



CITY OF GRAPEVINE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2012





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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2012

**Prepared by: Department of Administrative Services
Finance Division**

CITY OF GRAPEVINE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

HOME RULE, COUNCIL-MANAGER FORM OF GOVERNMENT

William D. Tate
MAYOR

CITY COUNCIL

Chris Coy

Darlene Freed

Shane Wilbanks

Mike Lease

Sharron Spencer

Roy Stewart

Bruno Rumbelow
CITY MANAGER

Jennifer Hibbs
ASSISTANT CITY MANAGER

John F. McGrane
DIRECTOR OF ADMINISTRATIVE SERVICES

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INTRODUCTORY SECTION

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January 25, 2013

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

The Department of Administrative Services 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 the 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.

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.

Pattillo, Brown & Hill, LLP have issued an unqualified ("clean") opinion on the City of Grapevine's financial statements for the year ended September 30, 2012. The independent auditors' 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 the Single Audit Act of 1996 and U. S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit can be found in the Federal Awards Section of this report.

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 provides a full range of services, including police and fire protection, emergency ambulance service, sanitation, planning and zoning, public improvements, water and sewer services, culture and recreation and general administrative services.

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 Reinvestment Zones Numbers One and Two (the "TIFS"), The Crime Control and Protection District "Crime 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 (The "T"). The 4B Economic Development Fund accounts for the local sales tax used to stimulate the local economy, development, redevelopment and design and construction of the Main Street Rail Station.

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 1 in the notes to the financial statements.

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 (e.g. police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need approval from the governing Council.

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, including all terminal buildings, is located within Grapevine city limits. The City is approximately 35 square miles and based on the 2010 Census serves a population of 47,000.

Local Economy

The City addressed several challenges due to modest increases in revenue resources the past few years. During FY12 we experienced a sales tax receipt increase of 2.4% and hotel occupancy tax receipts increased by 1.2% over the previous year. Though we remain cautiously optimistic these trends will continue, we continue to monitor sales tax collections closely. We also have seen increases in the TMRS contribution rates, a decrease in insurance claim costs with our new third party insurance provider and we expect these trends to continue next year, we also expect a slight increase in revenue resources.

Traffic congestion continues to be a challenge as the DFW Connector project is still underway with completion scheduled sooner than originally planned. At the end of December 2012, this major construction project is scheduled to be completed in the summer of 2013. To assist local vendors who have been impacted by this construction project, the City and the Chamber of Commerce continues to support the incentive program called "Unwind the Vine" that draws customers by winding their way through the construction to shop and dine at these business locations.

Long-term Financial Planning

The City Council establishes their long term financial goals each year as a part of the budget process. The long-range financial forecasting is not intended to be a budget, or a proposed plan. Instead, it sets the stage for the budget process, assisting both the Council and staff in establishing priorities and allocating resources appropriately. For fiscal year 2012, 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

The established goals of the Council for the long-term are a continuation of the goals set in fiscal year 2007. The three goals established by the Council were: 1) long-range financial health of the General Fund, 2) improve the employee compensation plan, and 3) stabilize the City’s economic base. The long-range financial forecast is based on assumptions regarding the regional and state economy over the next three years.

For FY 2012, the City maintained financial stability and a strong fiscal management. The General, Debt Service, Utility Enterprise, and Stormwater Drainage funds ended FY 2012 with fund balances that meet or exceed their requirement. The City maintained existing services, transferred \$3,000,000 to the Quality of Life CIP Fund and \$1,500,000 to the Special Revenue – Crime District. In meeting the goal to provide a safe, secure community, the Police responded to 67,634 calls for service, Fire responded to 5,135 calls for service and 3,026 ambulance runs. Addressing future transportation needs, the staff held meetings to discuss the design and land-use plans for the commuter rail station and surrounding properties. The station will be located at Main Street and Dallas Road.

Major Initiatives and Developments

Grapevine continues to build its reputation as a top notch tourist and attraction destination. In 2012, Merlin Entertainment-Legoland Discovery Center at Grapevine Mills Mall constructed a 6,500 square foot expansion to accommodate a children's driving attraction. Grapevine Mills Mall is also planning a \$40 million remodel and is focusing on attracting a more upscale mix of retail and recent new additions to Grapevine Mills Mall include H&M, Coach, Under Armor and others.

Grapevine also continues to be very active in economic development initiatives. In FY 2012, several projects were completed, with plans for additional developments next year. Due to the City's high median incomes, location to major highways and the DFW airport, and a large tourist industry, the City has positive attributes for developers. Management seeks to remain competitive through selective and targeted recruitment efforts. The City welcomed several new restaurants in 2012, including Eatzi's Restaurant which opened in a remodeled vacant Luby's building; Pappadeaux Seafood Kitchen, Jake's restaurant, Grimaldi's Pizza, Mi Dia From Scratch and Jimmy John's Sandwich Shop.

There were several new, remodel and expansion commercial developments during 2012. One Star Retail and Office opened in a remodeled historic replica existing building on Main Street which attracted a restaurant, convenience store and other smaller retailers. Golf Galaxy opened in a remodeled vacant Albertson's building. The Towers of Grapevine located at the northeast corner of State Highway 114 and William D. Tate Avenue had a redevelopment project that involved the demolition of several buildings and the construction of a 13,000 square foot retail building. A 301-unit Marriott Courtyard/Towneplace Suites is under construction on the Silverlake Crossing site at Bass Pro Court and State Highway 26. A new 312 multi-family and 36 single-family residential unit was permitted and is currently under construction. Baylor Grapevine Hospital has a \$100 million expansion underway that adds a new patient tower, and expansions in operation rooms, operating suites and other medical services.

Recognized nationally as a tourist and recreation destination, the Grapevine Shuttle provides local transportation of visitors from Grapevine hotels to the historic downtown area, restaurants, and retail establishments. The new Convention & Visitors Bureau (CVB) office was officially dedicated and opened on May 18, 2012.

In November 2012, the Grapevine citizens authorized to issue and sell general obligation bonds of the City. This will provide funding for the construction of a new Public Safety Building that will house both police and court and replace the current building location on Dallas Road. The new funding will also involve constructing, improving, equipping, and renovation to and expansion of the existing Community Activities Center which will include a senior component.

Awards and Acknowledgements

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 auditor's report on the basic financial statements is included in the financial section of this report.

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report ("CAFR") for the fiscal year ended September 30, 2011. This was the 25th 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.

In addition, the City of Grapevine has also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended September 30, 2011. This is the 25th consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient in several categories including policy documentation, financial planning, and organization.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire finance division staff. We would also like to express our appreciation to all members of the City who assisted and contributed to the preparation of this report.

We would 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,

Karen L Walker

Karen L. Walker
Controller

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



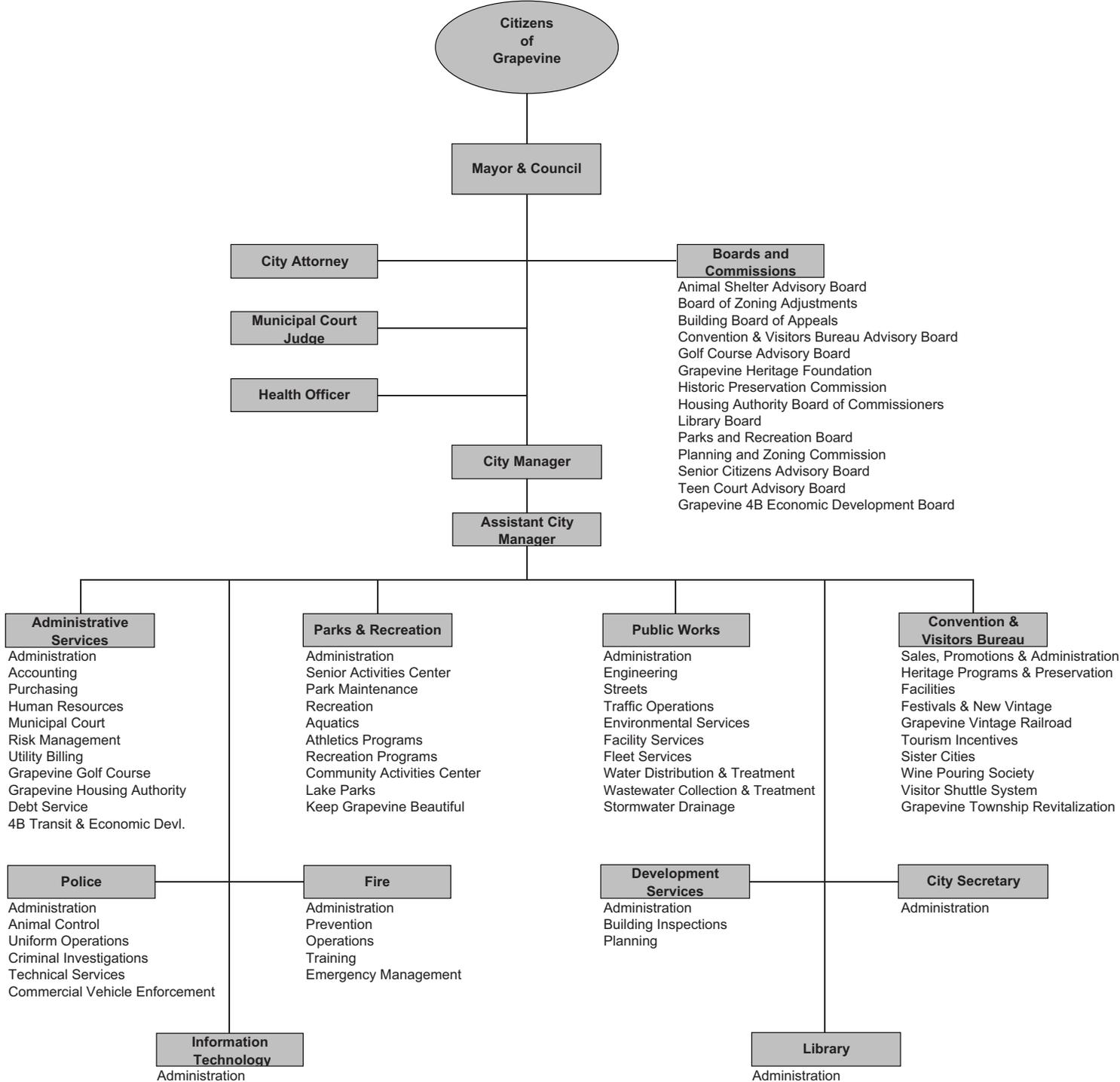
Christopher P. Morrell

President

Jeffrey R. Egan

Executive Director

City of Grapevine Organization Chart



CITY OF GRAPEVINE, TEXAS

ADMINISTRATIVE OFFICIALS

Bruno Rumbelow
City Manager

Jennifer Hibbs
Assistant City Manager

Jodi Brown
City Secretary

John F. Boyle, Jr.
City Attorney

David Florence
Municipal Court Judge

John F. McGrane
Director of Administrative Services

Stan Laster
Director of Public Works

Scott Williams
Director of Development Services

Steve Bass
Fire Chief

Edward Salame
Chief of Police

Janis Roberson
Library Director

Douglas M. Evans
Director of Parks and Recreation

Russell E. Pulley
Director of Golf

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

Carolyn Van Duzee
Personnel Director

Karen L. Walker
Controller

Robert Smeby
Purchasing Agent

Gary W. Livingston
Budget Manager

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In 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 as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over our financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—General Fund, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—Hotel Occupancy Tax Fund, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual— Crime District Fund, the Schedule of Funding Progress for Participation in the Texas Municipal Retirement System, and the Schedule of Funding Progress – Post-Retirement Health Care Plan 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the financial statements. The combining and individual fund 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 it.

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

January 25, 2013

**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, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$264,390,736 (net assets). Of this amount, \$24,999,587 of (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,741,652 or 30% of total General Fund expenditures.
- The City transferred \$3,000,000 to the Quality of Life CIP Fund.

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

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

The government-wide financial statements include not only the City itself (known as the primary government), but also include the Heritage Foundation and the Tax Reinvestment Zones Numbers One and Two, which are legally separate entities. A blended presentation has been used to report the financial information for the Tax Reinvestment Zones Numbers One and Two component units. Three new blended component units were established April 1, 2007. The Crime Control and Protection District (Crime District) was established to account for the accumulation and use of sales tax proceeds designated for crime reduction programs. The Grapevine 4B Economic Development Corporation consists of two funds. The 4B Transit Fund accounts for local sales tax used to fund Grapevine's participation in the commuter rail development project with the Fort Worth Transit Authority (The "T"). The 4B Economic Development Fund accounts for the local sales tax used to stimulate the local economy, development, and redevelopment. The Heritage Foundation is a discretely presented component unit and is presented as a separate column in the government-wide financial statements.

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 current sources and uses 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, Special Revenue Fund—Hotel Occupancy Tax, Special Revenue Fund—Crime District, Special Revenue Fund – Grant Fund, Debt Service Fund, Debt Service Fund—Tax Reinvestment Zone Number One (TIF #1), all of which are considered to be major funds. Data from the other 14 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 elsewhere in this report.

Proprietary funds—There are two types of Proprietary funds, Enterprise Funds and Internal Service Funds. The City maintains one type of proprietary fund, enterprise funds. 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, Sewer, and Lake Enterprise. The City has no Internal Service Funds.

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 (golf course), 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. The agency funds account for funds held in an agency capacity for the Industrial Development Corporation and the Police Department entitled “Police Department Case Settlement.” The second type of fiduciary fund is the Grapevine Health Reimbursement Account (HRA), a trust fund. See Note 1 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the City’s Financial Position —

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. As of September 30, 2012, the City’s assets exceeded liabilities by \$264,390,736.

The largest portion of the City’s net assets (\$158,513,447) 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 assets represents resources that are subject to external restrictions on how they may be used. Restricted net assets are for (1) use of impact fees for construction purposes \$7,808,747 and (2) debt service \$29,963,361 (3) public safety \$1,077,565 (4) economic development \$35,553,085 (5) transportation \$368,831, (6) culture and recreation \$152,167, and (7) tourism \$5,953,946. Unrestricted net assets of \$24,999,587 are 9% of all net assets and may be used to meet the City’s ongoing obligations to citizens and creditors.

For fiscal year-end 2012, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Condensed Schedule of Net Assets

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Current and other assets | \$ 131,713,324 | \$ 119,238,229 | \$ 27,392,403 | \$ 26,542,066 | \$ 159,105,727 | \$ 145,780,295 |
| Capital assets | <u>169,132,206</u> | <u>171,461,146</u> | <u>81,456,580</u> | <u>82,813,060</u> | <u>250,588,786</u> | <u>254,274,206</u> |
| Total assets | <u>300,845,530</u> | <u>290,699,375</u> | <u>108,848,983</u> | <u>109,355,126</u> | <u>409,694,513</u> | <u>400,054,501</u> |
| Long-term liabilities | 113,151,357 | 120,703,301 | 15,366,748 | 16,714,421 | 128,518,105 | 137,417,722 |
| Other liabilities | <u>12,973,521</u> | <u>13,793,584</u> | <u>3,812,151</u> | <u>3,660,373</u> | <u>16,785,672</u> | <u>17,453,957</u> |
| Total liabilities | <u>126,124,878</u> | <u>134,496,885</u> | <u>19,178,899</u> | <u>20,374,794</u> | <u>145,303,777</u> | <u>154,871,679</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 88,342,250 | 84,069,474 | 70,171,197 | 70,771,261 | 158,513,447 | 154,840,735 |
| Restricted | 71,908,953 | 61,711,766 | 8,968,749 | 7,132,993 | 80,877,702 | 68,844,759 |
| Unrestricted | <u>14,469,449</u> | <u>10,421,250</u> | <u>10,530,138</u> | <u>11,239,850</u> | <u>24,999,587</u> | <u>21,661,100</u> |
| Total net assets | <u>\$ 174,720,652</u> | <u>\$ 156,202,490</u> | <u>\$ 89,670,084</u> | <u>\$ 89,144,104</u> | <u>\$ 264,390,736</u> | <u>\$ 245,346,594</u> |

Analysis of the City's operations—

Governmental activities – Governmental activities increased the City's net assets by \$18,518,162. Significant reasons for this increase are as follows:

Overall total revenues for fiscal year 2012 were higher by \$2,987,308 from the previous year, and though charges for services were slightly down, we experienced an increase in sales and property tax collections as well as the hotel occupancy tax. Overall the City's operating expenses were decreased by \$1,722,243, though the general fund and transportation expenses were down, public safety, cultural and recreation, public works and intergovernmental were higher than the previous year. Total capital assets overall decreased due to deletions and depreciation, but several major capital additions were added due to the completion and opening of the new Convention and Visitors Bureau headquarters, the completion of two new public downtown parking lots, operating equipment purchases and the Meadowmere Boat Ramp Improvements. Long term liabilities continued to decrease as we continue to cash fund operating equipment purchases and pay off long-term debt.

Business-type activities – Business-type activities increased the City's net assets by \$525,980. The increase is primarily due to the continued improvements made to the Water and Sewer system and reduction in long-term liabilities.

The following table provides a summary of the City's operations for the year ended September 30, 2012 and 2011.

CITY OF GRAPEVINE'S CHANGES IN NET ASSETS

| | Governmental Activities | | Business-type Activities | | Totals | |
|--|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 17,799,878 | \$ 18,171,571 | \$ 23,560,412 | \$ 24,029,590 | \$ 41,360,290 | \$ 42,201,161 |
| Operating grants and contributions | 1,124,029 | 1,212,344 | - | - | 1,124,029 | 1,212,344 |
| Capital grants and contributions | 810,155 | 1,302,301 | - | - | 810,155 | 1,302,301 |
| General revenues: | | | | | | |
| Property taxes | 32,048,214 | 29,559,074 | - | - | 32,048,214 | 29,559,074 |
| Hotel occupancy taxes | 12,326,427 | 12,104,905 | - | - | 12,326,427 | 12,104,905 |
| Sales taxes | 46,932,217 | 45,571,831 | - | - | 46,932,217 | 45,571,831 |
| Mixed beverage taxes | 1,051,264 | 1,222,767 | - | - | 1,051,264 | 1,222,767 |
| Franchise taxes | 6,355,695 | 6,401,305 | - | - | 6,355,695 | 6,401,305 |
| Investment earnings | 286,292 | 338,108 | 67,957 | 74,634 | 354,249 | 412,742 |
| Miscellaneous | 170,318 | 32,975 | - | - | 170,318 | 32,975 |
| Total revenues | <u>118,904,489</u> | <u>115,917,181</u> | <u>23,628,369</u> | <u>24,104,224</u> | <u>142,532,858</u> | <u>140,021,405</u> |
| Expenses: | | | | | | |
| General government | 18,370,262 | 22,525,693 | - | - | 18,370,262 | 22,525,693 |
| Public safety | 28,263,804 | 27,587,685 | - | - | 28,263,804 | 27,587,685 |
| Culture and recreation | 27,953,844 | 26,673,427 | - | - | 27,953,844 | 26,673,427 |
| Public works | 11,056,248 | 10,562,631 | - | - | 11,056,248 | 10,562,631 |
| Transportation | 7,788,997 | 7,901,336 | - | - | 7,788,997 | 7,901,336 |
| Intergovernmental | 4,040,040 | 3,394,189 | - | - | 4,040,040 | 3,394,189 |
| Interest on long-term debt | 4,589,793 | 5,140,270 | - | - | 4,589,793 | 5,140,270 |
| Water and sewer | - | - | 18,372,558 | 18,972,115 | 18,372,558 | 18,972,115 |
| Lake enterprise | - | - | 3,053,170 | 3,061,829 | 3,053,170 | 3,061,829 |
| Total expenses | <u>102,062,988</u> | <u>103,785,231</u> | <u>21,425,728</u> | <u>22,033,944</u> | <u>123,488,716</u> | <u>125,819,175</u> |
| Increases in net assets before transfers | 16,841,501 | 12,131,950 | 2,202,641 | 2,070,280 | 19,044,142 | 14,202,230 |
| Transfers | 1,676,661 | 1,638,119 | (1,676,661) | (1,638,119) | - | - |
| Change in net assets | 18,518,162 | 13,770,069 | 525,980 | 432,161 | 19,044,142 | 14,202,230 |
| Net assets, beginning | <u>156,202,490</u> | <u>142,432,421</u> | <u>89,144,104</u> | <u>88,711,943</u> | <u>245,346,594</u> | <u>231,144,364</u> |
| Net assets, ending | <u>\$ 174,720,652</u> | <u>\$ 156,202,490</u> | <u>\$ 89,670,084</u> | <u>\$ 89,144,104</u> | <u>\$ 264,390,736</u> | <u>\$ 245,346,594</u> |

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds – As of the end of the current fiscal year, the City of Grapevine's governmental funds reported combined ending fund balances of \$115,249,737, an increase of \$12,187,827 compared with the prior year. Unassigned fund balance is \$9,964,912 (9%), which is available for spending at the City's discretion. The remainder of fund balance is not available for new spending because it has already been (1) classified as nonspendable \$685,533 (2) restricted for debt service, capital projects, public safety, economic development, transportation, tourism, and culture and recreation programs \$89,557,899 (3) committed for stormwater drainage and public arts \$3,779,664 (4) or assigned for capital projects and culture and recreation programs \$11,261,729.

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

General Fund – The fund balance increased \$2,799,685 for FY 2012. The General Fund transferred \$3,000,000 to the Quality of Life Fund (nonmajor fund) for CIP projects designated by the City Council. The hotel occupancy and sales tax increased the fund by \$1,581, 908 and with new assessments added, property tax increased fund revenues by \$2,489,140. Overall operating expenditures decreased from the previous year as the city continues to move towards energy efficient equipment and programs that assist in reducing health care costs and insurance risk.

Special Revenue – Hotel Occupancy Tax Fund – Tax revenues increased \$221,522 due to a slight increase in occupancy rates at the hotels over the prior year. Due to the increase in tax revenue and an increase in operational costs of \$1,379,913 the fund balance increased by \$1,097,605 from the previous year.

Special Revenue – Crime District Fund – The Crime District Fund had increased sales tax revenues of \$310,068; however, operating expenditures increased by \$708,556 with the final budget increased the fund balance by \$259,658. The General Fund transferred a net \$1,500,000 to the Crime District Fund in FY 2012 and the ending fund balance for FY 2012 was \$415,406.

Special Revenue – Grant Fund – The decrease in the fund balance of \$115,200 was primarily due to the timing of grant funding. Payments from granting agencies were not received within the availability period set by the City, therefore the funding was deferred. The City also received less grant funding in FY 2012 than it did in FY 2011. Grant expenditures decreased from \$1,447,595 in FY 2011 to \$999,749 in FY 2012.

Debt Service Fund – This fund has a total fund balance of \$12,252,396 which is restricted for the payment of debt service. The \$2,960,283 increase in fund balance was due to property tax revenue collections.

Debt Service Fund – TIF #1 – The Debt Service had a total fund balance of \$32,493,685. The \$1,978,564 increase in fund balance was primarily due to increased property tax collections, while expenditures for economic development, intergovernmental expenditures, and transfers out also increased for FY 2012.

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 of Grapevine’s business-type activities.

General Fund Budgetary Highlights

Significant amendment changes:

The government general fund transfers out increased to \$8,312,138 from the General Fund to Capital Equipment, Quality of Life, Special Revenue Fund – Crime District (CCPD) and Permanent Capital/Street Maintenance. Overall the General Government department operating expenditures decreased from the previous year. The Fleet Services expenditure budget was increased by \$102,841 due to increased vehicle maintenance and repairs costs, General Administration expenditure budget was increased by \$61,000 for additional training costs associated with Grapevine Leadership and Values

Training, and Park Maintenance expenditure budget was increased by \$93,700 for operating costs associated with the operations of the two new spray parks.

Significant budget variances:

For the year ended September 30, 2012, revenues exceeded final budget in the General Fund due to tax receipts being greater than anticipated and increased revenue for services provided and actual expenditures were lower than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

The City completed and dedicated the new Convention and Visitors Headquarters building expending \$527,245 in FY 2012.

The City completed two new downtown parking areas expending \$212,432 in FY 2012.

Capital assets—The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounted to \$250,588,786 (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 decrease in the City’s investment in capital assets for the current fiscal year was \$3,849,192.

CITY OF GRAPEVINE’S CAPITAL ASSETS AT YEAR-END

| | Governmental Activities | | Business-type Activities | | Totals | |
|-----------------------------------|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Land and improvements | \$ 47,821,876 | \$ 47,821,876 | \$ 1,643,545 | \$ 1,643,545 | \$ 49,465,421 | \$ 49,465,421 |
| Construction in progress | 3,725,009 | 14,971,571 | 2,122,792 | 824,891 | 5,847,801 | 15,796,462 |
| Buildings | 33,115,271 | 23,089,510 | 839,774 | 890,536 | 33,955,045 | 23,980,046 |
| Improvements other than buildings | 18,786,261 | 17,129,134 | 2,243,878 | 2,609,560 | 21,030,139 | 19,738,694 |
| Machinery and equipment | 9,328,850 | 8,009,318 | 509,853 | 331,619 | 9,838,703 | 8,340,937 |
| Water storage rights | - | - | 146,683 | 163,772 | 146,683 | 163,772 |
| Infrastructure | 56,354,939 | 60,439,737 | 73,950,055 | 76,512,909 | 130,304,994 | 136,952,646 |
| Total | \$ 169,132,206 | \$ 171,461,146 | \$ 81,456,580 | \$ 82,976,832 | \$ 250,588,786 | \$ 254,437,978 |

Additional information on the City’s capital assets can be found in Note 5 in 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 \$109,082,774. Of this amount, \$108,292,774 comprises debt backed by the full faith and credit of the City and \$790,000 represents bonds secured solely by specific revenue sources from the proprietary funds.

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

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| General obligation bonds | \$ 40,355,000 | \$ 45,335,000 | \$ 12,510,000 | \$ 14,100,000 | \$ 52,865,000 | \$ 59,435,000 |
| Certificates of obligation | 50,794,060 | 55,472,663 | - | - | 50,794,060 | 55,472,663 |
| Revenue bonds | - | - | 790,000 | 1,035,000 | 790,000 | 1,035,000 |
| Notes payable | 3,604,730 | 4,851,986 | - | - | 3,604,730 | 4,851,986 |
| Premium on bonds issued | 3,787,206 | 4,215,793 | 666,750 | 728,276 | 4,453,956 | 4,944,069 |
| Discount on bonds issued | (24,159) | (25,258) | - | - | (24,159) | (25,258) |
| Deferred loss on refunding | (2,896,959) | (3,260,068) | (503,854) | (583,419) | (3,400,813) | (3,843,487) |
| | <u>\$ 95,619,878</u> | <u>\$ 106,590,116</u> | <u>\$ 13,462,896</u> | <u>\$ 15,279,857</u> | <u>\$ 109,082,774</u> | <u>\$ 121,869,973</u> |

Additional information on the City’s long-term debt can be found in Note 8 of the notes to the financial statements.

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.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF GRAPEVINE, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

| | Primary Government | | | Component |
|--|----------------------------|-----------------------------|-----------------------|--------------------------------|
| | Governmental Activities | Business-type Activities | Total | Unit Heritage Foundation |
| ASSETS | | | | |
| Cash and investments | \$ 113,038,028 | \$ 13,299,600 | \$ 126,337,628 | \$ 478,006 |
| Receivables, net | | | | |
| Taxes | 12,135,543 | - | 12,135,543 | - |
| Accounts | 2,478,910 | 2,712,256 | 5,191,166 | - |
| Pledges | - | - | - | 38,875 |
| Internal balances | 925,925 | (925,925) | - | - |
| Due from primary government | - | - | - | 11,362 |
| Due from other governments | 1,383,516 | - | 1,383,516 | - |
| Inventory | 458,720 | 44,247 | 502,967 | - |
| Accrued interest | 50,379 | 12,176 | 62,555 | 227 |
| Prepaid expenses | 198,189 | - | 198,189 | - |
| Restricted assets: | | | | |
| Cash and investments | - | 12,064,900 | 12,064,900 | - |
| Capital assets (net of accumulated depreciation) | | | | |
| Non-depreciable | 51,546,885 | 3,766,337 | 55,313,222 | 450,067 |
| Depreciable | 117,585,321 | 77,690,243 | 195,275,564 | 1,176,416 |
| Deferred charges (net of accumulated amortization) | 1,044,114 | 185,149 | 1,229,263 | - |
| Total assets | <u>300,845,530</u> | <u>108,848,983</u> | <u>409,694,513</u> | <u>2,154,953</u> |
| LIABILITIES | | | | |
| Accounts payable | 7,170,981 | 2,338,754 | 9,509,735 | 1,356 |
| Contracts and retainage payable | 40,333 | 88,680 | 129,013 | - |
| Accrued and other liabilities | 1,699,474 | 107,586 | 1,807,060 | - |
| Developer deposits | 1,529,613 | - | 1,529,613 | - |
| Interest payable | 497,331 | 63,173 | 560,504 | - |
| Due to component unit | 11,362 | - | 11,362 | - |
| Unearned revenue | 2,024,427 | 339,256 | 2,363,683 | - |
| Customer deposits | - | 874,702 | 874,702 | - |
| Noncurrent liabilities: | | | | |
| Due within one year: | | | | |
| Compensated absences | 720,146 | 57,350 | 777,496 | - |
| Notes payable | 1,273,211 | - | 1,273,211 | - |
| Bonds payable | 9,810,142 | 1,935,000 | 11,745,142 | - |
| Sales tax obligation | 201,656 | - | 201,656 | - |
| Due in more than one year: | | | | |
| Compensated absences | 2,160,440 | 172,050 | 2,332,490 | - |
| Notes payable | 2,331,519 | - | 2,331,519 | - |
| Bonds payable | 82,205,006 | 11,527,896 | 93,732,902 | - |
| Sales tax obligation | 945,803 | - | 945,803 | - |
| Net OPEB obligation | 8,861,731 | 1,168,697 | 10,030,428 | - |
| Net pension obligation | 4,641,703 | 505,755 | 5,147,458 | - |
| Total liabilities | <u>126,124,878</u> | <u>19,178,899</u> | <u>145,303,777</u> | <u>1,356</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 88,342,250 | 70,171,197 | 158,513,447 | 1,626,483 |
| Restricted for: | | | | |
| Use of impact fees | - | 7,808,747 | 7,808,747 | - |
| Debt service | 28,803,359 | 1,160,002 | 29,963,361 | - |
| Public safety | 1,077,565 | - | 1,077,565 | - |
| Economic development | 35,553,085 | - | 35,553,085 | - |
| Transportation | 368,831 | - | 368,831 | - |
| Culture and recreation | 152,167 | - | 152,167 | - |
| Tourism | 5,953,946 | - | 5,953,946 | - |
| Unrestricted | <u>14,469,449</u> | <u>10,530,138</u> | <u>24,999,587</u> | <u>527,114</u> |
| Total net assets | <u>\$ 174,720,652</u> | <u>\$ 89,670,084</u> | <u>\$ 264,390,736</u> | <u>\$ 2,153,597</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, 2012

| Functions/Programs | Expenses | Program Revenue | | |
|----------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 18,370,262 | \$ 2,547,110 | \$ 440,508 | \$ 389,896 |
| Public safety | 28,263,804 | 3,735,541 | 510,247 | - |
| Culture and recreation | 27,953,844 | 10,099,266 | 173,274 | 21,728 |
| Public works | 11,056,248 | 1,417,961 | - | 398,531 |
| Transportation | 7,788,997 | - | - | - |
| Intergovernmental | 4,040,040 | - | - | - |
| Interest on long-term debt | 4,589,793 | - | - | - |
| Total governmental activities | <u>102,062,988</u> | <u>17,799,878</u> | <u>1,124,029</u> | <u>810,155</u> |
| Business-type activities: | | | | |
| Water and sewer | 18,372,558 | 20,481,210 | - | - |
| Lake Enterprise | <u>3,053,170</u> | <u>3,079,202</u> | - | - |
| Total business-type activities | <u>21,425,728</u> | <u>23,560,412</u> | - | - |
| Total primary government | <u>\$ 123,488,716</u> | <u>\$ 41,360,290</u> | <u>\$ 1,124,029</u> | <u>\$ 810,155</u> |
| Component unit: | | | | |
| Heritage Foundation | <u>\$ 143,247</u> | <u>\$ 2,781</u> | <u>\$ 26,187</u> | <u>\$ 34,076</u> |

General revenues:

- Taxes:
 - Property
 - Franchise
 - Hotel occupancy
 - Sales
 - Mixed beverage
 - Investment income
 - Miscellaneous
- Transfers
- Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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

| Net (Expense) Revenue and Changes in Net Assets | | | Component |
|---|-----------------------------|-----------------------|------------------------|
| Primary Government | | | Unit |
| Governmental Activities | Business-type Activities | Total | Heritage Foundation |
| \$(14,992,748) | \$ - | \$(14,992,748) | \$ - |
| (24,018,016) | - | (24,018,016) | - |
| (17,659,576) | - | (17,659,576) | - |
| (9,239,756) | - | (9,239,756) | - |
| (7,788,997) | - | (7,788,997) | - |
| (4,040,040) | - | (4,040,040) | - |
| (4,589,793) | - | (4,589,793) | - |
| <u>(82,328,926)</u> | <u>-</u> | <u>(82,328,926)</u> | <u>-</u> |
| - | 2,108,652 | 2,108,652 | - |
| <u>-</u> | <u>26,032</u> | <u>26,032</u> | <u>-</u> |
| <u>-</u> | <u>2,134,684</u> | <u>2,134,684</u> | <u>-</u> |
| <u>(82,328,926)</u> | <u>2,134,684</u> | <u>(80,194,242)</u> | <u>-</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(80,203)</u> |
| 32,048,214 | - | 32,048,214 | - |
| 6,355,695 | - | 6,355,695 | - |
| 12,326,427 | - | 12,326,427 | - |
| 46,932,217 | - | 46,932,217 | - |
| 1,051,264 | - | 1,051,264 | - |
| 286,292 | 67,957 | 354,249 | 2,183 |
| 170,318 | - | 170,318 | 6,931 |
| <u>1,676,661</u> | <u>(1,676,661)</u> | <u>-</u> | <u>-</u> |
| <u>100,847,088</u> | <u>(1,608,704)</u> | <u>99,238,384</u> | <u>9,114</u> |
| 18,518,162 | 525,980 | 19,044,142 | (71,089) |
| <u>156,202,490</u> | <u>89,144,104</u> | <u>245,346,594</u> | <u>2,224,686</u> |
| <u>\$ 174,720,652</u> | <u>\$ 89,670,084</u> | <u>\$ 264,390,736</u> | <u>\$ 2,153,597</u> |

CITY OF GRAPEVINE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

AS OF SEPTEMBER 30, 2012

| | Special Revenue | | | | |
|--|----------------------|------------------------|---------------------|---------------------|----------------------|
| | General | Hotel Occupancy Tax | Crime District | Grant | Debt Service |
| ASSETS | | | | | |
| Cash and investments | \$ 8,276,143 | \$ 6,394,598 | \$ - | \$ 142 | \$ 12,208,612 |
| Receivables (net of allowances for uncollectibles) | | | | | |
| Accounts | 1,652,633 | 247,665 | - | - | - |
| Taxes | 4,633,598 | 1,020,110 | 1,837,794 | - | 540,787 |
| Accrued interest | 5,411 | 2,268 | - | - | 5,865 |
| Inventory | 440,667 | 1,031 | - | - | - |
| Due from other funds | 3,742,976 | 479,158 | - | - | - |
| Advances to other funds | 28,624 | - | - | - | - |
| Due from other governments | 5,302 | - | - | 1,243,175 | - |
| Prepaid items | <u>184,015</u> | <u>14,174</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ 18,969,369</u> | <u>\$ 8,159,004</u> | <u>\$ 1,837,794</u> | <u>\$ 1,243,317</u> | <u>\$ 12,755,264</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 1,985,676 | \$ 1,970,339 | \$ 284,999 | \$ 95,213 | \$ - |
| Accrued liabilities | 1,382,679 | 90,226 | 212,555 | - | - |
| Due to other funds | - | - | 924,834 | 1,132,671 | - |
| Due to component unit | - | 11,362 | - | - | - |
| Advances from other funds | - | 28,624 | - | - | - |
| Deferred revenue | 3,206,056 | 89,302 | - | 814,967 | 502,868 |
| Contracts and retainage payable | - | - | - | - | - |
| Developer deposits | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>6,574,411</u> | <u>2,189,853</u> | <u>1,422,388</u> | <u>2,042,851</u> | <u>502,868</u> |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Inventory | 440,667 | 1,031 | - | - | - |
| Prepaid items | 184,015 | 14,174 | - | - | - |
| Advances to other funds | 28,624 | - | - | - | - |
| Restricted for: | | | | | |
| Debt service | - | - | - | - | 12,252,396 |
| Capital projects | - | - | - | - | - |
| Public safety | - | - | 415,406 | - | - |
| Economic development | - | - | - | - | - |
| Transportation | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - |
| Tourism | - | 5,953,946 | - | - | - |
| Committed for: | | | | | |
| Stormwater drainage operations | - | - | - | - | - |
| Public arts | - | - | - | - | - |
| Assigned for: | | | | | |
| Capital projects | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - |
| Unassigned | <u>11,741,652</u> | <u>-</u> | <u>-</u> | <u>(799,534)</u> | <u>-</u> |
| Total fund balances | <u>12,394,958</u> | <u>5,969,151</u> | <u>415,406</u> | <u>(799,534)</u> | <u>12,252,396</u> |
| Total liabilities and fund balances | <u>\$ 18,969,369</u> | <u>\$ 8,159,004</u> | <u>\$ 1,837,794</u> | <u>\$ 1,243,317</u> | <u>\$ 12,755,264</u> |

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

| <u>Debt Service</u> | | |
|----------------------|-----------------------------------|--------------------------------|
| TIF #1 | Nonmajor Governmental Funds | Total Governmental Funds |
| \$ 31,482,278 | \$ 54,676,255 | \$ 113,038,028 |
| - | 578,612 | 2,478,910 |
| 1,056,548 | 3,046,706 | 12,135,543 |
| 15,111 | 21,724 | 50,379 |
| - | 17,022 | 458,720 |
| - | - | 4,222,134 |
| - | - | 28,624 |
| - | 135,039 | 1,383,516 |
| - | - | 198,189 |
| <u>\$ 32,553,937</u> | <u>\$ 58,475,358</u> | <u>\$ 133,994,043</u> |
| \$ - | \$ 2,834,754 | \$ 7,170,981 |
| - | 14,014 | 1,699,474 |
| - | 1,238,704 | 3,296,209 |
| - | - | 11,362 |
| - | - | 28,624 |
| 60,252 | 294,265 | 4,967,710 |
| - | 40,333 | 40,333 |
| - | 1,529,613 | 1,529,613 |
| <u>60,252</u> | <u>5,951,683</u> | <u>18,744,306</u> |
| - | 17,022 | 458,720 |
| - | - | 198,189 |
| - | - | 28,624 |
| 9,528,975 | 7,076,703 | 28,858,074 |
| - | 17,654,483 | 17,654,483 |
| - | 662,159 | 1,077,565 |
| 22,964,710 | 12,528,123 | 35,492,833 |
| - | 368,831 | 368,831 |
| - | 152,167 | 152,167 |
| - | - | 5,953,946 |
| - | 3,179,406 | 3,179,406 |
| - | 600,258 | 600,258 |
| - | 10,626,784 | 10,626,784 |
| - | 634,945 | 634,945 |
| - | (977,206) | 9,964,912 |
| <u>32,493,685</u> | <u>52,523,675</u> | <u>115,249,737</u> |
| <u>\$ 32,553,937</u> | <u>\$ 58,475,358</u> | <u>\$ 133,994,043</u> |

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CITY OF GRAPEVINE, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

AS OF SEPTEMBER 30, 2012

| | |
|--|-----------------------|
| Total fund balances - governmental funds balance sheet | \$ 115,249,737 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not reported in the funds. | 169,132,206 |
| Certain receivables will not be collected soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds. | 2,943,283 |
| Accrued bond interest is not due and payable in the current period and therefore is not reported in the funds. | (497,331) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of: | |
| Bonds payable | (92,015,148) |
| Notes payable | (3,604,730) |
| Compensated absences | (2,880,586) |
| Sales tax obligation | (1,147,459) |
| Net OPEB obligation | (8,861,731) |
| Net pension obligation | (4,641,703) |
| Deferred charges recognized on Statement of Net Assets, not recognized in governmental balance sheet: Deferred bond issue costs | <u>1,044,114</u> |
| Net assets of governmental activities | <u>\$ 174,720,652</u> |

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

CITY OF GRAPEVINE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Special Revenue | | | | |
|--|----------------------|------------------------|---------------------|----------------------|----------------------|
| | General | Hotel Occupancy Tax | Crime District | Grant | Debt Service |
| REVENUES | | | | | |
| Property tax | \$ 8,764,524 | \$ - | \$ - | \$ - | \$ 10,950,313 |
| Hotel occupancy tax | - | 12,326,427 | - | - | - |
| Sales tax | 24,007,859 | - | 11,286,914 | - | - |
| Mixed beverage tax | 1,051,264 | - | - | - | - |
| Franchise tax | 6,355,695 | - | - | - | - |
| Licenses and permits | 1,541,902 | - | - | - | - |
| Intergovernmental | 125,415 | - | 243 | 785,869 | - |
| Charges for services | 3,498,239 | 6,146,246 | - | - | - |
| Fines and forfeitures | 1,970,453 | - | - | - | - |
| Investment income | 38,265 | 16,582 | 3,435 | - | 36,694 |
| Contributions | - | - | - | - | - |
| Miscellaneous | 282,160 | 350,841 | - | 51,177 | - |
| Total revenues | <u>47,635,776</u> | <u>18,840,096</u> | <u>11,290,592</u> | <u>837,046</u> | <u>10,987,007</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 13,738,841 | - | - | - | - |
| Public safety | 12,166,267 | - | 12,384,894 | 178,779 | - |
| Culture and recreation | 8,119,965 | 15,060,909 | - | - | - |
| Public works | 5,100,712 | - | - | - | - |
| Transportation | - | - | - | 16,173 | - |
| Economic development | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - |
| Capital outlay | 210,096 | 13,159 | 146,040 | 804,797 | - |
| Debt service: | | | | | |
| Principal | 257,856 | - | - | - | 7,710,859 |
| Interest and fiscal charges | - | - | - | - | 2,743,010 |
| Other | - | - | - | - | 11,800 |
| Total expenditures | <u>39,593,737</u> | <u>15,074,068</u> | <u>12,530,934</u> | <u>999,749</u> | <u>10,465,669</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>8,042,039</u> | <u>3,766,028</u> | <u>(1,240,342)</u> | <u>(162,703)</u> | <u>521,338</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 3,069,784 | 366,970 | 1,500,000 | 47,503 | 2,438,945 |
| Transfers out | (8,312,138) | (3,035,393) | - | - | - |
| Sale of capital assets | - | - | - | - | - |
| Total other financing sources and uses | <u>(5,242,354)</u> | <u>(2,668,423)</u> | <u>1,500,000</u> | <u>47,503</u> | <u>2,438,945</u> |
| NET CHANGE IN FUND BALANCES | 2,799,685 | 1,097,605 | 259,658 | (115,200) | 2,960,283 |
| FUND BALANCES, BEGINNING | <u>9,595,273</u> | <u>4,871,546</u> | <u>155,748</u> | <u>(684,334)</u> | <u>9,292,113</u> |
| FUND BALANCES, ENDING | <u>\$ 12,394,958</u> | <u>\$ 5,969,151</u> | <u>\$ 415,406</u> | <u>\$ (799,534)</u> | <u>\$ 12,252,396</u> |

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

| <u>Debt Service</u> | | |
|----------------------|--|---|
| <u>TIF #1</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
| \$ 6,695,890 | \$ 5,736,208 | \$ 32,146,935 |
| - | - | 12,326,427 |
| - | 11,637,444 | 46,932,217 |
| - | - | 1,051,264 |
| - | - | 6,355,695 |
| - | - | 1,541,902 |
| - | 100,333 | 1,011,860 |
| - | 3,927,770 | 13,572,255 |
| - | 46,812 | 2,017,265 |
| 66,261 | 125,055 | 286,292 |
| - | 194,064 | 194,064 |
| - | 221,394 | 905,572 |
| <u>6,762,151</u> | <u>21,989,080</u> | <u>118,341,748</u> |
| - | 240,727 | 13,979,568 |
| - | 808,771 | 25,538,711 |
| - | 1,651,536 | 24,832,410 |
| - | 960,609 | 6,061,321 |
| - | 7,772,824 | 7,788,997 |
| 500,000 | 2,661 | 502,661 |
| 1,441,980 | 2,598,060 | 4,040,040 |
| - | 8,271,585 | 9,445,677 |
| 1,940,000 | 1,255,000 | 11,163,715 |
| 404,025 | 1,417,011 | 4,564,046 |
| - | 13,661 | 25,461 |
| <u>4,286,005</u> | <u>24,992,445</u> | <u>107,942,607</u> |
| <u>2,476,146</u> | <u>(3,003,365)</u> | <u>10,399,141</u> |
| - | 7,821,133 | 15,244,335 |
| (497,582) | (1,722,561) | (13,567,674) |
| - | 112,025 | 112,025 |
| <u>(497,582)</u> | <u>6,210,597</u> | <u>1,788,686</u> |
| 1,978,564 | 3,207,232 | 12,187,827 |
| <u>30,515,121</u> | <u>49,316,443</u> | <u>103,061,910</u> |
| <u>\$ 32,493,685</u> | <u>\$ 52,523,675</u> | <u>\$ 115,249,737</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, 2012

| | |
|--|----------------------|
| Net change in fund balances - total governmental funds | \$ 12,187,827 |
| 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. | 7,858,789 |
| 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. | (8,335,335) |
| The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, 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. | |
| Repayment of principal of long-term debt | 11,163,715 |
| Amortization of: | |
| Bond issuance costs - deferred charges | (147,257) |
| Loss on refunding | 64,379 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., the sales, trade-ins, and donations) is to decrease net assets. | (1,217,678) |
| 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. | 57,131 |
| 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 balances liability | (125,762) |
| Net OPEB obligation | (2,888,403) |
| Net pension obligation | (661,985) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | <u>562,741</u> |
| Change in net assets of governmental activities | \$ <u>18,518,162</u> |

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

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

SEPTEMBER 30, 2012

| | Business-type Activities - Enterprise Funds | | |
|--|---|--------------------|---------------|
| | Water and Sewer | Lake Enterprise | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 13,299,600 | \$ - | \$ 13,299,600 |
| Receivables, net | 2,675,333 | 36,923 | 2,712,256 |
| Accrued interest | 12,122 | 54 | 12,176 |
| Inventory | - | 44,247 | 44,247 |
| Total current assets | 15,987,055 | 81,224 | 16,068,279 |
| Noncurrent assets: | | | |
| Restricted cash and investments: | | | |
| Revenue bond reserve fund | 284,764 | - | 284,764 |
| Revenue bond interest and sinking fund | 923,927 | - | 923,927 |
| Customer deposits | 869,949 | - | 869,949 |
| Revenue bond construction | 1,957,193 | 220,320 | 2,177,513 |
| Impact fees | 7,808,747 | - | 7,808,747 |
| Total restricted cash and investments | 11,844,580 | 220,320 | 12,064,900 |
| Capital assets: | | | |
| Land | 550,882 | 1,092,663 | 1,643,545 |
| Buildings, structure and improvements | 112,284,701 | 8,850,775 | 121,135,476 |
| Vehicles, machinery and equipment | 1,016,885 | 92,833 | 1,109,718 |
| Construction in progress | 2,122,792 | - | 2,122,792 |
| Water storage rights | 146,683 | - | 146,683 |
| Less accumulated depreciation | (38,681,256) | (6,020,378) | (44,701,634) |
| Net capital assets | 77,440,687 | 4,015,893 | 81,456,580 |
| Deferred charges | 162,482 | 22,667 | 185,149 |
| Total noncurrent assets | 89,447,749 | 4,258,880 | 93,706,629 |
| Total assets | 105,434,804 | 4,340,104 | 109,774,908 |

(continued)

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
(Continued)
SEPTEMBER 30, 2012**

| | Business-type Activities - Enterprise Funds | | |
|---|---|---------------------|----------------------|
| | Water and Sewer | Lake Enterprise | Total |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 2,238,108 | \$ 100,646 | \$ 2,338,754 |
| Accrued liabilities | 80,406 | 27,180 | 107,586 |
| Due to other funds | 7,481 | 918,444 | 925,925 |
| Deferred revenue | 339,256 | - | 339,256 |
| Compensated absences | 31,509 | 25,841 | 57,350 |
| Retainage payable | 88,680 | - | 88,680 |
| Accrued bond interest payable | 48,689 | 14,484 | 63,173 |
| General obligation bonds payable | 1,365,000 | 315,000 | 1,680,000 |
| Revenue bonds payable | 255,000 | - | 255,000 |
| Customer deposits | <u>874,702</u> | <u>-</u> | <u>874,702</u> |
| Total current liabilities | <u>5,328,831</u> | <u>1,401,595</u> | <u>6,730,426</u> |
| Noncurrent liabilities: | | | |
| General obligation bonds payable | 8,491,598 | 2,492,731 | 10,984,329 |
| Revenue bonds payable | 543,567 | - | 543,567 |
| Net OPEB obligation | 765,333 | 403,364 | 1,168,697 |
| Net pension obligation | 346,223 | 159,532 | 505,755 |
| Compensated absences | <u>94,528</u> | <u>77,522</u> | <u>172,050</u> |
| Total noncurrent liabilities | <u>10,241,249</u> | <u>3,133,149</u> | <u>13,374,398</u> |
| Total liabilities | <u>15,570,080</u> | <u>4,534,744</u> | <u>20,104,824</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 68,742,715 | 1,428,482 | 70,171,197 |
| Restricted for: | | | |
| Impact fees | 7,808,747 | - | 7,808,747 |
| Debt service | 1,160,002 | - | 1,160,002 |
| Unrestricted | <u>12,153,260</u> | <u>(1,623,122)</u> | <u>10,530,138</u> |
| Total net assets | <u>\$ 89,864,724</u> | <u>\$(194,640)</u> | <u>\$ 89,670,084</u> |

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

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CITY OF GRAPEVINE, TEXAS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Business-type Activities - Enterprise Fund | | |
|---|--|----------------------|----------------------|
| | Water and Sewer | Lake Enterprise | Total |
| OPERATING REVENUES | | | |
| Charges for services | \$ 20,149,115 | \$ 3,061,401 | \$ 23,210,516 |
| Miscellaneous | <u>332,095</u> | <u>17,801</u> | <u>349,896</u> |
| Total operating revenues | <u>20,481,210</u> | <u>3,079,202</u> | <u>23,560,412</u> |
| OPERATING EXPENSES | | | |
| Salaries and benefits | 2,830,003 | 1,253,908 | 4,083,911 |
| Maintenance, repairs, and supplies | 9,191,991 | 326,504 | 9,518,495 |
| Depreciation | 2,529,720 | 402,428 | 2,932,148 |
| General and administrative | <u>3,396,529</u> | <u>958,913</u> | <u>4,355,442</u> |
| Total operating expenses | <u>17,948,243</u> | <u>2,941,753</u> | <u>20,889,996</u> |
| OPERATING INCOME | <u>2,532,967</u> | <u>137,449</u> | <u>2,670,416</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment income | 67,292 | 665 | 67,957 |
| Interest and fiscal agent charges | (424,315) | (111,417) | (535,732) |
| Total nonoperating revenues (expenses) | <u>(357,023)</u> | <u>(110,752)</u> | <u>(467,775)</u> |
| INCOME BEFORE TRANSFERS | <u>2,175,944</u> | <u>26,697</u> | <u>2,202,641</u> |
| TRANSFERS | | | |
| Transfers out | (1,444,541) | (232,120) | (1,676,661) |
| Total transfers | <u>(1,444,541)</u> | <u>(232,120)</u> | <u>(1,676,661)</u> |
| CHANGE IN NET ASSETS | 731,403 | (205,423) | 525,980 |
| TOTAL NET ASSETS, BEGINNING | <u>89,133,321</u> | <u>10,783</u> | <u>89,144,104</u> |
| TOTAL NET ASSETS, ENDING | <u>\$ 89,864,724</u> | <u>\$ (194,640)</u> | <u>\$ 89,670,084</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, 2012

| | Business-type Activities - Enterprise Funds | | |
|---|---|--------------------|---------------|
| | Water and Sewer | Lake Enterprise | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 20,679,796 | \$ 3,099,261 | \$ 23,779,057 |
| Cash paid to employees | (2,509,324) | (1,251,641) | (3,760,965) |
| Cash paid to suppliers for goods and services | (12,380,081) | (1,201,290) | (13,581,371) |
| Net cash provided by operating activities | 5,790,391 | 646,330 | 6,436,721 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Principal repayment on bonds | (1,540,000) | (295,000) | (1,835,000) |
| Interest and related fees paid on long-term debt | (274,208) | (119,525) | (393,733) |
| Acquisition and construction of capital assets | (1,411,896) | - | (1,411,896) |
| Net cash used by capital and related financing activities | (3,226,104) | (414,525) | (3,640,629) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received on investments and cash equivalents | 80,753 | 746 | 81,499 |
| Net cash provided by investing activities | 80,753 | 746 | 81,499 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfer out | (1,444,541) | (232,120) | (1,676,661) |
| Net cash used by noncapital financing activities | (1,444,541) | (232,120) | (1,676,661) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,200,499 | 431 | 1,200,930 |
| CASH AND CASH EQUIVALENTS, BEGINNING | 23,943,681 | 219,889 | 24,163,570 |
| CASH AND CASH EQUIVALENTS, ENDING | \$ 25,144,180 | \$ 220,320 | \$ 25,364,500 |

(continued)

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF CASHFLOWS
PROPRIETARY FUNDS**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Business-type Activities - Enterprise Funds | | |
|---|---|--------------------|--------------|
| | Water and Sewer | Lake Enterprise | Total |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | |
| Operating income | \$ 2,532,967 | \$ 137,449 | \$ 2,670,416 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation | 2,529,720 | 402,428 | 2,932,148 |
| (Increase) decrease in assets: | | | |
| Customer receivable | 242,230 | 20,059 | 262,289 |
| Inventories | - | (7,332) | (7,332) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable | 146,900 | 3,617 | 150,517 |
| Accrued liabilities | 33,097 | (7,599) | 25,498 |
| Other liabilities | 1,068 | (50,903) | (49,835) |
| Deferred revenue | (43,644) | - | (43,644) |
| Customer deposits | 5,017 | - | 5,017 |
| Retainage payable | 22,357 | - | 22,357 |
| Increase (decrease) in net OPEB obligation | 262,582 | 125,323 | 387,905 |
| Increase (decrease) in net pension obligation | 49,440 | 21,021 | 70,461 |
| Compensated absences | 8,657 | 2,267 | 10,924 |
| Total adjustments | 3,257,424 | 508,881 | 3,766,305 |
| Net cash provided by operating activities | \$ 5,790,391 | \$ 646,330 | \$ 6,436,721 |

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

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CITY OF GRAPEVINE, TEXAS

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

SEPTEMBER 30, 2012

| | <u>Agency</u> | <u>Grapevine Health Care Reimbursement Trust</u> |
|--|-------------------|--|
| ASSETS | | |
| Cash and cash equivalents | \$ 145,686 | \$ 1,751,970 |
| Accrued interest receivable | <u>-</u> | <u>3,850</u> |
| Total assets | <u>145,686</u> | <u>1,755,820</u> |
| LIABILITIES | | |
| Due to beneficiary | <u>145,686</u> | |
| Total liabilities | <u>\$ 145,686</u> | |
| NET ASSETS | | |
| Held in trust for Grapevine Health Care Reimbursement | | \$ <u>1,754,351</u> |

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

CITY OF GRAPEVINE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Grapevine Health Care Reimbursement Trust |
|------------------------------|--|
| | |
| ADDITIONS | |
| Employer contributions | \$ 321,750 |
| Investment income | <u>13,685</u> |
| Total additions | <u>335,435</u> |
| DEDUCTIONS | |
| Distributions | <u>13,438</u> |
| Change in net assets | 321,997 |
| NET ASSETS, BEGINNING | <u>1,432,354</u> |
| NET ASSETS, ENDING | <u>\$ 1,754,351</u> |

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

CITY OF GRAPEVINE, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

1. 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.

A. Reporting Entity

The City of Grapevine’s basic financial statements include the separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of Governmental Accounting Standards Board (“GASB”) Statement No. 14. GASB Statement No. 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit’s board must be appointed by the primary government, and either (a) the primary government must be able to impose its will, or (b) the primary government may potentially benefit financially or be financially responsible for the component unit.

Blended component units, although legally separate entities, are, in substance, part of the City’s operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize it is 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 serving only the City, under the authority of the Tax Increment Financing Act. The TIFS are governed by two separate boards of directors, of which a voting majority is appointed by the City Council. The chairman of the board is also designated by the City Council.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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 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 Economic Development Fund accounts for funds used to stimulate the local economy, development, and redevelopment. One-half (1/2) cent local sales and use tax within the district fund 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 Economic Development Fund. The Boards of Directors of these blended component units include citizens as members, but are substantively the same as the City Council.

Discretely Presented Component Unit

Grapevine Heritage Foundation (the "Foundation") is a Texas nonprofit corporation governed by a 15-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.

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.

Complete financial statements for the TIFS may be obtained from the City of Grapevine, Finance Department, 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assets 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, Public Works, 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 nonmajor funds are combined in a separate column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

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 (other local governments, individuals, pension participants, etc.) 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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*, as are the proprietary fund financial statements. 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.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. 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.

The City has elected to apply only those Financial Accounting Standards Board pronouncements issued before November 30, 1989, for its Enterprise Funds.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Measurement Focus, Basis of Accounting and Financial Statement Presentation** (Continued)

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 (Police Administration, Fire, Public Works, Libraries, Parks and Recreation, etc.) and is the primary operating unit of the City.

The **Special Revenue Fund (Hotel Occupancy Tax Fund)** accounts for all revenues and expenditures relating to the hotel/motel occupancy tax received by the City.

The **Special Revenue Fund (Crime District Fund)** accounts for the accumulation and use of sales tax proceeds designated for crime reduction programs.

The **Special Revenue Fund (Grant Fund)** is used to account for federal and state funded grants.

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

The **Tax Increment Financing Number One (TIF #1) Debt Service Fund** TIF #1 account was established by ordinances authorizing the issuance of Combination Tax and Tax Increment Reinvestment Zone Certificate of Obligations Series 1996. A property tax is levied for the payment of the debt as it becomes due and is currently payable in annual installments as it becomes due.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

C. **Measurement Focus, Basis of Accounting and Financial Statement Presentation** (Continued)

Proprietary funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, 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 of the fund include 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.

There are no nonmajor proprietary funds for the fiscal year end September 30, 2012.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's governmental and business-type activities. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, and then use the unrestricted resources as needed.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

Cash consists of demand deposits (principally interest-bearing accounts).

Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers quoted market prices at September 30, 2012, to be the fair value of investments.

For purposes of the statement of cash flows, proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Interfund Transactions, Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as either “due to/from other funds” or “advances to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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 2011 levy was based was approximately \$6,127,932,616. 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.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Property Taxes and Other Receivables (Continued)

General property taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2012, was \$.348 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 2012 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2012 and those considered “available” at year-end are recognized as revenues in 2012. 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 revenue.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible accounts for utility billing is estimated based on a percentage of sales. 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 revenue. 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.

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).

Prepaid items are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. A reserve for prepaid items is recognized in the governmental funds, and not available for other subsequent expenditures. Prepaids are defined as payments of greater than \$5,000 (amount not expressed in thousands) for a period of one year or more.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Restricted Assets

Certain proceeds of the City’s general obligation, certificates of obligation and revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or they are maintained in separate investment accounts. The “revenue bond reserve fund” accounts are used to segregate resources accumulated for current debt service payments. The “revenue bond interest and sinking fund” accounts are used to report resources set aside to make up potential future deficiencies in the revenue bond retirement accounts. The “revenue bond construction” accounts are used to report those proceeds of revenue bond issuances that are restricted for use in construction of assets. Also included in restricted assets are impact fees (see Note 13) and customer deposits.

6. Capital Assets

Capital assets, which include land improvements, construction-in-progress, buildings and improvements, equipment, intangible assets and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns 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 (amount not expressed in thousands) 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 (amounts not expressed in thousands) 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 estimated fair market value 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 |

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. 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. Employees are not reimbursed upon termination for accumulated sick leave. The liabilities for these amounts are accrued as they are incurred in the government-wide and proprietary fund financial statements.

8. 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 assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs and losses on refundings are reported as deferred charges and amortized on a straight line basis over the life of the related debt.

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.

9. 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

9. Fund Balance Classification (Continued)

- **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:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or City Manager.
- **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.

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.

10. New Accounting Principles

Significant new accounting standards not yet implemented by the City include the following.

Statement No. 61 ("GASB 61"), *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* is effective for periods beginning after June 15, 2012. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

10. New Accounting Principles (Continued)

Statement No. 63 (“GASB 63”), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for periods beginning after December 15, 2011. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 65 (“GASB 65”), *Items Previously Reported as Assets and Liabilities*, is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 68 (“GASB 68”), *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, is effective for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

2. DEFICIT EQUITY BALANCES

The Grant Fund (Special Revenue – Major Fund) had a deficit fund balance of (\$799,534). This deficit can be attributed to the timing of grant payments from granting agencies. The deficit will be funded in the subsequent period with the receipt of grant funding.

The Lake Parks Fund (Special Revenue – Nonmajor Fund) had a deficit fund balance of (\$958,737). This deficit can be attributed to an increase in expenditures from the expansion of the Vineyards Campground and cabins. This deficit will be funded by an increase in revenues projected by the expansion efforts.

The Parks Open Space and Recreation (Capital Projects-Nonmajor Fund) had a deficit fund balance of (\$1,447). The City anticipated the deficit equity balance in this fund. This deficit will either be resolved with an increase in revenues or a transfer from other funds in 2013.

3. CASH AND INVESTMENTS

As of September 30, 2012, the City had the following cash and investments:

| | |
|---------------------------------------|---------------------------|
| Total City cash deposits | \$ 23,718,590 |
| Total investments | <u>117,059,600</u> |
| Total City cash and investments | <u>\$ 140,778,190</u> |
| Cash and investments composition: | |
| Primary government | \$ 138,402,528 |
| Component unit | 478,006 |
| Trust and agency funds | <u>1,897,656</u> |
| Total cash and investments | <u>\$ 140,778,190</u> |

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Days)</u> |
|------------------------|---------------------------|---|
| TexPool | \$ 76,876,249 | 41 |
| LOGIC | 33,843,437 | 50 |
| U. S. Treasury Bonds | 311,523 | 65 |
| Municipal Bonds | <u>6,028,391</u> | 9 |
| Total portfolio | <u>\$ 117,059,600</u> | |

| | |
|--|----|
| Portfolio weighted average maturity (days) | 42 |
|--|----|

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 are provided by Lehman Brothers, Inc. and 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. Under the LOGIC Participation Agreement, administrative and investment services to LOGIC are provided by First Southwest Asset Management, 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, 2012, the City's investments in LOGIC and TexPool were both rated AAAM by Standard & Poor's.

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:

(continued)

3. CASH AND INVESTMENTS (Continued)

- 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. TexPool and LOGIC are public funds investment pools operating as a 2a-7 like pool and in full compliance with the Public Funds Investment Act. As of September 30, 2012, the City's investments in TexPool were rated AAAM and its investments in LOGIC were rated AAA.

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, or have a letter of credit issued by the Federal Home Loan Bank as required by State statutes at September 30, 2012. The bank balances were fully collateralized by government securities.

4. 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 Interest | Taxes | Accounts | Gross Receivables | Less Allowance for Uncollectibles | Total |
|---------------------|---------------------|----------------------|---------------------|----------------------|---|----------------------|
| General | \$ 5,411 | \$ 4,893,540 | \$ 2,929,156 | \$ 7,828,107 | \$(1,536,465) | \$ 6,291,642 |
| Hotel Occupancy | 2,268 | 1,020,110 | 262,653 | 1,285,031 | (14,988) | 1,270,043 |
| Crime District | - | 1,837,794 | - | 1,837,794 | - | 1,837,794 |
| Debt Service | 5,865 | 794,431 | - | 800,296 | (253,644) | 546,652 |
| Debt Service TIF #1 | 15,111 | 1,056,548 | - | 1,071,659 | - | 1,071,659 |
| Water and Sewer | 12,122 | - | 2,802,108 | 2,814,230 | (126,775) | 2,687,455 |
| Lake Enterprise | 54 | - | 36,923 | 36,977 | - | 36,977 |
| Nonmajor funds | <u>21,724</u> | <u>3,046,706</u> | <u>578,612</u> | <u>3,647,042</u> | <u>-</u> | <u>3,647,042</u> |
| Total | <u>\$ 62,555</u> | <u>\$ 12,649,129</u> | <u>\$ 6,609,452</u> | <u>\$ 19,321,136</u> | <u>\$(1,931,872)</u> | <u>\$ 17,389,264</u> |

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

| | Unavailable | Unearned |
|---|---------------------|---------------------|
| Governmental funds: | | |
| Franchise taxes | - | \$ 1,641,653 |
| Open space deposits | - | 31,604 |
| Convention center deposits | - | 89,302 |
| Camping and pavilion fees | - | 219,396 |
| Delinquent property taxes receivable - general | \$ 533,228 | - |
| Delinquent property taxes receivable - debt service | 502,868 | - |
| Grants | 814,967 | - |
| Property taxes receivable debt service - TIF #1 | 60,252 | - |
| Construction cost sharing agreements | 43,265 | - |
| Ambulance fees | 657,699 | - |
| Municipal court fines | 331,004 | - |
| Miscellaneous | <u>-</u> | <u>42,472</u> |
| Total | <u>\$ 2,943,283</u> | <u>\$ 2,024,427</u> |

The City considers franchise taxes exchange transactions as a lease of right-of-way for utility lines. Because they are treated as exchange transactions, the payments are recorded as unearned revenue and then are recognized in the period of exchange.

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

Primary Government

| | <u>Beginning Balance</u> | <u>Transfers and Additions</u> | <u>Transfers and Retirements</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------------------------|--------------------------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 47,821,876 | - | - | \$ 47,821,876 |
| Construction in progress | <u>14,971,571</u> | <u>\$ 861,882</u> | <u>\$(12,108,444)</u> | <u>3,725,009</u> |
| Total assets not being depreciated | <u>62,793,447</u> | <u>861,882</u> | <u>(12,108,444)</u> | <u>51,546,885</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 38,544,723 | 11,242,680 | (57,945) | 49,729,458 |
| Improvement other than buildings | 24,254,989 | 4,361,549 | (1,501,085) | 27,115,453 |
| Equipment and vehicles | 28,165,227 | 3,255,134 | (632,085) | 30,788,276 |
| Infrastructure | <u>121,490,558</u> | <u>-</u> | <u>-</u> | <u>121,490,558</u> |
| Total capital assets being depreciated | <u>212,455,497</u> | <u>18,859,363</u> | <u>(2,191,115)</u> | <u>229,123,745</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (15,455,213) | (1,161,879) | 2,905 | (16,614,187) |
| Improvement other than buildings | (7,125,855) | (1,203,337) | - | (8,329,192) |
| Equipment and vehicles | (20,155,909) | (1,885,321) | 581,804 | (21,459,426) |
| Infrastructure | <u>(61,050,821)</u> | <u>(4,084,798)</u> | <u>-</u> | <u>(65,135,619)</u> |
| Total accumulated depreciation | <u>(103,787,798)</u> | <u>(8,335,335)</u> | <u>584,709</u> | <u>(111,538,424)</u> |
| Total capital assets being depreciated, net | <u>108,667,699</u> | <u>10,524,028</u> | <u>(1,606,406)</u> | <u>117,585,321</u> |
| Governmental activities capital assets, net | <u>\$ 171,461,146</u> | <u>\$ 11,385,910</u> | <u>\$(13,714,850)</u> | <u>\$ 169,132,206</u> |

(continued)

5. CAPITAL ASSETS (Continued)

| | <u>Beginning Balance</u> | <u>Transfers and Additions</u> | <u>Transfers and Retirements</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------------------------|--------------------------------------|---------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,643,545 | - | - | \$ 1,643,545 |
| Construction in progress | <u>824,891</u> | \$ 1,297,901 | \$ - | <u>2,122,792</u> |
| Total assets not being depreciated | <u>2,468,436</u> | <u>1,297,901</u> | <u>-</u> | <u>3,766,337</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 2,432,585 | - | - | 2,432,585 |
| Improvement other than buildings | 6,867,585 | - | - | 6,867,585 |
| Equipment and vehicles | 906,174 | 285,047 | (81,503) | 1,109,718 |
| Water storage rights | 683,547 | - | - | 683,547 |
| Infrastructure | <u>113,079,031</u> | <u>-</u> | <u>(1,243,725)</u> | <u>111,835,306</u> |
| Total capital assets being depreciated | <u>123,968,922</u> | <u>285,047</u> | <u>(1,325,228)</u> | <u>122,928,741</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (1,542,049) | (50,762) | - | (1,592,811) |
| Improvement other than buildings | (4,258,024) | (365,683) | - | (4,623,707) |
| Equipment and vehicles | (574,556) | (74,396) | 49,087 | (599,865) |
| Water storage rights | (519,775) | (17,089) | - | (536,864) |
| Infrastructure | <u>(36,566,122)</u> | <u>(2,424,218)</u> | <u>1,105,089</u> | <u>(37,885,251)</u> |
| Total accumulated depreciation | <u>(43,460,526)</u> | <u>(2,932,148)</u> | <u>1,154,176</u> | <u>(45,238,498)</u> |
| Total capital assets being depreciated, net | <u>80,508,396</u> | <u>(2,647,101)</u> | <u>(171,052)</u> | <u>77,690,243</u> |
| Business-type activities capital assets, net | <u>\$ 82,976,832</u> | <u>\$(1,349,200)</u> | <u>\$(171,052)</u> | <u>\$ 81,456,580</u> |

(continued)

5. CAPITAL ASSETS (Continued)

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

| | |
|--|-------------------------|
| Governmental activities: | |
| General government | \$ 544,978 |
| Public safety | 989,419 |
| Public works | 4,487,372 |
| Culture and recreation | <u>2,313,566</u> |
| Total depreciation expense - governmental activities | \$ <u>8,335,335</u> |

| | |
|---|-------------------------|
| Business-type activities: | |
| Water and sewer | \$ 2,529,720 |
| Lake Enterprise | <u>402,428</u> |
| Total depreciation expense - business-type activities | \$ <u>2,932,148</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 | (128,620) | (27,651) | - | (156,271) |
| Improvements other than building | (596,207) | (47,931) | - | (644,138) |
| Vehicles and equipment | <u>(31,275)</u> | <u>-</u> | <u>-</u> | <u>(31,275)</u> |
| Total accumulated depreciation | <u>(756,102)</u> | <u>(75,582)</u> | <u>-</u> | <u>(831,684)</u> |
| Total capital assets being depreciated, net | <u>1,251,998</u> | <u>(75,582)</u> | <u>-</u> | <u>1,176,416</u> |
| Discretely presented component unit capital assets, net | <u>\$ 1,702,065</u> | <u>\$(75,582)</u> | <u>\$ -</u> | <u>\$ 1,626,483</u> |

(continued)

5. CAPITAL ASSETS (Continued)

Construction Commitments

The City has active construction projects as of September 30, 2012. The projects include building projects, street construction and improvements of existing streets, and repair and maintenance of existing water and sewer systems. As of September 30, 2012, the City had outstanding construction commitments totaling \$4,394,171.

| <u>Project</u> | <u>Commitment</u> |
|---|---------------------|
| Streets and drainage projects | \$ 1,046,037 |
| Commuter rail project | 112,544 |
| Water and wastewater - new water lines, repair and maintenance | <u>3,235,590</u> |
| Total | <u>\$ 4,394,171</u> |

The commitment for building, street and drainage construction is funded from unexpended general obligation, certificates of obligation, and revenue bond proceeds. Water and wastewater projects are funded from unexpended revenue bond proceeds and operations.

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2012, is as follows:

Due to/from Other Funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|--|---------------------|
| General | Crime District | \$ 924,834 |
| | Grants | 1,132,671 |
| | Lake Parks (nonmajor fund) | 759,546 |
| | Water and Sewer | 7,481 |
| | Lake Enterprise | <u>918,444</u> |
| Total General | | 3,742,976 |
| Hotel Occupancy Tax | General Facilities and Equipment (nonmajor fund) | <u>479,158</u> |
| Total | | <u>\$ 4,222,134</u> |

(continued)

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Due to/from Other Funds (Continued)

Interfund balances for all the funds are created by short-term deficiencies in cash position in the individual fund. It is anticipated that the balances will be repaid within one year or less. Due to/from component unit and primary government:

| | | |
|---------------------------|---------------------|------------------|
| Component unit - Heritage | Hotel Occupancy Tax | \$ <u>11,362</u> |
|---------------------------|---------------------|------------------|

In prior years, a total of \$479,158 was advanced to the Hotel Occupancy Tax Fund from the General Fund to provide financing resources for the purchase of land. The balance of this advance at September 30, 2012 was \$28,624.

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|------------------|
| General | Hotel Occupancy Tax | \$ <u>28,624</u> |

Interfund Transfers

The primary purpose of interfund transfers is the transfer of funds 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:

| | <u>Transfers to</u> | | | | | | <u>Total</u> |
|-----------------------|---------------------|------------------------------------|---------------------------|------------------|-------------------------|----------------------------------|----------------------|
| | <u>General</u> | <u>Hotel Occupancy Tax</u> | <u>Crime District</u> | <u>Grant</u> | <u>Debt Service</u> | <u>Nonmajor Governmental</u> | |
| Transfers from: | | | | | | | |
| General | \$ - | \$ - | \$ 1,500,000 | \$ 337 | \$ - | \$ 6,811,801 | \$ 8,312,138 |
| Hotel Occupancy Tax | 1,024,323 | - | - | - | 1,966,070 | 45,000 | 3,035,393 |
| Debt Service - TIF #1 | - | - | - | - | - | 497,582 | 497,582 |
| Water and Sewer | 1,444,541 | - | - | - | - | - | 1,444,541 |
| Lake Enterprise | 232,120 | - | - | - | - | - | 232,120 |
| Nonmajor governmental | <u>368,800</u> | <u>366,970</u> | <u>-</u> | <u>47,166</u> | <u>472,875</u> | <u>466,750</u> | <u>1,722,561</u> |
| Total | <u>\$ 3,069,784</u> | <u>\$ 366,970</u> | <u>\$ 1,500,000</u> | <u>\$ 47,503</u> | <u>\$ 2,438,945</u> | <u>\$ 7,821,133</u> | <u>\$ 15,244,335</u> |

(continued)

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund Transfers (Continued)

Various nonmajor funds received transfers from the General Fund during fiscal year 2012. The General Fund transferred \$3,000,000 to the Quality of Life Fund for capital projects. Per Council policy, revenues in excess of the 20% balance requirement in the General Fund are to be transferred to the Quality of Life CIP Fund at fiscal year-end. The General Fund transferred \$1,500,000 to the Crime District Fund to supplement a decrease in anticipated sales tax revenues for fiscal year 2012. In addition, the Street Maintenance and Capital Replacement Fund received a \$2,571,500 transfer for capital projects related to streets and general facilities, and \$1,240,301 was transferred to the Capital Acquisition Fund for fleet, capital and technology equipment purchases. There were transfers to the Debt Service Fund of \$1,966,070 for payment of debt obligations for the Hotel Occupancy Tax Fund, \$113,863 for the Storm Drainage Fund, and \$336,566 for the Lake Parks Fund, \$22,446 for the Municipal Court Technology Fund. Transfers to the General Fund for \$4,310,061 were for payments from other funds for insurance, claims, fleet and IT costs administered by the General Fund.

7. 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. Revenues generated from the operations on the property will be used to maintain the property. 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.

Gaylord Texan Resort and Convention Center:

The City leased property from the United States Corps of Engineers (as referred to above (Lake Parks)). The City entered into a sublease agreement with the Gaylord Texan Resort and Convention Center on March 18, 1994, for a portion of the land leased from the United States Corps of Engineers. The contract is for 49 years and the rent payment is \$1 per year. Gaylord Texan Resort and Convention Center has a sublease hold deed of trust and security agreement. The City agreed to sublease property to Gaylord Texan Resort and Convention Center so they could secure financing.

(continued)

7. LEASES (Continued)

Operating Leases (Continued)

Gaylord Texan Resort and Convention Center: (Continued)

The City and Gaylord Texan Resort and Convention Center entered into an amended agreement in fiscal year 2008 pertaining to the United States Corps of Engineers leased property referred to as the "Lease Property." This amendment does not become effective until the issuance of a building permit for the expansion on this property. The "Lease Property" terms provide for annual rents during the construction of the expansion of \$54,360 with periodic fee increases due upon substantial completion of the expansion of the Gaylord Texan Resort and Convention Center. The annual rent will be adjusted every five years based on the terms of the contract. The Land Lease shall commence upon the issuance of a building permit for the expansion and shall have a primary term of 25 years with Gaylord Texan Resort and Convention Center having the right to extend the term for one additional period of 25 years.

In the new amended agreement between the City and Gaylord Texan Resort and Convention Center, the City also granted to Gaylord Texan Resort and Convention Center an option for the right to lease the "Western Amenity Parcel." For a period of one year from the date of the Option Election, Gaylord Texan Resort and Convention Center has the right to lease the "Western Amenity Parcel," and to keep the option in effect, Gaylord Texan Resort and Convention Center must continue paying annual rent at an amount based upon the contract terms. Gaylord Texan Resort and Convention Center elected to pick up the option for the "Western Amenity Parcel" on June 5, 2008, and paid the City of Grapevine \$54,000 in accordance with the terms of the agreement.

In May 2009, the City and Gaylord Texan Resort and Convention Center entered into a third agreement and agreed to extend the required commencement date of the expansion from September 12, 2009, until September 12, 2012, and extended the renewal dates for parcels 5 and 7, as defined in the agreement, until September 12, 2012. In September 2012, the City and the Gaylord Texan Resort and Convention Center entered into a fourth agreement and agreed to extend the required commencement date of the expansion until March 12, 2013.

Cowboys Golf Course:

The City entered into a 25-year lease agreement with the Cowboys Golf Course in 1994. The rent fee is 3% of Cowboys' gross revenues from operations.

8. 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.

(continued)

8. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

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, combination tax and revenue bonds, and certificates of obligation outstanding and their corresponding allocations to the governmental and business-type activities at September 30, 2012, follows:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|-------------------------------------|-----------------------|----------------------|
| Governmental activities | 2.5% - 5.25% | \$ 11,145,000 |
| Governmental activities, refunding | 2.5% - 5.25% | <u>29,210,000</u> |
| Total governmental | | 40,355,000 |
| Business-type activities, refunding | 2.0% - 5.25% | <u>12,510,000</u> |
| Total general obligation debt | | <u>\$ 52,865,000</u> |

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

| Year Ending September 30, | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|------------------------------|--------------------------------|---------------------------|---------------------------------|---------------------------|
| | <u>General Obligation</u> | <u>G. O. Interest</u> | <u>General Obligation</u> | <u>G. O. Interest</u> |
| 2013 | \$ 4,975,000 | \$ 1,667,270 | \$ 1,680,000 | \$ 499,203 |
| 2014 | 5,200,000 | 1,438,926 | 1,745,000 | 429,690 |
| 2015 | 5,525,000 | 1,217,787 | 1,825,000 | 356,003 |
| 2016 | 5,315,000 | 989,721 | 1,920,000 | 277,804 |
| 2017 | 4,145,000 | 781,160 | 1,850,000 | 202,791 |
| 2018-2022 | 13,345,000 | 1,660,907 | 3,490,000 | 229,476 |
| 2023-2027 | <u>1,850,000</u> | <u>151,071</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 40,355,000</u> | <u>\$ 7,906,842</u> | <u>\$ 12,510,000</u> | <u>\$ 1,994,967</u> |

Certificates of Obligation

The City also issues 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%. Annual debt service requirements to maturity for certificates of obligation of the primary government are as follows:

(continued)

8. LONG-TERM LIABILITIES (Continued)

Certificates of Obligation (Continued)

| <u>Year Ending September 30,</u> | <u>Governmental Activities</u> | |
|--------------------------------------|---------------------------------------|---------------------------|
| | <u>Certificates of Obligation</u> | <u>C. O. Interest</u> |
| 2013 | \$ 4,835,142 | \$ 2,287,500 |
| 2014 | 4,906,736 | 2,094,372 |
| 2015 | 4,788,386 | 1,875,583 |
| 2016 | 4,735,095 | 1,642,840 |
| 2017 | 2,406,864 | 1,476,168 |
| 2018-2022 | 13,721,837 | 5,584,041 |
| 2023-2027 | 13,940,000 | 2,066,213 |
| 2028-2030 | <u>1,460,000</u> | <u>77,233</u> |
| Total | <u>\$ 50,794,060</u> | <u>\$ 17,103,950</u> |

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Water and sewer revenues are used for repayment of these revenue bonds. Interest rates on outstanding water and sewer revenue bonds range from 2.00% – 5.35%. Revenue bond debt service requirements to maturity are as follows:

| <u>Year Ending September 30,</u> | <u>Business-type Activities</u> | |
|--------------------------------------|---------------------------------|-----------------------------|
| | <u>Revenues</u> | <u>Revenue Interest</u> |
| 2013 | \$ 255,000 | \$ 31,551 |
| 2014 | 265,000 | 21,670 |
| 2015 | <u>270,000</u> | <u>11,071</u> |
| Total | <u>\$ 790,000</u> | <u>\$ 64,292</u> |

Notes Payable

The City issues tax notes to finance the construction of capital improvement projects, municipal facilities, and machinery and equipment. The interest rates on the outstanding tax notes range from 3.00% – 4.25%.

(continued)

8. LONG-TERM LIABILITIES (Continued)

Notes Payable (Continued)

Tax, Land and Other Notes debt service requirements to maturity are as follows:

| <u>Year Ending September 30,</u> | <u>Governmental Activities</u> | |
|--------------------------------------|--------------------------------------|---|
| | <u>Tax, Land and Other Notes</u> | <u>Tax, Land and Other Interest</u> |
| 2013 | \$ 1,273,210 | \$ 124,025 |
| 2014 | 1,304,236 | 72,788 |
| 2015 | 855,341 | 29,906 |
| 2016 | 16,533 | 12,335 |
| 2017 | 17,816 | 11,051 |
| 2018-2022 | 112,103 | 32,233 |
| 2023-2027 | <u>25,491</u> | <u>965</u> |
| Total | <u>\$ 3,604,730</u> | <u>\$ 283,303</u> |

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2012, (amounts expressed in thousands):

| | <u>Balance 09/30/11</u> | <u>Increases</u> | <u>Reductions</u> | <u>Balance 09/30/12</u> | <u>Due Within One Year</u> |
|---|-----------------------------|----------------------|------------------------|-----------------------------|--------------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 45,335,000 | \$ - | \$(4,980,000) | \$ 40,355,000 | \$ 4,975,000 |
| Certificates of obligation | <u>55,472,663</u> | <u>-</u> | <u>(4,678,603)</u> | <u>50,794,060</u> | <u>4,835,142</u> |
| Total bonds payable | <u>100,807,663</u> | <u>-</u> | <u>(9,658,603)</u> | <u>91,149,060</u> | <u>9,810,142</u> |
| Notes payable - taxes | 4,625,000 | - | (1,235,000) | 3,390,000 | 1,260,000 |
| Notes payable | <u>226,986</u> | <u>-</u> | <u>(12,256)</u> | <u>214,730</u> | <u>13,211</u> |
| Total notes payable | <u>4,851,986</u> | <u>-</u> | <u>(1,247,256)</u> | <u>3,604,730</u> | <u>1,273,211</u> |
| Total bonds and notes | <u>105,659,649</u> | <u>-</u> | <u>(10,905,859)</u> | <u>94,753,790</u> | <u>11,083,353</u> |
| Less deferred amount on refunding | (3,260,068) | - | 363,109 | (2,896,959) | - |
| Premium on bond issues | 4,215,793 | - | (428,587) | 3,787,206 | - |
| Discount on bond issues | <u>(25,258)</u> | <u>-</u> | <u>1,099</u> | <u>(24,159)</u> | <u>-</u> |
| Net governmental bonds and notes outstanding | <u>106,590,116</u> | <u>-</u> | <u>(10,970,238)</u> | <u>95,619,878</u> | <u>11,083,353</u> |
| Sales tax obligation | 1,405,315 | - | (257,856) | 1,147,459 | 201,656 |
| Net OPEB obligation | 5,973,328 | 3,393,571 | (505,168) | 8,861,731 | - |
| Net pension obligation | 3,979,718 | 6,227,193 | (5,565,208) | 4,641,703 | - |
| Compensated absences | <u>2,754,824</u> | <u>2,277,938</u> | <u>(2,152,176)</u> | <u>2,880,586</u> | <u>720,146</u> |
| Total governmental long-term liabilities | <u>\$ 120,703,301</u> | <u>\$ 11,898,702</u> | <u>\$(19,450,646)</u> | <u>\$ 113,151,357</u> | <u>\$ 12,005,155</u> |

(continued)

8. LONG-TERM LIABILITIES (Continued)

Notes Payable (Continued)

| | Balance 09/30/11 | Increases | Reductions | Balance 09/30/12 | Due Within One Year |
|---|----------------------|---------------------|----------------------|----------------------|------------------------|
| Business-type activities: | | | | | |
| Water and sewer obligations | | | | | |
| General obligation bonds | \$ 11,190,000 | \$ - | \$(1,295,000) | \$ 9,895,000 | \$ 1,365,000 |
| Water and sewer bonds | 1,035,000 | - | (245,000) | 790,000 | 255,000 |
| Less deferred amount on refund | (521,846) | - | 71,216 | (450,630) | - |
| Premium on bond issues | 463,936 | - | (43,141) | 420,795 | - |
| Net water and sewer bonds payable | <u>12,167,090</u> | <u>-</u> | <u>(1,511,925)</u> | <u>10,655,165</u> | <u>1,620,000</u> |
| Lake enterprise obligations | | | | | |
| General obligation bonds | 2,910,000 | - | (295,000) | 2,615,000 | 315,000 |
| Less deferred amount on refund | (61,573) | - | 8,349 | (53,224) | - |
| Premium on bond issues | 264,342 | - | (18,387) | 245,955 | - |
| Net Lake Enterprise bonds payable | <u>3,112,769</u> | <u>-</u> | <u>(305,038)</u> | <u>2,807,731</u> | <u>315,000</u> |
| Net business-type bonds payable | <u>15,279,859</u> | <u>-</u> | <u>(1,816,963)</u> | <u>13,462,896</u> | <u>1,935,000</u> |
| Net OPEB obligation | 780,792 | 455,748 | (67,843) | 1,168,697 | - |
| Net pension obligation | 435,294 | 662,819 | (592,358) | 505,755 | - |
| Compensated absences | 218,476 | 181,715 | (170,791) | 229,400 | 57,350 |
| Total business-type long-term liabilities | <u>\$ 16,714,421</u> | <u>\$ 1,300,282</u> | <u>\$(2,647,955)</u> | <u>\$ 15,366,748</u> | <u>\$ 1,992,350</u> |

For the governmental activities, compensated absences and other long-term liabilities are generally liquidated by the General Fund.

(continued)

8. LONG-TERM LIABILITIES (Continued)

Other Long-term Liabilities – Texas Comptroller of Public Accounts

As of September 30, 2012, the City of Grapevine has three payout agreements with the Texas Comptroller of Public Accounts for overpayment of sales taxes that total \$1,147,459. These amounts will be withheld from sales tax receipts over a period not to exceed seven years.

Pledged Revenues

Proprietary Funds

The City has pledged future water and wastewater customer revenues, net of specified operating expenses, to repay outstanding revenue and general obligation bonds funded with water and wastewater customer revenues in the amount of \$10,685,000 as noted in footnote 8 (long-term liabilities). The bonds were used to make improvements in the City's water and wastewater system. The bonds are payable from the net revenues of the City's utility system and are payable through 2022. Average annual principal and interest payments on the bonds are expected to require \$1,230,003 each year. The total principal and interest remaining to be paid on the bonds are \$12,300,033. Principal and interest paid on the bonds for the current year and total customer operating revenues were \$2,056,437 and \$20,481,210, respectively.

Golf

The City has pledged future customer revenues, net of specified operating expenses, to repay outstanding general obligation bonds and Tax Notes funded with customer revenues in the amount of \$2,615,000 issue as noted in footnote 8 (long-term liabilities). The bonds were used to make improvements in the City's Lake Enterprise system. The bonds are payable from the net revenues of the City's Lake Enterprise system and are payable through 2019. Average annual principal and interest payments on the bonds are expected to require \$426,525 each year. The total principal and interest remaining to be paid on the bond is \$3,485,751. Principal and interest paid on the bonds for the current year and total customer operating revenues were \$469,431 and \$3,079,202, respectively.

Tax Increment Financing District #1

The Board of Directors for the Tax Increment Financing District #1 approved amending the Financing and Project Plan to allow the creation of a 380 Category within the Financing and Plan whereas all City funds contributed to date and additional funds contributed up to 2016-2017 be placed in a 380 account in the TIF zone to incentivize further economic development in the zone. The action was passed by the Board on September 8, 2009.

Tax Increment Financing District #2

The City has entered into a local agreement with the Grapevine-Colleyville Independent School District where future ad valorem taxes collected for the zone will be used to contribute towards the School's middle school debt. The total contribution that the City is obligated to pay is \$45,016,222 as of September 30, 2012. The annual amount is negotiated each year with the school and the school bills the City. The City does not have title to the middle school improvements.

9. EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

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

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

| | <u>Plan Year 2010</u> | <u>Plan Year 2011</u> | <u>Plan Year 2012</u> |
|---|------------------------------|------------------------------|------------------------------|
| Employee deposit rate | 7.0% | 7.0% | 7.0% |
| Matching ratio (city to employee) | 2 to 1 | 2 to 1 | 2 to 1 |
| Years required for vesting | 5 | 5 | 5 |
| Service retirement eligibility (expressed as age/years of service) | 60/5, 0/20 | 60/5, 0/20 | 60/5, 0/20 |
| Updated service credit | 100% repeating, transfers | 100% repeating, transfers | 100% repeating, transfers |
| Annuity increase (to retirees) | 70% of CPI repeating | 70% of CPI repeating | 70% of CPI repeating |

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

(continued)

9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

Contributions (Continued)

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

| | |
|--|-------------------------|
| Annual Required Contribution (ARC) | \$ 6,846,621 |
| Interest on Net Pension Obligation | 309,051 |
| Adjustment to the ARC | <u>(265,660)</u> |
| Annual Pension Cost | 6,890,012 |
| Contributions Made | <u>(6,157,566)</u> |
| Increase (Decrease) in Net Pension Obligation | 732,446 |
| Net Pension Obligation/(Asset), beginning of year | <u>4,415,012</u> |
| Net Pension Obligation/(Asset), ending of year | <u>\$ 5,147,458</u> |

| <u>Accounting Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Actual Contribution Made</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|---------------------------------------|--|---|--|---------------------------------------|
| 09/30/10 | \$ 7,084,739 | \$ 5,384,642 | 76% | \$ 2,878,216 |
| 09/30/11 | 7,530,037 | 5,993,241 | 80% | 4,415,012 |
| 09/30/12 | 6,890,012 | 6,157,566 | 89% | 5,147,458 |

(continued)

9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

Contributions (Continued)

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

| Valuation Date | 12/31/09 | 12/31/10 - prior to restructuring | 12/31/10 - restructured | 12/31/11 |
|--|---------------------------|--|--------------------------------|---------------------------|
| Actuarial cost method | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit | Projected Unit Credit |
| Amortization method | Level percent of payroll | Level percent of payroll | Level percent of payroll | Level percent of payroll |
| GASB 25 equivalent single amortization period | 28.2 years; closed period | 27.2 years; closed period | 27.2 years; closed period | 26.2 years; closed period |
| Amortization period for new gains/losses | 30 years | 30 years | 30 years | 30 years |
| Asset valuation method | 10-year smoothed market | 10-year smoothed market | 10-year smoothed market | 10-year smoothed market |
| Actuarial Assumptions: | | | | |
| Investment rate of return | 7.5% | 7.5% | 7.0% | 7.0% |
| Projected salary increases | varies by age and service | varies by age and service | varies by age and service | varies by age and service |
| *Includes inflation at | 3.0% | 3.0% | 3.0% | 3.0% |
| Cost-of-living adjustments | 2.1% | 2.1% | 2.1% | 2.1% |

Schedule of Funding Information

The funded status as of December 31, 2011, the most recent actuarial valuation date, is as follows:

| 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) |
|---------------------------------|--------------------------------------|--|---------------------------|----------------------------------|----------------------------|--|
| 12/31/2011 | \$ 143,043,423 | \$ 186,688,189 | 76.6% | \$ 43,644,766 | \$ 34,504,224 | 126.5% |

(continued)

9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

Schedule of Funding Information (Continued)

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

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

10. COMMITMENTS AND CONTINGENCIES

The City is 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 estimatable or probable.

Gaylord Texan Resort and Convention Center

The City of Grapevine, Texas has a Memorandum of Understanding with Opryland Hotel—Texas, Limited Partnership “Gaylord” whereas one cent (\$.01) of the Hotel Occupancy Tax [currently six cents (\$.06)] collected by the City from the Gaylord, for the immediately preceding fiscal-year, shall be remitted each year back to the Gaylord. Per the agreement dated March 24, 1999, these payments will continue for a period of 20 years. Expenditures for fiscal year-end 2012 were \$714,324.

On September 28, 2012, the City entered into a fourth addendum agreement with Opryland Hotel – Texas, Limited Partnership related to the expansion of the Gaylord Texan Resort and Convention Center. Gaylord Entertainment, Inc. will receive a payment from the City in the amount equal to one-half of the “City Property Taxes” paid by Gaylord Texan Resort and Convention Center to the City for a 10-year period. The term “City Property Taxes” means the amount determined by multiplying the City ad valorem tax rate for the years in question times the “Incremental Increase” in value with the base year being 2009.

The payment of Hotel Occupancy Taxes, as described in the preceding paragraph, will continue for a period of 20 years. If a building permit is issued for the expansion of the Gaylord Hotel prior to March 13, 2013, an additional one cent (\$.02 total) will then be remitted back to the Gaylord for the remainder of the 20 years.

(continued)

10. COMMITMENTS AND CONTINGENCIES (Continued)

Great Wolf Lodge

The City of Grapevine, Texas entered into an incentive agreement with Great Wolf Resorts, Inc. under Chapter 380 of the Texas Local Government Code. The Developer must complete the project to construct a family oriented resort hotel featuring an indoor water park to be known as the "Great Wolf Lodge." The Project is to be completed in two phases. In consideration of the Developer's completion of the Project, the City agrees to provide the following incentives. For a period of 10 years after the issuance of a Certificate of Occupancy for Phase I, the City shall annually grant an amount to developer equal to one cent (\$.01) of the Hotel Occupancy Tax rate [currently six cents (\$.06)] collected by the City from Phase I of the Project for the immediately preceding Fiscal Year. For a period of 10 years after the issuance of a Certificate of Occupancy for Phase I, the City shall annually grant an amount to Developer equal to one cent of the Hotel Occupancy Tax rate [currently six cents (\$.06)] collected by the City from Phase II of the Project for the immediately preceding Fiscal Year. The City shall annually provide a grant in an amount equal to one half of one cent of the municipal sales tax revenue collected on the "Property" for a period of 10 years following the opening of Phase II. Incentives of \$502,979 were earned in fiscal year 2012 and were remitted by the City in fiscal year 2013 per contract.

Henry Schein

The City of Grapevine, Texas entered into a rebate agreement with Henry Schein, Inc. on March 6, 2007, for the rebate of Sales Tax Receipts from the one percent (1 %) sales and use tax under Chapter 321 of the Texas Tax Code. The amount of the rebate is eighty seven and one half percent (87.5 %) of the sales tax receipts for the sale of taxable items at the Henry Schein facility in Grapevine, TX. The rebate does not apply to the one half of one percent (.5 %) sales and use tax imposed on behalf of the Grapevine 4B Economic Development Corporation and one half of one percent (.5 %) sales and use tax imposed on behalf of the Grapevine Crime Control and Prevention District. The initial term of the agreement began on April 1, 2007, and continues until the 10th anniversary date of the commencement date. Thereafter, the term of this agreement shall be automatically renewed for two (2) successive terms of ten (10) years each. Rebate amounts earned by Henry Schein, Inc. totaled \$1,154,358 as of September 30, 2012.

Grapevine Mills Mall

The City Council and the Tax Increment Financing District Reinvestment Zone Number One (TIF#1) Board of Directors of the City of Grapevine, Texas officially met on June 19, 2012. The board discussed an Economic Development Agreement for the Grapevine Mills Mall for a planned \$40 million renovation with the focus on attracting a more upscale mix of retail. During the meeting, City Manager Rumbelow recommended approval and authorization to execute an Economic Development Agreement with Grapevine Mills LTD Partnership in an amount not to exceed \$14,000,000.00 for interior renovations (\$10,000,000) and future exterior improvements (\$4,000,000) at Grapevine Mills Mall. The Board unanimously approved the development agreement.

11. RISK MANAGEMENT

The City of Grapevine is exposed to various risks of loss related to tort liability, theft of and damage to property and destruction of assets; public officials' errors and omissions; bodily injury and property damage; injury to employees and natural disasters. During fiscal year 1987, the City of Grapevine established a risk management program to account for and finance its risk of loss. In fiscal year 1991, the Risk Management program was expanded to include implementation of the SIR (Self Insured Retention) plan. Under this plan, the City provided insurance protection for all known exposures, including all third party liability, law enforcement liability, public officials' errors and omissions, and all bodily injury and property damage arising out of the City's operations on an insured basis with various retentions up to \$10,000 per occurrence. In addition, the City provides protection for all its real property on a blanket building basis, including contents with agreed values and replacement costs with \$5,000 retention per occurrence. The City provides statutory workers' compensation for all employees for bodily injury and indemnity loss of wages. The City provides liability protection for all its commercial auto vehicles (fleet) on an insured basis up to \$5,000 per occurrence. The City also provides \$10,000,000 excess umbrella liability over all liability exposures. The City's loss experience has been very favorable with the experience modifier of .32 in the City's workers' compensation plan and similar loss ratios in the City's property and casualty insurance fund. The City purchases commercial insurance for claims in excess of its retention provided by the fund and for all other risks of loss. Risk management subrogates against third parties that damage City property or create bodily injury to City staff. Settled claims have not exceeded this commercial coverage in any of the past twenty fiscal years, nor has the City experienced significant reductions in coverage. All funds of the City participate in the program and make payments to the general fund based on actuarial estimates of the amounts needed to pay prior and current year premiums and claims. All third party liability and property protection is provided by A rated insurance carriers as defined by Best Key Rating Guide, A.M. Best Company. All workers' compensation protection afforded the employees of the City of Grapevine is through the Texas Municipal League Risk Retention Pool (TML Intergovernmental Risk Pool – Texas Municipal League, 211 E. 7th Street, Austin, Texas 78701).

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>2012</u> | <u>2011</u> |
|--|---------------------|---------------------|
| Claims payable, beginning of year | \$ 745,054 | \$ 690,119 |
| Current year claims and changes in estimates | 5,977,450 | 6,001,783 |
| Payments on claims | <u>(6,120,286)</u> | <u>(5,946,848)</u> |
| Claims payable at end of year | <u>\$ 602,218</u> | <u>\$ 745,054</u> |

12. WATER STORAGE RIGHTS

Water storage rights of \$683,547 net of accumulated amortization of \$536,864, 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 8 years remains on the contract.

13. 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.

14. DEFERRED CHARGES

Deferred charges consist of expenses incurred in connection with the issuance of certain outstanding bonds. Such charges are amortized on a straight-line basis over the lives of the respective bonds.

15. 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, which expire in 2014 and 2023, respectively. 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.

Payments during 2012 for the purchase of treated water were \$5,295,990 and payments made for the transportation, treatment, and disposal of wastewater by TRA were \$931,784. 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.

16. 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. Currently, the City has 549 active employees and 107 retirees and beneficiaries eligible to participate in the 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. A supplement of \$250 will be made available 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 \$250 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, the retiree 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.

When the retiree or eligible dependent becomes Medicare eligible, the City medical plan will no longer be available. Upon reaching Medicare eligibility retirees and their spouses may enroll in the Senior Insurance Plan.

(continued)

16. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Post-retirement Health Care Benefits (Continued)

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, 2012, is as follows:

| | |
|--|----------------------|
| Annual Required Contribution (ARC) | \$ 3,826,977 |
| Interest on Net OPEB Obligation | 303,935 |
| Adjustment to the ARC | <u>(281,593)</u> |
| Annual OPEB Cost | 3,849,319 |
| Employer Contributions | <u>(573,011)</u> |
| Increase (Decrease) in Net OPEB Obligation | 3,276,308 |
| Net OPEB Obligation/(Asset), beginning of year | <u>6,754,120</u> |
| | |
| Net Pension Obligation/(Asset), ending of year | <u>\$ 10,030,428</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 \$160,300 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, 2012 and the preceding two fiscal years were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Employer Contribution</u> | <u>Percentage Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------------|---------------------------------|----------------------------------|-----------------------------------|------------------------------------|
| 09/30/10 | \$ 2,523,606 | \$ 686,050 | 27% | \$ 3,771,007 |
| 09/30/11 | 3,727,986 | 744,873 | 20% | 6,754,120 |
| 09/30/12 | 3,849,319 | 573,011 | 15% | 10,030,428 |

(continued)

16. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Post-retirement Health Care Benefits (Continued)

Funding Status and Funding Progress

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded (AAL) (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|---|--|--|--------------------------------------|-------------------------|----------------------------|--|
| 12/31/10 | - | \$ 36,241,223 | \$ 36,241,223 | - % | \$ 35,278,020 | 102.73% |

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.

(continued)

16. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Post-retirement Health Care Benefits (Continued)

Significant methods and assumptions were as follows:

| | |
|-------------------------------|--|
| Actuarial Valuation Date | 12/31/2010 |
| Actuarial Cost Method | Projected Unit Credit |
| Amortization Method | Level as a percentage of payroll |
| Remaining Amortization Period | 30 years; open |
| Asset Valuation Method | Market Value |
| Actuarial Assumptions: | |
| Inflation rate | 3% per annum |
| Investment Rate of Return | 4.5%, net of expenses |
| Payroll Growth Rate | 3% per annum |
| General Inflation Rate | 3% |
| Health Care Trend | Initial rate of 9% declining to an ultimate rate of 4.5% after 9 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.

17. EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the following funds by the following amounts. These expenditures were funded by greater than expected revenues.

| <u>Fund</u> | <u>Amount</u> |
|---------------------|---------------|
| Hotel Occupancy Tax | \$ 63,105 |
| Debt service fund | 4,421 |
| 4B-Transit | 400,006 |

18. SUBSEQUENT EVENTS

On December 4, 2012, the City issued \$8,060,000 of General Obligation Refunding Bonds, Series 2012 and \$1,225,000 of Public Property Finance Contractual Obligations, Series 2012. The refunding bonds have a final maturity date of February 15, 2027, and have interest rates ranging from 2.0-2.125%. The refunding bonds will be used to refund \$7,880,000 in various certificates of obligation and general obligation bonds. The contractual obligations will be used for the acquisition of a fire truck. These obligations have a final maturity date of February 15, 2027, and have interest rates ranging from 1.25-2.25%.

On November 19, 2012, the City of Grapevine resolved to issue anticipated General Obligation Bonds for \$38,600,000 to construct a new Public Safety Building that will house the Police Department and Municipal Court and \$30,100,000 for constructing, improving, equipping, and renovation to and expansion of the existing Community Activities Center.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF GRAPEVINE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|---------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Taxes | \$ 38,324,457 | \$ 38,324,457 | \$ 40,179,342 | \$ 1,854,885 |
| Licenses and permits | 1,101,811 | 1,101,811 | 1,541,902 | 440,091 |
| Intergovernmental | 75,221 | 75,221 | 125,415 | 50,194 |
| Charges for services | 2,963,420 | 2,963,420 | 3,498,239 | 534,819 |
| Fines and forfeitures | 2,123,875 | 2,123,875 | 1,970,453 | (153,422) |
| Investment income | 60,000 | 60,000 | 38,265 | (21,735) |
| Miscellaneous | <u>200,000</u> | <u>200,000</u> | <u>282,160</u> | <u>82,160</u> |
| Total revenues | <u>44,848,784</u> | <u>44,848,784</u> | <u>47,635,776</u> | <u>2,786,992</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 13,964,110 | 14,359,933 | 13,738,841 | 621,092 |
| Public safety | 12,045,226 | 12,347,238 | 12,166,267 | 180,971 |
| Culture and recreation | 7,980,256 | 8,310,588 | 8,119,965 | 190,623 |
| Public works | 5,274,863 | 5,316,735 | 5,100,712 | 216,023 |
| Capital outlay | 35,950 | 415,373 | 210,096 | 205,277 |
| Debt service principal | <u>-</u> | <u>-</u> | <u>257,856</u> | <u>(257,856)</u> |
| Total expenditures | <u>39,300,405</u> | <u>40,749,866</u> | <u>39,593,737</u> | <u>1,156,129</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>5,548,379</u> | <u>4,098,918</u> | <u>8,042,039</u> | <u>3,943,121</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 2,854,422 | 2,854,422 | 3,069,784 | 215,362 |
| Transfers out | <u>(8,311,801)</u> | <u>(8,312,138)</u> | <u>(8,312,138)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(5,457,379)</u> | <u>(5,457,716)</u> | <u>(5,242,354)</u> | <u>215,362</u> |
| NET CHANGE IN FUND BALANCES | 91,000 | (1,358,798) | 2,799,685 | 4,158,483 |
| FUND BALANCES, BEGINNING | <u>9,595,273</u> | <u>9,595,273</u> | <u>9,595,273</u> | <u>-</u> |
| FUND BALANCES, ENDING | <u>\$ 9,686,273</u> | <u>\$ 8,236,475</u> | <u>\$ 12,394,958</u> | <u>\$ 4,158,483</u> |

CITY OF GRAPEVINE, TEXAS
HOTEL OCCUPANCY TAX
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Taxes | \$ 11,432,340 | \$ 11,432,340 | \$ 12,326,427 | \$ 894,087 |
| Charges for services | 6,354,000 | 6,354,000 | 6,146,246 | (207,754) |
| Investment income | 6,000 | 6,000 | 16,582 | 10,582 |
| Miscellaneous | <u>98,000</u> | <u>98,000</u> | <u>350,841</u> | <u>252,841</u> |
| Total revenues | <u>17,890,340</u> | <u>17,890,340</u> | <u>18,840,096</u> | <u>949,756</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 14,870,228 | 14,981,963 | 15,060,909 | (78,946) |
| Capital outlay | <u>29,000</u> | <u>29,000</u> | <u>13,159</u> | <u>15,841</u> |
| Total expenditures | <u>14,899,228</u> | <u>15,010,963</u> | <u>15,074,068</u> | <u>(63,105)</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>2,991,112</u> | <u>2,879,377</u> | <u>3,766,028</u> | <u>886,651</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 359,453 | 359,453 | 366,970 | 7,517 |
| Transfers out | <u>(2,882,078)</u> | <u>(2,857,078)</u> | <u>(3,035,393)</u> | <u>(178,315)</u> |
| Total other financing sources (uses) | <u>(2,522,625)</u> | <u>(2,497,625)</u> | <u>(2,668,423)</u> | <u>(170,798)</u> |
| NET CHANGE IN FUND BALANCES | 468,487 | 381,752 | 1,097,605 | 715,853 |
| FUND BALANCES, BEGINNING | <u>4,871,546</u> | <u>4,871,546</u> | <u>4,871,546</u> | <u>-</u> |
| FUND BALANCES, ENDING | <u>\$ 5,340,033</u> | <u>\$ 5,253,298</u> | <u>\$ 5,969,151</u> | <u>\$ 715,853</u> |

CITY OF GRAPEVINE, TEXAS
CRIME DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Taxes | \$ 11,350,000 | \$ 11,350,000 | \$ 11,286,914 | \$(63,086) |
| Intergovernmental | - | 243 | 243 | - |
| Investment income | 13,649 | 13,649 | 3,435 | (10,214) |
| Total revenues | <u>11,363,649</u> | <u>11,363,892</u> | <u>11,290,592</u> | <u>(73,300)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | 12,578,902 | 12,622,224 | 12,384,894 | 237,330 |
| Capital outlay | 375,747 | 378,747 | 146,040 | 232,707 |
| Total expenditures | <u>12,954,649</u> | <u>13,000,971</u> | <u>12,530,934</u> | <u>470,037</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>(1,591,000)</u> | <u>(1,637,079)</u> | <u>(1,240,342)</u> | <u>396,737</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,500,000 | 1,500,000 | 1,500,000 | - |
| Total other financing sources (uses) | <u>1,500,000</u> | <u>1,500,000</u> | <u>1,500,000</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | (91,000) | (137,079) | 259,658 | 396,737 |
| FUND BALANCES, BEGINNING | <u>155,748</u> | <u>155,748</u> | <u>155,748</u> | <u>-</u> |
| FUND BALANCES, ENDING | <u>\$ 64,748</u> | <u>\$ 18,669</u> | <u>\$ 415,406</u> | <u>\$ 396,737</u> |

CITY OF GRAPEVINE, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR PARTICIPATION
IN TEXAS MUNICIPAL RETIREMENT SYSTEM**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Funded Ratio (a/b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u> |
|---|--|--|-----------------------------------|--|------------------------------------|--|
| 12/31/2009 | \$ 83,121,394 | \$ 133,446,268 | 62.3% | \$ 50,324,874 | \$ 35,340,679 | 142.4% |
| 12/31/2010 | 131,269,476 | 175,238,441 | 74.9% | 43,968,965 | 35,278,020 | 124.6% |
| 12/31/2011 | 143,043,423 | 186,688,189 | 76.6% | 43,644,766 | 34,504,224 | 126.5% |

Note:

2010 includes the impact of Senate Bill 350 enacted by the Texas Legislature in June 2011. This legislation provided a restructuring of the Texas Municipal Retirement System funds effective December 31, 2010.

CITY OF GRAPEVINE, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
POST-RETIREMENT HEALTH CARE BENEFIT PLAN**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

| 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) |
|--------------------------------|--|---|--------------------------|------------------------------------|---------------------------|--|
| 12/31/2008 | \$ - | \$ 23,744,606 | 0.0% | \$ 23,744,606 | \$ 34,375,838 | 69.1% |
| 12/31/2010 | - | 36,241,223 | 0.0% | 36,241,223 | 35,278,020 | 102.7% |

(Note) This is the fourth year of implementation of GASB 45. Accordingly, only two years of funding progress are available as GASB 45 only requires the City to have actuarial evaluations performed every two years. Additional years of funding progress will be presented in future years, as they become available.

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CITY OF GRAPEVINE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2012

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 (a Special Revenue Fund), the Crime District Fund (a Special Revenue Fund), the 4B – Transit Fund (a Special Revenue Fund), the Debt Service Fund and Enterprise Funds. Budgetary control is maintained at the fund level.
- (6) Budgets for the General, Hotel Occupancy Tax Special Revenue, Crime District Special Revenue, 4B–Transit 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. The Grant Special Revenue Fund does not have a legally adopted annual budget. 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 (Special Revenue Fund), and Crime District Fund (Special Revenue Fund). Comparisons of budgetary data to actual results of operations for the Debt Service Fund and 4B–Transit Fund (Special Revenue 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.

4B Transit Fund – accounts for the accumulation and expenditure of resources used to fund the City of Grapevine’s participation in the commuter rail development project with the Fort Worth Transit Authority (the “T”).

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 policy 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 – to account for revenues from the campgrounds at Lake Grapevine. Revenues are restricted in accordance with Army Corp. of Engineer requirements and for debt covenant requirements for bonds issued for campground construction.

4B Economic Development Fund – to account for the accumulation and expenditure of resources used to stimulate the local economy, development, and redevelopment.

DEBT SERVICE FUND

The Tax Increment Financing (TIF) Number Two Debt Service Fund – established by ordinances authorizing the issuance of Combination Tax and Tax Increment Reinvestment Zone Certificate of Obligation Series 2000. A property tax is levied for the payment of the debt as it becomes due and is currently payable in annual installments as it becomes due.

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.

The Tax Increment Financing (TIF) Number One Capital Projects Fund – established for the financing, acquisition and construction of the infrastructure surrounding the Grapevine Mills Mall.

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

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

The 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.

General Facilities and Equipment Fund – to account for general financing acquisitions and construction and improvements of buildings and capital equipment.

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, 2012

| | Special Revenue | | |
|--------------------------------------|----------------------|--------------------|-------------------|
| | 4B - Transit Fund | Special Revenue | Storm Drainage |
| ASSETS | | | |
| Cash | \$ 302,374 | \$ 2,720,811 | \$ 2,697,326 |
| Receivables: | | | |
| Accounts, net | - | 22,968 | 520,672 |
| Taxes | 1,344,954 | - | - |
| Accrued interest | 152 | 1,294 | 1,123 |
| Inventory | - | - | - |
| Due from other governments | - | - | - |
| | - | - | - |
| Total assets | \$ 1,647,480 | \$ 2,745,073 | \$ 3,219,121 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 1,278,649 | \$ 45,877 | \$ 30,194 |
| Accrued and other liabilities | - | 892 | 9,521 |
| Due to other funds | - | - | - |
| Deferred revenue | - | - | - |
| Developer deposits | - | - | - |
| Contracts and retainage payable | - | - | - |
| | - | - | - |
| Total liabilities | 1,278,649 | 46,769 | 39,715 |
| Fund balances: | | | |
| Nonspendable: | | | |
| Inventory | - | - | - |
| Restricted: | | | |
| Debt service | - | - | - |
| Capital projects | - | - | - |
| Public safety | - | 662,159 | - |
| Economic development | - | - | - |
| Transportation | 368,831 | - | - |
| Culture and recreation | - | 152,167 | - |
| Committed for: | | | |
| Stormwater drainage operations | - | - | 3,179,406 |
| Public arts | - | 600,258 | - |
| Assigned for: | | | |
| Capital projects | - | 648,775 | - |
| Culture and recreation | - | 634,945 | - |
| Unassigned | - | - | - |
| | - | - | - |
| Total fund balances | 368,831 | 2,698,304 | 3,179,406 |
| Total liabilities and fund balances | \$ 1,647,480 | \$ 2,745,073 | \$ 3,219,121 |

| Special Revenue | | Debt Service | Capital Projects | | |
|------------------|----------------------------|---------------------|---------------------|---------------------|---------------------------------------|
| Lake Parks | 4B-Economic Development | TIF #2 | TIF #1 | TIF #2 | Parks Open Space and Recreation |
| \$ - | \$ 12,707,725 | \$ 5,937,030 | \$ 1,856,068 | \$ 2,149,435 | \$ 30,142 |
| 3,323 | - | - | - | - | - |
| - | 564,922 | 1,136,830 | - | - | - |
| - | 6,122 | 2,843 | 883 | - | 15 |
| 17,022 | - | - | - | - | - |
| 66,662 | - | - | - | - | - |
| <u>\$ 87,007</u> | <u>\$ 13,278,769</u> | <u>\$ 7,076,703</u> | <u>\$ 1,856,951</u> | <u>\$ 2,149,435</u> | <u>\$ 30,157</u> |
| \$ 64,943 | \$ 750,646 | \$ - | \$ - | \$ - | \$ - |
| 1,859 | - | - | - | - | - |
| 759,546 | - | - | - | - | - |
| 219,396 | - | - | - | - | 31,604 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>1,045,744</u> | <u>750,646</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>31,604</u> |
| 17,022 | - | - | - | - | - |
| - | - | 7,076,703 | - | - | - |
| - | - | - | 1,856,951 | 2,149,435 | - |
| - | - | - | - | - | - |
| - | 12,528,123 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| (975,759) | - | - | - | - | (1,447) |
| (958,737) | 12,528,123 | 7,076,703 | 1,856,951 | 2,149,435 | (1,447) |
| <u>\$ 87,007</u> | <u>\$ 13,278,769</u> | <u>\$ 7,076,703</u> | <u>\$ 1,856,951</u> | <u>\$ 2,149,435</u> | <u>\$ 30,157</u> |

(continued)

CITY OF GRAPEVINE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2012

| | Capital Projects | | |
|--------------------------------------|------------------|---|--|
| | Streets | Street Maintenance and Capital Replacement | General Facilities and Equipment |
| ASSETS | | | |
| Cash | \$ 9,976,735 | \$ 1,740,090 | \$ 1,036,485 |
| Receivables: | | | |
| Accounts, net | 31,649 | - | - |
| Taxes | - | - | - |
| Accrued interest | 2,559 | 827 | 162 |
| Inventory | - | - | - |
| Due from other governments | 68,377 | - | - |
| Total assets | \$ 10,079,320 | \$ 1,740,917 | \$ 1,036,647 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 103,385 | \$ 57,189 | \$ 100,566 |
| Accrued and other liabilities | - | - | - |
| Due to other funds | - | - | 479,158 |
| Deferred revenue | 43,265 | - | - |
| Developer deposits | 1,529,613 | - | - |
| Contracts and retainage payable | - | - | 7,298 |
| Total liabilities | 1,676,263 | 57,189 | 587,022 |
| Fund balances: | | | |
| Nonspendable: | | | |
| Inventory | - | - | - |
| Restricted: | | | |
| Debt service | - | - | - |
| Capital projects | 8,403,057 | 1,683,728 | 449,625 |
| Public safety | - | - | - |
| Economic development | - | - | - |
| Transportation | - | - | - |
| Culture and recreation | - | - | - |
| Committed for: | | | |
| Stormwater drainage operations | - | - | - |
| Public arts | - | - | - |
| Assigned for: | | | |
| Capital projects | - | - | - |
| Culture and recreation | - | - | - |
| Unassigned | - | - | - |
| Total fund balances | 8,403,057 | 1,683,728 | 449,625 |
| Total liabilities and fund balances | \$ 10,079,320 | \$ 1,740,917 | \$ 1,036,647 |

| <u>Capital Projects</u> | | |
|----------------------------|------------------------|---------------------------------------|
| <u>Capital Acquisition</u> | <u>Quality of Life</u> | <u>Total Other Governmental Funds</u> |
| \$ 3,487,891 | \$ 10,034,143 | \$ 54,676,255 |
| - | - | 578,612 |
| - | - | 3,046,706 |
| 954 | 4,790 | 21,724 |
| - | - | 17,022 |
| - | - | 135,039 |
| <u>\$ 3,488,845</u> | <u>\$ 10,038,933</u> | <u>\$ 58,475,358</u> |
| \$ 375,416 | \$ 27,889 | \$ 2,834,754 |
| 1,742 | - | 14,014 |
| - | - | 1,238,704 |
| - | - | 294,265 |
| - | - | 1,529,613 |
| - | 33,035 | 40,333 |
| <u>377,158</u> | <u>60,924</u> | <u>5,951,683</u> |
| - | - | 17,022 |
| - | - | 7,076,703 |
| 3,111,687 | - | 17,654,483 |
| - | - | 662,159 |
| - | - | 12,528,123 |
| - | - | 368,831 |
| - | - | 152,167 |
| - | - | 3,179,406 |
| - | - | 600,258 |
| - | 9,978,009 | 10,626,784 |
| - | - | 634,945 |
| - | - | (977,206) |
| <u>3,111,687</u> | <u>9,978,009</u> | <u>52,523,675</u> |
| <u>\$ 3,488,845</u> | <u>\$ 10,038,933</u> | <u>\$ 58,475,358</u> |

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Special Revenue | | |
|---|----------------------|--------------------|-------------------|
| | 4B - Transit Fund | Special Revenue | Storm Drainage |
| REVENUES | | | |
| Property taxes | \$ - | \$ - | \$ - |
| Sales taxes | 8,160,456 | - | - |
| Charges for services | - | 262,373 | 1,750,558 |
| Fines and forfeitures | - | 46,812 | - |
| Intergovernmental | - | 8,404 | - |
| Contributions | - | 194,064 | - |
| Investment income | 3,477 | 11,488 | 5,826 |
| Miscellaneous | - | - | 18 |
| Total revenues | 8,163,933 | 523,141 | 1,756,402 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | - | 240,727 | - |
| Public safety | - | - | - |
| Culture and recreation | - | 224,815 | - |
| Public works | - | - | 960,417 |
| Transportation | 7,772,824 | - | - |
| Economic development | - | - | - |
| Intergovernmental | - | - | - |
| Capital outlay | - | - | 78,248 |
| Debt service: | | | |
| Principal | - | - | - |
| Interest | - | - | - |
| Other | - | - | 175 |
| Total expenditures | 7,772,824 | 465,542 | 1,038,840 |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | 391,109 | 57,599 | 717,562 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | - |
| Transfers out | (366,970) | (22,446) | (543,088) |
| Sale of capital assets | - | - | - |
| Total other financing sources (uses) | (366,970) | (22,446) | (543,088) |
| NET CHANGE IN FUND BALANCES | 24,139 | 35,153 | 174,474 |
| FUND BALANCES, BEGINNING | 344,692 | 2,663,151 | 3,004,932 |
| FUND BALANCES, ENDING | \$ 368,831 | \$ 2,698,304 | \$ 3,179,406 |

| Special Revenue | | Debt Service | Capital Projects | | |
|---------------------|----------------------------|---------------------|---------------------|---------------------|---------------------------------------|
| Lake Parks | 4B-Economic Development | TIF #2 | TIF #1 | TIF #2 | Parks Open Space and Recreation |
| \$ - | \$ - | \$ 5,736,208 | \$ - | \$ - | \$ - |
| - | 3,476,988 | - | - | - | - |
| 1,914,839 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 27,001 | 12,578 | 6,980 | 2,474 | 130 |
| 13,524 | - | - | - | - | - |
| <u>1,928,363</u> | <u>3,503,989</u> | <u>5,748,786</u> | <u>6,980</u> | <u>2,474</u> | <u>130</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,426,507 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 2,661 | - | - | - | - |
| - | 1,050,000 | 1,548,060 | - | - | - |
| - | 1,660 | - | 183,005 | 47,495 | - |
| - | - | 1,255,000 | - | - | - |
| - | - | 1,417,011 | - | - | - |
| 2,190 | - | - | - | 2,400 | - |
| <u>1,428,697</u> | <u>1,054,321</u> | <u>4,220,071</u> | <u>183,005</u> | <u>49,895</u> | <u>-</u> |
| <u>499,666</u> | <u>2,449,668</u> | <u>1,528,715</u> | <u>(176,025)</u> | <u>(47,421)</u> | <u>130</u> |
| - | - | - | 497,582 | - | - |
| (336,566) | (264,575) | - | - | - | - |
| - | - | - | - | - | - |
| <u>(336,566)</u> | <u>(264,575)</u> | <u>-</u> | <u>497,582</u> | <u>-</u> | <u>-</u> |
| 163,100 | 2,185,093 | 1,528,715 | 321,557 | (47,421) | 130 |
| <u>(1,121,837)</u> | <u>10,343,030</u> | <u>5,547,988</u> | <u>1,535,394</u> | <u>2,196,856</u> | <u>(1,577)</u> |
| <u>\$(958,737)</u> | <u>\$ 12,528,123</u> | <u>\$ 7,076,703</u> | <u>\$ 1,856,951</u> | <u>\$ 2,149,435</u> | <u>\$(1,447)</u> |

(continued)

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Capital Projects | | |
|---|------------------|---|--|
| | Streets | Street Maintenance and Capital Replacement | General Facilities and Equipment |
| REVENUES | | | |
| Property taxes | \$ - | \$ - | \$ - |
| Sales taxes | - | - | - |
| Charges for services | - | - | - |
| Fines and forfeitures | - | - | - |
| Intergovernmental | 91,929 | - | - |
| Contributions | - | - | - |
| Investment income | 17,756 | 4,821 | 5,126 |
| Miscellaneous | 84,745 | 118,309 | 187 |
| Total revenues | 194,430 | 123,130 | 5,313 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Culture and recreation | - | - | - |
| Public works | - | 192 | - |
| Transportation | - | - | - |
| Economic development | - | - | - |
| Intergovernmental | - | - | - |
| Capital outlay | 454,510 | 2,084,384 | 1,558,145 |
| Debt service: | | | |
| Principal | - | - | - |
| Interest | - | - | - |
| Other | 1,775 | - | 2,804 |
| Total expenditures | 456,285 | 2,084,576 | 1,560,949 |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | (261,855) | (1,961,446) | (1,555,636) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 141,750 | 2,571,500 | 45,000 |
| Transfers out | - | - | - |
| Sale of capital assets | - | - | - |
| Total other financing sources (uses) | 141,750 | 2,571,500 | 45,000 |
| NET CHANGE IN FUND BALANCES | (120,105) | 610,054 | (1,510,636) |
| FUND BALANCES, BEGINNING | 8,523,162 | 1,073,674 | 1,960,261 |
| FUND BALANCES, ENDING | \$ 8,403,057 | \$ 1,683,728 | \$ 449,625 |

| <u>Capital Projects</u> | | |
|--------------------------------|----------------------------|---|
| <u>Capital Acquisition</u> | <u>Quality of Life</u> | <u>Total Other Governmental Funds</u> |
| \$ - | \$ - | \$ 5,736,208 |
| - | - | 11,637,444 |
| - | - | 3,927,770 |
| - | - | 46,812 |
| - | - | 100,333 |
| - | - | 194,064 |
| 6,023 | 21,375 | 125,055 |
| - | 4,611 | 221,394 |
| <u>6,023</u> | <u>25,986</u> | <u>21,989,080</u> |
| - | - | 240,727 |
| 520,584 | 288,187 | 808,771 |
| - | 214 | 1,651,536 |
| - | - | 960,609 |
| - | - | 7,772,824 |
| - | - | 2,661 |
| - | - | 2,598,060 |
| 2,573,313 | 1,290,825 | 8,271,585 |
| - | - | 1,255,000 |
| - | - | 1,417,011 |
| 4,317 | - | 13,661 |
| <u>3,098,214</u> | <u>1,579,226</u> | <u>24,992,445</u> |
| (3,092,191) | (1,553,240) | (3,003,365) |
| 1,565,301 | 3,000,000 | 7,821,133 |
| (47,166) | (141,750) | (1,722,561) |
| 112,025 | - | 112,025 |
| <u>1,630,160</u> | <u>2,858,250</u> | <u>6,210,597</u> |
| (1,462,031) | 1,305,010 | 3,207,232 |
| <u>4,573,718</u> | <u>8,672,999</u> | <u>49,316,443</u> |
| <u>\$ 3,111,687</u> | <u>\$ 9,978,009</u> | <u>\$ 52,523,675</u> |

CITY OF GRAPEVINE, TEXAS

4B - TRANSIT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|-------------------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Sales taxes | \$ 8,512,500 | \$ 8,512,500 | \$ 8,160,456 | \$(352,044) |
| Investment income | <u>-</u> | <u>-</u> | <u>3,477</u> | <u>3,477</u> |
| Total revenues | <u>8,512,500</u> | <u>8,512,500</u> | <u>8,163,933</u> | <u>(348,567)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | <u>7,372,818</u> | <u>7,372,818</u> | <u>7,772,824</u> | <u>(400,006)</u> |
| Total expenditures | <u>7,372,818</u> | <u>7,372,818</u> | <u>7,772,824</u> | <u>(400,006)</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>1,139,682</u> | <u>1,139,682</u> | <u>391,109</u> | <u>(748,573)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(359,453)</u> | <u>(359,453)</u> | <u>(366,970)</u> | <u>(7,517)</u> |
| Total other financing sources (uses) | <u>(359,453)</u> | <u>(359,453)</u> | <u>(366,970)</u> | <u>(7,517)</u> |
| NET CHANGE IN FUND BALANCE | 780,229 | 780,229 | 24,139 | (756,090) |
| FUND BALANCE, BEGINNING | <u>344,692</u> | <u>344,692</u> | <u>344,692</u> | <u>-</u> |
| FUND BALANCE, ENDING | <u>\$ 1,124,921</u> | <u>\$ 1,124,921</u> | <u>\$ 368,831</u> | <u>\$(756,090)</u> |

CITY OF GRAPEVINE, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Taxes | \$ 10,742,976 | \$ 10,742,976 | \$ 10,950,313 | \$ 207,337 |
| Investment income | <u>100,000</u> | <u>100,000</u> | <u>36,694</u> | <u>(63,306)</u> |
| Total revenues | <u>10,842,976</u> | <u>10,842,976</u> | <u>10,987,007</u> | <u>144,031</u> |
| EXPENDITURES | | | | |
| Debt service: | | | | |
| Principal | 7,710,862 | 7,710,862 | 7,710,859 | 3 |
| Interest and fiscal charges | <u>2,750,386</u> | <u>2,750,386</u> | <u>2,754,810</u> | <u>(4,424)</u> |
| Total expenditures | <u>10,461,248</u> | <u>10,461,248</u> | <u>10,465,669</u> | <u>(4,421)</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES | <u>381,728</u> | <u>381,728</u> | <u>521,338</u> | <u>139,610</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | <u>2,359,510</u> | <u>2,359,510</u> | <u>2,438,945</u> | <u>79,435</u> |
| Total other financing sources (uses) | <u>2,359,510</u> | <u>2,359,510</u> | <u>2,438,945</u> | <u>79,435</u> |
| NET CHANGE IN FUND BALANCE | 2,741,238 | 2,741,238 | 2,960,283 | 219,045 |
| FUND BALANCE, BEGINNING | <u>9,292,113</u> | <u>9,292,113</u> | <u>9,292,113</u> | <u>-</u> |
| FUND BALANCE, ENDING | <u>\$ 12,033,351</u> | <u>\$ 12,033,351</u> | <u>\$ 12,252,396</u> | <u>\$ 219,045</u> |

CITY OF GRAPEVINE, TEXAS

**COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES**

AGENCY FUNDS

YEAR ENDED SEPTEMBER 30, 2012

| | Police Department Case Settlement | | | Balance 09/30/12 |
|---------------------------|-----------------------------------|-----------------|-------------|---------------------|
| | Balance 10/01/11 | Additions | Deletions | |
| Cash and cash equivalents | \$ 6,450 | \$ 2,065 | \$ - | \$ 8,515 |
| Total assets | <u>\$ 6,450</u> | <u>\$ 2,065</u> | <u>\$ -</u> | <u>\$ 8,515</u> |
| Due to beneficiary | \$ 6,450 | \$ 2,065 | \$ - | \$ 8,515 |
| Total liabilities | <u>\$ 6,450</u> | <u>\$ 2,065</u> | <u>\$ -</u> | <u>\$ 8,515</u> |

| | Industrial Development Corporation | | | Balance 09/30/12 |
|---------------------------|------------------------------------|---------------|-------------|---------------------|
| | Balance 10/01/11 | Additions | Deletions | |
| Cash and cash equivalents | \$ 129,864 | \$ 224 | \$ - | \$ 130,088 |
| Total assets | <u>\$ 129,864</u> | <u>\$ 224</u> | <u>\$ -</u> | <u>\$ 130,088</u> |
| Due to beneficiary | \$ 129,864 | \$ 224 | \$ - | \$ 130,088 |
| Total liabilities | <u>\$ 129,864</u> | <u>\$ 224</u> | <u>\$ -</u> | <u>\$ 130,088</u> |

| | W.D. Tate Scholarship | | | Balance 09/30/12 |
|---------------------------|-----------------------|-----------------|-------------|---------------------|
| | Balance 10/01/11 | Additions | Deletions | |
| Cash and cash equivalents | \$ 4,123 | \$ 2,960 | \$ - | \$ 7,083 |
| Total assets | <u>\$ 4,123</u> | <u>\$ 2,960</u> | <u>\$ -</u> | <u>\$ 7,083</u> |
| Due to beneficiary | \$ 4,123 | \$ 2,960 | \$ - | \$ 7,083 |
| Total liabilities | <u>\$ 4,123</u> | <u>\$ 2,960</u> | <u>\$ -</u> | <u>\$ 7,083</u> |

(continued)

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

| | Total Agency Funds | | | Balance 09/30/12 |
|---------------------------|---------------------|-----------------|-------------|---------------------|
| | Balance 10/01/11 | Additions | Deletions | |
| Cash and cash equivalents | \$ <u>140,437</u> | \$ <u>5,249</u> | \$ <u>-</u> | \$ <u>145,686</u> |
| Total assets | \$ <u>140,437</u> | \$ <u>5,249</u> | \$ <u>-</u> | \$ <u>145,686</u> |
| Due to beneficiary | \$ <u>140,437</u> | \$ <u>5,249</u> | \$ <u>-</u> | \$ <u>145,686</u> |
| Total liabilities | \$ <u>140,437</u> | \$ <u>5,249</u> | \$ <u>-</u> | \$ <u>145,686</u> |

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STATISTICAL SECTION

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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 | 84 – 95 |
| <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 | 96 – 101 |
| <p>These schedules contain information to help the reader assess the City's most significant local revenue sources. Sales tax became the most significant revenue source in FY 2007. 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 | 102 – 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 ASSETS BY COMPONENT

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

| | Fiscal Year | | | |
|---|------------------|-------------------|-------------------|-------------------|
| | 2003 | 2004 | 2005 | 2006 |
| Governmental activities: | | | | |
| Invested in capital assets, net of related debt | \$ 10,004 | \$ 8,757 | \$ 16,729 | \$ 21,862 |
| Restricted | 8,387 | 14,106 | 14,625 | 21,049 |
| Unrestricted | <u>9,465</u> | <u>9,607</u> | <u>12,957</u> | <u>16,653</u> |
| Total governmental activities net assets | <u>\$ 27,856</u> | <u>\$ 32,470</u> | <u>\$ 44,311</u> | <u>\$ 59,564</u> |
| Business-type activities: | | | | |
| Invested in capital assets, net of related debt | \$ 57,118 | \$ 57,643 | \$ 60,931 | \$ 63,936 |
| Restricted | 5,016 | 5,312 | 6,421 | 6,784 |
| Unrestricted | <u>8,727</u> | <u>11,374</u> | <u>10,407</u> | <u>13,012</u> |
| Total business-type activities net assets | <u>\$ 70,861</u> | <u>\$ 74,329</u> | <u>\$ 77,759</u> | <u>\$ 83,732</u> |
| Primary government: | | | | |
| Invested in capital assets, net of related debt | \$ 67,122 | \$ 66,400 | \$ 77,660 | \$ 85,798 |
| Restricted | 13,403 | 19,418 | 21,046 | 27,833 |
| Unrestricted | <u>18,192</u> | <u>20,981</u> | <u>23,364</u> | <u>29,665</u> |
| Total primary government net assets | <u>\$ 98,717</u> | <u>\$ 106,799</u> | <u>\$ 122,070</u> | <u>\$ 143,296</u> |

Source: Comprehensive Annual Financial Reports

TABLE 1

| Fiscal Year | | | | | |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| \$ 28,660 | \$ 39,332 | \$ 57,264 | \$ 73,702 | \$ 84,069 | \$ 88,342 |
| 32,626 | 34,200 | 40,419 | 55,622 | 61,712 | 71,909 |
| <u>18,198</u> | <u>29,360</u> | <u>25,626</u> | <u>13,109</u> | <u>10,421</u> | <u>14,469</u> |
| <u>\$ 79,484</u> | <u>\$ 102,892</u> | <u>\$ 123,309</u> | <u>\$ 142,433</u> | <u>\$ 156,202</u> | <u>\$ 174,720</u> |
| \$ 65,750 | \$ 68,641 | \$ 68,785 | \$ 70,055 | \$ 70,771 | \$ 70,171 |
| 7,228 | 7,365 | 7,097 | 6,732 | 7,133 | 8,969 |
| <u>14,382</u> | <u>13,790</u> | <u>14,238</u> | <u>11,924</u> | <u>11,240</u> | <u>10,530</u> |
| <u>\$ 87,360</u> | <u>\$ 89,796</u> | <u>\$ 90,120</u> | <u>\$ 88,711</u> | <u>\$ 89,144</u> | <u>\$ 89,670</u> |
| \$ 94,410 | \$ 107,973 | \$ 126,049 | \$ 143,757 | \$ 154,840 | \$ 158,513 |
| 39,854 | 41,565 | 47,516 | 62,354 | 68,845 | 80,878 |
| <u>32,580</u> | <u>43,150</u> | <u>39,864</u> | <u>25,033</u> | <u>21,661</u> | <u>24,999</u> |
| <u>\$ 166,844</u> | <u>\$ 192,688</u> | <u>\$ 213,429</u> | <u>\$ 231,144</u> | <u>\$ 245,346</u> | <u>\$ 264,390</u> |

CITY OF GRAPEVINE, TEXAS

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

| | Fiscal Year | | | |
|---|------------------|------------------|------------------|------------------|
| | 2003 | 2004 | 2005 | 2006 |
| EXPENSES | | | | |
| Governmental activities: | | | | |
| General government | \$ 13,062 | \$ 12,382 | \$ 14,564 | \$ 13,964 |
| Public safety | 16,366 | 17,598 | 19,094 | 19,174 |
| Culture and recreation | 14,070 | 16,090 | 17,055 | 19,978 |
| Public works | 14,342 | 10,363 | 9,077 | 9,502 |
| Transportation | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Interest on long-term debt | <u>7,603</u> | <u>7,683</u> | <u>5,993</u> | <u>6,579</u> |
| Total governmental activities expenses | <u>65,443</u> | <u>64,116</u> | <u>65,783</u> | <u>69,197</u> |
| Business-type activities: | | | | |
| Water and sewer | 15,231 | 15,049 | 14,975 | 15,944 |
| Lake Enterprise | <u>2,648</u> | <u>2,842</u> | <u>2,673</u> | <u>2,664</u> |
| Total business-type activities expenses | <u>17,879</u> | <u>17,891</u> | <u>17,648</u> | <u>18,608</u> |
| Total primary government expenses | <u>\$ 83,322</u> | <u>\$ 82,007</u> | <u>\$ 83,431</u> | <u>\$ 87,805</u> |
| PROGRAM REVENUES | | | | |
| Governmental activities: | | | | |
| Fees, fines, and charges for services: | | | | |
| General government | \$ 3,843 | \$ 4,298 | \$ 1,362 | \$ 1,148 |
| Public safety | 2,123 | 2,260 | 2,029 | 3,282 |
| Culture and recreation | 4,842 | 5,362 | 5,369 | 6,306 |
| Public works | 2,710 | 1,346 | 2,877 | 2,782 |
| Operating grants and contributions | 1,893 | 1,813 | 1,944 | 805 |
| Capital grants and contributions | <u>1,108</u> | <u>597</u> | <u>2,732</u> | <u>3,759</u> |
| Total governmental activities program revenues | <u>16,519</u> | <u>15,676</u> | <u>16,313</u> | <u>18,082</u> |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Water and sewer | 16,308 | 16,595 | 17,929 | 20,348 |
| Lake Enterprise | 2,159 | 2,500 | 2,630 | 2,890 |
| Capital grants and contributions | <u>2,987</u> | <u>1,172</u> | <u>1,049</u> | <u>1,690</u> |
| Total business-type activities program revenues | <u>21,454</u> | <u>20,267</u> | <u>21,608</u> | <u>24,928</u> |
| Total primary government program revenues | <u>\$ 37,973</u> | <u>\$ 35,943</u> | <u>\$ 37,921</u> | <u>\$ 43,010</u> |

TABLE 2

| Fiscal Year | | | | | |
|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| \$ 19,150 | \$ 17,898 | \$ 19,245 | \$ 19,048 | \$ 22,526 | \$ 18,370 |
| 20,732 | 23,701 | 26,031 | 27,095 | 27,588 | 28,264 |
| 21,914 | 26,753 | 25,657 | 27,175 | 26,673 | 27,954 |
| 12,777 | 18,573 | 18,670 | 19,136 | 10,563 | 11,056 |
| - | - | - | - | 7,901 | 7,789 |
| - | - | - | - | 3,394 | 4,040 |
| <u>6,634</u> | <u>6,403</u> | <u>5,093</u> | <u>5,432</u> | <u>5,140</u> | <u>4,590</u> |
| <u>81,207</u> | <u>93,328</u> | <u>94,696</u> | <u>97,886</u> | <u>103,785</u> | <u>102,063</u> |
| 15,494 | 17,415 | 17,160 | 17,647 | 18,972 | 18,372 |
| <u>2,668</u> | <u>2,786</u> | <u>2,885</u> | <u>2,955</u> | <u>3,062</u> | <u>3,053</u> |
| <u>18,162</u> | <u>20,201</u> | <u>20,045</u> | <u>20,602</u> | <u>22,034</u> | <u>21,425</u> |
| \$ <u>99,369</u> | \$ <u>113,529</u> | \$ <u>114,741</u> | \$ <u>118,488</u> | \$ <u>125,819</u> | \$ <u>123,488</u> |
| \$ 3,535 | \$ 4,071 | \$ 3,771 | \$ 4,039 | \$ 4,250 | \$ 2,547 |
| 3,280 | 3,597 | 3,759 | 3,660 | 3,346 | 3,736 |
| 6,908 | 7,479 | 7,829 | 8,530 | 9,198 | 10,099 |
| 3,085 | 1,372 | 1,344 | 1,467 | 1,378 | 1,418 |
| 2,310 | 1,629 | 957 | 1,060 | 1,212 | 1,124 |
| <u>785</u> | <u>1,891</u> | <u>5,204</u> | <u>3,819</u> | <u>1,302</u> | <u>810</u> |
| <u>19,903</u> | <u>20,039</u> | <u>22,864</u> | <u>22,575</u> | <u>20,686</u> | <u>19,734</u> |
| 17,689 | 18,893 | 17,950 | 18,523 | 21,168 | 20,481 |
| 2,712 | 2,862 | 2,649 | 2,377 | 2,862 | 3,079 |
| <u>833</u> | <u>1,331</u> | <u>674</u> | <u>274</u> | <u>-</u> | <u>-</u> |
| <u>21,234</u> | <u>23,086</u> | <u>21,273</u> | <u>21,174</u> | <u>24,030</u> | <u>23,560</u> |
| \$ <u>41,137</u> | \$ <u>43,125</u> | \$ <u>44,137</u> | \$ <u>43,749</u> | \$ <u>44,716</u> | \$ <u>43,294</u> |

(continued)

CITY OF GRAPEVINE, TEXAS

CHANGES IN NET ASSETS (Continued) LAST NINE FISCAL YEARS (Unaudited) (Amounts Expressed in Thousands)

| | Fiscal Year | | | |
|---|-------------|-------------|-------------|-------------|
| | 2003 | 2004 | 2005 | 2006 |
| NET (EXPENSE) REVENUES | | | | |
| Governmental activities | \$(48,924) | \$(48,440) | \$(49,470) | \$(51,115) |
| Business-type activities | 3,575 | 2,376 | 3,960 | 6,320 |
| Total primary government net expense | (45,349) | (46,064) | (45,510) | (44,795) |
| GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS | | | | |
| Governmental activities: | | | | |
| Taxes | | | | |
| Property | 22,769 | 23,600 | 26,066 | 26,046 |
| Franchise | 4,945 | 5,211 | 5,369 | 5,945 |
| Hotel occupancy | 3,380 | 4,931 | 7,566 | 9,194 |
| Sales | 16,040 | 17,976 | 18,746 | 19,993 |
| Mixed beverage | 578 | 686 | 863 | 952 |
| Investment earnings | 1,107 | 620 | 1,099 | 2,187 |
| Miscellaneous | 97 | 29 | 101 | 310 |
| Gain on sale of capital assets | - | - | - | - |
| Transfers | - | - | 1,501 | 1,741 |
| Total governmental activities | 48,916 | 53,053 | 61,311 | 66,368 |
| Business-type activities: | | | | |
| Investment earnings | 541 | 397 | 648 | 1,035 |
| Miscellaneous | 103 | 696 | 323 | 359 |
| Transfers | - | - | (1,501) | (1,741) |
| Total business-type activities | 644 | 1,093 | (530) | (347) |
| Total primary government | 49,560 | 54,146 | 60,781 | 66,021 |
| CHANGE IN NET ASSETS | | | | |
| Governmental activities | (8) | 4,613 | 11,841 | 15,253 |
| Business-type activities | 4,219 | 3,469 | 3,430 | 5,973 |
| Total primary government | \$ 4,211 | \$ 8,082 | \$ 15,271 | \$ 21,226 |

Notes:

In April 2007, the City increased sales tax local option from 1% to 2% resulting in additional sales tax revenues of \$10,614 in FY 2007.

For FY 2008, the City had \$11,561 in additional sales tax revenues due to the increase in the sales tax local option from 1% to 2%. This was the first year to have 12 months (annual) with this increase.

Source: Comprehensive Annual Financial Reports

TABLE 2

| Fiscal Year | | | | | |
|------------------|------------------|------------------|------------------|------------------|------------------|
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| \$(61,304) | \$(73,289) | \$(71,832) | \$(75,311) | \$(83,099) | \$(82,329) |
| 3,072 | 2,885 | 1,228 | 572 | 1,996 | 2,135 |
| <u>(58,232)</u> | <u>(70,404)</u> | <u>(70,604)</u> | <u>(74,739)</u> | <u>(81,103)</u> | <u>(80,194)</u> |
| 27,066 | 27,974 | 30,385 | 33,092 | 29,559 | 32,048 |
| 6,191 | 6,295 | 6,319 | 6,133 | 6,401 | 6,356 |
| 10,126 | 11,842 | 10,498 | 10,725 | 12,105 | 12,327 |
| 31,827 | 45,098 | 40,712 | 42,000 | 45,572 | 46,932 |
| 1,128 | 1,295 | 1,188 | 1,226 | 1,223 | 1,051 |
| 3,257 | 2,520 | 1,213 | 426 | 338 | 286 |
| 124 | - | 36 | - | - | 170 |
| - | - | 31 | 119 | 33 | - |
| <u>1,505</u> | <u>1,673</u> | <u>1,867</u> | <u>2,064</u> | <u>1,638</u> | <u>1,677</u> |
| <u>81,224</u> | <u>96,697</u> | <u>92,249</u> | <u>95,785</u> | <u>96,869</u> | <u>100,847</u> |
| 1,437 | 1,046 | 401 | 83 | 75 | 68 |
| 624 | 178 | 562 | - | 170 | - |
| <u>(1,505)</u> | <u>(1,673)</u> | <u>(1,867)</u> | <u>(2,064)</u> | <u>(1,638)</u> | <u>(1,677)</u> |
| <u>556</u> | <u>(449)</u> | <u>(904)</u> | <u>(1,981)</u> | <u>(1,393)</u> | <u>(1,609)</u> |
| <u>81,780</u> | <u>96,248</u> | <u>91,345</u> | <u>93,804</u> | <u>95,476</u> | <u>99,238</u> |
| 19,920 | 23,408 | 20,417 | 20,474 | 13,770 | 18,518 |
| <u>3,628</u> | <u>2,436</u> | <u>324</u> | <u>(1,409)</u> | <u>432</u> | <u>526</u> |
| <u>\$ 23,548</u> | <u>\$ 25,844</u> | <u>\$ 20,741</u> | <u>\$ 19,065</u> | <u>\$ 14,202</u> | <u>\$ 19,044</u> |

CITY OF GRAPEVINE, TEXAS

**FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

| | Fiscal Year | | | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2003 | 2004 | 2005 | 2006 |
| General fund | | | | |
| Reserved* | \$ 678 | \$ 1,543 | \$ 1,290 | \$ 691 |
| Unreserved | 5,427 | 3,018 | 3,981 | 5,904 |
| Nonspendable* | - | - | - | - |
| Unassigned | - | - | - | - |
| Total general fund | <u>\$ 6,105</u> | <u>\$ 4,561</u> | <u>\$ 5,271</u> | <u>\$ 6,595</u> |
| All other governmental funds | | | | |
| Reserved for: | | | | |
| Prepayments | \$ - | \$ 402 | \$ 392 | \$ 64 |
| Inventory | 394 | - | - | - |
| Debt service | 9,355 | 11,716 | 15,478 | 21,906 |
| Capital projects | 33,151 | 19,763 | 14,810 | 20,983 |
| Unreserved, reported in: | | | | |
| Special revenue | 728 | 482 | 1,724 | 4,071 |
| Capital projects | 2,134 | 4,509 | 4,391 | 4,484 |
| Nonspendable: | | | | |
| Inventories | - | - | - | - |
| Prepaid items | - | - | - | - |
| Restricted for: | | | | |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | - |
| Public safety | - | - | - | - |
| Economic development | - | - | - | - |
| Transportation | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Tourism | - | - | - | - |
| Committed for: | | | | |
| Stormwater drainage operations | - | - | - | - |
| Public arts | - | - | - | - |
| Assigned for: | | | | |
| Capital projects | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Unassigned | - | - | - | - |
| Total all other governmental funds | <u>\$ 45,762</u> | <u>\$ 36,872</u> | <u>\$ 36,795</u> | <u>\$ 51,508</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 | | | | | |
|------------------|------------------|------------------|------------------|------------------|-------------------|
| 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| \$ 667 | \$ 727 | \$ 632 | \$ 714 | \$ - | \$ - |
| 7,562 | 8,190 | 8,105 | 7,468 | - | - |
| - | - | - | - | 657 | 653 |
| - | - | - | - | 8,938 | 11,742 |
| <u>\$ 8,229</u> | <u>\$ 8,917</u> | <u>\$ 8,737</u> | <u>\$ 8,182</u> | <u>\$ 9,595</u> | <u>\$ 12,395</u> |
| \$ 76 | \$ 91 | \$ 583 | \$ 118 | \$ - | \$ - |
| 2 | - | - | - | - | - |
| 26,778 | 29,863 | 31,784 | 40,700 | - | - |
| 284 | 6,249 | 20,566 | 16,861 | - | - |
| 7,289 | 10,002 | 9,238 | 11,347 | - | - |
| 28,753 | 24,982 | 18,631 | 20,426 | - | - |
| - | - | - | - | 15 | 18 |
| - | - | - | - | 42 | 14 |
| - | - | - | - | 26,713 | 28,858 |
| - | - | - | - | 19,863 | 17,655 |
| - | - | - | - | 836 | 1,078 |
| - | - | - | - | 28,985 | 35,493 |
| - | - | - | - | 345 | 369 |
| - | - | - | - | 264 | 152 |
| - | - | - | - | 4,605 | 5,954 |
| - | - | - | - | 3,005 | 3,179 |
| - | - | - | - | 453 | 600 |
| - | - | - | - | 9,322 | 10,627 |
| - | - | - | - | 841 | 635 |
| - | - | - | - | (1,822) | (1,777) |
| <u>\$ 63,182</u> | <u>\$ 71,187</u> | <u>\$ 80,802</u> | <u>\$ 89,452</u> | <u>\$ 93,467</u> | <u>\$ 102,855</u> |

CITY OF GRAPEVINE, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

| | Fiscal Year | | |
|-----------------------------|-------------|-----------|-----------|
| | 2003 | 2004 | 2005 |
| REVENUES | | | |
| Taxes: | | | |
| Property | \$ 22,563 | \$ 23,584 | \$ 25,607 |
| Hotel occupancy | 3,381 | 4,931 | 7,566 |
| Sales | 16,040 | 17,976 | 18,746 |
| Mixed beverage | 578 | 686 | 863 |
| Franchise | 4,945 | 5,211 | 5,369 |
| Licenses and permits | 1,482 | 1,264 | 1,530 |
| Intergovernmental | 875 | 951 | 1,945 |
| Charges for services | 10,637 | 11,019 | 9,839 |
| Fines and forfeitures | 2,047 | 1,961 | 1,713 |
| Contributions | 49 | 488 | 418 |
| Interest and miscellaneous | 3,544 | 1,853 | 2,156 |
| Total revenues | 66,141 | 69,924 | 75,752 |
| EXPENDITURES | | | |
| General government | 12,168 | 12,897 | 14,379 |
| Public safety | 15,846 | 16,168 | 17,187 |
| Culture and recreation | 12,818 | 14,541 | 15,071 |
| Public works | 4,771 | 5,101 | 4,945 |
| Operations | 7,263 | 3,677 | 2,954 |
| Transportation | - | - | - |
| Economic development | - | - | - |
| Intergovernmental | - | - | - |
| Capital outlay | 9,545 | 10,612 | 8,425 |
| Debt service: | | | |
| Principal | 8,115 | 9,011 | 8,698 |
| Interest and fiscal charges | 8,098 | 7,532 | 6,053 |
| Other | 1,203 | 819 | 2,918 |
| Total expenditures | 79,827 | 80,358 | 80,630 |

TABLE 4

| Fiscal Year | | | | | | |
|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| \$ 26,296 | \$ 26,913 | \$ 27,945 | \$ 29,454 | \$ 34,225 | \$ 29,930 | \$ 32,147 |
| 9,194 | 10,126 | 11,842 | 10,498 | 10,725 | 12,105 | 12,326 |
| 19,993 | 31,826 | 45,098 | 40,712 | 42,000 | 45,572 | 46,932 |
| 952 | 1,128 | 1,295 | 1,188 | 1,226 | 1,223 | 1,051 |
| 5,945 | 6,191 | 6,295 | 6,319 | 6,133 | 6,401 | 6,356 |
| 1,550 | 1,776 | 1,227 | 1,087 | 1,117 | 1,044 | 1,542 |
| 1,042 | 931 | 673 | 3,000 | 4,525 | 1,505 | 1,012 |
| 11,209 | 12,987 | 12,489 | 12,893 | 13,296 | 14,582 | 13,572 |
| 1,860 | 1,607 | 2,197 | 2,208 | 2,126 | 1,712 | 2,017 |
| 423 | 393 | 391 | 556 | 8 | 73 | 194 |
| 4,895 | 4,354 | 4,354 | 2,108 | 2,407 | 1,741 | 1,192 |
| <u>83,359</u> | <u>98,232</u> | <u>113,806</u> | <u>110,023</u> | <u>117,788</u> | <u>115,888</u> | <u>118,341</u> |
| 14,355 | 15,345 | 15,024 | 15,435 | 16,367 | 17,681 | 13,979 |
| 17,527 | 19,047 | 20,589 | 21,582 | 22,275 | 24,297 | 25,539 |
| 17,015 | 19,470 | 21,982 | 21,714 | 22,677 | 23,495 | 24,832 |
| 4,840 | 4,514 | 4,674 | 4,922 | 5,049 | 5,821 | 6,061 |
| 2,262 | 6,552 | 14,168 | 13,485 | 13,819 | - | - |
| - | - | - | - | - | 7,901 | 7,789 |
| - | - | - | - | - | 11 | 503 |
| - | - | - | - | - | 3,394 | 4,040 |
| 8,235 | 8,290 | 10,295 | 18,695 | 15,051 | 13,075 | 9,446 |
| 8,165 | 9,667 | 11,492 | 11,880 | 12,096 | 12,328 | 11,164 |
| 6,575 | 6,599 | 6,370 | 5,304 | 5,547 | 5,029 | 4,564 |
| 1,451 | 2,557 | 2,527 | 2,535 | 1,050 | 30 | 25 |
| <u>80,425</u> | <u>92,041</u> | <u>107,121</u> | <u>115,552</u> | <u>113,931</u> | <u>113,063</u> | <u>107,942</u> |

(continued)

CITY OF GRAPEVINE, TEXAS

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

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

| | Fiscal Year | | |
|--|------------------|--------------------|---------------|
| | 2003 | 2004 | 2005 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | \$(13,686) | \$(10,434) | \$(4,878) |
| OTHER FINANCING SOURCES (USES) | | | |
| Bonds issued | 30,025 | - | 46,245 |
| Notes payable issued | - | - | - |
| Premium on issuance of debt | - | - | 2,114 |
| Bond discount | - | - | - |
| Payments to escrow agent | - | - | - |
| Sale of capital assets | - | - | (44,349) |
| Transfers in | 4,301 | 2,248 | 7,037 |
| Transfers out | (3,951) | (2,248) | (5,536) |
| Total other financing sources (uses) | 30,375 | - | 5,511 |
| NET CHANGE IN FUND BALANCES | <u>\$ 16,689</u> | <u>\$(10,434)</u> | <u>\$ 633</u> |
| DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES | <u>23.1%</u> | <u>23.7%</u> | <u>20.4%</u> |

Source: Comprehensive Annual Financial Reports

TABLE 4

| Fiscal Year | | | | | | |
|-------------------------|-------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| \$ <u>2,934</u> | \$ <u>6,191</u> | \$ <u>6,685</u> | \$(<u>5,529</u>) | \$ <u>3,857</u> | \$ <u>2,825</u> | \$ <u>10,399</u> |
| - | 5,610 | 260 | 45,825 | 8,565 | 500 | - |
| 11,385 | - | - | - | - | 309 | - |
| 6 | 2 | - | 2,184 | 344 | - | - |
| (29) | - | - | - | - | - | - |
| - | - | 76 | (34,944) | (6,954) | - | - |
| - | - | - | 32 | 219 | 155 | 112 |
| 4,084 | 7,757 | 16,531 | 17,415 | 14,510 | 17,593 | 15,244 |
| (2,343) | (6,252) | (14,859) | (15,548) | (12,446) | (15,955) | (13,568) |
| <u>13,103</u> | <u>7,117</u> | <u>2,008</u> | <u>14,964</u> | <u>4,238</u> | <u>2,602</u> | <u>1,788</u> |
| \$ <u><u>16,037</u></u> | \$ <u><u>13,308</u></u> | \$ <u><u>8,693</u></u> | \$ <u><u>9,435</u></u> | \$ <u><u>8,095</u></u> | \$ <u><u>5,427</u></u> | \$ <u><u>12,187</u></u> |
| <u>20.4%</u> | <u>19.4%</u> | <u>18.4%</u> | <u>20.4%</u> | <u>17.8%</u> | <u>16.8%</u> | <u>15.7%</u> |

CITY OF GRAPEVINE, TEXAS

TAXABLE SALES BY CATEGORY

LAST TEN FISCAL YEARS
(Amounts Expressed in Thousands)

| Function/Program | Fiscal Year | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 (1) | 2008 | 2009 | 2010 | 2011 | 2012 (2) |
| Agriculture/forestry/fishing/hunting | \$ - | \$ - | \$ 132 | \$ - | \$ - | \$ 113 | \$ 107 | \$ - | \$ - | \$ - |
| Construction | 23,396 | 22,679 | 28,216 | 36,231 | 36,212 | 33,550 | 27,636 | 19,347 | 23,201 | 24,671 |
| Manufacturing | 46,121 | 48,659 | 67,497 | 67,275 | 76,917 | 149,328 | 173,395 | 158,571 | 149,298 | 118,168 |
| Wholesale trade | 34,033 | 52,048 | 50,674 | 77,063 | 103,370 | 212,637 | 200,208 | 216,540 | 236,470 | 188,800 |
| Retail trade | 522,917 | 701,754 | 593,199 | 794,410 | 873,696 | 887,650 | 774,650 | 774,638 | 804,182 | 436,751 |
| Transportation/warehousing | 15,595 | 11,580 | 6,535 | 11,049 | 7,823 | 9,726 | 7,794 | 10,239 | 13,817 | 9,222 |
| Information | 33,244 | 50,387 | 29,796 | 33,492 | 22,968 | 22,836 | 28,136 | 29,311 | 36,209 | 31,109 |
| Finance/insurance | 4,136 | 4,748 | 8,812 | 5,532 | 4,711 | 4,641 | 1,379 | 964 | 1,049 | 810 |
| Professional/scientific/technical | 12,632 | 31,544 | 18,828 | 32,869 | 47,792 | 85,256 | 23,165 | 15,745 | 15,485 | 14,761 |
| Real estate/rental/leasing | 30,192 | 29,976 | 36,714 | 37,942 | 35,622 | 34,950 | 25,870 | 34,389 | 37,831 | 27,206 |
| Management of companies/enterprises | - | - | 1,686 | - | 1,324 | 1,644 | 938 | 15 | 1 | - |
| Admin/support/waste management/ remediation services | 30,535 | 35,233 | 38,494 | 37,372 | 34,942 | 35,281 | 35,470 | 37,065 | 54,218 | 35,324 |
| Educational services | 127 | 131 | 141 | 144 | 153 | 186 | 104 | 344 | 531 | 2,119 |
| Health care/social assistance | 692 | 759 | 756 | 1,240 | 2,243 | 3,594 | 1,903 | 1,930 | 2,465 | 2,204 |
| Arts/entertainment/recreation | 20,653 | 26,450 | 25,765 | 27,049 | 31,372 | 28,676 | 23,115 | 25,623 | 25,657 | 20,293 |
| Accommodation/food service | 242,101 | 307,477 | 341,330 | 372,951 | 402,040 | 421,867 | 402,661 | 413,133 | 453,507 | 353,938 |
| Other services (except public administration) | 18,937 | 12,256 | 14,495 | 15,587 | 15,815 | 20,877 | 21,970 | 24,736 | 24,868 | 19,124 |
| Other | 2,407 | 1,946 | 37 | - | - | - | - | - | - | - |
| Unclassified | 3,076 | 2,790 | 4,539 | 4,491 | 6,111 | 6,997 | 9,849 | - | 17,457 | - |
| Total | <u>1,040,794</u> | <u>1,340,417</u> | <u>1,267,646</u> | <u>1,554,697</u> | <u>1,703,111</u> | <u>1,959,809</u> | <u>1,758,350</u> | <u>1,762,590</u> | <u>1,896,246</u> | <u>1,284,500</u> |
| City direct sales tax rate | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |

Source: Texas Comptroller

(1) Sales tax rate changed from 1% to 2% on 4/1/2007

(2) Only information for three quarters is available for FY 2012

CITY OF GRAPEVINE, TEXAS
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS

| <u>Fiscal Year</u> | <u>City Direct Rate</u> | <u>State of Texas</u> |
|---------------------|-----------------------------|---------------------------|
| 2003 | 1.00% | 6.25% |
| 2004 | 1.00% | 6.25% |
| 2005 | 1.00% | 6.25% |
| 2006 | 1.00% | 6.25% |
| 10/01/06 - 03/31/07 | 1.00% | 6.25% |
| 04/01/07-9/30/07 | 2.00% | 6.25% |
| 2008 | 2.00% | 6.25% |
| 2009 | 2.00% | 6.25% |
| 2010 | 2.00% | 6.25% |
| 2011 | 2.00% | 6.25% |
| 2012 | 2.00% | 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 | | | |
| 2003 | \$ 5,973,000 | \$ 2,324,000 | \$ 3,531,000 | \$ 4,766,000 | \$ 0.3660 |
| 2004 | 6,204,000 | 2,248,000 | 3,572,000 | 4,880,000 | 0.3660 |
| 2005 | 6,461,000 | 2,391,000 | 3,625,000 | 5,227,000 | 0.3635 |
| 2006 | 6,647,000 | 2,224,000 | 3,514,000 | 5,357,000 | 0.3625 |
| 2007 | 7,026,000 | 2,068,000 | 3,684,740 | 5,409,260 | 0.3625 |
| 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 |

Source: Tarrant County Appraisal District, Dallas and Denton County Appraisal Districts

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 | |
| 2003 | \$ 0.1489 | \$ 0.2171 | \$ 0.3660 | \$ 0.139 | \$ 1.610 | \$ 0.234 | \$ 0.275 | \$ 2.674 |
| 2004 | 0.1237 | 0.2423 | 0.3660 | 0.139 | 1.700 | 0.234 | 0.272 | 2.712 |
| 2005 | 0.1416 | 0.2219 | 0.3635 | 0.139 | 1.700 | 0.235 | 0.273 | 2.711 |
| 2006 | 0.1285 | 0.2340 | 0.3625 | 0.139 | 1.700 | 0.235 | 0.273 | 2.709 |
| 2007 | 0.1150 | 0.2475 | 0.3625 | 0.131 | 1.324 | 0.234 | 0.242 | 2.293 |
| 2008 | 0.1275 | 0.2350 | 0.3625 | 0.139 | 1.290 | 0.230 | 0.267 | 2.289 |
| 2009 | 0.1189 | 0.2311 | 0.3500 | 0.138 | 1.290 | 0.228 | 0.264 | 2.270 |
| 2010 | 0.1364 | 0.2136 | 0.3500 | 0.138 | 1.290 | 0.228 | 0.264 | 2.270 |
| 2011 | 0.1346 | 0.2154 | 0.3500 | 0.138 | 1.290 | 0.228 | 0.264 | 2.270 |
| 2012 | 0.1423 | 0.2057 | 0.3480 | 0.149 | 1.310 | 0.228 | 0.264 | 2.299 |

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 | 2012 | | Taxpayer | 2003 | |
|---|------------------------|---|--|------------------------|---|
| | Taxable Assessed Value | Percentage of Total City Taxable Assessed Value | | Taxable Assessed Value | Percentage of Total City Taxable Assessed Value |
| American Airlines, Inc. | \$ 286,037 | 4.84% | American Airlines, Inc. | \$ 404,890 | 8.50% |
| Gaylord Texan Resort and Convention Center | 273,332 | 4.62% | Grapevine Mills, Ltd. Partnership | 190,775 | 4.00% |
| Grapevine Mills, Ltd. Partnership | 191,333 | 3.24% | Delta Airlines | 121,440 | 2.55% |
| CAE Simuflite/Simuflite Training Unit | 100,625 | 2.12% | GE Directories | 108,534 | 2.28% |
| Great Wolf Lodge | 125,279 | 1.70% | GE Capital Services | 107,613 | 2.26% |
| Fund Riverwalk LLC | 62,000 | 1.05% | Opryland Hotel | 66,861 | 1.40% |
| A & B Properties, Inc., etal | 51,552 | 0.87% | Atlantic Southeast Airlines | 48,504 | 1.02% |
| Oncor Electric Delivery Co., LLC. | 49,569 | 0.84% | United Parcel Services | 44,074 | 0.92% |
| Silver Oaks, LP | 40,411 | 0.68% | Quest Communications Corp. | 42,721 | 0.90% |
| I&G Grapevine LLC | 40,000 | 0.68% | Industrial Development International, Inc | 37,259 | 0.78% |
| Total | \$ <u>1,220,138</u> | <u>20.64%</u> | Total | \$ <u>1,172,671</u> | <u>24.60%</u> |

Source: Tarrant County Appraisal District (2012)
Grapevine CAFR (2003)

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 | Collected Within the Fiscal Year of the Levy | | Collections in Subsequent Years | Delinquent Taxes | | Total Collections to Date | |
|----------------------|--|---|------------------------------------|---------------------------------------|------------------|-----------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy Collected | | Amount | Percentage of Levy | Amount | Percentage of Levy |
| 2003 | \$ 17,663 | \$ 17,423 | 98.64% | \$ 126 | \$ 967 | 5.5% | \$ 17,549 | 99.4% |
| 2004 | 18,044 | 17,859 | 98.97% | 124 | 1,020 | 5.7% | 17,983 | 99.7% |
| 2005 | 19,223 | 18,764 | 97.61% | 176 | 808 | 4.2% | 18,940 | 98.5% |
| 2006 | 19,182 | 18,945 | 98.76% | 109 | 829 | 4.3% | 19,054 | 99.3% |
| 2007 | 19,572 | 19,368 | 98.96% | 200 | 876 | 4.5% | 19,568 | 99.9% |
| 2008 | 21,113 | 20,964 | 99.29% | 153 | 891 | 4.2% | 21,117 | 99.9% |
| 2009 | 22,250 | 21,936 | 98.59% | 112 | 925 | 4.2% | 22,048 | 99.1% |
| 2010 | 22,208 | 21,958 | 98.87% | 269 | 973 | 4.4% | 22,227 | 100.1% |
| 2011 | 21,114 | 20,954 | 99.24% | 78 | 160 | 0.8% | 21,032 | 99.6% |
| 2012 | 21,321 | 21,211 | 99.48% | - | 110 | 0.5% | 21,211 | 99.5% |

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 | Notes Payable | Water and Sewer Obligations | General Obligation Bonds | Certificates of Obligation | Other Obligations | | | |
| 2003 | \$ 77,630 | \$ 73,040 | \$ 1,562 | \$ 33,247 | \$ - | \$ - | \$ 665 | \$ 186,144 | 11.24% | \$ 4,047 |
| 2004 | 72,140 | 69,735 | 1,138 | 26,300 | - | 4,935 | 542 | 174,790 | 10.33% | 3,719 |
| 2005 | 71,775 | 67,055 | 863 | 24,448 | - | 4,715 | 415 | 169,271 | 9.53% | 3,526 |
| 2006 | 71,755 | 70,600 | 521 | 22,545 | - | 4,485 | 282 | 170,188 | 9.39% | 3,473 |
| 2007 | 66,275 | 68,905 | 3,611 | 13,300 | 6,820 | 4,240 | 144 | 163,295 | 9.26% | 3,333 |
| 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 | - | - | 130,690 | 6.88% | 2,614 |
| 2011 | 45,335 | 55,473 | 4,852 | 1,035 | 14,100 | - | - | 120,795 | 7.14% | 2,570 |
| 2012 | 40,355 | 50,794 | 3,605 | 790 | 12,510 | - | - | 108,054 | 6.32% | 2,251 |

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

* See Table 19 for personal income and population data.

CITY OF GRAPEVINE, TEXAS

RATIOS OF NET 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 | | Less: Amounts Available 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 | Gross Bonded Debt | | | | |
| 2003 | \$ 77,630 | \$ 73,040 | \$ 150,670 | \$ - | \$ 150,670 | \$ 9,355 | \$ 141,315 | 2.97% | \$ 3,072 |
| 2004 | 72,140 | 69,735 | 141,875 | - | 141,875 | 11,716 | 130,159 | 2.67% | 2,769 |
| 2005 | 71,775 | 67,055 | 138,830 | - | 138,830 | 15,478 | 123,352 | 2.36% | 2,570 |
| 2006 | 71,755 | 70,600 | 142,355 | - | 142,355 | 21,906 | 120,449 | 2.25% | 2,458 |
| 2007 | 66,275 | 68,905 | 135,180 | 6,820 | 142,000 | 26,778 | 115,222 | 2.13% | 2,351 |
| 2008 | 60,690 | 63,675 | 124,365 | 6,685 | 131,050 | 29,863 | 101,187 | 1.73% | 2,024 |
| 2009 | 54,315 | 65,960 | 120,275 | 12,540 | 132,815 | 31,784 | 101,031 | 1.70% | 2,021 |
| 2010 | 51,290 | 59,870 | 111,160 | 15,305 | 126,465 | 40,700 | 85,765 | 1.38% | 1,715 |
| 2011 | 45,335 | 55,473 | 100,808 | 15,135 | 115,943 | 26,713 | 89,230 | 1.52% | 1,899 |
| 2012 | 40,355 | 50,794 | 91,149 | 12,510 | 103,659 | 29,963 | 73,696 | 1.25% | 1,535 |

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

^a See Table 5 for property value data.

^b See Table 19 for population data.

CITY OF GRAPEVINE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2012

(Unaudited) (Amounts Expressed in Whole Numbers)

| Government Unit | Debt Outstanding | Estimated Percentage Applicable | Estimated Share of Direct and Overlapping Debt |
|---|---------------------|---------------------------------------|--|
| Debt Repaid with Property Taxes: | | | |
| Carroll Independent School District | \$ 241,860,039 | 6.07% | \$ 14,680,904 |
| Coppell Independent School District | 146,969,595 | 2.09% | 3,071,665 |
| Dallas County | 121,605,000 | 0.09% | 109,445 |
| Dallas County Community College District | 374,265,000 | 0.09% | 336,839 |
| Dallas County Hospital District | 705,000,000 | 0.09% | 634,500 |
| Dallas County Schools | 45,300,000 | 0.09% | 40,770 |
| Denton County | 553,915,000 | - % * | - |
| Grapevine-Colleyville Independent School District | 354,381,492 | 56.07% | 198,701,703 |
| Tarrant County | 317,725,000 | 6.15% | 19,540,088 |
| Tarrant County Hospital District | 26,285,000 | 6.15% | 1,616,528 |
| Tarrant County Junior College District | 22,705,000 | 6.15% | <u>1,396,358</u> |
| Subtotal overlapping debt | | | 240,128,797 |
| Total direct - City of Grapevine | 91,149,060 | 100.00% | <u>91,149,060</u> |
| Direct and Overlapping Debt | | | <u>\$ 331,277,857</u> |

* 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 | Proprietary Fund - Waterworks and Sewer System Revenue Bonds | | | | | Coverage |
|----------------|--|---|-----------------------------|---------------------------------------|---------|----------|
| | Total Revenues ^a | Less: Operating Expenses ^b | Net Available Revenue | Principal and Interest Payments | | |
| 2003 | \$ 16,821 | \$ 11,271 | \$ 5,550 | \$ 4,746 | \$ 1.17 | |
| 2004 | 16,988 | 10,854 | 6,134 | 4,235 | 1.45 | |
| 2005 | 17,929 | 10,693 | 7,236 | 4,235 | 1.71 | |
| 2006 | 20,348 | 11,636 | 8,712 | 4,232 | 2.06 | |
| 2007 | 17,689 | 13,722 | 3,967 | 2,835 | 1.40 | |
| 2008 | 18,893 | 15,807 | 3,086 | 2,315 | 1.33 | |
| 2009 | 17,950 | 15,847 | 2,103 | 1,989 | 1.06 | |
| 2010 | 18,523 | 16,620 | 1,903 | 2,710 | 0.70 | |
| 2011 | 21,168 | 17,527 | 3,641 | 610 | 5.97 | |
| 2012 | 20,481 | 16,804 | 3,677 | 286 | 12.86 | |

Notes: ^a Includes operating revenues only^b Includes operating expenses minus depreciation plus transfers out.

Source: Comprehensive Annual Financial Report

CITY OF GRAPEVINE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

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

| Fiscal Year | Proprietary Fund - Golf | | | | | Coverage |
|----------------|--------------------------------|---|-----------------------------|---------------------------------------|---------|----------|
| | Total Revenues ^a | Less: Operating Expenses ^b | Net Available Revenue | Principal and Interest Payments | | |
| 2003 | \$ 2,159 | \$ 1,854 | \$ 305 | \$ 594 | \$ 0.51 | |
| 2004 | 2,500 | 2,081 | 419 | 590 | 0.71 | |
| 2005 | 2,630 | 2,105 | 525 | 596 | 0.88 | |
| 2006 | 2,890 | 2,135 | 755 | 594 | 1.27 | |
| 2007 | 2,712 | 2,758 | (46) | 595 | - c | |
| 2008 | 2,862 | 2,399 | 463 | 598 | 0.77 | |
| 2009 | 2,649 | 2,555 | 94 | 395 | 0.24 | |
| 2010 | 2,377 | 2,620 | (243) | 413 | - c | |
| 2011 | 2,862 | 2,734 | 128 | 411 | 0.31 | |
| 2012 | 3,079 | 2,771 | 308 | 427 | 0.72 | |

Notes: ^a Includes operating revenues only^b Includes operating expenses minus depreciation plus transfers out.^c Percentages are excluded when not meaningful

Source: Comprehensive Annual Financial Report

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 One | | | | | Coverage |
|----------------|---|---|-----------------------------|---------------------------------------|---------|----------|
| | Total Revenues ^a | Less: Operating Expenses ^b | Net Available Revenue | Principal and Interest Payments | | |
| 2003 | \$ 4,825 | \$ 200 | \$ 4,625 | \$ 2,493 | \$ 1.86 | |
| 2004 | 4,766 | 200 | 4,566 | 2,478 | 1.84 | |
| 2005 | 4,788 | 1 | 4,787 | 2,470 | 1.94 | |
| 2006 | 4,960 | 1 | 4,959 | 2,470 | 2.01 | |
| 2007 | 5,350 | 5 | 5,345 | 2,482 | 2.15 | |
| 2008 | 5,076 | 1 | 5,075 | 2,498 | 2.03 | |
| 2009 | 5,274 | 3,087 | 2,187 | 2,240 | 0.98 | |
| 2010 | 7,991 | 1 | 7,990 | 2,313 | 3.45 | |
| 2011 | 5,955 | 1,671 | 4,284 | 2,328 | 1.84 | |
| 2012 | 6,696 | 2,440 | 4,256 | 2,344 | 1.82 | |

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

Source: Grapevine Tax Increment Financing District Reinvestment Zone Number One Basic Financial Statement

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 | | | | |
|----------------|---|---|-----------------------------|---------------------------------------|----------|
| | Total Revenues ^a | Less: Operating Expenses ^b | Net Available Revenue | Principal and Interest Payments | Coverage |
| 2003 | \$ 1,107 | \$ 1 | \$ 1,106 | \$ 1,884 | \$ 0.59 |
| 2004 | 1,953 | - | 1,953 | 1,883 | 1.04 |
| 2005 | 3,401 | 1,560 | 1,841 | 1,719 | 1.07 |
| 2006 | 4,056 | - | 4,056 | 1,686 | 2.41 |
| 2007 | 3,574 | 1,539 | 2,035 | 1,686 | 1.21 |
| 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 |

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

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

CITY OF GRAPEVINE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

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

| Calendar Year | (1) Estimated Population | Personal Income | (1) Personal Income Per Capita | (1) Median Age | (2) School Enrollment | (3) Unemployment Rate |
|------------------|--------------------------------|--------------------|---|----------------------|-----------------------------|-----------------------------|
| 2003 | 46 | \$ 1,656 | \$ 36 | 34 | 14 | 3.4% |
| 2004 | 47 | 1,692 | 36 | 34 | 14 | 2.8% |
| 2005 | 48 | 1,776 | 37 | 34 | 14 | 3.5% |
| 2006 | 49 | 1,813 | 37 | 34 | 13 | 3.5% |
| 2007 | 49 | 1,764 | 36 | 34 | 14 | 3.5% |
| 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% |

Sources: (1) CLARITAS Report
(2) Grapevine/Colleyville ISD
(3) Texas Workforce Commission Website
(4) 2011 Estimate adjusted downward based on 2010 Census data combined with City permit data

CITY OF GRAPEVINE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

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

| 2012 | | | 2003 | | |
|---|-------------|--|---------------------------|-------------|--|
| Employer | Employees | Percentage of of Total City Employment (1) | Employer | Employees | Percentage of of Total City Employment |
| DFW International Airport | 60.0 | 53.57% | DFW International Airport | 16.0 | 33.00% |
| Gaylord Texan Resort and Convention Center | 1.8 | 1.61% | Grapevine/Colleyville ISD | 2.0 | 4.00% |
| Grapevine/Colleyville ISD | 1.6 | 1.46% | United Parcel Service | 2.0 | 4.00% |
| United Parcel Service | 1.2 | 1.07% | GTE Directory Corporation | 1.0 | 2.00% |
| Baylor Medical Center | 1.0 | 0.89% | Baylor Medical Center | 1.0 | 2.00% |
| GameStop | 0.6 | 0.54% | Gamestop | 1.0 | 2.00% |
| City of Grapevine | 0.5 | 0.49% | City of Grapevine | 0.5 | 0.50% |
| Hilton DFW | 0.4 | 0.36% | DFW Hilton Hotel | 0.5 | 0.50% |
| Pavestone Mfg | 0.4 | 0.36% | SimuFlite Training Int'l. | 0.5 | 0.50% |
| Wal-Mart/Sam's (250-500) | 0.3 | 0.27% | Apollo Paper | 0.5 | 0.50% |
| | <u>67.8</u> | <u>60.62%</u> | | <u>25.0</u> | <u>49.00%</u> |

Sources: City of Grapevine, Nielsen/Claritas Business Facts, Info. USA

(1) Per Nielsen/Claritas there are \$112,000 total employees in the City (including 60,000 at DFW Airport) as of 2012.

TABLE 21

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

| Function/Program | Fiscal Year | | | | | | | | | |
|---------------------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| General government and administration | 79 | 78 | 80 | 78 | 78 | 59 | 60 | 59 | 59 | 57 |
| Public safety | 228 | 228 | 231 | 231 | 230 | 238 | 237 | 236 | 237 | 237 |
| Development services | 23 | 23 | 21 | 17 | 15 | 15 | 15 | 15 | 15 | 15 |
| Culture and recreational | 148 | 150 | 153 | 162 | 159 | 163 | 174 | 175 | 169 | 169 |
| Water and sewer | 51 | 50 | 48 | 50 | 51 | 51 | 51 | 60 | 59 | 59 |
| Golf course | 32 | 32 | 31 | 31 | 31 | 29 | 29 | 28 | 26 | 26 |
| Public works | <u>61</u> | <u>59</u> | <u>59</u> | <u>58</u> | <u>54</u> | <u>75</u> | <u>67</u> | <u>67</u> | <u>65</u> | <u>65</u> |
| Total | <u>622</u> | <u>620</u> | <u>623</u> | <u>627</u> | <u>618</u> | <u>630</u> | <u>633</u> | <u>640</u> | <u>630</u> | <u>628</u> |

Source: Annual Budget Report - City of Grapevine

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

| Function/Program | Fiscal Year | | | | | | | | | |
|--------------------------------------|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Calls for service | 28,732 | 32,555 | 28,976 | 36,360 | 45,815 | 49,618 | 52,111 | 65,361 | 66,686 | 67,634 |
| Traffic citations | 24,323 | 24,379 | 13,603 | 13,406 | 17,367 | 27,363 | 26,068 | 25,533 | 18,995 | 23,817 |
| Criminal offenses | 5,898 | 3,615 | 2,714 | 1,157 | 3,764 | 3,905 | 3,796 | 3,552 | 3,346 | 1,366 |
| Fire | | | | | | | | | | |
| Fire runs | 4,283 | 3,746 | 3,856 | 4,171 | 3,601 | 4,682 | 4,844 | 4,595 | 5,079 | 5,135 |
| Ambulance runs | 3,080 | 3,737 | 3,168 | 4,151 | 3,056 | 3,132 | 3,980 | 3,015 | 3,343 | 3,026 |
| Development services | | | | | | | | | | |
| Area in square miles | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 |
| Cultural and recreational | | | | | | | | | | |
| Picnic areas | 35 | 35 | 35 | 35 | 35 | 35 | 49 | 49 | 49 | 49 |
| Library | | | | | | | | | | |
| Volumes | 148,729 | 148,125 | 160,109 | 173,184 | 182,241 | 183,529 | 191,437 | 197,509 | 205,194 | 186,817 |
| Annual circulation | 637,107 | 617,938 | 579,497 | 568,431 | 531,229 | 320,267 | 347,215 | 341,726 | 330,975 | 316,236 |
| Water and sewer | | | | | | | | | | |
| Number of water connections | 13,467 | 13,676 | 13,860 | 13,965 | 14,117 | 14,117 | 14,120 | 14,343 | 14,384 | 14,460 |
| Average daily consumption MG (water) | 8.79 | 9.04 | 9.62 | 11.37 | 8.61 | 10.75 | 10.37 | 10.23 | 11.98 | 10.74 |
| System capacity - MG (Water) | 22 | 23 | 24 | 24 | 24 | 26 | 26 | 27 | 27 | 27 |
| Number of sewer connections | 12,198 | 12,461 | 12,686 | 12,866 | 12,860 | 12,946 | 13,107 | 13,130 | 13,081 | 13,103 |
| Number of refuse connections | 11,289 | 11,484 | 11,673 | 12,180 | 11,279 | 11,279 | 11,955 | 11,865 | 11,895 | 11,911 |
| Sewer system capacity (MGD) | 6 | 6 | 6 | 6 | 8 | 8 | 8 | 8 | 8 | 8 |
| Lake Enterprise | | | | | | | | | | |
| Number of golfers, annually | 62,352 | 74,183 | 77,282 | 74,000 | 66,874 | 70,200 | 62,882 | 56,053 | 65,052 | 67,555 |

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 | | | | | | | | | |
|-----------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Public safety | | | | | | | | | | |
| Police stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Patrol units | 27 | 31 | 26 | 26 | 26 | 36 | 30 | 30 | 32 | 32 |
| Fire stations | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Public works | | | | | | | | | | |
| Streets - paved (miles) | 179 | 180 | 180 | 180 | 180 | 180 | 180 | 208 | 208 | 208 |
| Parks and recreation | | | | | | | | | | |
| Acreage* | 1,873 | 1,873 | 1,692 | 1,772 | 1,522 | 1,522 | 1,522 | 1,522 | 1,522 | 1,522 |
| Playgrounds | 35 | 35 | 35 | 34 | 34 | 35 | 35 | 35 | 35 | 35 |
| Swimming pools | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Recreation centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Senior Center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Central Library | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of golf courses | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water | | | | | | | | | | |
| Water mains (miles) | N/A | N/A | N/A | 247 | 280 | 280 | 280 | 280 | 280 | 280 |
| Wastewater | | | | | | | | | | |
| Sanitary sewers (miles) | N/A | N/A | N/A | 210 | 230 | 230 | 227 | 227 | 227 | 227 |

Note: N/A - data not available.

Source: City departments

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

SINGLE AUDIT SECTION

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**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 the financial statements of the governmental 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, 2012, which collectively comprise the City’s basic financial statements and have issued our report thereon dated January 25, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended solely for the information and use of the audit committee, management, others within the City, and appropriate federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

January 25, 2013



**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Grapevine, Texas (the “City”) with the types of compliance requirements described in the U. S. Office of Management and Budget (“OMB”) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The management of the City of Grapevine, Texas, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Grapevine, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 of Grapevine, Texas' internal control over compliance.

A deficiency in internal control over compliance 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, 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City's compliance but not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

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

January 25, 2013

CITY OF GRAPEVINE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

| Federal Grantor/Pass-through Grantor/ Program Title | Federal CFDA Number | Pass-through Grantor's Number | Expenditures |
|---|---------------------------|-------------------------------------|---------------------|
| FEDERAL AWARDS | | | |
| <u>U. S. Department of the Interior</u> | | | |
| Passed through the Texas Parks and Wildlife | | | |
| Sport Fish Restoration Program - Meadowmere Park Boat Ramp | 15.605 | F-214-B-1 | \$ 237,898 |
| Total Passed through the Texas Parks and Wildlife | | | <u>237,898</u> |
| Total U. S. Department of the Interior | | | <u>237,898</u> |
| <u>U. S. Department of Justice</u> | | | |
| Direct Program | | | |
| Bullet Proof Vest Partnership | 16.607 | N/A | 7,369 |
| Total Direct Program | | | <u>7,369</u> |
| Passed through the City of Fort Worth, Texas | | | |
| Justice Assistance Grant - ARRA | 16.804 | 2009-SB-B9-1479 | 1,542 |
| Total Passed through the City of Fort Worth, Texas | | | <u>1,542</u> |
| Total U. S. Department of Justice | | | <u>8,911</u> |
| <u>U. S. Department of Transportation</u> | | | |
| Passed through the Texas Department of Transportation | | | |
| Highway Planning and Construction - Euless-Grapevine Rd | 20.205 | 0902-48-537 | 173,015 |
| Highway Planning and Construction - Traffic Signals | 20.205 | 0902-48-741 | 720 |
| Total Passed through the Texas Department of Transportation | | | <u>173,735</u> |
| <u>U. S. Department of Energy</u> | | | |
| Passed through the Texas State Energy Conservation Office | | | |
| ARRA State Energy Program | 81.041 | CS0014 | 3,016 |
| ARRA Energy Efficiency and Conservation Block Grant (EECBG) | 81.128 | DE-SC0002913 | 182,333 |
| Total Passed through the Texas State Energy Conservation Office | | | <u>185,349</u> |
| Total U. S. Department of Energy | | | <u>185,349</u> |
| <u>U. S. Department of Homeland Security</u> | | | |
| Direct Program | | | |
| Assistance to Firefighters Grant Program | 97.044 | EMW-2009-FO-10824 | 1,869 |
| Assistance to Firefighters Grant Program | 97.044 | EMW-2011-FO-02932 | 406,751 |
| Total Direct Program | | | <u>408,620</u> |
| Passed through the Texas Department of Public Safety | | | |
| Urban Areas Security Initiative | 97.008 | 2009-SS-T9-0064 | 278 |
| Urban Areas Security Initiative | 97.008 | 2010-SS-T0-0008 | 91,694 |
| Total Passed through the Texas Department of Public Safety | | | <u>91,972</u> |
| Total U. S. Department of Homeland Security | | | <u>500,592</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 1,106,485</u> |

CITY OF GRAPEVINE, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2012

1. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards (the “Schedule”) is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. REPORTING ENTITY

The City of Grapevine, Texas (the City), for purposes of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The information included in the Schedule may not fully agree with other federal award reports that the City submits to granting agencies because, among other reasons, the award reports may be prepared for a different fiscal period and may include cumulative (from prior years) data rather than data for the current year only.

CITY OF GRAPEVINE, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued Unqualified

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 Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? None

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster: |
|----------------|-------------------------------------|
| #97.044 | Assistance to Firefighters Grant |

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? Yes

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

CITY OF GRAPEVINE, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

None