	4,485	-
	97.036	PW-02003	422	-
	97.036	PW-02127	98	-
	97.036	PW-02025	98,577	-
	97.036	PW-02036	227,646	-
	97.036	PW-02028	126,222	-
Total DR-4223			480,111	-
Texas Hurricane Harvey (DR-4332)	97.036	18-0021	14,390	-
	97.036	PW-00047 - 2396	25,796	-
Total DR-4332			40,186	-
Total passed through the Texas Department of Public Safety			520,297	-

CITY OF GRAPEVINE, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
FEDERAL AWARDS (cont.)				
<u>U.S. Department of Homeland Security (cont.)</u>				
Passed through the Texas Emergency Medical Task Force:				
Disaster Grants - Public Assistance -				
Texas Hurricane Harvey (DR-4332)	97.036	N/A	\$ 111,198	\$ -
Total passed through the Texas Emergency Medical Task Force			<u>111,198</u>	<u>-</u>
Passed through the Texas A&M Engineering Extension Service:				
Disaster Grants - Public Assistance -				
Texas Hurricane Harvey (DR-4332)	97.036	17-0021	21,929	-
Puerto Rico Hurricane Maria (DR-4339)	97.036	2017-0211	<u>13,741</u>	<u>-</u>
Total passed through the Texas A&M Engineering Extension Service			<u>35,670</u>	<u>-</u>
Passed through the Texas A&M Forest Service:				
Disaster Grants - Public Assistance -				
Texas Hurricane Harvey (DR-4332)	97.036	17-004	<u>45,326</u>	<u>-</u>
Total passed through the Texas A&M Forest Service			<u>45,326</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>712,491</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>2,351,994</u>	\$ <u>-</u>

The accompanying notes are an integral part of this schedule.

CITY OF GRAPEVINE, TEXAS

**NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

SEPTEMBER 30, 2017

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards of the City of Grapevine, Texas (the “City”), for the year ended September 30, 2017. The City's reporting entity is defined in Note I of the basic financial statements.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of the *Uniform Guidance* (2 CFR 200). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. INDIRECT COSTS

The City has not elected to use the 10% de minimis indirect cost rate as allowed in the *Uniform Guidance*, Section 414.

CITY OF GRAPEVINE, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section I: Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
Identification of major programs:	
Highway Planning and Construction	CFDA 20.205
Disaster Grants - Public Assistance	CFDA 97.036
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Low risk auditee statement	The City was not classified as a low-risk auditee.

Section II - Financial Statement Findings

None

Section III - Federal Award Findings

None



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no findings in the prior year.



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