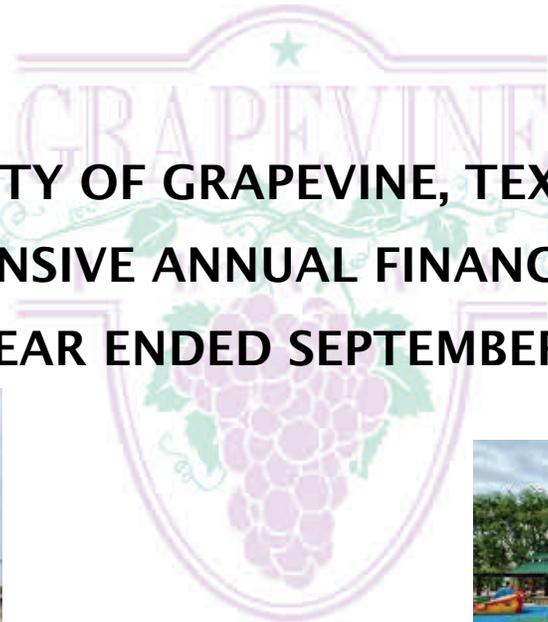


CITY OF GRAPEVINE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2013





CITY OF GRAPEVINE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2013

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

CITY OF GRAPEVINE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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

CITY OF GRAPEVINE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
SEPTEMBER 30, 2013

	<u>Page Number</u>
 INTRODUCTORY SECTION	
Letter of Transmittal	i – iv
Certificate of Achievement for Excellence in Financial Reporting	v
Organization Chart.....	vi
Administrative Officials.....	vii
 FINANCIAL SECTION	
Independent Auditors’ Report.....	1 – 3
Management’s Discussion and Analysis	4 – 11
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities.....	13 – 14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15 – 16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17

CITY OF GRAPEVINE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

SEPTEMBER 30, 2013

	<u>Page Number</u>
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18 – 19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Net Position – Proprietary Funds.....	21 – 22
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds.....	24 – 25
Statement of Fiduciary Net Position – Fiduciary Funds	26
Statement of Changes in Net Position – Trust Fund.....	27
Notes to Financial Statements.....	28 – 59
Required Supplementary Information	
General Fund.....	60
Hotel Occupancy Tax	61
Crime District.....	62
4B - Transit	63
Schedule of Funding Progress for Participation – in Texas Municipal Retirement System.....	64
Schedule of Funding Progress Post-Retirement Health Care Benefit Plan	65
Notes to Required Supplementary Information	66

CITY OF GRAPEVINE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
SEPTEMBER 30, 2013

		<u>Page Number</u>
Combining and Individual Fund Statements and Schedules		
Nonmajor Governmental Funds		
Combining Balance Sheet.....		67 – 70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances		71 – 74
Budgetary Comparison Schedule – Debt Service Fund.....		75
Agency Funds		
Combining Statement of Changes in Assets and Liabilities.....		76 – 77
 STATISTICAL SECTION (Unaudited)		
	<u>Table</u>	<u>Page Number</u>
Net Position by Component.....	1	78 – 79
Changes in Net Position.....	2	80 – 83
Fund Balances – Governmental Funds	3	84 – 85
Changes in Fund Balances – Governmental Funds	4	86 – 89
Taxable Sales by Category.....	5	90

CITY OF GRAPEVINE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
SEPTEMBER 30, 2013

	<u>Table</u>	<u>Page Number</u>
STATISTICAL SECTION (Unaudited)		
Direct and Overlapping Sales Tax Rates	6	91
Assessed Value and Estimated Actual Value of Taxable Property.....	7	92
Property Tax Rates – Direct and Overlapping Governments	8	93
Principal Property Taxpayers.....	9	94
Property Tax Levies and Collections.....	10	95
Ratios of Outstanding Debt by Type	11	96
Ratios of General Bonded Debt Outstanding.....	12	97
Direct and Overlapping Governmental Activities Debt.....	13	98
Legal Debt Margin Information.....	14	99
Pledged Revenue Coverage – Tax Increment Financing District Reinvestment Zone Number One.....	15	100
Pledged Revenue Coverage – Tax Increment Financing District Reinvestment Zone Number Two.....	16	101

CITY OF GRAPEVINE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

SEPTEMBER 30, 2013

	<u>Table</u>	<u>Page</u> <u>Number</u>
STATISTICAL SECTION (Unaudited)		
Demographic and Economic Statistics	17	102
Principal Employers.....	18	103
Fulltime Equivalent City Government Employees by Function/Program	19	104
Operating Indicators by Function/Program	20	105
Capital Asset Statistics by Function/Program.....	21	106
 INTERNAL CONTROL AND COMPLIANCE SECTION		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		107 – 108

THIS PAGE LEFT BLANK INTENTIONALLY

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



March 18, 2014

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 unmodified ("clean") opinion on the City of Grapevine's financial statements for the year ended September 30, 2013. 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.

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 (CCPD) "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, fire). Department heads may transfer resources within their department as they see fit, but transfers between funds require 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 has overcome several challenges during the past three fiscal years as overall sales tax receipts were \$49,046,598 which equated to a modest 4.5% increase in FY13, while collections for FY12 increased by 3.0% thus reflecting a steady growth. Hotel occupancy tax receipts increased \$445,791 in FY13, which equated to a 3.6% gain from the previous year. These results indicate that we are continuing to recover from the recession.

The DFW Connector project was officially dedicated in the fall of 2013 but still presented some traffic congestion in FY13. Work began in 2013 on the SH 121 "Section 13" project and the FM 2499 project in Northeast Grapevine with a combined cost of \$184 million. The Section 13 project doubles the current capacity of SH 121 in NE Grapevine and provides an improved connection between the DFW Connector project and the Sam Rayburn Toll Road. The FM 2499 project constructs new depressed main lanes from SH 121 to Denton Creek. These main lanes will no longer pass through the "at grade" signalized intersections with Stars and Stripes Way and Grapevine Mills Boulevard North. New service roads will be constructed to provide access to abutting properties and to connect with the two signalized intersections.

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 2013, 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 several years.

For FY 2013, the City maintained financial stability and strong fiscal management. The General, Debt Service, Utility Enterprise, and Stormwater Drainage funds ended FY 2013 with fund balances that meet or exceed their requirement. The City maintained existing services and transferred from the General Fund \$3,000,000 to the Quality of Life CIP Fund; \$1,300,000 to the Special Revenue – Crime District and \$2,169,886 to Capital Projects General Facility for the purchase of the Public Safety land. 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.

Major Initiatives and Developments

Grapevine continues to be active in economic development with advantages that include high median incomes, superior access to major highways, its proximity to DFW Airport, a large existing tourist industry and a stable political climate. In 2013, the City experienced several major projects that were completed with total construction values of \$161 million in 2012 and \$90 million for the first nine months of 2013. The largest category of construction was commercial which accounted for 61% of the construction value. Some of these developments included the construction of the Marriott Courtyard/Town Place Suites Hotel with 301 guest rooms including a full service restaurant and 17,000 square feet of meeting space which opened in 2013. Other commercial construction projects included the completion of Baylor Medical Center’s \$100.5 million expansion, a new assisted living center on Merlot Avenue, Westwood Development of 3 new medical buildings under construction, Golf Galaxy completion of their remodel building, and the In-N-Out Burger restaurant finished construction and opened in the Towers of Grapevine Development.

Two historic replica redevelopment projects were either started or completed in 2013 on historic Main Street. The 15,000 square foot development located at 520 Main Street was completed this year and includes Jakes Restaurant, 7-Eleven convenience store and several other retail and service use spaces. The Gallery, a new historic replica building broke ground and is under construction at the southeast corner of Main Street and East Northwest Highway offering 47,400 square feet of retail and office space and is planned to open in fall 2014.

There were two new multi-family developments that were under construction. The Enclave Apartments are a 243 unit complex west of Grapevine Mills Mall and the Loft located on the west side of Texan Trail recently completed their construction and started accepting tenants in their 274 unit complex. There are approximately 250 single family residential lots that have been approved for construction.

Grapevine Mills Mall continued to be a strong economic engine for Grapevine, averaging 20 million visitors a year. Sales at the mall were up 6% over last year, and are expected to improve once road construction on 121 is complete. In 2012, Grapevine Mills management announced a \$40 million renovation project including the upgrade of the tenant mix with the development of fashion and family neighborhoods. Recent new tenants included Michael Kors, Crocs, Under Armour, Coach, H&M and Kenneth Cole. Grapevine Mills staff are actively recruiting additional fashion tenants to cement their reputation as a fashion destination. Two major tenants also reinvested in the mall in 2013, Nike and Saks Off 5th both completed major interior renovations.

Grapevine Mills also strengthened their goal as an entertainment destination with the expansion of Legoland's City Forest Ranger Pursuit, a \$1.2 million investment that added 6,000 square feet of space to their Discovery Center.

Recognized nationally as a tourist and recreation destination, the Grapevine Shuttle provides local transportation of visitors from DFW Airport and Grapevine hotels to the historic downtown area, restaurants, and retail establishments. Construction began this year on the Ice House which is a new museum that will house the collections of the Grapevine Historical Society. Funding was provided by the historical society and the Grapevine CVB to remodel an existing structure to resemble the original Grapevine Ice House.

Staff continues to work on the two new general obligation bond projects that were approved by citizens in November 2012. Recently, land was acquired on Dallas Road for the Public Safety Building and staff is working on the design phase of the new facility that will house Police, Court, IT and Fire Administration and will replace their existing facility. Staff has also been working with the architect firm for the design phase that involves expanding, equipping, and renovating the existing Community Activities Center which includes 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, 2012. This was the 26th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The 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



Government Finance Officers Association

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

Presented to

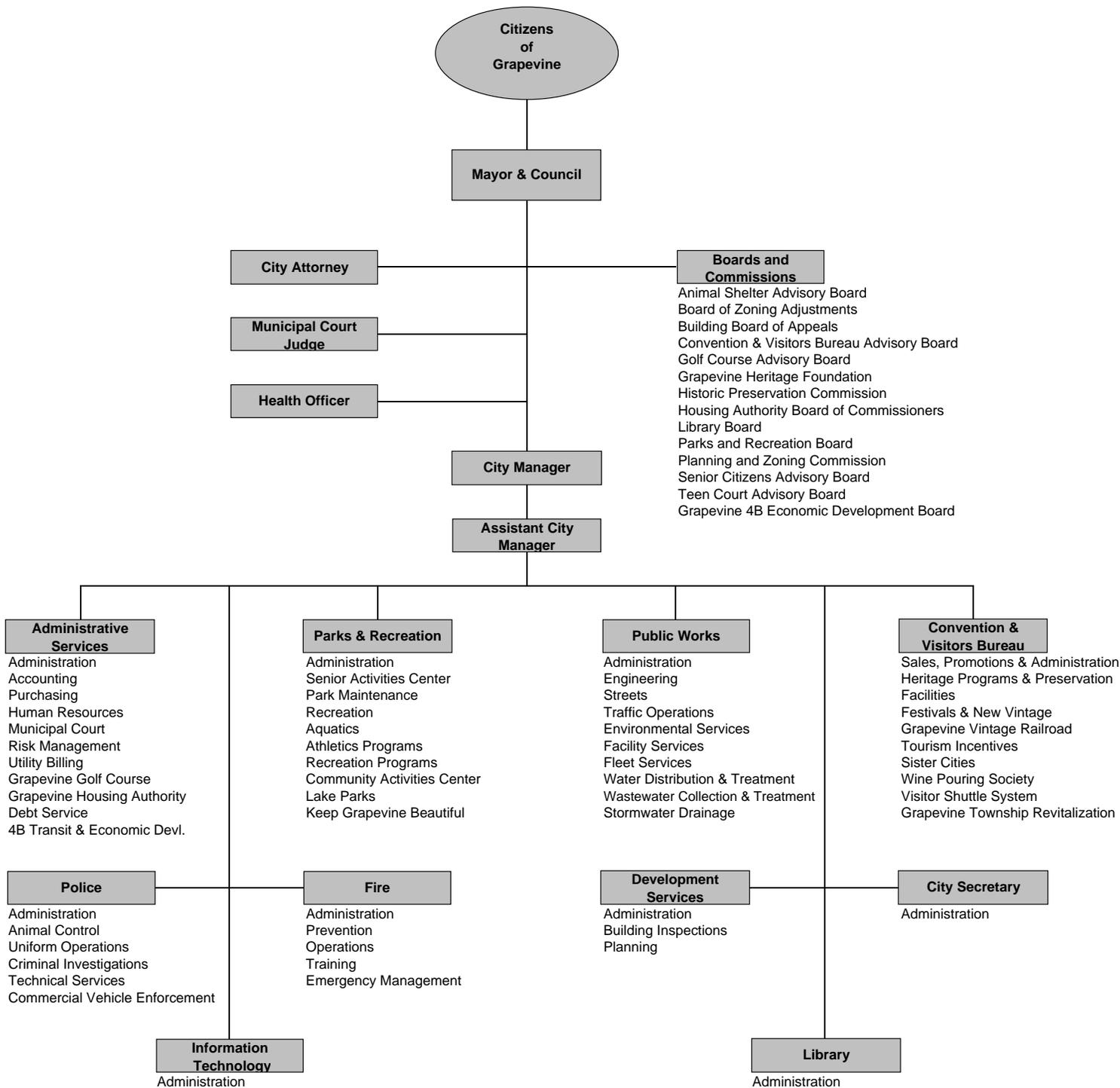
**City of Grapevine
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

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
Human Resources Director

Karen L. Walker
Controller

Robert Smeby
Purchasing Agent

Gary W. Livingston
Budget Manager

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Grapevine, Texas (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grapevine, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 Revenues, Expenditures and Changes in Fund Balance—Budget and Actual— 4B-Transit 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grapevine, Texas' basic financial statements. 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 basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2014, on our consideration of the City of Grapevine, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Grapevine, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
March 18, 2014

THIS PAGE LEFT BLANK INTENTIONALLY

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$278,711,152 (net position). Of this amount, \$19,381,756 of (unrestricted net position) 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 \$11,302,613 or 28% 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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, culture and recreation, public works, transportation, and economic development. 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, the Tax Reinvestment Zones Numbers One and Two, the Crime Control and Protection District (Crime District), and the Grapevine 4B Economic Development Corporation, which are legally separate entities. A blended presentation has been used to report the financial information for all of the component units except for the Heritage Foundation. The 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—4B - Transit Fund, Debt Service Fund, Debt Service Fund—Tax Reinvestment Zone Number One (TIF #1), Capital Projects – Parks Open Space and Recreation, Capital Projects – General Facilities and Equipment, all of which are considered to be major funds. Data from the other 12 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, the Police Department entitled “Police Department Case Settlement” and the W.D. Tate Scholarship. 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 position may serve over time as a useful indicator of a government’s financial position. As of September 30, 2013, the City’s assets exceeded liabilities by \$278,711,152.

The largest portion of the City’s net position (\$172,920,694) reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire capital assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position represents resources that are subject to external restrictions on how they may be used. Restricted net position are for (1) use of impact fees for construction purposes \$8,031,864 and (2) debt service \$30,369,921 (3) public safety \$1,088,003 (4) economic development \$41,197,788 (5) transportation \$412,394, (6) culture and recreation \$40,537, and (7) tourism \$5,268,195. Unrestricted net position of \$19,381,756 are 7% of all net position and may be used to meet the City’s ongoing obligations to citizens and creditors.

For fiscal year-end 2013, the City is able to report positive balances in all three categories of net position, 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 Position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 210,642,273	\$ 131,713,324	\$ 23,434,972	\$ 27,392,403	\$ 234,077,245	\$ 159,105,727
Capital assets	173,615,291	169,132,206	83,302,218	81,456,580	256,917,509	250,588,786
Total assets	384,257,564	300,845,530	106,737,190	108,848,983	490,994,754	409,694,513
Long-term liabilities	178,644,062	113,151,357	13,225,358	15,366,748	191,869,420	128,518,105
Other liabilities	16,595,350	12,973,521	3,818,832	3,812,151	20,414,182	16,785,672
Total liabilities	195,239,412	126,124,878	17,044,190	19,178,899	212,283,602	145,303,777
Net position:						
Net investment,						
in capital assets	98,171,072	88,342,250	74,749,622	70,171,197	172,920,694	158,513,447
Restricted	78,376,838	71,908,953	8,031,864	8,968,749	86,408,702	80,877,702
Unrestricted	12,470,242	14,469,449	6,911,514	10,530,138	19,381,756	24,999,587
Total net position	\$ 189,018,152	\$ 174,720,652	\$ 89,693,000	\$ 89,670,084	\$ 278,711,152	\$ 264,390,736

Analysis of the City's operations—

Governmental activities – Governmental activities increased the City's net position by \$14,297,500. Significant reasons for this increase are as follows:

Overall total revenues for fiscal year 2013 were slightly lower than the previous fiscal year. We did, however, experience an increase in both sales and occupancy taxes, but a slight decline in charges for services and grant reimbursements and awards. Overall, the City's operating expenses increased by \$3,502,589 and those increased expenses were primarily incurred by cultural and recreation, public works and transportation. We also experienced a significant change in both our total assets and long-term liabilities for the City which was primarily due to the issuance of the 2012 General Obligation (GO) Bonds that were approved by citizens last year for the CAC expansion and the new Public Safety Facility. During this year, City staff also worked on or completed several major capital projects that included the Dove Pool & Bathhouse, Casey's Clubhouse and Playground, Emergency Vehicle Preemption, Denton Creek Channel, and the purchases of capital equipment.

Business-type activities – Business-type activities increased the City's net position by \$22,916. 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, 2013, and 2012.

CITY OF GRAPEVINE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 17,481,667	\$ 17,799,878	\$ 23,304,719	\$ 23,560,412	\$ 40,786,386	\$ 41,360,290
Operating grants and contributions	525,816	1,124,029	-	-	525,816	1,124,029
Capital grants and contributions	108,225	810,155	-	-	108,225	810,155
General revenues:						
Property taxes	29,978,735	32,048,214	-	-	29,978,735	32,048,214
Hotel occupancy taxes	12,772,218	12,326,427	-	-	12,772,218	12,326,427
Sales taxes	49,046,598	46,932,217	-	-	49,046,598	46,932,217
Mixed beverage taxes	1,158,625	1,051,264	-	-	1,158,625	1,051,264
Franchise taxes	6,618,333	6,355,695	-	-	6,618,333	6,355,695
Investment earnings	159,146	286,292	151,639	67,957	310,785	354,249
Miscellaneous	6,000	170,318	-	-	6,000	170,318
Total revenues	<u>117,855,363</u>	<u>118,904,489</u>	<u>23,456,358</u>	<u>23,628,369</u>	<u>141,311,721</u>	<u>142,532,858</u>
Expenses:						
General government	18,601,720	18,370,262	-	-	18,601,720	18,370,262
Public safety	28,309,203	28,263,804	-	-	28,309,203	28,263,804
Culture and recreation	29,578,167	27,953,844	-	-	29,578,167	27,953,844
Public works	12,216,082	11,056,248	-	-	12,216,082	11,056,248
Transportation	8,619,843	7,788,997	-	-	8,619,843	7,788,997
Intergovernmental	-	4,040,040	-	-	-	4,040,040
Economic development	3,608,828	-	-	-	3,608,828	-
Interest on long-term debt	4,094,640	4,589,793	-	-	4,094,640	4,589,793
Water and sewer	-	-	18,806,917	18,372,558	18,806,917	18,372,558
Lake enterprise	-	-	3,155,905	3,053,170	3,155,905	3,053,170
Total expenses	<u>105,028,483</u>	<u>102,062,988</u>	<u>21,962,822</u>	<u>21,425,728</u>	<u>126,991,305</u>	<u>123,488,716</u>
Increases in net position before transfers	12,826,880	16,841,501	1,493,536	2,202,641	14,320,416	19,044,142
Transfers	1,470,620	1,676,661	(1,470,620)	(1,676,661)	-	-
Change in net position	14,297,500	18,518,162	22,916	525,980	14,320,416	19,044,142
Net position, beginning	<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>
Net position, ending	<u>\$ 189,018,152</u>	<u>\$ 174,720,652</u>	<u>\$ 89,693,000</u>	<u>\$ 89,670,084</u>	<u>\$ 278,711,152</u>	<u>\$ 264,390,736</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 \$190,380,611, an increase of \$75,130,874 compared with the prior year. Unassigned fund balance is \$10,461,509 (5%), 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 \$680,875 (2) restricted for debt service, capital projects, public safety, economic development, transportation, tourism, and culture and recreation programs \$167,797,923 (3) committed for stormwater drainage and public arts \$2,720,827 (4) or assigned for capital projects and culture and recreation programs \$8,719,477.

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

General Fund – The fund balance decreased \$433,278 for FY 2013. The General Fund transferred funds to several other City funds this fiscal year, including \$3,000,000 to the Quality of Life Fund (nonmajor fund) for CIP projects designated by the City Council. The changes in the fund balance were also impacted by the revenue and operating costs this fiscal year as the City experienced an increase in both sales and franchise taxes which attributed to the total General Fund revenues increasing by \$1,018,855. Overall operating expenditures increased from the previous year by \$1,412,387 as the city continues to provide quality programs, public safety and other services for the City.

Special Revenue – Hotel Occupancy Tax Fund – Overall revenues increased \$79,028 which reflects a slight and continued increase in occupancy rates at the hotels over the prior year. Due to the increases in tax revenue, the increase in transfer outs of \$1,538,660 and operational costs of \$282,814 the fund balance decreased by \$697,951 from the previous year.

Special Revenue – Crime District Fund – The Crime District Fund experienced an increase in sales tax revenues of \$671,571; however, operating expenditures also increased by \$731,737 with the final fund balance decreasing by \$1,242 from the previous fiscal year. The General Fund transferred a net \$1,500,000 to the Crime District Fund in FY 2013 and the ending fund balance for FY 2013 was \$414,164.

Special Revenue – 4B – Transit Fund – The 4B fund balance increased by \$43,563 over last fiscal year. This increase is primarily attributed to the overall increase the City experienced this fiscal year in sales tax collections.

Debt Service Fund – This fund has a total fund balance of \$16,119,415 which is restricted for the payment of debt service. The \$3,867,019 increase in fund balance was due to property tax revenue collections and debt issuance.

Debt Service Fund – TIF #1 – The Debt Service had a total fund balance of \$32,624,565. The \$130,880 increase in fund balance was primarily impacted by the school district's state reimbursement for the TIRZ M&O contribution of \$1,033,327 which was not received from the school district until December 2013. This payment is being presented as deferred revenue for the current reporting year. There were also economic development distributions for FY 2013.

Capital Projects – Parks Open Space and Recreation – The Parks Open Space and Recreation capital projects fund had an ending fund balance of \$28,528,868. This is an increase of \$28,530,315 over the prior year. The increase in fund balance is due to the issuance of long-term debt to finance capital projects.

Capital Projects – General Facilities and Equipment – The General Facilities and Equipment capital projects fund had an ending fund balance of \$41,393,980. This is an increase of \$40,944,355 over the prior year. The increase in fund balance is due to the issuance of long-term debt to finance capital projects.

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 general fund transfers out increased to \$10,892,077 including transfers to the Capital Equipment Fund, the General Facilities Fund, the Quality of Life Fund and the Special Revenue Fund – Crime District (CCPD). Overall, the General Fund operating expenditures increased from the previous year primarily due to the adopted salary increases. The Cultural and Recreation expenditure budget increased this year to account for additional expenditures incurred in Park Maintenance and Aquatics for the new Dove Pool improvements and some departments experienced increases in operating supplies, professional services, and utilities from the previous year.

Significant budget variances:

For the year ended September 30, 2013, revenues did exceed the final budget in the General Fund due to tax receipts being greater than anticipated and overall expenditures were less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

The City incurred \$1,501,950 in capital expenses related to the design phase of the Community Activities Center (CAC) expansion project in the Recreation Capital Fund.

The City completed several Quality of Life projects this year including the Dove Pool & Bathhouse; Casey’s Clubhouse and Playground and the Emergency Vehicle Preemption Project as well as several other smaller projects. The \$1,305,011 decrease in fund balance is due to these current year expenditures.

The City completed two new parking lots at Bear Creek and Dove Parks expending \$258,575 as well as improvement projects to Port America Place and Denton Creek Channel repairs expending \$834,644 in FY 2013.

Capital assets—The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounted to \$256,917,509 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, intangible assets and construction in progress. The total net increase in the City’s investment in capital assets for the current fiscal year was \$6,328,723.

CITY OF GRAPEVINE'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land and improvements	\$ 47,821,876	\$ 47,821,876	\$ 1,643,545	\$ 1,643,545	\$ 49,465,421	\$ 49,465,421
Construction in progress	6,027,159	3,725,009	219,754	2,122,792	6,246,913	5,847,801
Buildings	32,639,182	33,115,271	797,805	839,774	33,436,987	33,955,045
Improvements other than buildings	21,141,304	18,786,261	1,879,385	2,243,878	23,020,689	21,030,139
Machinery and equipment	13,893,188	9,328,850	1,239,773	509,853	15,132,961	9,838,703
Water storage rights	-	-	129,594	146,683	129,594	146,683
Infrastructure	<u>52,092,582</u>	<u>56,354,939</u>	<u>77,392,362</u>	<u>73,950,055</u>	<u>129,484,944</u>	<u>130,304,994</u>
Total	<u>\$ 173,615,291</u>	<u>\$ 169,132,206</u>	<u>\$ 83,302,218</u>	<u>\$ 81,456,580</u>	<u>\$ 256,917,509</u>	<u>\$ 250,588,786</u>

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 \$169,138,677. Of this amount, \$169,138,677 comprises debt backed by the full faith and credit of the City.

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

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 102,692,840	\$ 40,355,000	\$ 10,845,000	\$ 12,510,000	\$ 113,537,840	\$ 52,865,000
Certificates of obligation	45,658,918	50,794,060	-	-	45,658,918	50,794,060
Revenue bonds	-	-	-	790,000	-	790,000
Notes payable	6,296,518	3,604,730	-	-	6,296,518	3,604,730
Premium on bonds issued	6,399,166	3,787,206	566,348	666,750	6,965,514	4,453,956
Discount on bonds issued	-	(24,159)	-	-	-	(24,159)
Deferred loss on refunding	<u>(2,870,991)</u>	<u>(2,896,959)</u>	<u>(449,122)</u>	<u>(503,854)</u>	<u>(3,320,113)</u>	<u>(3,400,813)</u>
	<u>\$ 158,176,451</u>	<u>\$ 95,619,878</u>	<u>\$ 10,962,226</u>	<u>\$ 13,462,896</u>	<u>\$ 169,138,677</u>	<u>\$ 109,082,774</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**

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF GRAPEVINE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Heritage Foundation
ASSETS				
Cash and investments	\$ 189,106,100	\$ 10,066,843	\$ 199,172,943	\$ 501,191
Receivables, net				
Taxes	12,693,436	-	12,693,436	-
Accounts	1,996,643	2,767,812	4,764,455	-
Pledges	-	-	-	50,404
Internal balances	935,936	(935,936)	-	-
Due from other governments	419,470	92,047	511,517	-
Inventory	447,545	47,956	495,501	-
Accrued interest	16,006	2,763	18,769	67
Prepaid expenses	233,330	-	233,330	-
Deposits	3,673,886	-	3,673,886	-
Restricted assets:				
Cash and investments	-	11,257,403	11,257,403	-
Capital assets (net of accumulated depreciation)				
Non-depreciable	53,849,035	1,863,299	55,712,334	450,067
Depreciable	119,766,256	81,438,919	201,205,175	1,101,039
Deferred charges (net of accumulated amortization)	1,119,921	136,084	1,256,005	-
Total assets	<u>384,257,564</u>	<u>106,737,190</u>	<u>490,994,754</u>	<u>2,102,768</u>
LIABILITIES				
Accounts payable	9,193,974	2,243,956	11,437,930	3,052
Contracts and retainage payable	223,237	147,892	371,129	-
Accrued and other liabilities	1,746,414	167,512	1,913,926	-
Developer deposits	1,691,705	-	1,691,705	-
Interest payable	1,619,517	55,511	1,675,028	-
Unearned revenue	2,120,503	318,062	2,438,565	-
Customer deposits	-	885,899	885,899	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences	736,843	56,262	793,105	-
Notes payable	1,824,236	-	1,824,236	-
Bonds payable	10,661,736	1,750,000	12,411,736	-
Sales tax obligation	173,556	-	173,556	-
Due in more than one year:				
Compensated absences	2,210,527	168,783	2,379,310	-
Notes payable	4,472,282	-	4,472,282	-
Bonds payable	141,218,197	9,212,226	150,430,423	-
Sales tax obligation	772,247	-	772,247	-
Net OPEB obligation	11,546,496	1,491,080	13,037,576	-
Net pension obligation	5,027,942	547,007	5,574,949	-
Total liabilities	<u>195,239,412</u>	<u>17,044,190</u>	<u>212,283,602</u>	<u>3,052</u>
NET POSITION				
Net investment in capital assets	98,171,072	74,749,622	172,920,694	1,551,106
Restricted for:				
Use of impact fees	-	8,031,864	8,031,864	-
Debt service	30,369,921	-	30,369,921	-
Public safety	1,088,003	-	1,088,003	-
Economic development	41,197,788	-	41,197,788	-
Transportation	412,394	-	412,394	-
Culture and recreation	40,537	-	40,537	-
Tourism	5,268,195	-	5,268,195	-
Unrestricted	<u>12,470,242</u>	<u>6,911,514</u>	<u>19,381,756</u>	<u>548,610</u>
Total net position	<u>\$ 189,018,152</u>	<u>\$ 89,693,000</u>	<u>\$ 278,711,152</u>	<u>\$ 2,099,716</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, 2013

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 18,601,720	\$ 2,013,411	\$ 107,408	\$ -
Public safety	28,309,203	3,970,693	108,996	-
Culture and recreation	29,578,167	10,011,861	56,514	-
Public works	12,216,082	1,485,702	252,898	108,225
Transportation	8,619,843	-	-	-
Economic development	3,608,828	-	-	-
Interest on long-term debt	4,094,640	-	-	-
Total governmental activities	<u>105,028,483</u>	<u>17,481,667</u>	<u>525,816</u>	<u>108,225</u>
Business-type activities:				
Water and sewer	18,806,917	20,184,879	-	-
Lake Enterprise	<u>3,155,905</u>	<u>3,119,840</u>	-	-
Total business-type activities	<u>21,962,822</u>	<u>23,304,719</u>	-	-
Total primary government	<u>\$ 126,991,305</u>	<u>\$ 40,786,386</u>	<u>\$ 525,816</u>	<u>\$ 108,225</u>
Component unit:				
Heritage Foundation	<u>\$ 142,088</u>	<u>\$ 9,957</u>	<u>\$ 31,340</u>	<u>\$ 32,117</u>

General revenues:

Taxes:

Property

Franchise

Hotel occupancy

Sales

Mixed beverage

Investment income

Miscellaneous

Transfers

 Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			Component
Primary Government			Unit
Governmental Activities	Business-type Activities	Total	Heritage Foundation
\$(16,480,901)	\$ -	\$(16,480,901)	\$ -
(24,229,514)	-	(24,229,514)	-
(19,509,792)	-	(19,509,792)	-
(10,369,257)	-	(10,369,257)	-
(8,619,843)	-	(8,619,843)	-
(3,608,828)	-	(3,608,828)	-
(4,094,640)	-	(4,094,640)	-
<u>(86,912,775)</u>	<u>-</u>	<u>(86,912,775)</u>	<u>-</u>
-	1,377,962	1,377,962	-
<u>-</u>	<u>(36,065)</u>	<u>(36,065)</u>	<u>-</u>
<u>-</u>	<u>1,341,897</u>	<u>1,341,897</u>	<u>-</u>
(86,912,775)	1,341,897	(85,570,878)	-
			<u>(68,674)</u>
29,978,735	-	29,978,735	-
6,618,333	-	6,618,333	-
12,772,218	-	12,772,218	-
49,046,598	-	49,046,598	-
1,158,625	-	1,158,625	-
159,146	151,639	310,785	955
6,000	-	6,000	13,838
<u>1,470,620</u>	<u>(1,470,620)</u>	<u>-</u>	<u>-</u>
<u>101,210,275</u>	<u>(1,318,981)</u>	<u>99,891,294</u>	<u>14,793</u>
14,297,500	22,916	14,320,416	(53,881)
<u>174,720,652</u>	<u>89,670,084</u>	<u>264,390,736</u>	<u>2,153,597</u>
<u>\$ 189,018,152</u>	<u>\$ 89,693,000</u>	<u>\$ 278,711,152</u>	<u>\$ 2,099,716</u>

CITY OF GRAPEVINE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	Special Revenue			
	General	Hotel Occupancy Tax	Crime District	4B - Transit Fund
ASSETS				
Cash and investments	\$ 8,850,689	\$ 6,451,646	\$ 5,894	\$ 1,323,289
Receivables (net of allowances for uncollectibles)				
Accounts	1,711,659	64,760	2,928	-
Taxes	4,605,084	972,070	1,962,876	1,438,677
Accrued interest	1,711	1,221	-	181
Inventory	429,412	442	-	-
Due from other funds	2,648,233	326,270	-	-
Due from other governments	-	-	-	-
Prepaid items	229,655	2,563	1,112	-
Deposits	-	-	-	-
	<u>\$ 18,476,443</u>	<u>\$ 7,818,972</u>	<u>\$ 1,972,810</u>	<u>\$ 2,762,147</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,278,399	\$ 2,342,023	\$ 332,262	\$ 2,349,753
Accrued liabilities	1,401,806	105,970	221,294	-
Interest payable	-	-	-	-
Due to other funds	-	-	1,005,090	-
Deferred revenue	2,834,558	99,779	-	-
Developer deposits	-	-	-	-
Total liabilities	<u>6,514,763</u>	<u>2,547,772</u>	<u>1,558,646</u>	<u>2,349,753</u>
Fund balances:				
Nonspendable:				
Inventory	429,412	442	-	-
Prepaid items	229,655	2,563	1,112	-
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Public safety	-	-	413,052	-
Economic development	-	-	-	-
Transportation	-	-	-	412,394
Culture and recreation	-	-	-	-
Tourism	-	5,268,195	-	-
Committed for:				
Stormwater drainage operations	-	-	-	-
Public arts	-	-	-	-
Assigned for:				
Capital projects	-	-	-	-
Culture and recreation	-	-	-	-
Unassigned	11,302,613	-	-	-
Total fund balances	<u>11,961,680</u>	<u>5,271,200</u>	<u>414,164</u>	<u>412,394</u>
Total liabilities and fund balances	<u>\$ 18,476,443</u>	<u>\$ 7,818,972</u>	<u>\$ 1,972,810</u>	<u>\$ 2,762,147</u>

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

Debt Service	Debt Service		Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
	TIF #1		Parks Open Space and Recreation	General Facilities and Equipment		
\$ 16,454,196	\$ 32,663,208	\$ 28,738,449	\$ 38,173,861	\$ 56,444,868	\$ 189,106,100	
21,932	-	-	-	195,364	1,996,643	
321,657	1,632,603	-	-	1,760,469	12,693,436	
2,221	4,419	17	82	6,154	16,006	
-	-	-	-	17,691	447,545	
-	-	-	-	-	2,974,503	
-	-	-	-	419,470	419,470	
-	-	-	-	-	233,330	
-	-	-	3,673,886	-	3,673,886	
<u>\$ 16,800,006</u>	<u>\$ 34,300,230</u>	<u>\$ 28,738,466</u>	<u>\$ 41,847,829</u>	<u>\$ 58,844,016</u>	<u>\$ 211,560,919</u>	
\$ -	\$ 582,086	\$ 86,554	\$ 127,579	\$ 1,095,318	\$ 9,193,974	
-	-	-	-	17,344	1,746,414	
371,994	-	-	-	-	371,994	
-	-	-	326,270	707,207	2,038,567	
308,597	1,093,579	123,044	-	1,678,097	6,137,654	
-	-	-	-	1,691,705	1,691,705	
<u>680,591</u>	<u>1,675,665</u>	<u>209,598</u>	<u>453,849</u>	<u>5,189,671</u>	<u>21,180,308</u>	
-	-	-	-	17,691	447,545	
-	-	-	-	-	233,330	
16,119,415	7,169,163	-	-	5,761,978	29,050,556	
-	-	28,528,868	41,393,980	20,817,602	90,740,450	
-	-	-	-	674,951	1,088,003	
-	25,455,402	-	-	15,742,386	41,197,788	
-	-	-	-	-	412,394	
-	-	-	-	40,537	40,537	
-	-	-	-	-	5,268,195	
-	-	-	-	2,024,087	2,024,087	
-	-	-	-	696,740	696,740	
-	-	-	-	8,042,705	8,042,705	
-	-	-	-	676,772	676,772	
-	-	-	-	(841,104)	10,461,509	
<u>16,119,415</u>	<u>32,624,565</u>	<u>28,528,868</u>	<u>41,393,980</u>	<u>53,654,345</u>	<u>190,380,611</u>	
<u>\$ 16,800,006</u>	<u>\$ 34,300,230</u>	<u>\$ 28,738,466</u>	<u>\$ 41,847,829</u>	<u>\$ 58,844,016</u>	<u>\$ 211,560,919</u>	

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF GRAPEVINE, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

Total fund balances - governmental funds balance sheet	\$ 190,380,611
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	173,392,054
Certain receivables will not be collected soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.	4,017,151
Accrued bond interest is not due and payable in the current period and therefore is not reported in the funds.	(1,247,523)
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	(151,879,933)
Notes payable	(6,296,518)
Compensated absences	(2,947,370)
Sales tax obligation	(945,803)
Net OPEB obligation	(11,546,496)
Net pension obligation	(5,027,942)
Deferred charges recognized on Statement of Net Position, not recognized in governmental balance sheet: Deferred bond issue costs	<u>1,119,921</u>
Net position of governmental activities	<u>\$ 189,018,152</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, 2013

	General	Special Revenue		
		Hotel Occupancy Tax	Crime District	4B - Transit Fund
REVENUES				
Property tax	\$ 8,494,995	\$ -	\$ -	\$ -
Hotel occupancy tax	-	12,772,218	-	-
Sales tax	24,797,696	-	11,958,485	8,715,679
Mixed beverage tax	1,158,625	-	-	-
Franchise tax	6,618,333	-	-	-
Licenses and permits	1,247,508	-	-	-
Intergovernmental	95,394	-	14	-
Charges for services	3,622,168	6,004,378	-	-
Fines and forfeitures	2,210,213	-	-	-
Investment income	14,106	10,820	2,464	2,086
Contributions	-	-	-	-
Miscellaneous	395,593	131,708	1,966	-
Total revenues	<u>48,654,631</u>	<u>18,919,124</u>	<u>11,962,929</u>	<u>8,717,765</u>
EXPENDITURES				
Current:				
General government	13,506,546	-	-	-
Public safety	12,530,520	-	12,978,121	-
Culture and recreation	9,034,959	15,347,906	-	-
Public works	5,367,768	-	-	-
Transportation	-	-	-	8,619,843
Economic development	-	-	-	-
Capital outlay	364,675	8,976	284,550	-
Debt service:				
Principal	201,656	-	-	-
Interest and fiscal charges	-	-	-	-
Other	-	-	-	-
Total expenditures	<u>41,006,124</u>	<u>15,356,882</u>	<u>13,262,671</u>	<u>8,619,843</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,648,507</u>	<u>3,562,242</u>	<u>(1,299,742)</u>	<u>97,922</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,801,083	313,860	1,300,000	244,460
Transfers out	(10,892,077)	(4,574,053)	(1,500)	(298,819)
Sale of capital assets	9,209	-	-	-
Issuance of debt	-	-	-	-
Premium on issuance of bonds	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Total other financing sources and uses	<u>(8,081,785)</u>	<u>(4,260,193)</u>	<u>1,298,500</u>	<u>(54,359)</u>
NET CHANGE IN FUND BALANCES	<u>(433,278)</u>	<u>(697,951)</u>	<u>(1,242)</u>	<u>43,563</u>
FUND BALANCES, BEGINNING	<u>12,394,958</u>	<u>5,969,151</u>	<u>415,406</u>	<u>368,831</u>
FUND BALANCES, ENDING	<u>\$ 11,961,680</u>	<u>\$ 5,271,200</u>	<u>\$ 414,164</u>	<u>\$ 412,394</u>

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

Debt Service	Debt Service		Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
	TIF #1		Parks Open Space and Recreation	General Facilities and Equipment		
\$ 11,386,845	\$ 4,807,748	\$ -	\$ -	\$ 3,636,534	\$ 28,326,122	
-	-	-	-	-	12,772,218	
-	-	-	-	3,574,738	49,046,598	
-	-	-	-	-	1,158,625	
-	-	-	-	-	6,618,333	
-	-	-	-	-	1,247,508	
-	-	-	-	1,079,949	1,175,357	
-	-	-	-	3,659,369	13,285,915	
-	-	-	-	47,789	2,258,002	
24,541	35,945	2,303	5,669	61,212	159,146	
-	-	2,604	-	158,929	161,533	
-	-	-	433	42,438	572,138	
<u>11,411,386</u>	<u>4,843,693</u>	<u>4,907</u>	<u>6,102</u>	<u>12,260,958</u>	<u>116,781,495</u>	
-	-	-	-	207,155	13,713,701	
-	-	-	-	165,060	25,673,701	
-	-	-	-	1,818,887	26,201,752	
-	-	-	-	1,669,230	7,036,998	
-	-	-	-	-	8,619,843	
-	1,222,389	-	-	2,386,439	3,608,828	
-	-	1,576,074	659,061	14,117,676	17,011,012	
7,905,514	2,030,000	-	-	1,325,000	11,462,170	
2,183,238	329,813	-	-	1,351,187	3,864,238	
88,956	500	99,613	130,244	74,876	394,189	
<u>10,177,708</u>	<u>3,582,702</u>	<u>1,675,687</u>	<u>789,305</u>	<u>23,115,510</u>	<u>117,586,432</u>	
<u>1,233,678</u>	<u>1,260,991</u>	<u>(1,670,780)</u>	<u>(783,203)</u>	<u>(10,854,552)</u>	<u>(804,937)</u>	
2,549,678	-	-	2,997,915	9,560,761	19,767,757	
-	(1,130,111)	-	-	(1,400,577)	(18,297,137)	
-	-	-	-	194,912	204,121	
7,645,000	-	28,831,594	36,973,406	5,190,000	78,640,000	
272,555	-	1,369,501	1,756,237	56,669	3,454,962	
(7,833,892)	-	-	-	-	(7,833,892)	
<u>2,633,341</u>	<u>(1,130,111)</u>	<u>30,201,095</u>	<u>41,727,558</u>	<u>13,601,765</u>	<u>75,935,811</u>	
3,867,019	130,880	28,530,315	40,944,355	2,747,213	75,130,874	
<u>12,252,396</u>	<u>32,493,685</u>	<u>(1,447)</u>	<u>449,625</u>	<u>50,907,132</u>	<u>115,249,737</u>	
\$ <u>16,119,415</u>	\$ <u>32,624,565</u>	\$ <u>28,528,868</u>	\$ <u>41,393,980</u>	\$ <u>53,654,345</u>	\$ <u>190,380,611</u>	

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2013

Net change in fund balances - total governmental funds	\$ 75,130,874
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.	13,289,081
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.	(9,172,115)
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.	
Issuance of debt	(78,640,000)
Repayment of principal of long-term debt	11,462,170
Payment to refunding escrow agent	7,833,892
Amortization of:	
Bond issuance costs - deferred charges	248,884
Premium on bond issuance	(2,817,806)
Loss on refunding	(366,250)
The net effect of various miscellaneous transactions involving capital assets (i.e., the sales, trade-ins, and donations) is to increase net position.	142,882
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.	(750,192)
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	(66,784)
Net OPEB obligation	(2,684,765)
Net pension obligation	(386,239)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>1,073,868</u>
Change in net position of governmental activities	<u>\$ 14,297,500</u>

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

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 10,000,858	\$ 65,985	\$ 10,066,843
Receivables, net	2,735,373	32,439	2,767,812
Due from other governments	92,047	-	92,047
Accrued interest	2,748	15	2,763
Inventory	-	47,956	47,956
Total current assets	12,831,026	146,395	12,977,421
Noncurrent assets:			
Restricted cash and investments:			
Customer deposits	880,946	-	880,946
Revenue bond construction	2,124,004	220,589	2,344,593
Impact fees	8,031,864	-	8,031,864
Total restricted cash and investments	11,036,814	220,589	11,257,403
Capital assets:			
Land	550,882	1,092,663	1,643,545
Buildings, structure and improvements	118,044,600	8,850,775	126,895,375
Vehicles, machinery and equipment	1,856,403	92,833	1,949,236
Construction in progress	219,754	-	219,754
Water storage rights	129,594	-	129,594
Less accumulated depreciation	(41,122,424)	(6,412,862)	(47,535,286)
Net capital assets	79,678,809	3,623,409	83,302,218
Deferred charges	116,996	19,088	136,084
Total noncurrent assets	90,832,619	3,863,086	94,695,705
Total assets	103,663,645	4,009,481	107,673,126

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

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,103,786	\$ 140,170	\$ 2,243,956
Accrued liabilities	142,166	25,346	167,512
Due to other funds	9,286	926,650	935,936
Deferred revenue	318,062	-	318,062
Compensated absences	31,645	24,617	56,262
Retainage payable	147,892	-	147,892
Accrued bond interest payable	41,960	13,551	55,511
General obligation bonds payable	1,420,000	330,000	1,750,000
Customer deposits	885,899	-	885,899
Total current liabilities	5,100,696	1,460,334	6,561,030
Noncurrent liabilities:			
General obligation bonds payable	7,076,282	2,135,944	9,212,226
Net OPEB obligation	987,302	503,778	1,491,080
Net pension obligation	375,206	171,801	547,007
Compensated absences	94,933	73,850	168,783
Total noncurrent liabilities	8,533,723	2,885,373	11,419,096
Total liabilities	13,634,419	4,345,707	17,980,126
NET POSITION			
Net investment in capital assets	73,306,532	1,443,090	74,749,622
Restricted for:			
Impact fees	8,031,864	-	8,031,864
Unrestricted	8,690,830	(1,779,316)	6,911,514
Total net position	\$ 90,029,226	\$(336,226)	\$ 89,693,000

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF GRAPEVINE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Fund		
	Water and Sewer	Lake Enterprise	Total
OPERATING REVENUES			
Charges for services	\$ 19,299,271	\$ 3,097,973	\$ 22,397,244
Miscellaneous	885,608	21,867	907,475
Total operating revenues	20,184,879	3,119,840	23,304,719
OPERATING EXPENSES			
Salaries and benefits	2,916,459	1,287,064	4,203,523
Maintenance, repairs, and supplies	9,871,647	330,075	10,201,722
Depreciation	2,466,325	392,484	2,858,809
General and administrative	3,123,542	973,073	4,096,615
Total operating expenses	18,377,973	2,982,696	21,360,669
OPERATING INCOME	1,806,906	137,144	1,944,050
NONOPERATING REVENUES (EXPENSES)			
Investment income	151,267	372	151,639
Loss on disposal of property	(93,003)	-	(93,003)
Interest and fiscal agent charges	(428,944)	(80,206)	(509,150)
Total nonoperating revenues (expenses)	(370,680)	(79,834)	(450,514)
INCOME BEFORE TRANSFERS	1,436,226	57,310	1,493,536
TRANSFERS			
Transfers out	(1,271,724)	(198,896)	(1,470,620)
Total transfers	(1,271,724)	(198,896)	(1,470,620)
CHANGE IN NET POSITION	164,502	(141,586)	22,916
TOTAL NET POSITION, BEGINNING	89,864,724	(194,640)	89,670,084
TOTAL NET POSITION, ENDING	\$ 90,029,226	\$(336,226)	\$ 89,693,000

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, 2013

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 20,011,598	\$ 3,124,324	\$ 23,135,922
Cash paid to employees	(2,664,966)	(1,291,960)	(3,956,926)
Cash paid to suppliers for goods and services	(12,995,537)	(1,148,278)	(14,143,815)
Net cash provided by operating activities	<u>4,351,095</u>	<u>684,086</u>	<u>5,035,181</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal repayment on bonds	(2,160,000)	(315,000)	(2,475,000)
Interest and related fees paid on long-term debt	(389,070)	(104,347)	(493,417)
Acquisition and construction of capital assets	(4,797,450)	-	(4,797,450)
Net cash used by capital and related financing activities	<u>(7,346,520)</u>	<u>(419,347)</u>	<u>(7,765,867)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments and cash equivalents	<u>160,641</u>	<u>411</u>	<u>161,052</u>
Net cash provided by investing activities	<u>160,641</u>	<u>411</u>	<u>161,052</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer out	(1,271,724)	(198,896)	(1,470,620)
Net cash used by noncapital financing activities	<u>(1,271,724)</u>	<u>(198,896)</u>	<u>(1,470,620)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(4,106,508)	66,254	(4,040,254)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>25,144,180</u>	<u>220,320</u>	<u>25,364,500</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 21,037,672</u>	<u>\$ 286,574</u>	<u>\$ 21,324,246</u>

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

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF CASHFLOWS
PROPRIETARY FUNDS**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 1,806,906	\$ 137,144	\$ 1,944,050
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	2,466,325	392,484	2,858,809
(Increase) decrease in assets:			
Customer receivable	(60,040)	4,484	(55,556)
Other receivable	(92,047)	-	(92,047)
Inventories	-	(3,709)	(3,709)
Increase (decrease) in liabilities:			
Accounts payable	(134,322)	39,524	(94,798)
Accrued liabilities	61,760	(1,834)	59,926
Other liabilities	1,805	8,206	10,011
Deferred revenue	(21,194)	-	(21,194)
Customer deposits	11,197	-	11,197
Retainage payable	59,212	-	59,212
Net OPEB obligation	221,969	100,414	322,383
Net pension obligation	28,983	12,269	41,252
Compensated absences	541	(4,896)	(4,355)
Total adjustments	2,544,189	546,942	3,091,131
Net cash provided by operating activities	\$ 4,351,095	\$ 684,086	\$ 5,035,181

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

The City issued bonds to refund Water and Sewer Fund long-term debt. \$426,631 was deposited into an irrevocable trust for the defeasance of \$395,000 of outstanding long-term debt and \$31,631 of interest.

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

SEPTEMBER 30, 2013

	<u>Agency</u>	<u>Grapevine Health Care Reimbursement Trust</u>
ASSETS		
Cash and cash equivalents	\$ 154,471	\$ 2,103,628
Accrued interest receivable	-	737
Total assets	<u>154,471</u>	<u>2,104,365</u>
LIABILITIES		
Accounts Payable	-	49
Due to beneficiary	<u>154,471</u>	<u>-</u>
Total liabilities	<u>154,471</u>	<u>49</u>
NET POSITION		
Held in trust for Grapevine Health Care Reimbursement		<u>\$ 2,104,316</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF GRAPEVINE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Grapevine Health Care Reimbursement Trust</u>
ADDITIONS	
Employer contributions	\$ 348,000
Investment income	<u>7,931</u>
Total additions	<u>355,931</u>
DEDUCTIONS	
Distributions	<u>5,966</u>
Change in net position	349,965
NET POSITION, BEGINNING	<u>1,754,351</u>
NET POSITION, ENDING	<u>\$ 2,104,316</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF GRAPEVINE, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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.

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

A. Reporting Entity

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

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

Blended Component Units

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

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

The 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.

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.

B. Government-wide Fund Financial Statements

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

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, 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.

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 position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer and municipal golf course are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 (4B-Transit Fund)*** is used to account 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").

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.

The ***Capital Projects Fund (Parks Open Space and Recreation Fund)*** is used to account for the financing, acquisition, construction and improvement of parks and public recreation facilities.

The ***Capital Projects Fund (General Facilities and Equipment Fund)*** is used to account for general financing, acquisition, construction and improvements of the City's buildings and capital equipment.

Proprietary funds:

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

The Water and Sewer Fund accounts for the operation of the City's water and sewer utility activities including administration, operation and maintenance of the

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

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

There are no nonmajor proprietary funds for the fiscal year end September 30, 2013.

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.

D. Assets, Liabilities, and Net Position

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, 2013, 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 2012 levy was based was approximately \$6,231,678,669. The value of property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action.

General property taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2013, was \$0.345695 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 2013 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2013 and those considered “available” at year-end are recognized as revenues in 2013. 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 in the fund financial statements.

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

Property taxes are imposed nonexchange 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.

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

4. Inventories and Prepaid Items

Inventories are valued at average cost on a first-in, first-out basis.

Inventories in the General Fund are recorded using the consumption method (i.e., recorded as an expenditure when used). Prepaid items are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. A corresponding portion of fund balance is shown as nonexpendable in governmental funds for prepaid items to indicate it is not available for other subsequent expenditures. Prepaids are defined as payments of greater than \$5,000 that benefit future periods.

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 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 and an estimated useful life in excess of two years. Infrastructure assets are defined by the City as assets costing in excess of \$50,000 that have an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at 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

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

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. 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.

- **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. 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 Lake Parks Fund (Special Revenue – Nonmajor Fund) had a deficit fund balance of (\$820,930). This deficit has been decreasing over recent years and is attributed to an increase in revenues from the expansion of the Vineyards Campground and cabins. This deficit will either be resolved with these increased revenues or a transfer from other funds in the future.

The Grant Fund (Special Revenue – Nonmajor Fund) had a deficit fund balance of (\$2,483) at year-end. 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 Enterprise Fund had a deficit net position of (\$336,226). The City anticipated the deficit equity balance in this fund will decline in the future. If this deficit continues it will either be resolved with an increase in revenues or a transfer from other funds.

3. CASH AND INVESTMENTS

As of September 30, 2013, the City had the following cash and investments:

Total City cash deposits	\$ 29,465,267
Total investments	<u>183,724,369</u>
 Total City cash and investments	 <u>\$ 213,189,636</u>
 Cash and investments composition:	
Primary government	\$ 210,430,346
Component unit	501,191
Trust and agency funds	<u>2,258,099</u>
 Total cash and investments	 <u>\$ 213,189,636</u>

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 181,040,216	60
LOGIC	1,823,986	55
U. S. Treasury Bonds	294,043	327
Municipal Bonds	<u>566,124</u>	30
 Total portfolio	 <u>\$ 183,724,369</u>	

Portfolio weighted average maturity (days) 60

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, 2013, 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:

- 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.

Custodial Credit Risk. State statutes require that all City deposits in financial institutions be fully collateralized by U. S. Government obligations or obligations of the State of Texas or its agencies. The City's deposits were fully collateralized by government securities, or had a letter of credit issued by the Federal Home Loan Bank as required by State statutes at September 30, 2013.

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	\$ 1,711	5,075,166	4,808,480	\$ 9,885,357	(3,566,903)	\$ 6,318,454
Hotel Occupancy	1,221	972,070	79,748	1,053,039	(14,988)	1,038,051
Crime District	-	1,962,876	2,928	1,965,804	-	1,965,804
4B - Transit Fund	181	1,438,677	-	1,438,858	-	1,438,858
Debt Service	2,221	1,116,085	21,932	1,140,238	(794,428)	345,810
Debt Service TIF #1	4,419	1,632,603	-	1,637,022	-	1,637,022
Parks Open Space and Recreation	17	-	-	17	-	17
General Facilities and Equipment	82	-	-	82	-	82
Water and Sewer	2,748	-	2,860,633	2,863,381	(125,260)	2,738,121
Lake Enterprise	15	-	32,439	32,454	-	32,454
Nonmajor funds	<u>6,154</u>	<u>1,760,469</u>	<u>195,364</u>	<u>1,961,987</u>	<u>-</u>	<u>1,961,987</u>
Total	<u>\$ 18,769</u>	<u>\$ 13,957,946</u>	<u>\$ 8,001,524</u>	<u>\$ 21,978,239</u>	<u>\$(4,501,579)</u>	<u>\$ 17,476,660</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	-	\$ 1,606,328
Open space deposits	-	123,044
Convention center deposits	-	99,779
Camping and pavilion fees	-	237,427
Delinquent property taxes receivable - general	\$ 182,073	-
Delinquent property taxes receivable - debt service	308,597	-
Grants	251,958	-
Property taxes receivable debt service - TIF #1	1,093,579	-
Property taxes receivable debt service - TIF #2	1,164,712	-
Ambulance fees	764,293	-
Municipal court fines	227,939	-
Miscellaneous	<u>24,000</u>	<u>53,925</u>
Total	<u>\$ 4,017,151</u>	<u>\$ 2,120,503</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, 2013, was as follows:

Primary Government

	Beginning Balance	Transfers and Additions	Transfers and Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 47,821,876	-	-	\$ 47,821,876
Construction in progress	<u>3,725,009</u>	<u>\$ 5,660,173</u>	<u>\$(3,358,023)</u>	<u>6,027,159</u>
Total assets not being depreciated	<u>51,546,885</u>	<u>5,660,173</u>	<u>(3,358,023)</u>	<u>53,849,035</u>
Capital assets, being depreciated:				
Buildings	49,729,458	959,539	-	50,688,997
Improvement other than buildings	27,115,453	3,621,646	-	30,737,099
Equipment and vehicles	30,788,276	7,778,822	(2,066,387)	36,500,711
Infrastructure	<u>121,490,558</u>	<u>1,249,520</u>	<u>(1,250,835)</u>	<u>121,489,243</u>
Total capital assets being depreciated	<u>229,123,745</u>	<u>13,609,527</u>	<u>(3,317,222)</u>	<u>239,416,050</u>
Less accumulated depreciation:				
Buildings	(16,614,187)	(1,435,628)	-	(18,049,815)
Improvement other than buildings	(8,329,192)	(1,266,603)	-	(9,595,795)
Equipment and vehicles	(21,459,426)	(2,208,842)	1,060,745	(22,607,523)
Infrastructure	<u>(65,135,619)</u>	<u>(4,261,042)</u>	<u>-</u>	<u>(69,396,661)</u>
Total accumulated depreciation	<u>(111,538,424)</u>	<u>(9,172,115)</u>	<u>1,060,745</u>	<u>(119,649,794)</u>
Total capital assets being depreciated, net	<u>117,585,321</u>	<u>4,437,412</u>	<u>(2,256,477)</u>	<u>119,766,256</u>
Governmental activities capital assets, net	<u>\$ 169,132,206</u>	<u>\$ 10,097,585</u>	<u>\$(5,614,500)</u>	<u>\$ 173,615,291</u>

	Beginning Balance	Transfers and Additions	Transfers and Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,643,545	-	-	\$ 1,643,545
Construction in progress	2,122,792	\$ 3,954,809	\$(5,857,847)	219,754
Total assets not being depreciated	<u>3,766,337</u>	<u>3,954,809</u>	<u>(5,857,847)</u>	<u>1,863,299</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	1,109,718	848,513	(8,995)	1,949,236
Water storage rights	683,547	-	-	683,547
Infrastructure	111,835,306	5,759,899	-	117,595,205
Total capital assets being depreciated	<u>122,928,741</u>	<u>6,608,412</u>	<u>(8,995)</u>	<u>129,528,158</u>
Less accumulated depreciation:				
Buildings	(1,592,811)	(41,969)	-	(1,634,780)
Improvement other than buildings	(4,623,707)	(364,493)	-	(4,988,200)
Equipment and vehicles	(599,865)	(117,666)	8,068	(709,463)
Water storage rights	(536,864)	(17,089)	-	(553,953)
Infrastructure	(37,885,251)	(2,317,592)	-	(40,202,843)
Total accumulated depreciation	<u>(45,238,498)</u>	<u>(2,858,809)</u>	<u>8,068</u>	<u>(48,089,239)</u>
Total capital assets being depreciated, net	<u>77,690,243</u>	<u>3,749,603</u>	<u>(927)</u>	<u>81,438,919</u>
Business-type activities capital assets, net	<u>\$ 81,456,580</u>	<u>\$ 7,704,412</u>	<u>\$(5,858,774)</u>	<u>\$ 83,302,218</u>

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

Governmental activities:	
General government	\$ 629,340
Public safety	1,153,896
Public works	4,738,946
Culture and recreation	<u>2,649,933</u>
Total depreciation expense - governmental activities	<u>\$ 9,172,115</u>
Business-type activities:	
Water and sewer	\$ 2,466,325
Lake Enterprise	<u>392,484</u>
Total depreciation expense - business-type activities	<u>\$ 2,858,809</u>

	Beginning Balance	Transfers and Additions	Transfers and Retirements	Ending Balance
Discretely Presented Component Unit:				
Capital assets, not being depreciated:				
Land	\$ 450,067	-	-	\$ 450,067
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	(156,271)	(27,576)	-	(183,847)
Improvements other than building	(644,138)	(47,801)	-	(691,939)
Vehicles and equipment	<u>(31,275)</u>	<u>-</u>	<u>-</u>	<u>(31,275)</u>
Total accumulated depreciation	<u>(831,684)</u>	<u>(75,377)</u>	<u>-</u>	<u>(907,061)</u>
Total capital assets being depreciated, net	<u>1,176,416</u>	<u>(75,377)</u>	<u>-</u>	<u>1,101,039</u>
Discretely presented component unit capital assets, net	<u>\$ 1,626,483</u>	<u>\$(75,377)</u>	<u>\$ -</u>	<u>\$ 1,551,106</u>

Construction Commitments

The City has active construction projects as of September 30, 2013. 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, 2013, the City had outstanding construction commitments totaling \$5,347,815.

Project	Commitment
Streets and drainage projects	\$ 556,167
Commuter rail project	112,544
Water and wastewater projects	1,090,193
Public safety building	2,025,832
Community activity center renovation	<u>1,563,079</u>
Total	<u>\$ 5,347,815</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, 2013, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Crime District	\$ 1,005,090
	Grants (nonmajor fund)	125,066
	Lake Parks (nonmajor fund)	582,141
	Water and Sewer	9,286
	Lake Enterprise	<u>926,650</u>
Total General		2,648,233
Hotel Occupancy Tax	General Facilities and Equipment	<u>326,270</u>
Total		<u>\$ 2,974,503</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:

	Transfers to							Total
	General	Hotel Occupancy Tax	Crime District	4B - Transit Fund	Debt Service	General Facilities and Equipment	Nonmajor Governmental	
Transfers from:								
General	\$ -	\$ 15,041	\$ 1,300,000	\$ -	\$ -	\$ 2,169,886	\$ 7,407,150	\$ 10,892,077
Hotel Occupancy Tax	966,247	-	-	244,460	2,085,317	828,029	450,000	4,574,053
Crime District	-	-	-	-	-	-	1,500	1,500
4B - Transit Fund	-	298,819	-	-	-	-	-	298,819
Debt Service - TIF #1	-	-	-	-	-	-	1,130,111	1,130,111
Water and Sewer	1,271,724	-	-	-	-	-	-	1,271,724
Lake Enterprise	198,896	-	-	-	-	-	-	198,896
Nonmajor Governmental	<u>364,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>464,361</u>	<u>-</u>	<u>572,000</u>	<u>1,400,577</u>
Total	<u>\$ 2,801,083</u>	<u>\$ 313,860</u>	<u>\$ 1,300,000</u>	<u>\$ 244,460</u>	<u>\$ 2,549,678</u>	<u>\$ 2,997,915</u>	<u>\$ 9,560,761</u>	<u>\$ 19,767,757</u>

Various nonmajor funds received transfers from the General Fund during fiscal year 2013. 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 \$1,300,000 to the Crime District Fund to supplement a decrease in anticipated sales tax revenues for fiscal year 2013. In addition, the Street Maintenance and Capital Replacement Fund received a \$2,809,000 transfer for capital projects related to streets and general facilities, and \$1,596,650 was transferred to the Capital Acquisition Fund for fleet, capital and technology equipment purchases. There were transfers to the Debt Service Fund of \$2,085,317 for payment of debt obligations for the Hotel Occupancy Tax Fund, \$113,988 for the Storm Drainage Fund, and \$327,651 for the Lake Parks Fund, \$22,722 for the Municipal Court Technology Fund. Transfers to the General Fund for \$2,801,083 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.

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. In November 20, 2012 the date was extended until September 12, 2014.

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.

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, 2013, follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.5% - 5.25%	\$ 74,020,000
Governmental activities, refunding	2.5% - 5.25%	<u>28,672,840</u>
Total governmental		102,692,840
Business-type activities, refunding	2.0% - 5.25%	<u>10,845,000</u>
Total general obligation debt		<u>\$ 113,537,840</u>

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	General Obligation	G. O. Interest	General Obligation	G. O. Interest
2014	\$ 6,035,000	\$ 4,415,394	\$ 1,750,000	\$ 421,312
2015	7,300,000	3,747,889	1,830,000	347,525
2016	7,595,000	3,507,634	1,925,000	268,125
2017	6,580,000	3,274,306	1,855,000	195,038
2018	6,045,000	3,060,587	1,270,000	119,000
2019-2023	25,350,000	11,877,703	2,215,000	105,000
2024-2028	20,115,000	7,286,986	-	-
2029-2033	<u>23,672,840</u>	<u>2,882,075</u>	<u>-</u>	<u>-</u>
Total	\$ <u>102,692,840</u>	\$ <u>40,052,574</u>	\$ <u>10,845,000</u>	\$ <u>1,456,000</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:

Year Ending September 30,	Governmental Activities	
	Certificates of Obligation	C. O. Interest
2014	\$ 4,626,736	\$ 2,047,833
2015	4,748,386	1,844,056
2016	4,810,095	1,615,121
2017	2,486,864	1,447,480
2018	2,603,694	1,334,576
2019-2023	14,173,143	4,813,025
2024-2028	11,400,000	1,363,287
2029-2033	<u>810,000</u>	<u>24,552</u>
Total	\$ <u>45,658,918</u>	\$ <u>14,489,930</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%.

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

Year Ending September 30,	Governmental Activities	
	Tax, Land and Other Notes	Tax, Land and Other Interest
2014	\$ 1,824,236	\$ 165,355
2015	1,400,342	97,856
2016	571,533	69,285
2017	587,816	56,751
2018	580,000	34,200
2019-2023	1,307,103	61,558
2024-2028	<u>25,488</u>	<u>965</u>
Total	\$ <u>6,296,518</u>	\$ <u>485,970</u>

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2013, (amounts expressed in thousands):

	Balance 9/30/2012	Increases	Reductions	Balance 9/30/2013	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 40,355,000	\$ 73,450,000	\$(11,112,160)	\$ 102,692,840	\$ 6,035,000
Certificates of obligation	<u>50,794,060</u>	<u>1,225,000</u>	<u>(6,360,142)</u>	<u>45,658,918</u>	<u>4,626,736</u>
Total bonds payable	<u>91,149,060</u>	<u>74,675,000</u>	<u>(17,472,302)</u>	<u>148,351,758</u>	<u>10,661,736</u>
Notes payable - taxes	3,390,000	3,965,000	(1,260,000)	6,095,000	1,810,000
Notes payable	<u>214,730</u>	<u>-</u>	<u>(13,212)</u>	<u>201,518</u>	<u>14,236</u>
Total notes payable	<u>3,604,730</u>	<u>3,965,000</u>	<u>(1,273,212)</u>	<u>6,296,518</u>	<u>1,824,236</u>
Total bonds and notes	<u>94,753,790</u>	<u>78,640,000</u>	<u>(18,745,514)</u>	<u>154,648,276</u>	<u>12,485,972</u>
Less deferred amount on refunding	(2,896,959)	(340,282)	366,250	(2,870,991)	-
Premium on bond issues	3,787,206	3,454,961	(843,001)	6,399,166	-
Discount on bond issues	<u>(24,159)</u>	<u>-</u>	<u>24,159</u>	<u>-</u>	<u>-</u>
Net governmental bonds and notes outstanding	<u>95,619,878</u>	<u>81,754,679</u>	<u>(19,198,106)</u>	<u>158,176,451</u>	<u>12,485,972</u>
Sales tax obligation	1,147,459	-	(201,656)	945,803	173,556
Net OPEB obligation	8,861,731	2,684,765	-	11,546,496	-
Net pension obligation	4,641,703	6,314,370	(5,928,131)	5,027,942	-
Compensated absences	<u>2,880,586</u>	<u>2,339,543</u>	<u>(2,272,759)</u>	<u>2,947,370</u>	<u>736,843</u>
Total governmental long-term liabilities	\$ <u>113,151,357</u>	\$ <u>93,093,357</u>	\$(<u>27,600,652</u>)	\$ <u>178,644,062</u>	\$ <u>13,396,371</u>

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

	Balance 9/30/2012	Increases	Reductions	Balance 9/30/2013	Due Within One Year
Business-type activities:					
Water and sewer obligations					
General obligation bonds	\$ 9,895,000	\$ 415,000	\$(1,765,000)	\$ 8,545,000	\$ 1,420,000
Water and sewer bonds	790,000	-	(790,000)	-	-
Less deferred amount on refund	(450,630)	(41,301)	87,684	(404,247)	-
Premium on bond issues	420,795	20,023	(85,289)	355,529	-
Net water and sewer bonds payable	<u>10,655,165</u>	<u>393,722</u>	<u>(2,552,605)</u>	<u>8,496,282</u>	<u>1,420,000</u>
Lake enterprise obligations					
General obligation bonds	2,615,000	-	(315,000)	2,300,000	330,000
Less deferred amount on refund	(53,224)	-	8,349	(44,875)	-
Premium on bond issues	245,955	-	(35,136)	210,819	-
Net Lake Enterprise bonds payable	<u>2,807,731</u>	<u>-</u>	<u>(341,787)</u>	<u>2,465,944</u>	<u>330,000</u>
Net business-type bonds payable	<u>13,462,896</u>	<u>393,722</u>	<u>(2,894,392)</u>	<u>10,962,226</u>	<u>1,750,000</u>
Net OPEB obligation	1,168,697	322,383	-	1,491,080	-
Net pension obligation	505,755	674,418	(633,166)	547,007	-
Compensated absences	229,400	180,419	(184,774)	225,045	56,262
Total business-type long-term liabilities	<u>\$ 15,366,748</u>	<u>\$ 1,570,942</u>	<u>\$(3,712,332)</u>	<u>\$ 13,225,358</u>	<u>\$ 1,806,262</u>

Advance Refunding

The City issued \$8,060,000 of General Obligation Refunding Bonds, Series 2012 with interest rates ranging from 2.0%-2.125%. The proceeds of these bonds were used to refund the following obligations:

Refunded Obligations	Amount Refunded
Combination Tax and Revenue Improvement Bonds, Series 2001	\$ 240,000
General Obligation Refunding and Improvement Bonds, Series 2002	330,000
Combination Tax and Revenue Certificates of Obligation, Series 2003	225,000
General Obligation Refunding and Improvement Bonds, Series 2003	2,980,000
General Obligation Refunding Bonds, Series 2004	2,675,000
Combination Tax and Lake Parks Revenue Certificates of Obligation, Series 2005A	1,035,000
General Obligation Refunding Bonds, Series 2006	<u>395,000</u>
	<u>\$ 7,880,000</u>

The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statements of net position. The reacquisition price exceeded the carrying amount of the old debt by \$381,583.

This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This refunding was undertaken to decrease total debt service payments over 15 years by \$966,711 and resulted in an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$885,694.

Defeasance of Debt

As of September 30, 2013 outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are \$4,105,000.

Other Long-term Liabilities – Texas Comptroller of Public Accounts

As of September 30, 2013, the City of Grapevine has three payout agreements with the Texas Comptroller of Public Accounts for overpayment of sales taxes that total \$945,803. These amounts will be withheld from sales tax receipts over a period not to exceed seven years.

Pledged Revenues

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 \$40,287,173 as of September 30, 2013. This annual amount was negotiated with the school and the school bills the City for this annual debt payment. 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 2011</u>	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>
Employee deposit rate	7.00%	7.00%	7.00%
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.

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)	\$ 6,945,038
Interest on Net Pension Obligation	360,322
Adjustment to the ARC	<u>(316,572)</u>
Annual Pension Cost	6,988,788
Contributions Made	<u>(6,561,297)</u>
Increase (Decrease) in Net Pension Obligation	427,491
Net Pension Obligation/(Asset), beginning of year	<u>5,147,458</u>
Net Pension Obligation/(Asset), ending of year	<u>\$ 5,574,949</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>
9/30/2011	\$ 7,530,037	\$ 5,993,241	80%	\$ 4,415,012
9/30/2012	6,890,012	6,157,566	89%	5,147,458
9/30/2013	6,988,788	6,561,297	94%	5,574,949

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	27.2 years; closed period	26.2 years; closed period	25.2 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions:			
Investment rate of return	7.00%	7.00%	7.00%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service
*Includes inflation at	3.00%	3.00%	3.00%
Cost-of-living adjustments	2.10%	2.10%	2.10%

Schedule of Funding Information

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

<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>
12/31/2012	156,289,479	198,037,309	78.9%	41,747,830	34,807,908	119.9%

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 estimable 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 2013 were \$701,970.

On November 20, 2012, the City entered into a fifth 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. On October 1, 2012, the Opryland Hotel – Texas, Limited Partnership changed its name to RHP Property, GT a Delaware Corporation and is now being reimbursed by the City as Marriott Gaylord.

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 September 12, 2014, an additional one cent (\$.02 total) will then be remitted back to the Gaylord for the remainder of the 20 years.

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 \$527,708 were earned in fiscal year 2013 and were remitted by the City in fiscal year 2014 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 \$1,101,627 as of September 30, 2013.

Grapevine Mills Mall

In 2012, the Tax Increment Financing District Reinvestment Zone Number One (TIF#1) Board of Directors approved an Economic Development Agreement with Grapevine Mills LTD Partnership in an amount not to exceed \$14,000,000 for interior renovations (\$10,000,000) and future exterior improvements (\$4,000,000) at Grapevine Mills Mall.

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>2013</u>	<u>2012</u>
Claims payable, beginning of year	\$ 602,218	\$ 745,054
Current year claims and changes in estimates	6,070,309	5,977,450
Payments on claims	<u>(6,111,719)</u>	<u>(6,120,286)</u>
Claims payable at end of year	<u>\$ 560,808</u>	<u>\$ 602,218</u>

12. WATER STORAGE RIGHTS

Water storage rights of \$683,547 net of accumulated amortization of \$553,953 , 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 7 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 2013 for the purchase of treated water were \$6,764,620 and payments made for the transportation, treatment, and disposal of wastewater by TRA were \$1,205,070. 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 569 active employees and 148 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.

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, 2013, is as follows:

Annual Required Contribution (ARC)	\$ 4,103,952
Interest on Net OPEB Obligation	451,369
Adjustment to the ARC	<u>(418,189)</u>
Annual OPEB Cost	4,137,132
Employer Contributions	<u>(1,129,984)</u>
Increase (Decrease) in Net OPEB Obligation	3,007,148
Net OPEB Obligation/(Asset), beginning of year	<u>10,030,428</u>
 Net Pension Obligation/(Asset), ending of year	 <u>\$ 13,037,576</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 \$173,283 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, 2013 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2011	\$ 3,727,986	\$ 744,873	20%	\$ 6,754,120
9/30/2012	3,849,319	573,011	15%	10,030,428
9/30/2013	4,137,132	1,129,984	27%	13,037,576

Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	-	41,596,928	41,596,928	- %	35,493,723	117.20%

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

Actuarial Methods and Assumptions

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

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

Significant methods and assumptions were as follows:

Actuarial Valuation Date	12/31/2012
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 7.5% declining to an ultimate rate of 5% after 8 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. SUBSEQUENT EVENTS

The Grapevine 4B Development Corporation is a blended component unit of the City of Grapevine with a Board of Directors that includes both citizen and City Council members. On December 30, 2013, the 4B Economic Development Corporation purchased approximately 185 acres of undeveloped land for \$29,500,000 on the north side of Grapevine. The development project is being partially financed by issuing 2014 4B Economic Development Bonds. The City is currently working with consultants and staff to develop a market analysis feasibility study and a land use plan that will provide future economic development for the City of Grapevine.

**REQUIRED
SUPPLEMENTARY INFORMATION**

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF GRAPEVINE, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 39,760,000	\$ 39,760,000	\$ 41,069,649	\$ 1,309,649
Licenses and permits	1,203,568	1,203,568	1,247,508	43,940
Intergovernmental	75,221	75,221	95,394	20,173
Charges for services	3,193,960	3,193,960	3,622,168	428,208
Fines and forfeitures	2,166,030	2,166,030	2,210,213	44,183
Investment income	72,500	72,500	14,106	(58,394)
Miscellaneous	<u>242,305</u>	<u>242,305</u>	<u>395,593</u>	<u>153,288</u>
Total revenues	<u>46,713,584</u>	<u>46,713,584</u>	<u>48,654,631</u>	<u>1,941,047</u>
EXPENDITURES				
Current:				
General government	14,511,213	14,166,193	13,506,546	659,647
Public safety	12,959,679	12,676,074	12,530,520	145,554
Culture and recreation	8,618,619	9,220,339	9,034,959	185,380
Public works	5,468,564	5,488,877	5,367,768	121,109
Capital outlay	231,951	446,219	364,675	81,544
Debt service principal	<u>-</u>	<u>-</u>	<u>201,656</u>	<u>(201,656)</u>
Total expenditures	<u>41,790,026</u>	<u>41,997,702</u>	<u>41,006,124</u>	<u>991,578</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>4,923,558</u>	<u>4,715,882</u>	<u>7,648,507</u>	<u>2,932,625</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,005,661	3,005,661	2,801,083	(204,578)
Transfers out	(8,705,650)	(10,892,077)	(10,892,077)	-
Sale of capital assets	<u>-</u>	<u>-</u>	<u>9,209</u>	<u>9,209</u>
Total other financing sources (uses)	<u>(5,699,989)</u>	<u>(7,886,416)</u>	<u>(8,081,785)</u>	<u>(195,369)</u>
NET CHANGE IN FUND BALANCES	(776,431)	(3,170,534)	(433,278)	2,737,256
FUND BALANCES, BEGINNING	<u>12,394,958</u>	<u>12,394,958</u>	<u>12,394,958</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 11,618,527</u>	<u>\$ 9,224,424</u>	<u>\$ 11,961,680</u>	<u>\$ 2,737,256</u>

CITY OF GRAPEVINE, TEXAS
HOTEL OCCUPANCY TAX
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 12,429,231	\$ 12,429,231	\$ 12,772,218	\$ 342,987
Charges for services	5,897,547	5,897,547	6,004,378	106,831
Investment income	25,000	25,000	10,820	(14,180)
Miscellaneous	<u>218,600</u>	<u>218,600</u>	<u>131,708</u>	<u>(86,892)</u>
Total revenues	<u>18,570,378</u>	<u>18,570,378</u>	<u>18,919,124</u>	<u>348,746</u>
EXPENDITURES				
Current:				
Culture and recreation	16,363,420	16,174,043	15,347,906	826,137
Capital outlay	<u>44,000</u>	<u>44,000</u>	<u>8,976</u>	<u>35,024</u>
Total expenditures	<u>16,407,420</u>	<u>16,218,043</u>	<u>15,356,882</u>	<u>861,161</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>2,162,958</u>	<u>2,352,335</u>	<u>3,562,242</u>	<u>1,209,907</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	542,420	542,420	313,860	(228,560)
Transfers out	<u>(4,173,553)</u>	<u>(4,586,042)</u>	<u>(4,574,053)</u>	<u>11,989</u>
Total other financing sources (uses)	<u>(3,631,133)</u>	<u>(4,043,622)</u>	<u>(4,260,193)</u>	<u>(216,571)</u>
NET CHANGE IN FUND BALANCES	(1,468,175)	(1,691,287)	(697,951)	993,336
FUND BALANCES, BEGINNING	<u>5,969,151</u>	<u>5,969,151</u>	<u>5,969,151</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 4,500,976</u>	<u>\$ 4,277,864</u>	<u>\$ 5,271,200</u>	<u>\$ 993,336</u>

CITY OF GRAPEVINE, TEXAS

CRIME DISTRICT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 11,665,000	\$ 11,665,000	\$ 11,958,485	\$ 293,485
Intergovernmental	14	14	14	-
Investment income	8,004	8,004	2,464	(5,540)
Miscellaneous	-	-	1,966	1,966
Total revenues	11,673,018	11,673,018	11,962,929	289,911
EXPENDITURES				
Current:				
Public safety	13,177,249	13,152,658	12,978,121	174,537
Capital outlay	-	292,132	284,550	7,582
Total expenditures	13,177,249	13,444,790	13,262,671	182,119
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(1,504,231)	(1,771,772)	(1,299,742)	472,030
OTHER FINANCING SOURCES (USES)				
Transfers in	1,300,000	1,300,000	1,300,000	-
Transfers out	-	(1,500)	(1,500)	-
Total other financing sources (uses)	1,300,000	1,298,500	1,298,500	-
NET CHANGE IN FUND BALANCES	(204,231)	(473,272)	(1,242)	472,030
FUND BALANCES, BEGINNING	415,406	415,406	415,406	-
FUND BALANCES, ENDING	\$ 211,175	\$(57,866)	\$ 414,164	\$ 472,030

CITY OF GRAPEVINE, TEXAS

4B - TRANSIT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales taxes	\$ 8,906,250	\$ 8,906,250	\$ 8,715,679	\$(190,571)
Investment income	<u>3,000</u>	<u>3,000</u>	<u>2,086</u>	<u>(914)</u>
Total revenues	<u>8,909,250</u>	<u>8,909,250</u>	<u>8,717,765</u>	<u>(191,485)</u>
EXPENDITURES				
Current:				
Transportation	<u>7,577,693</u>	<u>8,619,843</u>	<u>8,619,843</u>	<u>-</u>
Total expenditures	<u>7,577,693</u>	<u>8,619,843</u>	<u>8,619,843</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>1,331,557</u>	<u>289,407</u>	<u>97,922</u>	<u>(191,485)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	244,460	244,460
Transfers out	<u>(527,379)</u>	<u>(299,379)</u>	<u>(298,819)</u>	<u>560</u>
Total other financing sources (uses)	<u>(527,379)</u>	<u>(299,379)</u>	<u>(54,359)</u>	<u>245,020</u>
NET CHANGE IN FUND BALANCE	804,178	(9,972)	43,563	53,535
FUND BALANCE, BEGINNING	<u>368,831</u>	<u>368,831</u>	<u>368,831</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,173,009</u>	<u>\$ 358,859</u>	<u>\$ 412,394</u>	<u>\$ 53,535</u>

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF GRAPEVINE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

<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>
12/31/2010	\$ 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%
12/31/2012	156,289,479	198,037,309	78.9%	41,747,830	34,807,908	119.9%

CITY OF GRAPEVINE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

<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>
12/31/2008	\$ -	\$ 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%
12/31/2012	-	41,596,928	0.0%	41,596,928	35,493,723	117.2%

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF GRAPEVINE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2013

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. 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), Crime District Fund (Special Revenue Fund) and 4B–Transit Fund (Special Revenue Fund). A comparison of budgetary data to actual results of operations for the Debt Service Fund is presented as supplementary information.

THIS PAGE LEFT BLANK INTENTIONALLY

**COMBINING AND INDIVIDUAL
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

Grant Fund – is used to account for federal and state funded grants.

DEBT SERVICE FUND

Debt 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 (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.

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.

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, 2013

	Special Revenue	
	Special Revenue	Storm Drainage
ASSETS		
Cash	\$ 2,735,815	\$ 2,071,280
Receivables:		
Accounts, net	16,997	148,624
Taxes	-	-
Accrued interest	366	233
Inventory	-	-
Due from other governments	-	-
	\$ 2,753,178	\$ 2,220,137
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 14,612	\$ 185,620
Accrued and other liabilities	791	10,430
Due to other funds	-	-
Deferred revenue	-	-
Developer deposits	-	-
Total liabilities	15,403	196,050
Fund balances:		
Nonspendable:		
Inventory	-	-
Restricted:		
Debt service	-	-
Capital projects	-	-
Public safety	674,951	-
Economic development	-	-
Culture and recreation	40,537	-
Committed for:		
Stormwater drainage operations	-	2,024,087
Public arts	696,740	-
Assigned for:		
Capital projects	648,775	-
Culture and recreation	676,772	-
Unassigned	-	-
Total fund balances	2,737,775	2,024,087
Total liabilities and fund balances	\$ 2,753,178	\$ 2,220,137

<u>Special Revenue</u>			<u>Debt Service</u>	<u>Capital Projects</u>	
<u>Lake Parks</u>	<u>4B-Economic Development</u>	<u>Grant</u>	<u>TIF #2</u>	<u>TIF #1</u>	<u>TIF #2</u>
\$ 4,483	\$ 15,146,102	\$ 60,266	\$ 5,761,201	\$ 2,585,776	\$ 2,149,073
1,778	-	-	-	-	-
-	595,757	-	1,164,712	-	-
-	2,052	-	777	343	-
17,691	-	-	-	-	-
<u>83,138</u>	<u>-</u>	<u>111,290</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>107,090</u>	\$ <u>15,743,911</u>	\$ <u>171,556</u>	\$ <u>6,926,690</u>	\$ <u>2,586,119</u>	\$ <u>2,149,073</u>
\$ 104,071	\$ 1,525	\$ 22,057	\$ -	\$ 4,937	\$ -
4,381	-	-	-	-	-
582,141	-	125,066	-	-	-
237,427	-	26,916	1,164,712	-	-
-	-	-	-	-	-
<u>928,020</u>	<u>1,525</u>	<u>174,039</u>	<u>1,164,712</u>	<u>4,937</u>	<u>-</u>
17,691	-	-	-	-	-
-	-	-	5,761,978	-	-
-	-	-	-	2,581,182	2,149,073
-	-	-	-	-	-
-	15,742,386	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(838,621)	-	(2,483)	-	-	-
(820,930)	15,742,386	(2,483)	5,761,978	2,581,182	2,149,073
\$ <u>107,090</u>	\$ <u>15,743,911</u>	\$ <u>171,556</u>	\$ <u>6,926,690</u>	\$ <u>2,586,119</u>	\$ <u>2,149,073</u>

CITY OF GRAPEVINE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2013

	Capital Projects	
	Streets	Street Maintenance and Capital Replacement
ASSETS		
Cash	\$ 9,956,866	\$ 1,871,736
Receivables:		
Accounts, net	-	-
Taxes	-	-
Accrued interest	733	251
Inventory	-	-
Due from other governments	225,042	-
Total assets	\$ 10,182,641	\$ 1,871,987
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 165,555	\$ 83,723
Accrued and other liabilities	-	-
Due to other funds	-	-
Deferred revenue	225,042	-
Developer deposits	1,691,705	-
Total liabilities	2,082,302	83,723
Fund balances:		
Nonspendable:		
Inventory	-	-
Restricted:		
Debt service	-	-
Capital projects	8,100,339	1,788,264
Public safety	-	-
Economic development	-	-
Culture and recreation	-	-
Committed for:		
Stormwater drainage operations	-	-
Public arts	-	-
Assigned for:		
Capital projects	-	-
Culture and recreation	-	-
Unassigned	-	-
Total fund balances	8,100,339	1,788,264
Total liabilities and fund balances	\$ 10,182,641	\$ 1,871,987

<u>Capital Projects</u>		
<u>Capital Acquisition</u>	<u>Quality of Life</u>	<u>Total Other Governmental Funds</u>
\$ 6,673,784	\$ 7,428,486	\$ 56,444,868
3,965	24,000	195,364
-	-	1,760,469
401	998	6,154
-	-	17,691
<u>-</u>	<u>-</u>	<u>419,470</u>
<u>\$ 6,678,150</u>	<u>\$ 7,453,484</u>	<u>\$ 58,844,016</u>
\$ 477,664	\$ 35,554	\$ 1,095,318
1,742	-	17,344
-	-	707,207
-	24,000	1,678,097
<u>-</u>	<u>-</u>	<u>1,691,705</u>
<u>479,406</u>	<u>59,554</u>	<u>5,189,671</u>
-	-	17,691
-	-	5,761,978
6,198,744	-	20,817,602
-	-	674,951
-	-	15,742,386
-	-	40,537
-	-	2,024,087
-	-	696,740
-	7,393,930	8,042,705
-	-	676,772
<u>-</u>	<u>-</u>	<u>(841,104)</u>
<u>6,198,744</u>	<u>7,393,930</u>	<u>53,654,345</u>
<u>\$ 6,678,150</u>	<u>\$ 7,453,484</u>	<u>\$ 58,844,016</u>

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue	
	Special Revenue	Storm Drainage
REVENUES		
Property taxes	\$ -	\$ -
Sales taxes	-	-
Charges for services	276,777	1,395,399
Fines and forfeitures	47,789	-
Intergovernmental	22,340	-
Contributions	158,929	-
Investment income	4,974	2,193
Miscellaneous	3,240	-
Total revenues	514,049	1,397,592
EXPENDITURES		
Current:		
General government	207,155	-
Public safety	493	-
Culture and recreation	209,247	-
Public works	2,650	1,627,691
Economic development	-	-
Capital outlay	35,311	147,564
Debt service:		
Principal	-	-
Interest	-	-
Other	-	-
Total expenditures	454,856	1,775,255
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	59,193	(377,663)
OTHER FINANCING SOURCES (USES)		
Transfers in	3,000	-
Transfers out	(22,722)	(777,656)
Sale of capital assets	-	-
Issuance of debt	-	-
Premium on issuance of bonds	-	-
Total other financing sources (uses)	(19,722)	(777,656)
NET CHANGE IN FUND BALANCES	39,471	(1,155,319)
FUND BALANCES, BEGINNING	2,698,304	3,179,406
FUND BALANCES, ENDING	\$ 2,737,775	\$ 2,024,087

Special Revenue			Debt Service	Capital Projects	
Lake Parks	4B-Economic Development	Grant	TIF #2	TIF #1	TIF #2
\$ -	\$ -	\$ -	\$ 3,636,534	\$ -	\$ -
-	3,574,738	-	-	-	-
1,987,193	-	-	-	-	-
-	-	-	-	-	-
16,476	-	968,653	-	-	-
-	-	-	-	-	-
-	15,564	-	7,876	3,574	2,038
36,871	-	-	-	-	-
<u>2,040,540</u>	<u>3,590,302</u>	<u>968,653</u>	<u>3,644,410</u>	<u>3,574</u>	<u>2,038</u>
-	-	-	-	-	-
-	-	100,481	-	-	-
1,572,682	-	-	-	-	-
-	-	-	-	-	-
-	103,491	-	2,282,948	-	-
-	-	71,121	-	409,454	-
-	-	-	1,325,000	-	-
-	-	-	1,351,187	-	-
2,400	-	-	-	-	2,400
<u>1,575,082</u>	<u>103,491</u>	<u>171,602</u>	<u>4,959,135</u>	<u>409,454</u>	<u>2,400</u>
<u>465,458</u>	<u>3,486,811</u>	<u>797,051</u>	<u>(1,314,725)</u>	<u>(405,880)</u>	<u>(362)</u>
-	-	-	-	1,130,111	-
(327,651)	(272,548)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(327,651)</u>	<u>(272,548)</u>	<u>-</u>	<u>-</u>	<u>1,130,111</u>	<u>-</u>
137,807	3,214,263	797,051	(1,314,725)	724,231	(362)
<u>(958,737)</u>	<u>12,528,123</u>	<u>(799,534)</u>	<u>7,076,703</u>	<u>1,856,951</u>	<u>2,149,435</u>
<u><u>\$ (820,930)</u></u>	<u><u>\$ 15,742,386</u></u>	<u><u>\$ (2,483)</u></u>	<u><u>\$ 5,761,978</u></u>	<u><u>\$ 2,581,182</u></u>	<u><u>\$ 2,149,073</u></u>

CITY OF GRAPEVINE, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Capital Projects	
	Streets	Street Maintenance and Capital Replacement
REVENUES		
Property taxes	\$ -	\$ -
Sales taxes	-	-
Charges for services	-	-
Fines and forfeitures	-	-
Intergovernmental	72,480	-
Contributions	-	-
Investment income	4,716	6,303
Miscellaneous	2,327	-
Total revenues	79,523	6,303
EXPENDITURES		
Current:		
General government	-	-
Public safety	-	-
Culture and recreation	-	-
Public works	-	-
Economic development	-	-
Capital outlay	379,399	2,710,767
Debt service:		
Principal	-	-
Interest	-	-
Other	2,842	-
Total expenditures	382,241	2,710,767
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(302,718)	(2,704,464)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	2,809,000
Transfers out	-	-
Sale of capital assets	-	-
Issuance of debt	-	-
Premium on issuance of bonds	-	-
Total other financing sources (uses)	-	2,809,000
NET CHANGE IN FUND BALANCES	(302,718)	104,536
FUND BALANCES, BEGINNING	8,403,057	1,683,728
FUND BALANCES, ENDING	\$ 8,100,339	\$ 1,788,264

<u>Capital Projects</u>		
<u>Capital Acquisition</u>	<u>Quality of Life</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ -	\$ 3,636,534
-	-	3,574,738
-	-	3,659,369
-	-	47,789
-	-	1,079,949
-	-	158,929
6,797	7,177	61,212
-	-	42,438
<u>6,797</u>	<u>7,177</u>	<u>12,260,958</u>
-	-	207,155
31,384	32,702	165,060
-	36,958	1,818,887
-	38,889	1,669,230
-	-	2,386,439
4,881,353	5,482,707	14,117,676
-	-	1,325,000
-	-	1,351,187
67,234	-	74,876
<u>4,979,971</u>	<u>5,591,256</u>	<u>23,115,510</u>
(<u>4,973,174</u>)	(<u>5,584,079</u>)	(<u>10,854,552</u>)
2,618,650	3,000,000	9,560,761
-	-	(1,400,577)
194,912	-	194,912
5,190,000	-	5,190,000
56,669	-	56,669
<u>8,060,231</u>	<u>3,000,000</u>	<u>13,601,765</u>
3,087,057	(2,584,079)	2,747,213
<u>3,111,687</u>	<u>9,978,009</u>	<u>50,907,132</u>
<u>\$ 6,198,744</u>	<u>\$ 7,393,930</u>	<u>\$ 53,654,345</u>

THIS PAGE LEFT BLANK INTENTIONALLY

CITY OF GRAPEVINE, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 8,286,472	\$ 8,286,472	\$ 11,386,845	\$ 3,100,373
Investment income	75,000	75,000	24,541	(50,459)
Total revenues	<u>8,361,472</u>	<u>8,361,472</u>	<u>11,411,386</u>	<u>3,049,914</u>
EXPENDITURES				
Debt service:				
Principal	8,288,352	7,905,512	7,905,514	(2)
Interest and fiscal charges	2,437,798	2,183,242	2,183,238	4
Other	7,000	104,934	88,956	15,978
Total expenditures	<u>10,733,150</u>	<u>10,193,688</u>	<u>10,177,708</u>	<u>15,980</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(2,371,678)</u>	<u>(1,832,216)</u>	<u>1,233,678</u>	<u>3,065,894</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,549,678	2,549,678	2,549,678	-
Issuance of debt	-	-	7,645,000	7,645,000
Premium on issuance of debt	-	-	272,555	272,555
Payment to bond refunding escrow agent	-	(8,260,523)	(7,833,892)	426,631
Total other financing sources (uses)	<u>2,549,678</u>	<u>(5,710,845)</u>	<u>2,633,341</u>	<u>8,344,186</u>
NET CHANGE IN FUND BALANCE	178,000	(7,543,061)	3,867,019	11,410,080
FUND BALANCE, BEGINNING	<u>12,252,396</u>	<u>12,252,396</u>	<u>12,252,396</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 12,430,396</u>	<u>\$ 4,709,335</u>	<u>\$ 16,119,415</u>	<u>\$ 11,410,080</u>

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED SEPTEMBER 30, 2013

	Police Department Case Settlement			Balance 09/30/13
	Balance 10/01/12	Additions	Deletions	
Cash and cash equivalents	\$ 8,515	\$ 4,339	\$ -	\$ 12,854
Total assets	<u>\$ 8,515</u>	<u>\$ 4,339</u>	<u>\$ -</u>	<u>\$ 12,854</u>
Due to beneficiary	\$ 8,515	\$ 4,339	\$ -	\$ 12,854
Total liabilities	<u>\$ 8,515</u>	<u>\$ 4,339</u>	<u>\$ -</u>	<u>\$ 12,854</u>

	Industrial Development Corporation			Balance 09/30/13
	Balance 10/01/12	Additions	Deletions	
Cash and cash equivalents	\$ 130,088	\$ 148	\$ -	\$ 130,236
Total assets	<u>\$ 130,088</u>	<u>\$ 148</u>	<u>\$ -</u>	<u>\$ 130,236</u>
Due to beneficiary	\$ 130,088	\$ 148	\$ -	\$ 130,236
Total liabilities	<u>\$ 130,088</u>	<u>\$ 148</u>	<u>\$ -</u>	<u>\$ 130,236</u>

	W.D. Tate Scholarship			Balance 09/30/13
	Balance 10/01/12	Additions	Deletions	
Cash and cash equivalents	\$ 7,083	\$ 4,298	\$ -	\$ 11,381
Total assets	<u>\$ 7,083</u>	<u>\$ 4,298</u>	<u>\$ -</u>	<u>\$ 11,381</u>
Due to beneficiary	\$ 7,083	\$ 4,298	\$ -	\$ 11,381
Total liabilities	<u>\$ 7,083</u>	<u>\$ 4,298</u>	<u>\$ -</u>	<u>\$ 11,381</u>

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES

AGENCY FUNDS
(Continued)
YEAR ENDED SEPTEMBER 30, 2013

	Total Agency Funds			Balance 09/30/13
	Balance 10/01/12	Additions	Deletions	
Cash and cash equivalents	\$ <u>145,686</u>	\$ <u>8,785</u>	\$ <u>-</u>	\$ <u>154,471</u>
Total assets	\$ <u>145,686</u>	\$ <u>8,785</u>	\$ <u>-</u>	\$ <u>154,471</u>
Due to beneficiary	\$ <u>145,686</u>	\$ <u>8,785</u>	\$ <u>-</u>	\$ <u>154,471</u>
Total liabilities	\$ <u>145,686</u>	\$ <u>8,785</u>	\$ <u>-</u>	\$ <u>154,471</u>

THIS PAGE LEFT BLANK INTENTIONALLY

STATISTICAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

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	78 – 89
<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	90 – 95
<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	96 – 101
<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	102 – 103
<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	104 – 106
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</p>	

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

CITY OF GRAPEVINE, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities:				
Net investment in capital assets	\$ 8,757	\$ 16,729	\$ 21,862	\$ 28,660
Restricted	14,106	14,625	21,049	32,626
Unrestricted	<u>9,607</u>	<u>12,957</u>	<u>16,653</u>	<u>18,198</u>
Total governmental activities net position	<u>\$ 32,470</u>	<u>\$ 44,311</u>	<u>\$ 59,564</u>	<u>\$ 79,484</u>
Business-type activities:				
Net investment in capital assets	\$ 57,643	\$ 60,931	\$ 63,936	\$ 65,750
Restricted	5,312	6,421	6,784	7,228
Unrestricted	<u>11,374</u>	<u>10,407</u>	<u>13,012</u>	<u>14,382</u>
Total business-type activities net position	<u>\$ 74,329</u>	<u>\$ 77,759</u>	<u>\$ 83,732</u>	<u>\$ 87,360</u>
Primary government:				
Net investment in capital assets	\$ 66,400	\$ 77,660	\$ 85,798	\$ 94,410
Restricted	19,418	21,046	27,833	39,854
Unrestricted	<u>20,981</u>	<u>23,364</u>	<u>29,665</u>	<u>32,580</u>
Total primary government net position	<u>\$ 106,799</u>	<u>\$ 122,070</u>	<u>\$ 143,296</u>	<u>\$ 166,844</u>

Source: Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 39,332	\$ 57,264	\$ 73,702	\$ 84,069	\$ 88,342	\$ 98,171
34,200	40,419	55,622	61,712	71,909	78,377
<u>29,360</u>	<u>25,626</u>	<u>13,109</u>	<u>10,421</u>	<u>14,469</u>	<u>12,470</u>
<u>\$ 102,892</u>	<u>\$ 123,309</u>	<u>\$ 142,433</u>	<u>\$ 156,202</u>	<u>\$ 174,720</u>	<u>\$ 189,018</u>
\$ 68,641	\$ 68,785	\$ 70,055	\$ 70,771	\$ 70,171	\$ 74,750
7,365	7,097	6,732	7,133	8,969	8,032
<u>13,790</u>	<u>14,238</u>	<u>11,924</u>	<u>11,240</u>	<u>10,530</u>	<u>6,912</u>
<u>\$ 89,796</u>	<u>\$ 90,120</u>	<u>\$ 88,711</u>	<u>\$ 89,144</u>	<u>\$ 89,670</u>	<u>\$ 89,694</u>
\$ 107,973	\$ 126,049	\$ 143,757	\$ 154,840	\$ 158,513	\$ 172,921
41,565	47,516	62,354	68,845	80,878	86,409
<u>43,150</u>	<u>39,864</u>	<u>25,033</u>	<u>21,661</u>	<u>24,999</u>	<u>19,382</u>
<u>\$ 192,688</u>	<u>\$ 213,429</u>	<u>\$ 231,144</u>	<u>\$ 245,346</u>	<u>\$ 264,390</u>	<u>\$ 278,712</u>

CITY OF GRAPEVINE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2004	2005	2006	2007
EXPENSES				
Governmental activities:				
General government	\$ 12,382	\$ 14,564	\$ 13,964	\$ 19,150
Public safety	17,598	19,094	19,174	20,732
Culture and recreation	16,090	17,055	19,978	21,914
Public works	10,363	9,077	9,502	12,777
Transportation	-	-	-	-
Economic development	-	-	-	-
Interest on long-term debt	7,683	5,993	6,579	6,634
Total governmental activities expenses	<u>64,116</u>	<u>65,783</u>	<u>69,197</u>	<u>81,207</u>
Business-type activities:				
Water and sewer	15,049	14,975	15,944	15,494
Lake Enterprise	2,842	2,673	2,664	2,668
Total business-type activities expenses	<u>17,891</u>	<u>17,648</u>	<u>18,608</u>	<u>18,162</u>
Total primary government expenses	<u>\$ 82,007</u>	<u>\$ 83,431</u>	<u>\$ 87,805</u>	<u>\$ 99,369</u>
PROGRAM REVENUES				
Governmental activities:				
Fees, fines, and charges for services:				
General government	\$ 4,298	\$ 1,362	\$ 1,148	\$ 3,535
Public safety	2,260	2,029	3,282	3,280
Culture and recreation	5,362	5,369	6,306	6,908
Public works	1,346	2,877	2,782	3,085
Operating grants and contributions	1,813	1,944	805	2,310
Capital grants and contributions	597	2,732	3,759	785
Total governmental activities program revenues	<u>15,676</u>	<u>16,313</u>	<u>18,082</u>	<u>19,903</u>
Business-type activities:				
Charges for services:				
Water and sewer	16,595	17,929	20,348	17,689
Lake Enterprise	2,500	2,630	2,890	2,712
Capital grants and contributions	1,172	1,049	1,690	833
Total business-type activities program revenues	<u>20,267</u>	<u>21,608</u>	<u>24,928</u>	<u>21,234</u>
Total primary government program revenues	<u>\$ 35,943</u>	<u>\$ 37,921</u>	<u>\$ 43,010</u>	<u>\$ 41,137</u>

TABLE 2

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	17,898	\$	19,245	\$	19,048	\$	22,526	\$	18,370	\$	18,602
	23,701		26,031		27,095		27,588		28,264		28,309
	26,753		25,657		27,175		26,673		27,954		29,578
	18,573		18,670		19,136		10,563		11,056		12,216
	-		-		-		7,901		7,789		8,620
	-		-		-		3,394		4,040		3,609
	6,403		5,093		5,432		5,140		4,590		4,095
	<u>93,328</u>		<u>94,696</u>		<u>97,886</u>		<u>103,785</u>		<u>102,063</u>		<u>105,029</u>
	17,415		17,160		17,647		18,972		18,372		18,807
	2,786		2,885		2,955		3,062		3,053		3,156
	<u>20,201</u>		<u>20,045</u>		<u>20,602</u>		<u>22,034</u>		<u>21,425</u>		<u>21,963</u>
\$	<u>113,529</u>	\$	<u>114,741</u>	\$	<u>118,488</u>	\$	<u>125,819</u>	\$	<u>123,488</u>	\$	<u>126,992</u>
\$	4,071	\$	3,771	\$	4,039	\$	4,250	\$	2,547	\$	2,013
	3,597		3,759		3,660		3,346		3,736		3,971
	7,479		7,829		8,530		9,198		10,099		10,012
	1,372		1,344		1,467		1,378		1,418		1,486
	1,629		957		1,060		1,212		1,124		526
	1,891		5,204		3,819		1,302		810		108
	<u>20,039</u>		<u>22,864</u>		<u>22,575</u>		<u>20,686</u>		<u>19,734</u>		<u>18,116</u>
	18,893		17,950		18,523		21,168		20,481		20,185
	2,862		2,649		2,377		2,862		3,079		3,120
	1,331		674		274		-		-		-
	<u>23,086</u>		<u>21,273</u>		<u>21,174</u>		<u>24,030</u>		<u>23,560</u>		<u>23,305</u>
\$	<u>43,125</u>	\$	<u>44,137</u>	\$	<u>43,749</u>	\$	<u>44,716</u>	\$	<u>43,294</u>	\$	<u>41,421</u>

CITY OF GRAPEVINE, TEXAS

CHANGES IN NET POSITION

(Continued)

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2004	2005	2006	2007
NET (EXPENSE) REVENUES				
Governmental activities	\$(48,440)	\$(49,470)	\$(51,115)	\$(61,304)
Business-type activities	<u>2,376</u>	<u>3,960</u>	<u>6,320</u>	<u>3,072</u>
Total primary government net expense	<u>(46,064)</u>	<u>(45,510)</u>	<u>(44,795)</u>	<u>(58,232)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	23,600	26,066	26,046	27,066
Franchise	5,211	5,369	5,945	6,191
Hotel occupancy	4,931	7,566	9,194	10,126
Sales	17,976	18,746	19,993	31,827
Mixed beverage	686	863	952	1,128
Investment earnings	620	1,099	2,187	3,257
Miscellaneous	29	101	310	124
Gain on sale of capital assets	-	-	-	-
Transfers	<u>-</u>	<u>1,501</u>	<u>1,741</u>	<u>1,505</u>
Total governmental activities	<u>53,053</u>	<u>61,311</u>	<u>66,368</u>	<u>81,224</u>
Business-type activities:				
Investment earnings	397	648	1,035	1,437
Miscellaneous	696	323	359	624
Transfers	<u>-</u>	<u>(1,501)</u>	<u>(1,741)</u>	<u>(1,505)</u>
Total business-type activities	<u>1,093</u>	<u>(530)</u>	<u>(347)</u>	<u>556</u>
Total primary government	<u>54,146</u>	<u>60,781</u>	<u>66,021</u>	<u>81,780</u>
CHANGE IN NET POSITION				
Governmental activities	4,613	11,841	15,253	19,920
Business-type activities	<u>3,469</u>	<u>3,430</u>	<u>5,973</u>	<u>3,628</u>
Total primary government	<u>\$ 8,082</u>	<u>\$ 15,271</u>	<u>\$ 21,226</u>	<u>\$ 23,548</u>

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					
2008	2009	2010	2011	2012	2013
\$(73,289)	\$(71,832)	\$(75,311)	\$(83,099)	\$(82,329)	\$(86,913)
<u>2,885</u>	<u>1,228</u>	<u>572</u>	<u>1,996</u>	<u>2,135</u>	<u>1,342</u>
<u>(70,404)</u>	<u>(70,604)</u>	<u>(74,739)</u>	<u>(81,103)</u>	<u>(80,194)</u>	<u>(85,571)</u>
27,974	30,385	33,092	29,559	32,048	29,979
6,295	6,319	6,133	6,401	6,356	6,618
11,842	10,498	10,725	12,105	12,327	12,772
45,098	40,712	42,000	45,572	46,932	49,047
1,295	1,188	1,226	1,223	1,051	1,159
2,520	1,213	426	338	286	159
-	36	-	-	170	6
-	31	119	33	-	-
<u>1,673</u>	<u>1,867</u>	<u>2,064</u>	<u>1,638</u>	<u>1,677</u>	<u>1,471</u>
<u>96,697</u>	<u>92,249</u>	<u>95,785</u>	<u>96,869</u>	<u>100,847</u>	<u>101,211</u>
1,046	401	83	75	68	152
178	562	-	170	-	-
<u>(1,673)</u>	<u>(1,867)</u>	<u>(2,064)</u>	<u>(1,638)</u>	<u>(1,677)</u>	<u>(1,471)</u>
<u>(449)</u>	<u>(904)</u>	<u>(1,981)</u>	<u>(1,393)</u>	<u>(1,609)</u>	<u>(1,319)</u>
<u>96,248</u>	<u>91,345</u>	<u>93,804</u>	<u>95,476</u>	<u>99,238</u>	<u>99,892</u>
23,408	20,417	20,474	13,770	18,518	14,298
<u>2,436</u>	<u>324</u>	<u>(1,409)</u>	<u>432</u>	<u>526</u>	<u>23</u>
<u>\$ 25,844</u>	<u>\$ 20,741</u>	<u>\$ 19,065</u>	<u>\$ 14,202</u>	<u>\$ 19,044</u>	<u>\$ 14,321</u>

CITY OF GRAPEVINE, TEXAS

**FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2004	2005	2006	2007
General fund				
Reserved*	\$ 1,543	\$ 1,290	\$ 691	\$ 667
Unreserved	3,018	3,981	5,904	7,562
Nonspendable*	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 4,561</u>	<u>\$ 5,271</u>	<u>\$ 6,595</u>	<u>\$ 8,229</u>
All other governmental funds				
Reserved for:				
Prepayments	\$ 402	\$ 392	\$ 64	\$ 76
Inventory	-	-	-	2
Debt service	11,716	15,478	21,906	26,778
Capital projects	19,763	14,810	20,983	284
Unreserved, reported in:				
Special revenue	482	1,724	4,071	7,289
Capital projects	4,509	4,391	4,484	28,753
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>\$ 36,872</u>	<u>\$ 36,795</u>	<u>\$ 51,508</u>	<u>\$ 63,182</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					
2008	2009	2010	2011	2012	2013
\$ 727	\$ 632	\$ 714	\$ -	\$ -	\$ -
8,190	8,105	7,468	-	-	-
-	-	-	657	653	659
-	-	-	8,938	11,742	11,303
<u>\$ 8,917</u>	<u>\$ 8,737</u>	<u>\$ 8,182</u>	<u>\$ 9,595</u>	<u>\$ 12,395</u>	<u>\$ 11,962</u>
\$ 91	\$ 583	\$ 118	\$ -	\$ -	\$ -
-	-	-	-	-	-
29,863	31,784	40,700	-	-	-
6,249	20,566	16,861	-	-	-
10,002	9,238	11,347	-	-	-
24,982	18,631	20,426	-	-	-
-	-	-	15	18	18
-	-	-	42	14	4
-	-	-	26,713	28,858	29,051
-	-	-	19,863	17,655	90,741
-	-	-	836	1,078	1,088
-	-	-	28,985	35,493	41,198
-	-	-	345	369	412
-	-	-	264	152	41
-	-	-	4,605	5,954	5,268
-	-	-	3,005	3,179	2,024
-	-	-	453	600	697
-	-	-	9,322	10,627	8,043
-	-	-	841	635	677
-	-	-	(1,822)	(1,777)	(841)
<u>\$ 71,187</u>	<u>\$ 80,802</u>	<u>\$ 89,452</u>	<u>\$ 93,467</u>	<u>\$ 102,855</u>	<u>\$ 178,421</u>

CITY OF GRAPEVINE, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2004	2005	2006	2007
REVENUES				
Taxes:				
Property	\$ 23,584	\$ 25,607	\$ 26,296	\$ 26,913
Hotel occupancy	4,931	7,566	9,194	10,126
Sales	17,976	18,746	19,993	31,826
Mixed beverage	686	863	952	1,128
Franchise	5,211	5,369	5,945	6,191
Licenses and permits	1,264	1,530	1,550	1,776
Intergovernmental	951	1,945	1,042	931
Charges for services	11,019	9,839	11,209	12,987
Fines and forfeitures	1,961	1,713	1,860	1,607
Contributions	488	418	423	393
Interest and miscellaneous	1,853	2,156	4,895	4,354
Total revenues	<u>69,924</u>	<u>75,752</u>	<u>83,359</u>	<u>98,232</u>
EXPENDITURES				
General government	12,897	14,379	14,355	15,345
Public safety	16,168	17,187	17,527	19,047
Culture and recreation	14,541	15,071	17,015	19,470
Public works	5,101	4,945	4,840	4,514
Operations	3,677	2,954	2,262	6,552
Transportation	-	-	-	-
Economic development	-	-	-	-
Capital outlay	10,612	8,425	8,235	8,290
Debt service:				
Principal	9,011	8,698	8,165	9,667
Interest and fiscal charges	7,532	6,053	6,575	6,599
Other	819	2,918	1,451	2,557
Total expenditures	<u>80,358</u>	<u>80,630</u>	<u>80,425</u>	<u>92,041</u>

TABLE 4

		Fiscal Year									
		2008	2009	2010	2011	2012	2013				
\$	27,945	\$	29,454	\$	34,225	\$	29,930	\$	32,147	\$	28,326
	11,842		10,498		10,725		12,105		12,326		12,772
	45,098		40,712		42,000		45,572		46,932		49,047
	1,295		1,188		1,226		1,223		1,051		1,159
	6,295		6,319		6,133		6,401		6,356		6,618
	1,227		1,087		1,117		1,044		1,542		1,248
	673		3,000		4,525		1,505		1,012		1,175
	12,489		12,893		13,296		14,582		13,572		13,286
	2,197		2,208		2,126		1,712		2,017		2,258
	391		556		8		73		194		162
	4,354		2,108		2,407		1,741		1,192		731
	<u>113,806</u>		<u>110,023</u>		<u>117,788</u>		<u>115,888</u>		<u>118,341</u>		<u>116,782</u>
	15,024		15,435		16,367		17,681		13,979		13,714
	20,589		21,582		22,275		24,297		25,539		25,674
	21,982		21,714		22,677		23,495		24,832		26,202
	4,674		4,922		5,049		5,821		6,061		7,037
	14,168		13,485		13,819		-		-		-
	-		-		-		7,901		7,789		8,620
	-		-		-		3,405		4,543		3,609
	10,295		18,695		15,051		13,076		9,446		17,011
	11,492		11,880		12,096		12,328		11,164		11,462
	6,370		5,304		5,547		5,029		4,564		3,864
	2,527		2,535		1,050		30		25		394
	<u>107,121</u>		<u>115,552</u>		<u>113,931</u>		<u>113,063</u>		<u>107,942</u>		<u>117,587</u>

CITY OF GRAPEVINE, TEXAS

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

(Continued)

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2004	2005	2006	2007
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$(10,434)	\$(4,878)	\$ 2,934	\$ 6,191
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	46,245	-	5,610
Notes payable issued	-	-	11,385	-
Premium on issuance of debt	-	2,114	6	2
Bond discount	-	-	(29)	-
Payments to escrow agent	-	-	-	-
Sale of capital assets	-	(44,349)	-	-
Transfers in	2,248	7,037	4,084	7,757
Transfers out	(2,248)	(5,536)	(2,343)	(6,252)
Total other financing sources (uses)	-	5,511	13,103	7,117
NET CHANGE IN FUND BALANCES	\$(10,434)	\$ 633	\$ 16,037	\$ 13,308
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>23.7%</u>	<u>20.4%</u>	<u>20.4%</u>	<u>19.4%</u>

Source: Comprehensive Annual Financial Reports

TABLE 4

Fiscal Year					
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ <u>6,685</u>	\$ <u>(5,529)</u>	\$ <u>3,857</u>	\$ <u>2,825</u>	\$ <u>10,399</u>	\$ <u>(805)</u>
260	45,825	8,565	500	-	78,640
-	-	-	309	-	-
-	2,184	344	-	-	3,455
-	-	-	-	-	-
76	(34,944)	(6,954)	-	-	(7,834)
-	32	219	155	112	204
16,531	17,415	14,510	17,593	15,244	19,768
(14,859)	(15,548)	(12,446)	(15,955)	(13,568)	(18,297)
<u>2,008</u>	<u>14,964</u>	<u>4,238</u>	<u>2,602</u>	<u>1,788</u>	<u>75,936</u>
\$ <u>8,693</u>	\$ <u>9,435</u>	\$ <u>8,095</u>	\$ <u>5,427</u>	\$ <u>12,187</u>	\$ <u>75,131</u>
<u>18.4%</u>	<u>20.4%</u>	<u>17.8%</u>	<u>16.8%</u>	<u>15.7%</u>	<u>14.7%</u>

CITY OF GRAPEVINE, TEXAS

TAXABLE SALES BY CATEGORY

LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands)

Function/Program	Fiscal Year									
	2004	2005	2006	2007 (1)	2008	2009	2010	2011	2012	2013 (2)
Agriculture/forestry/fishing/hunting	\$ -	\$ 132	\$ -	\$ -	\$ 113	\$ 107	\$ -	\$ -	\$ -	\$ -
Construction	22,679	28,216	36,231	36,212	33,550	27,636	19,347	23,201	32,162	26,960
Manufacturing	48,659	67,497	67,275	76,917	149,328	173,395	158,571	149,298	157,499	116,719
Wholesale trade	52,048	50,674	77,063	103,370	212,637	200,208	216,540	236,470	248,355	204,507
Retail trade	701,754	593,199	794,410	873,696	887,650	774,650	774,638	804,182	846,060	671,782
Transportation/warehousing	11,580	6,535	11,049	7,823	9,726	7,794	10,239	13,817	11,893	10,107
Information	50,387	29,796	33,492	22,968	22,836	28,136	29,311	36,209	42,137	35,790
Finance/insurance	4,748	8,812	5,532	4,711	4,641	1,379	964	1,049	993	628
Professional/scientific/technical	31,544	18,828	32,869	47,792	85,256	23,165	15,745	15,485	18,966	14,298
Real estate/rental/leasing	29,976	36,714	37,942	35,622	34,950	25,870	34,389	37,831	36,597	34,744
Management of companies/enterprises	-	1,686	-	1,324	1,644	938	15	1	-	-
Admin/support/waste management/ remediation services	35,233	38,494	37,372	34,942	35,281	35,470	37,065	54,218	47,264	36,089
Educational services	131	141	144	153	186	104	344	531	2,762	1,565
Health care/social assistance	759	756	1,240	2,243	3,594	1,903	1,930	2,465	2,999	2,340
Arts/entertainment/recreation	26,450	25,765	27,049	31,372	28,676	23,115	25,623	25,657	26,034	19,351
Accommodation/food service	307,477	341,330	372,951	402,040	421,867	402,661	413,133	453,507	477,362	354,092
Other services (except public administration)	12,256	14,495	15,587	15,815	20,877	21,970	24,736	24,868	24,250	24,492
Other	1,946	37	-	-	-	-	-	-	-	-
Unclassified	2,790	4,539	4,491	6,111	6,997	9,849	-	17,457	-	-
Total	1,340,417	1,267,646	1,554,697	1,703,111	1,959,809	1,758,350	1,762,590	1,896,246	1,975,333	1,553,464
City direct sales tax rate	1.0%	1.0%	1.0%	1.0%	2.0%	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 2013

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>
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%
2013	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			
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
2013	7,373,725	2,169,614	3,311,568	6,231,771	0.3457

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

TABLE 8

CITY OF GRAPEVINE, TEXAS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates				Total Direct and Overlapping Rates
	Operating/ General Rate	General Obligation Debt Service	Total Direct Rate	Junior College	School District	Hospital District	County	
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
2013	0.1357	0.2100	0.3457	0.149	1.320	0.228	0.264	2.307

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	2013		Taxpayer	2004	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Gaylord Texan Resort and Convention Center	\$ 285,854	4.59%	American Airlines, Inc.	\$ 313,758	6.43%
American Airlines, Inc.	237,140	3.81%	Grapevine Mills, Ltd. Partnership	185,084	3.79%
Grapevine Mills, Ltd. Partnership	215,200	3.64%	Delta Airlines	151,545	3.11%
Great Wolf Lodge	124,000	1.99%	Verizon Directory/GTE	149,230	3.06%
CAE Simuflite/Simuflite Training Unit	100,387	1.61%	Gaylord Texan Resort and Convention Center	113,083	2.32%
Fund Riverwalk LLC	65,506	1.05%	CAE Simuflite	88,526	1.81%
Rackspace US Inc.	58,199	0.93%	GE Capital Corp.	57,845	1.19%
Oncor Electric Delivery Co., LLC.	50,072	0.80%	Quest Communications Corp.	42,721	0.88%
A & B Properties	49,931	0.80%	Oncor Electric Delivery Co., LLC.	40,395	0.83%
Silver Oaks, LP	46,977	0.75%	United Parcel Services	40,357	0.83%
Total	\$ 1,233,266	19.97%	Total	\$ 1,182,544	24.25%

Source: Tarrant County Appraisal District (2013)
Grapevine CAFR (2004)

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
2004	\$ 18,044	\$ 17,859	98.97%	\$ 132	\$ 1,020	5.7%	\$ 17,991	99.7%
2005	19,223	18,764	97.61%	177	808	4.2%	18,941	98.5%
2006	19,182	18,945	98.76%	110	829	4.3%	19,055	99.3%
2007	19,572	19,368	98.96%	201	876	4.5%	19,569	99.9%
2008	21,113	20,964	99.29%	154	891	4.2%	21,118	99.9%
2009	22,250	21,936	98.59%	115	925	4.2%	22,051	99.1%
2010	22,208	21,958	98.87%	141	973	4.4%	22,099	99.5%
2011	21,114	20,954	99.24%	124	160	0.8%	21,078	99.8%
2012	21,321	21,211	99.48%	84	110	0.5%	21,295	99.9%
2013	21,468	21,364	99.52%	-	184	0.9%	21,364	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			
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	46,291	55,473	4,852	1,035	14,042	-	-	120,795	7.14%	2,570
2012	41,221	50,794	3,605	790	9,923	-	-	106,333	6.21%	2,219
2013	106,019	45,861	6,296	-	10,962	-	-	169,138	9.08%	3,452

* 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	Gross Bonded Debt	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	(a) General Obligation Bonds	Certificates of Obligation	Total	General Obligation Bonds			
2004	\$ 72,140	\$ 69,735	\$ 141,875	\$ -	\$ 141,875	2.71%	\$ 3,019
2005	71,775	67,055	138,830	-	138,830	2.84%	2,892
2006	71,755	70,600	142,355	-	142,355	2.72%	2,905
2007	66,275	68,905	135,180	6,820	142,000	2.49%	2,898
2008	60,690	63,675	124,365	6,685	131,050	2.12%	2,621
2009	54,315	65,960	120,275	12,540	132,815	2.02%	2,656
2010	51,290	59,870	111,160	15,305	126,465	1.79%	2,529
2011	45,335	55,473	100,808	15,135	115,943	1.72%	2,467
2012	40,355	50,794	91,149	9,895	101,044	1.71%	2,109
2013	106,019	45,861	151,880	10,962	162,842	2.61%	3,323

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, 2013

(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	\$ 235,203,792	6.07%	\$ 14,276,870
Coppell Independent School District	174,797,888	2.09%	3,653,276
Dallas County	136,430,000	0.11%	150,073
Dallas County Community College District	355,880,000	0.11%	391,468
Dallas County Hospital District	705,000,000	0.11%	775,500
Dallas County Schools	67,675,000	0.11%	74,443
Denton County	596,245,000	- % *	-
Grapevine-Colleyville Independent School District	345,235,467	61.81%	213,390,042
Northwest Independent School District	626,683,840	0.10%	626,684
Tarrant County	336,635,000	6.08%	20,467,408
Tarrant County College District	15,485,000	6.08%	941,488
Tarrant County Hospital District	25,375,001	6.08%	<u>1,542,800</u>
Subtotal overlapping debt			256,290,052
Total direct - City of Grapevine	159,122,254	100.00%	<u>159,122,254</u>
Direct and Overlapping Debt			<u>\$ 415,412,306</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	Tax Increment Financing District Reinvestment Zone Number One				
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Principal and Interest Payments	Coverage
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
2013	4,808	2,352	2,456	2,360	1.04

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

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

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
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
2013	3,637	2,283	1,354	2,679	0.51

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
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%
2013	49	1,862	38	38	14	5.1%

Sources: (1) CLARITAS Report
(2) Grapevine/Colleyville ISD
(3) Texas Workforce Commission Website

CITY OF GRAPEVINE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

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

2013			2004		
Employer	Employees	Percentage of of Total City Employment (1)	Employer	Employees	Percentage of of Total City Employment
DFW International Airport	60.0	57.14%	DFW International Airport	16.0	33.00%
Gaylord Texan Resort and Convention Center	2.0	1.90%	Grapevine/Colleyville ISD	2.0	4.00%
United Parcel Service	2.0	1.90%	United Parcel Service	2.0	4.00%
GameStop	2.0	1.90%	GTE Directory Corporation	1.0	2.00%
Grapevine/Colleyville ISD	1.8	1.71%	Baylor Medical Center	1.0	2.00%
Baylor Medical Center	1.0	0.95%	Gamestop	1.0	2.00%
Great Wolf Lodge	0.6	0.57%	City of Grapevine	0.5	0.50%
City of Grapevine	0.6	0.57%	DFW Hilton Hotel	0.5	0.50%
Pavestone Mfg	0.4	0.38%	SimuFlite Training Int'l.	0.5	0.50%
Wal-Mart/Sam's (250-500)	<u>0.3</u>	<u>0.29%</u>	Apollo Paper	<u>0.5</u>	<u>0.50%</u>
	<u>70.7</u>	<u>67.31%</u>		<u>25.0</u>	<u>49.00%</u>

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

(1) Per Neilsen/Claritas there are 104,761 total employees in the City (including 60,000 at DFW Airport) as of 2013.

TABLE 19

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

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government and administration	78	80	78	78	59	60	59	59	57	58
Public safety	228	231	231	230	238	237	236	237	237	240
Development services	23	21	17	15	15	15	15	15	15	15
Culture and recreational	150	153	162	159	163	174	175	169	169	172
Water and sewer	50	48	50	51	51	51	60	59	59	59
Golf course	32	31	31	31	29	29	28	26	26	26
Public works	<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>	<u>66</u>
Total	<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>	<u>636</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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Police										
Calls for service	32,555	28,976	36,360	45,815	49,618	52,111	65,361	66,686	67,634	58,680
Traffic citations	24,379	13,603	13,406	17,367	27,363	26,068	25,533	18,995	23,817	21,447
Criminal offenses	3,615	2,714	1,157	3,764	3,905	3,796	3,552	3,346	1,366	3,219
Fire										
Fire runs	3,746	3,856	4,171	3,601	4,682	4,844	4,595	5,079	5,135	5,156
Ambulance runs	3,737	3,168	4,151	3,056	3,132	3,980	3,015	3,343	3,026	3,541
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	49	49	49	49	49
Library										
Volumes	148,125	160,109	173,184	182,241	183,529	191,437	197,509	205,194	186,817	197,377
Annual circulation	617,938	579,497	568,431	531,229	320,267	347,215	341,726	330,975	316,236	303,622
Water and sewer										
Number of water connections	13,676	13,860	13,965	14,117	14,117	14,120	14,343	14,384	14,460	14,517
Average daily consumption MG (water)	9.04	9.62	11.37	8.61	10.75	10.37	10.23	11.98	10.74	10.40
System capacity - MG (Water)	23	24	24	24	26	26	27	27	27	27
Number of sewer connections	12,461	12,686	12,866	12,860	12,946	13,107	13,130	13,081	13,103	13,315
Number of refuse connections	11,484	11,673	12,180	11,279	11,279	11,955	11,865	11,895	11,911	11,964
Sewer system capacity (MGD)	6	6	6	8	8	8	8	8	8	8
Lake Enterprise										
Number of golfers, annually	74,183	77,282	74,000	66,874	70,200	62,882	56,053	65,052	67,555	71,706

Source: City departments

TABLE 21

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

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Police stations	2	2	2	2	2	2	2	2	2	2
Patrol units	31	26	26	26	36	30	30	32	32	35
Fire stations	5	5	5	5	5	5	5	5	5	5
Public works										
Streets - paved (miles)	180	180	180	180	180	180	208	208	208	208
Parks and recreation										
Acreage*	1,873	1,692	1,772	1,522	1,522	1,522	1,522	1,522	1,522	1,522
Playgrounds	35	35	34	34	35	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	247	280	280	280	280	280	280	290
Wastewater										
Sanitary sewers (miles)	N/A	N/A	210	230	230	227	227	227	227	224

Note: N/A - data not available.

Source: City departments

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

**INTERNAL CONTROL AND
COMPLIANCE SECTION**

THIS PAGE LEFT BLANK INTENTIONALLY



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grapevine, Texas (the "City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 18, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Waco, Texas
March 18, 2014