

**GRAPEVINE TAX INCREMENT
FINANCING DISTRICT REINVESTMENT
ZONE NUMBER ONE
(A Blended Component Unit of
The City of Grapevine, Texas)**

BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED
SEPTEMBER 30, 2014**

(With Independent Auditors' Report)

**GRAPEVINE TAX INCREMENT FINANCING DISTRICT
REINVESTMENT ZONE NUMBER ONE
(A Blended Component Unit of the City of Grapevine, Texas)**

BASIC FINANCIAL STATEMENTS

TABLE OF CONTENTS

SEPTEMBER 30, 2014

	<u>Page Number</u>
Independent Auditors' Report.....	1 – 2
Management's Discussion and Analysis	3 – 6
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	7
Statement of Activities.....	8
Fund Financial Statements	
Balance Sheet – Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10
Notes to Financial Statements.....	11 – 16

THIS PAGE LEFT BLANK INTENTIONALLY



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Grapevine Tax Increment Financing District Reinvestment Zone Number One (the "TIF #1," a component unit of the City of Grapevine, Texas), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the TIF #1'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. 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the TIF #1, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–6 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.

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

Waco, Texas
March 10, 2015

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

THIS PAGE LEFT BLANK INTENTIONALLY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Grapevine, Texas (the "City"), we offer readers of the Grapevine Tax Increment Financing District Reinvestment Zone Number One's (the "TIF") financial statements this narrative overview and analysis of the financial activities of the TIF for the fiscal year ended September 30, 2014. The TIF was formed to finance and make public improvements in the area surrounding the Grapevine Mills Mall, under the Tax Increment Financing Act. The current TIF agreement is expected to end in 2016, after the last debt payment has been made.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the TIF exceeded its liabilities at the close of the fiscal year ended September 30, 2014, by \$33,046,729 (net position).
- At the end of the current fiscal year, the governmental funds reported an ending fund balance of \$37,919,438, an increase of 8% in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the TIF's basic financial statements. The TIF's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements

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

The *Statement of Net Position* presents information on all of the TIF's assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the TIF is improving or deteriorating.

The *Statement of Activities* presents information showing how the TIF'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).

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 TIF uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements include two funds: (1) the General Fund, which is used to account for principal and interest payments and economic development activities, and (2) the Capital Projects Fund, which is used to account for the cost of public improvements.

- **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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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. The notes to the financial statements can be found beginning on page 11 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. As of September 30, 2014, the TIF’s net position was \$33,046,729.

The following table reflects the condensed Statement of Net Position:

CITY OF GRAPEVINE TAX INCREMENT FINANCING DISTRICT REINVESTMENT ZONE NUMBER ONE’S NET POSITION

	Governmental Activities	
	2014	2013
Current and other assets	\$ 37,919,438	\$ 36,941,202
Total assets	37,919,438	36,941,202
Deferred outflows of resources	56,651	97,852
Long-term liabilities	4,900,829	7,178,744
Other liabilities	28,531	624,126
Total liabilities	4,929,360	7,802,870
Net position:		
Unrestricted	33,046,729	29,236,184
Total net position	\$ 33,046,729	\$ 29,236,184

Analysis of the TIF's Operations

Governmental activities increased the TIF's net position by \$3,865,398. There were community distributions made from the TIF#1 fund, a transfer was made to the City's 4B Economic Development Fund, and designed work continued on the Links Trail project which extends from the Gaylord Trail to the Grapevine Mills Mall. Investment earnings have steadily declined over the past several years due to declining and relatively low interest rates.

CITY OF GRAPEVINE TAX INCREMENT FINANCING DISTRICT REINVESTMENT ZONE NUMBER ONE'S CHANGE IN NET POSITION

	Governmental Activities	
	2014	2013
Revenues:		
General revenues:		
Property taxes	\$ 6,263,869	\$ 5,841,075
Unrestricted investment earnings	18,837	39,519
Transfer to City's Economic Development Fund	(1,000,000)	-
Total revenues	5,282,706	5,880,594
Expenses:		
Economic development	1,289,306	1,631,843
Interest and fiscal charges	128,002	221,472
Total expenses	1,417,308	1,853,315
Change in net position	3,865,398	4,027,279
Net position, beginning	29,236,184	25,208,905
Change in accounting principle	(54,853)	-
Net position, ending	\$ 33,046,729	\$ 29,236,184

FINANCIAL ANALYSIS OF THE TIF'S FUNDS

Governmental Funds

The focus on the TIF's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the TIF's financing requirements.

At the end of the current fiscal year, the TIF's governmental funds reported ending fund balances of \$37,919,438, an increase of \$2,713,691 in comparison with the prior year.

DEBT ADMINISTRATION

Long-term Debt. At year-end, the TIF had total bonded debt outstanding of \$4,565,000, which is backed by the full faith and credit of the TIF. The debt is paid from real property taxes captured by the TIF District.

CITY OF GRAPEVINE TAX INCREMENT FINANCING DISTRICT REINVESTMENT ZONE NUMBER ONE'S OUTSTANDING DEBT

	<u>2014</u>	<u>2013</u>
Certificates of obligation	\$ <u>4,565,000</u>	\$ <u>6,675,000</u>

REQUESTS FOR INFORMATION

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

**BASIC
FINANCIAL STATEMENTS**

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAPEVINE TAX INCREMENT FINANCING DISTRICT
REINVESTMENT ZONE NUMBER ONE
(A Blended Component Unit of the City of Grapevine, Texas)**

STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

ASSETS

Cash and investments	\$ 37,916,580
Taxes receivable, net	567
Accrued interest	<u>2,291</u>
Total assets	<u>37,919,438</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on bond refunding	<u>56,651</u>
Total deferred outflows of resources	<u>56,651</u>

LIABILITIES

Accrued interest payable	28,531
Bonds payable - due in less than one year	2,215,000
Bonds payable - due in more than one year	<u>2,685,829</u>
Total liabilities	<u>4,929,360</u>

NET POSITION

Unrestricted	<u>33,046,729</u>
Total net position	\$ <u>33,046,729</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAPEVINE TAX INCREMENT FINANCING DISTRICT
REINVESTMENT ZONE NUMBER ONE
(A Blended Component Unit of the City of Grapevine, Texas)**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenue	Net (Expense) Revenues and Changes in Net Position Governmental Activities
Governmental activities:			
Economic development	\$ 1,289,306	\$ -	\$(1,289,306)
Interest and fiscal charges	<u>128,002</u>	<u>-</u>	<u>(128,002)</u>
Total governmental activities	<u>\$ 1,417,308</u>	<u>\$ -</u>	<u>\$(1,417,308)</u>
General revenues:			
			6,263,869
			18,837
			<u>(1,000,000)</u>
			<u>5,282,706</u>
			3,865,398
			29,236,184
			<u>(54,853)</u>
			<u>29,181,331</u>
			<u>\$ 33,046,729</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAPEVINE TAX INCREMENT FINANCING DISTRICT
REINVESTMENT ZONE NUMBER ONE
(A Blended Component Unit of the City of Grapevine, Texas)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2014**

	General	Capital Projects	Total
ASSETS			
Cash and investments	\$ 36,313,584	\$ 1,602,996	\$ 37,916,580
Taxes receivable, net	567	-	567
Accrued interest	2,195	96	2,291
Total assets	\$ 36,316,346	\$ 1,603,092	\$ 37,919,438
LIABILITIES			
Total liabilities	\$ -	\$ -	\$ -
FUND BALANCES			
Restricted for debt service	4,796,625	-	4,796,625
Assigned for capital projects	-	1,603,092	1,603,092
Unassigned	31,519,721	-	31,519,721
Total fund balances	36,316,346	1,603,092	37,919,438
Total liabilities and fund balances	\$ 36,316,346	\$ 1,603,092	

Amounts reported for governmental activities in the statement of net position are different because:

Bond interest is not payable with available financial resources and is therefore not accrued at the fund level. (28,531)

Bonds payable are not due and payable in the current period and therefore are not reported in the funds:

Loss on refunding 56,651
 Bonds payable (4,565,000)
 Premium on issuance (335,829)

Net position of governmental activities \$ 33,046,729

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

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAPEVINE TAX INCREMENT FINANCING DISTRICT
REINVESTMENT ZONE NUMBER ONE
(A Blended Component Unit of the City of Grapevine, Texas)**

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

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General	Capital Projects	Total
REVENUES			
Property taxes	\$ 7,357,448	\$ -	\$ 7,357,448
Investment income	17,523	1,314	18,837
Total revenues	7,374,971	1,314	7,376,285
EXPENDITURES			
Economic development	1,287,331	-	1,287,331
Capital outlay	-	1,975	1,975
Debt service:			
Principal	2,110,000	-	2,110,000
Interest and fiscal charges	263,288	-	263,288
Total expenditures	3,660,619	1,975	3,662,594
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	3,714,352	(661)	3,713,691
OTHER FINANCING SOURCES (USES)			
Transfers in	-	22,571	22,571
Transfers out	(22,571)	(1,000,000)	(1,022,571)
Total other financing sources and uses	(22,571)	(977,429)	(1,000,000)
NET CHANGE IN FUND BALANCE	3,691,781	(978,090)	2,713,691
FUND BALANCE, BEGINNING	32,624,565	2,581,182	35,205,747
FUND BALANCE, ENDING	\$ 36,316,346	\$ 1,603,092	\$ 37,919,438
Net change in fund balance			2,713,691
Amounts reported for governmental activities in the statement of activities are different because:			
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			(1,093,579)
Interest expense is accrued in the government-wide financial statements, but not at the fund level.			8,572
The repayment of principal of long-term debt consumes the current financial resources of governmental funds, but reduces bond principal at the government-wide level.			2,110,000
Deferred charges - amortization of premium, loss, etc. are reported in the statement of activities but do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.			126,714
Change in net position of governmental activities			\$ 3,865,398

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

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAPEVINE TAX INCREMENT FINANCING DISTRICT
REINVESTMENT ZONE NUMBER ONE
(A Blended Component Unit of the City of Grapevine, Texas)**

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Grapevine Tax Increment Financing District Reinvestment Zone Number One (the “TIF”) was created on February 20, 1996. The TIF was formed to finance and make public improvements in the area surrounding the Grapevine Mills mall, under the authority of the Tax Increment Financing Act. The TIF is governed by a nine-member board of directors; five members are appointed by the Grapevine City Council, and the governing bodies of Tarrant County, Grapevine/Colleyville Independent School District, Tarrant County Junior College District and Tarrant County Hospital District appoint one member each. The termination of the TIF is set as either December 31, 2017, or the date when all project costs are paid and all debt is retired, whichever comes first. The boundaries of the TIF were reduced in accordance with Texas Code Section 311.007 by ordinance #97-132 on December 3, 1998. The reduction in the size of the zone was not material and was done for legal clarification. The TIF is a blended component unit of the City of Grapevine, Texas.

The accounting and reporting policies of the TIF conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The following is a summary of the more significant accounting and reporting policies.

The General Fund is used to account for the principal and interest payments of the debt and economic development activities. The Capital Projects Fund is used to account for the expenditures related to construction. All construction in progress and completed capital assets are transferred to the City.

A. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide 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 activities of the TIF.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category 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. The TIF does not report any program revenues.

Separate fund-based financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are earned.

Government 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 TIF considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes are recognized in the year in which they are levied. Investment earnings are recorded as earned since they are measurable and available.

C. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

Cash consists of demand deposits (principally interest-bearing accounts) that are carried at cost. Investments are stated at fair value.

2. Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

3. 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 TIF 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 formal action of the Board. These amounts cannot be used for any other purpose unless the Board 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 TIF's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board.
- **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 TIF considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the TIF considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

4. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The TIF is reporting a balance for deferred loss on bond refunding in the government-wide Statement of Net Position. A deferred loss on a bond refunding results when the reacquisition price of the refunded debt exceeds the carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The TIF currently has not deferred inflows of resources to report.

5. Change in Accounting Principles

As the result of implementing GASB Statement No. 65, the TIF has restated the beginning net position, effectively decreasing net position as of October 1, 2013 by \$54,853 for the governmental activities. These decreases result from no longer deferring and amortizing bond issuance costs.

Further, the TIF has restated its long-term liabilities to reflect that components of those liabilities as of October 1, 2013, the deferred loss on bond refunding is now reported as deferred outflows of resources in the government-wide financial statements. The effect of this change increases the long-term liabilities of the governmental activities by \$97,852. This increase in long-term liabilities corresponds to an increase in deferred outflows of resources.

II. CASH AND INVESTMENTS

The cash and investment policies of the TIF mirror the City of Grapevine's policies. City policies governing bank deposits require depositories to be FDIC-insured institutions, and depositories must fully collateralize all deposits in excess of FDIC insurance limits.

Investment in City investment pool	\$ <u>37,916,580</u>
------------------------------------	----------------------

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. As of September 30, 2014, the City's investments in TexPool and LOGIC were rated AAAM.

Custodial Credit Risk. State statutes require that all City deposits in financial institutions be fully collateralized by U. S. Government obligations or obligations of the State of Texas or its agencies. The City's deposits were fully collateralized, or have a letter of credit issued by the Federal Home Loan Bank as required by State statutes at September 30, 2014. The bank balances were fully collateralized by government securities.

III. LONG-TERM LIABILITIES

Long-term liabilities consist of Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, Series 2009A, due in annual installments from August 15, 2009 through February 15, 2016, at interest rates from 2.5% to 5%, issued in the amount of \$14,290,000, with a remaining balance at September 30, 2014, of \$4,565,000.

	<u>Balance</u> <u>9/30/2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2014</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable:					
Combination Tax and Tax Increment Reinvestment Zone Revenue Refunding Bonds, Series 2009A	\$ 6,675,000	\$ -	\$(2,110,000)	\$ 4,565,000	\$ 2,215,000
Issuance premiums	<u>503,744</u>	<u>-</u>	<u>(167,915)</u>	<u>335,829</u>	<u>-</u>
	<u>\$ 7,178,744</u>	<u>\$ -</u>	<u>\$(2,277,915)</u>	<u>\$ 4,900,829</u>	<u>\$ 2,215,000</u>

The annual requirements to amortize the long-term debt as of September 30, 2014, are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	2,215,000	172,875
2016	<u>2,350,000</u>	<u>58,750</u>
Total	<u>\$ 4,565,000</u>	<u>\$ 231,625</u>

IV. APPRAISED VALUES

A summary of appraised values for the TIF is as follows:

	<u>Tax Year</u> <u>2014 Appraised</u> <u>Value</u>	<u>1996</u> <u>Base Year</u> <u>Appraised Value</u>	<u>Captured</u> <u>Appraised</u> <u>Value</u>
City of Grapevine	\$ 274,338,934	\$ 7,647,325	\$ 266,691,609
County Hospital District	274,338,934	7,631,345	266,707,589
County Junior College District	274,338,934	7,631,345	266,707,589
Tarrant County	274,338,934	7,631,345	266,707,589
Grapevine-Colleyville Independent School District	274,338,934	7,631,345	266,707,589

The captured appraised value of the TIF is the total appraised value of all real property taxable by the unit and located in the reinvestment zone less the base year appraised value of all real property taxable by the unit and located in the reinvestment zone at the time the TIF was established (1996).

V. PLEDGED REVENUES

The Board of Directors for the TIF approved amending the Financing and Project Plan to allow the creation of a 380 category within the Financing and Project 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.

In fiscal year 2012, the TIF 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.

VI. BOARD OF DIRECTORS

Members of the Board of Directors can be obtained from the City Secretary's office – City of Grapevine, Texas.