



CITY OF GRAPEVINE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2010

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

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

HOME RULE, COUNCIL-MANAGER FORM OF GOVERNMENT

William D. Tate
MAYOR

CITY COUNCIL

Chris Coy

Darlene Freed

Shane Wilbanks

Mike Lease

Sharron Spencer

Roy Stewart

Bruno Rumbelow
CITY MANAGER

Jennifer Hibbs
ASSISTANT CITY MANAGER

John F. McGrane
DIRECTOR OF ADMINISTRATIVE SERVICES

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INTRODUCTORY SECTION

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February 21, 2011

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

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

This report fulfills the requirement of state law which requires the City file to the State an annual financial statement and audit opinion within 180 days after the last day of the municipality's fiscal year.

Pattillo, Brown & Hill, LLP have issued an unqualified ("clean") opinion on the City of Grapevine's financial statements for the year ended September 30, 2010. The independent auditors' report is located at the front of the financial section of this report.

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

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U. S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit can be found in the Federal Awards Section of this report.

Profile of the City of Grapevine

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



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

Component units are legally separate organizations that a primary government must include as a part of its financial reporting entity. The City has included financial statements for five blended component units due to their fiscal dependency on the primary government. The Tax Reinvestment Zones Numbers One and Two (the "TIFS"), The Crime Control and Protection District "Crime District," The Grapevine 4B Economic Development Corporation, and the 4B Transit Fund, which accounts for local sales tax used to fund Grapevine's participation in the commuter rail development project with the Fort Worth Transit Authority (The "T"). The 4B Economic Development Fund accounts for the local sales tax used to stimulate the local economy, development, and redevelopment.

The Heritage Foundation is a legally separate organization that is a discretely presented component unit of the City. The Foundation was organized to promote the preservation, protection and economic development of Grapevine's physical and cultural heritage. Additional information on all six component units can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City of Grapevine's financial planning and control. The budget is prepared by fund, and department (e.g. police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need approval from the governing Council.

The City is located in the center of the Dallas/Fort Worth metropolitan complex, 21 miles northwest of downtown Dallas and 19 miles northeast of downtown Fort Worth. Three major freeways, State Hwy 114, State Hwy 121, and Interstate Hwy 635, intersect in the heart of Grapevine, providing excellent access to Dallas, Fort Worth and the area shopping, entertainment and employment centers. The City is located in Northeast Tarrant County and is home to the Dallas/Fort Worth International Airport. Two-thirds of the airport, including all terminal buildings, is located within Grapevine city limits. The City is approximately 35 square miles and serves a population of 50,514.

Local Economy

The City addressed several challenges due to modest increases in revenue resources and increases in TMRS contribution rates and insurance claims costs. This trend is expected to continue next year, with revenue resources projected to trend upwards, but below the level of the previous years. The TMRS contribution rate is increasing in FY2011, resulting in additional expenditures of \$570.

The DFW Connector project is underway and traffic congestion will continue to be a challenge with completion scheduled for 2014. Fiscal year 2011 will be the second year of operations for The Grapevine Shuttle. The shuttle provides local transportation of visitors from Grapevine hotels to the historic downtown area, restaurants, and retail establishments.

Grapevine continues to be active in economic development. In FY 2010 several projects were completed, with plans for additional developments next year. Due to the City's high median incomes, location to major highways and the DFW airport, and a large tourist industry, the City has positive attributes for developers. Management seeks to remain competitive through selective and targeted recruitment efforts.

Recognized nationally as a tourist and recreation destination, the Council approved the expansion of the Vineyards Campground & Cabins and construction began at the end of FY 2010. The Convention & Visitors Bureau (CVB) offices are under construction housing a museum district downtown and the CVB staff. The opening is planned for summer, 2011.

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 2011, the Council established the following goals:

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

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

For FY 2010 the City maintained financial stability and a strong fiscal management. The General, Debt Service, Utility Enterprise, and Stormwater Drainage funds ended FY 10 with fund balances that meet or exceed their requirement. The City maintained existing services, transferred \$4,260 to the Quality of Life CIP Fund and \$2,000 to the Special Revenue - Crime District. In meeting the goal to provide a safe, secure community, the City completed a home smoke detector campaign resulting in the installation of 519 smoke detectors and replacement of batteries in 151 units. Addressing future transportation needs, the staff held meetings to discuss the design and land-use plans for the commuter rail station and surrounding properties. The station is expected to open in 2014 and will be located at Main Street and Dallas Road.

Major Initiatives

The Convention and Visitors Bureau (CVB) construction of new offices on Main Street continues with plans to open in the summer of 2011. The project will house museums, galleries, and offices for the CVB staff.

The award winning and nationally recognized Vineyards Campground and Cabins expansion began operations in March 2011 with additional RV sites, cabins, a camp store and additional upgrades to the park.

The Legoland Discovery Centre is a \$12 million project located by Grapevine Mills Mall, scheduled to open in March 2011. The Centre is a 42,000 square foot development providing interactive and educational experiences aimed at children ages 3-12. Features will include a 4D cinema, Star Wars-themed area, LEGO rides and party rooms.

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, 2009. This was the 23rd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

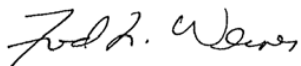
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Grapevine has also received the GFOA’s Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended September 30, 2009. This is the 23rd consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City’s budget document was judged proficient in several categories including policy documentation, financial planning, and organization.

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

A handwritten signature in cursive script that reads "Fred L. Werner".

Fred. L Werner
Managing Director of Financial Services

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, 2009

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



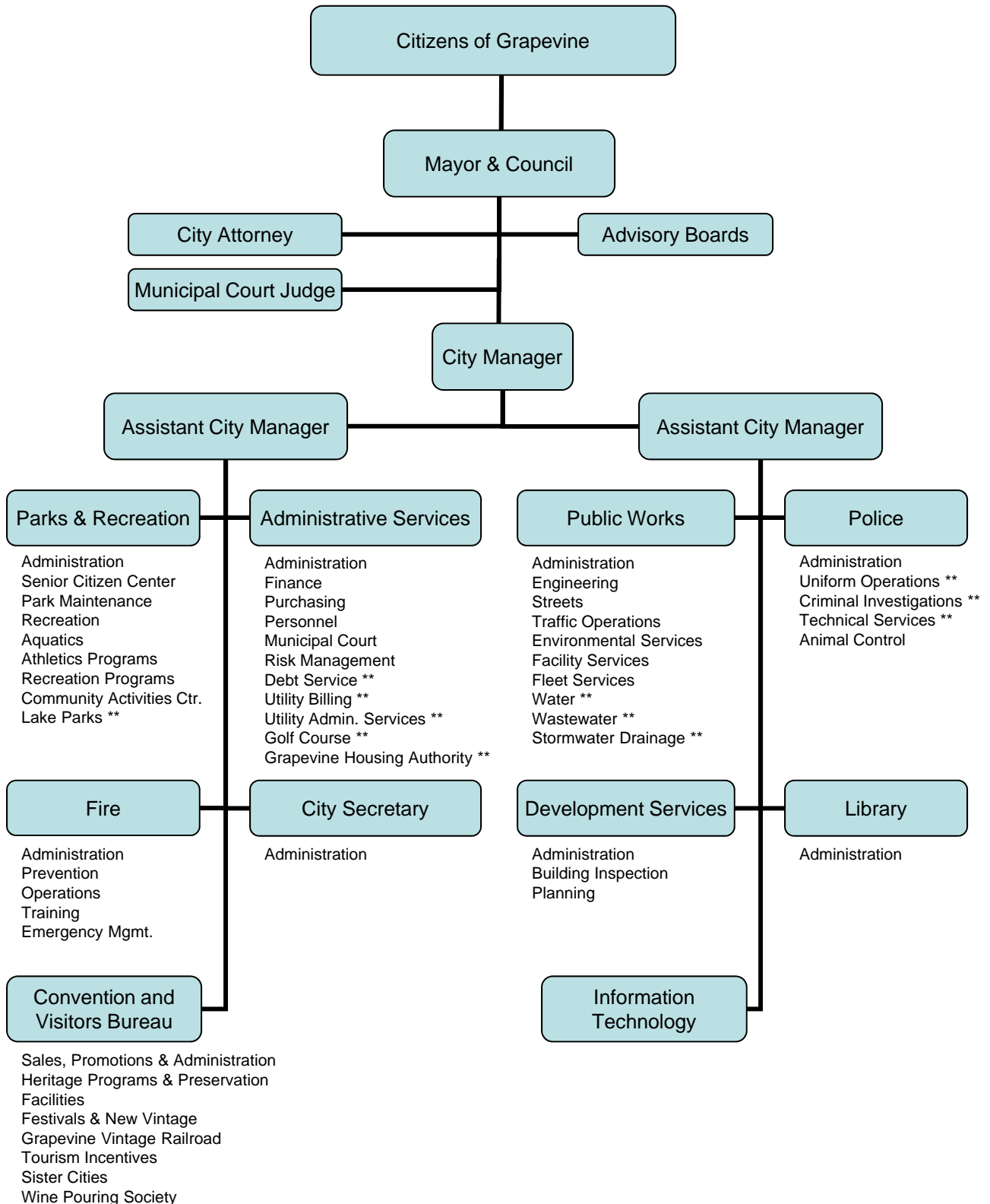
A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

City of Grapevine Organization Chart



** Administered through General Fund departments; Located in other funds

CITY OF GRAPEVINE, TEXAS

ADMINISTRATIVE OFFICIALS

Bruno Rumbelow
City Manager

Jennifer Hibbs
Assistant City Manager

Linda Huff
City Secretary

John F. Boyle, Jr.
City Attorney

David Florence
Municipal Court Judge

John F. McGrane
Director of Administrative Services

Matthew A. Singleton
Director of Public Works

Scott Williams
Director of Development Services

Steve Bass
Fire Chief

Edward Salame
Chief of Police

Janis Roberson
Library Director

Douglas M. Evans
Director of Parks and Recreation

Russell E. Pulley
Director of Golf

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

Carolyn Van Duzee
Personnel Director

Fred L. Werner
Managing Director of Financial Services

Robert Smeby
Purchasing Agent

Gary W. Livingston
Budget Manager

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregated remaining fund information of the City of Grapevine, Texas (the "City"), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over our financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—General Fund, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—Hotel Occupancy Tax Fund, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual— Crime District Fund, and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – 4B Transit Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

February 21, 2011

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis

As management of the City of Grapevine (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010.

All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$231,144 (net assets). Of this amount, \$25,033 of (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$7,468 or 18% of total General Fund expenditures.
- The City entered into a natural gas lease for 83.5 acres below Parr Park for a \$417 signing bonus and a 25% royalty.
- The City transferred \$4.26 million to the Quality of Life CIP Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

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

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

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

The City maintains 22 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, Debt Service Fund, Debt Service Fund—Tax Reinvestment Zone Number One (TIF #1), all of which are considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds—There are two types of Proprietary funds, Enterprise Funds and Internal Service Funds. The City maintains one type of proprietary fund, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and Lake Enterprise. The City has no Internal Service Funds.

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

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds. Agency Funds are one of the City’s fiduciary fund types. The agency funds account for funds held in an agency capacity for the Industrial Development Corporation and the Police Department entitled “Police Department Case Settlement.” The second type of fiduciary fund is the Grapevine Health Reimbursement Account (HRA), a trust fund. See Note 1 for additional information pertaining to fiduciary funds.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the City’s Financial Position —

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. As of September 30, 2010, the City’s assets exceeded liabilities by \$231,144.

The largest portion of the City’s net assets (\$143,757) reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire capital assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net assets represents resources that are subject to external restrictions on how they may be used. Restricted net assets are for (1) use of impact fees for construction purposes \$6,396 and (2) debt service \$41,199 (3) construction \$4,464 and (4) other purposes \$10,295. Unrestricted net assets of \$25,033 are 11% of all net assets and may be used to meet the City’s ongoing obligations to citizens and creditors.

For fiscal year-end 2010, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Condensed Schedule of Net Assets (amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 115,098	\$ 108,205	\$ 25,960	\$ 28,828	\$ 141,058	\$ 137,033
Capital assets	170,275	162,872	83,589	83,854	253,864	246,726
Total assets	285,373	271,077	109,549	112,682	394,922	383,759
Long-term liabilities	128,210	133,584	17,959	20,061	146,169	153,645
Other liabilities	14,730	14,184	2,879	2,501	17,609	16,685
Total liabilities	142,940	147,768	20,838	22,562	163,778	170,330
Net assets:						
Invested in capital assets, net of related debt	73,702	57,264	70,055	68,785	143,757	126,049
Restricted	55,622	40,419	6,732	7,097	62,354	47,516
Unrestricted	13,109	25,626	11,924	14,238	25,033	39,864
Total net assets	\$ 142,433	\$ 123,309	\$ 88,711	\$ 90,120	\$ 231,144	\$ 213,429

Analysis of the City's operations—

Governmental activities – Governmental activities increased the City's net assets by \$20,474. Significant reasons for this increase are as follows:

The State of Texas evaluated the allocation of property tax on the TIFs, resulting in a refund from the Grapevine-Colleyville School District of \$2,099 in fiscal year 2010. Capital additions increased \$7,400 due to the Eules-Grapevine Road Construction and the Adaptive Signal System project, and the Convention and Visitors Bureau Headquarters building. Long-term liabilities decreased \$6,000 due to debt payments and refundings.

Business-type activities – Business-type activities decreased the City's net assets by \$(1,409). This increase is primarily due to:

Lake Enterprise (Golf) revenues decreased \$300 due to declining golf fees. Interest income decreased \$300 due to declining interest rates. Operating expenses for the Water/Sewer Fund and the Lake Enterprise Fund exceeded revenues in FY 2010, \$(621) and \$(789), respectively.

The following table provides a summary of the City’s operations for the year ended September 30, 2010 and 2009.

CITY OF GRAPEVINE’S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 17,696	\$ 16,703	\$ 20,900	\$ 20,599	\$ 38,596	\$ 37,302
Operating grants and contributions	1,060	957	-	-	1,060	957
Capital grants and contributions	3,819	5,204	274	674	4,093	5,878
General revenues:						
Property taxes	33,092	30,385	-	-	33,092	30,385
Hotel occupancy taxes	10,725	10,498	-	-	10,725	10,498
Sales taxes	42,000	40,712	-	-	42,000	40,712
Mixed beverage taxes	1,226	1,188	-	-	1,226	1,188
Franchise taxes	6,133	6,319	-	-	6,133	6,319
Investment earnings	426	1,213	83	401	509	1,614
Miscellaneous	-	36	-	562	-	598
Gain on sale of capital assets	119	31	-	-	119	31
Total revenues	<u>116,296</u>	<u>113,246</u>	<u>21,257</u>	<u>22,236</u>	<u>137,553</u>	<u>135,482</u>
Expenses:						
General government	19,048	19,245	-	-	19,048	19,245
Public safety	27,095	26,031	-	-	27,095	26,031
Culture and recreation	27,175	25,657	-	-	27,175	25,657
Public works	19,136	18,670	-	-	19,136	18,670
Interest on long-term debt	5,432	5,093	-	-	5,432	5,093
Water and sewer	-	-	17,647	17,160	17,647	17,160
Lake enterprise	-	-	2,955	2,885	2,955	2,885
Total expenses	<u>97,886</u>	<u>94,696</u>	<u>20,602</u>	<u>20,045</u>	<u>118,488</u>	<u>114,741</u>
Increases in net assets before transfers	18,410	18,550	655	2,191	19,065	20,741
Transfers	<u>2,064</u>	<u>1,867</u>	<u>(2,064)</u>	<u>(1,867)</u>	<u>-</u>	<u>-</u>
Change in net assets	20,474	20,417	(1,409)	324	19,065	20,741
Net assets, beginning	123,309	102,892	90,120	89,796	213,429	192,688
Prior period adjustment	<u>(1,350)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,350)</u>	<u>-</u>
Net assets, beginning, as restated	<u>121,959</u>	<u>102,892</u>	<u>90,120</u>	<u>89,796</u>	<u>212,079</u>	<u>192,688</u>
Net assets, ending	<u>\$ 142,433</u>	<u>\$ 123,309</u>	<u>\$ 88,711</u>	<u>\$ 90,120</u>	<u>\$ 231,144</u>	<u>\$ 213,429</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 \$97,634, an increase of \$8,095 compared with the prior year. Undesignated, unreserved fund balance is \$10,747 (11%), which is available for spending at the City’s discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed or designated (1) to pay debt service \$40,700, (2) for capital projects \$45,355, (3) resources are unavailable \$832.

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

General Fund – The fund balance decreased \$(555) for FY 2010. The General Fund transferred \$4,700 to the Quality of Life Fund (nonmajor fund) for CIP projects designated by the City Council. Sales tax and property tax increased fund revenues by \$1,058 and \$618, respectively.

Special Revenue – Hotel Occupancy Tax Fund – Tax revenues increased \$277 due to increased occupancy rates at the hotels. The increase in revenue was offset by an increase in operational costs of \$1,553 for the promotion of the hotels and capital improvements to City attractions. Fund balance decreased \$(799).

Special Revenue – Crime District Fund – The Crime District Fund had increased sales tax revenues of \$476; however, operating expenditures exceeded revenues by \$1,856 resulting in the General Fund transferring \$1,100 to the Crime District Fund in FY 2010. No significant change in fund balance from FY 2009.

Special Revenue – 4B-Transit Fund – Decrease in fund balance of \$(106) was due to the \$327 transfer of funds to the Grapevine Visitors Shuttle Fund.

Debt Service Fund – This fund has a total fund balance of \$7,587, which is reserved for the payment of debt service. Increase in fund balance is due to property tax revenue collections.

Debt Service Fund – TIF #1 – The Debt Service Fund had an increase in fund balance of \$5,762. The State of Texas evaluated the allocation of property tax on the TIFs, resulting in a refund from the Grapevine-Colleyville School District of \$2,099 in fiscal year 2010.

Capital Projects Fund – The Capital Projects Fund balance decreased by \$(387) due to the expenditures for the construction of Eules Grapevine Road.

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:

General government expenditures and transfers out budget was revised and increased \$550 due to additional funds transferred to the Special Revenue Fund – Crime District. The Culture and Recreation expenditure budget was increased \$251 due to unanticipated park maintenance costs.

Significant budget variances:

For the year ended September 30, 2010, revenues exceeded final budget in the General Fund due to tax receipts being greater than anticipated.

Insurance claims were higher than anticipated resulting in an unfavorable variance of \$904 in general government expenditures for the General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Major capital asset events during the current fiscal year included the following (amounts expressed in thousands):

The City began construction on the Convention and Visitors Headquarters building expending \$3,800 in FY 2010. Completion of facility is planned for summer 2011.

Expenditures of \$1,683 were made for the Vineyards Campground expansion.

Capital assets—The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounted to \$253,864 (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 \$7,138.

CITY OF GRAPEVINE’S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land and improvements	\$ 47,822	\$ 47,682	\$ 1,644	\$ 1,644	\$ 49,466	\$ 49,326
Construction in progress	9,101	6,844	178	2,485	9,279	9,329
Buildings	22,290	23,298	941	990	23,231	24,288
Improvements other than buildings	18,203	19,325	2,976	3,342	21,179	22,667
Machinery and equipment	8,337	5,748	276	270	8,613	6,018
Water storage rights	-	-	181	198	181	198
Infrastructure	<u>64,522</u>	<u>59,975</u>	<u>77,393</u>	<u>74,925</u>	<u>141,915</u>	<u>134,900</u>
Total	\$ <u>170,275</u>	\$ <u>162,872</u>	\$ <u>83,589</u>	\$ <u>83,854</u>	\$ <u>253,864</u>	\$ <u>246,726</u>

Additional information on the City’s capital assets can be found in Note 5 in the financial statements.

Long-term debt—At the end of the current fiscal year, the City had total bonded debt outstanding of \$129,051. Of this amount, \$127,466 comprises debt backed by the full faith and credit of the City and \$1,585 represents bonds secured solely by specific revenue sources from the proprietary funds.

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

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 51,290	\$ 54,315	\$ 15,305	\$ 12,540	\$ 66,595	\$ 66,855
Certificates of obligation	59,870	65,960	-	-	59,870	65,960
Revenue bonds	-	-	1,585	6,780	1,585	6,780
Notes payable	6,073	6,945	-	-	6,073	6,945
Premium on bonds issued	4,529	4,383	787	608	5,316	4,991
Discount on bonds issued	(26)	(27)	(4)	(35)	(30)	(62)
Deferred loss on refunding	(3,623)	(3,438)	(662)	(388)	(4,285)	(3,826)
	<u>\$ 118,113</u>	<u>\$ 128,138</u>	<u>\$ 17,011</u>	<u>\$ 19,505</u>	<u>\$ 135,124</u>	<u>\$ 147,643</u>

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

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

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

**BASIC
FINANCIAL STATEMENTS**

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CITY OF GRAPEVINE, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2010

(Amounts Expressed in Thousands)

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Heritage Foundation
ASSETS				
Cash and investment:	\$ 47,915	\$ 12,725	\$ 60,640	\$ 468
Receivables, net	3,842	2,653	6,495	57
Internal balances	834	(834)	-	-
Due from primary government	-	-	-	9
Due from other government:	10,621	-	10,621	-
Inventories, at cost	447	4	451	-
Accrued interest	70	19	89	-
Prepaid items	296	-	296	-
Restricted assets:				
Cash and investment:	49,734	10,275	60,009	-
Customer deposits-cash and investment	-	834	834	-
Capital assets (net of accumulated depreciation)				
Non-depreciable	56,923	1,822	58,745	450
Depreciable	113,352	81,767	195,119	1,327
Deferred charges (net of accumulated amortization)	1,339	284	1,623	-
Total assets	<u>285,373</u>	<u>109,549</u>	<u>394,922</u>	<u>2,311</u>
LIABILITIES				
Accounts payable	7,168	1,213	8,381	11
Contracts and retainage payable	344	-	344	-
Accrued and other liabilities:	3,121	222	3,343	-
Developer deposits:	1,570	-	1,570	-
Accrued bond interest payable	641	-	641	-
Due to component unit	9	-	9	-
Unearned revenue	1,877	383	2,260	-
Liabilities payable from restricted asset				
Retainage payable	-	139	139	-
Accrued bond interest payable	-	84	84	-
Customer deposits:	-	838	838	-
Noncurrent liabilities:				
Due within one year				
Compensated absence	4	34	38	-
Notes payable	1,221	-	1,221	-
Bonds payable	10,992	1,706	12,698	-
Other contractual obligation:	214	-	214	-
Due in more than one year				
Compensated absence	2,848	159	3,007	-
Net OPEB obligation	3,305	467	3,772	-
Net pension obligation	2,590	288	2,878	-
Notes payable	4,852	-	4,852	-
Bonds payable	101,048	15,305	116,353	-
Other contractual obligations	1,136	-	1,136	-
Total liabilities	<u>142,940</u>	<u>20,838</u>	<u>163,778</u>	<u>11</u>
NET ASSETS				
Invested in capital assets, net of related debt	73,702	70,055	143,757	1,777
Restricted for				
Use of impact fee:	-	6,396	6,396	-
Construction	4,464	-	4,464	-
Debt service	40,863	336	41,199	-
Other purposes:	10,295	-	10,295	-
Unrestricted	<u>13,109</u>	<u>11,924</u>	<u>25,033</u>	<u>523</u>
Total net assets	<u>\$ 142,433</u>	<u>\$ 88,711</u>	<u>\$ 231,144</u>	<u>\$ 2,300</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, 2010

(Amounts Expressed in Thousands)

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 19,048	\$ 4,039	\$ 462	\$ 108
Public safety	27,095	3,660	249	-
Culture and recreation	27,175	8,530	341	259
Public works	19,136	1,467	8	3,452
Interest on long-term debt	<u>5,432</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>97,886</u>	<u>17,696</u>	<u>1,060</u>	<u>3,819</u>
Business-type activities:				
Water and sewer	17,647	18,523	-	274
Lake Enterprise	<u>2,955</u>	<u>2,377</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>20,602</u>	<u>20,900</u>	<u>-</u>	<u>274</u>
Total primary government	<u>\$ 118,488</u>	<u>\$ 38,596</u>	<u>\$ 1,060</u>	<u>\$ 4,093</u>
Component unit:				
Heritage Foundation	<u>\$ 203</u>	<u>\$ 24</u>	<u>\$ 44</u>	<u>\$ 41</u>

General revenues:

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

Change in net assets

Net assets - beginning

Prior period adjustment

Net assets - beginning, as restated

Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets			Component
Primary Government			Unit
Governmental Activities	Business-type Activities	Total	Heritage Foundation
\$(14,439)	-	\$(14,439)	-
(23,186)	-	(23,186)	-
(18,045)	-	(18,045)	-
(14,209)	-	(14,209)	-
(5,432)	-	(5,432)	-
(75,311)	-	(75,311)	-
-	\$ 1,150	1,150	-
-	(578)	(578)	-
-	572	572	-
(75,311)	572	(74,739)	-
-	-	-	\$(94)
33,092	-	33,092	-
6,133	-	6,133	-
10,725	-	10,725	-
42,000	-	42,000	-
1,226	-	1,226	-
426	83	509	4
-	-	-	22
119	-	119	-
2,064	(2,064)	-	-
95,785	(1,981)	93,804	26
20,474	(1,409)	19,065	(68)
123,309	90,120	213,429	2,368
(1,350)	-	(1,350)	-
121,959	90,120	212,079	2,368
\$ 142,433	\$ 88,711	\$ 231,144	\$ 2,300

CITY OF GRAPEVINE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

AS OF SEPTEMBER 30, 2010

(Amounts Expressed in Thousands)

		Special Revenue		
	General	Hotel Occupancy Tax	Crime District	4B - Transit
ASSETS				
Cash and investments	\$ 1,631	\$ 3,805	\$ 99	-
Receivables (net of allowances for uncollectibles)				
Accounts	888	65	1	-
Taxes	770	912	-	-
Accrued interest	1	4	-	-
Inventory	446	-	-	-
Due from other funds	7,167	-	-	-
Advances to other funds	89	-	-	-
Due from other governments	4,196	-	1,783	\$ 1,324
Prepaid items	<u>179</u>	<u>48</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 15,367</u>	<u>\$ 4,834</u>	<u>\$ 1,883</u>	<u>\$ 1,324</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,261	\$ 1,431	\$ 199	\$ 1,368
Accrued liabilities	2,253	373	462	-
Due to other funds	-	205	1,724	2,831
Due to component unit	-	9	-	-
Advances from other funds	-	89	-	-
Deferred revenue	2,671	90	-	-
Contracts and retainage payable	-	-	-	-
Developer deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>7,185</u>	<u>2,197</u>	<u>2,385</u>	<u>4,199</u>
Fund balances:				
Reserved for:				
Inventory	446	-	-	-
Prepaid items	179	48	-	-
Advances	89	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Unreserved, reported in:				
General fund	7,468	-	-	-
Special revenue funds:				
Designated for capital projects	-	-	-	-
Undesignated	-	2,589	(502)	(2,875)
Capital projects funds:				
Designated for construction	-	-	-	-
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>8,182</u>	<u>2,637</u>	<u>(502)</u>	<u>(2,875)</u>
Total liabilities and fund balances	<u>\$ 15,367</u>	<u>\$ 4,834</u>	<u>\$ 1,883</u>	<u>\$ 1,324</u>

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

<u>Debt Service</u>		<u>Capital Projects</u>		
<u>Debt Service</u>	<u>TIF #1</u>	<u>Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 7,533	\$ 28,450	\$ 9,847	\$ 46,284	\$ 97,649
10	-	167	208	1,339
744	79	-	-	2,505
7	25	4	29	70
-	-	-	-	446
-	-	13	52	7,232
-	-	-	-	89
20	-	1,225	2,074	10,622
-	-	-	70	297
<u>-</u>	<u>-</u>	<u>-</u>	<u>70</u>	<u>297</u>
<u>\$ 8,314</u>	<u>\$ 28,554</u>	<u>\$ 11,256</u>	<u>\$ 48,717</u>	<u>\$ 120,249</u>
-	-	\$ 169	\$ 1,741	\$ 7,169
-	-	-	33	3,121
-	-	-	1,638	6,398
-	-	-	-	9
-	-	-	-	89
\$ 727	\$ 79	501	161	4,229
-	-	-	30	30
-	-	1,570	-	1,570
<u>727</u>	<u>79</u>	<u>2,240</u>	<u>3,603</u>	<u>22,615</u>
-	-	-	-	446
-	-	-	70	297
-	-	-	-	89
7,587	28,475	-	4,638	40,700
-	-	-	16,861	16,861
-	-	-	-	7,468
-	-	-	10,518	10,518
-	-	-	1,617	829
-	-	9,016	8,960	17,976
-	-	-	2,450	2,450
<u>7,587</u>	<u>28,475</u>	<u>9,016</u>	<u>45,114</u>	<u>97,634</u>
<u>\$ 8,314</u>	<u>\$ 28,554</u>	<u>\$ 11,256</u>	<u>\$ 48,717</u>	<u>\$ 120,249</u>

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CITY OF GRAPEVINE, TEXAS

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

AS OF SEPTEMBER 30, 2010
(Amounts Expressed in Thousands)

Total fund balances - governmental funds balance sheet	\$ 97,634
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	170,275
Certain receivables are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.	2,351
Interest on long-term debt is not accrued at the fund level.	(641)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of:	
Bonds and notes payable	(117,233)
Compensated absences	(2,852)
Net pension obligation	(2,590)
Net OPEB obligation	(3,305)
Retainage payable	(315)
Other contractual obligations	(1,350)
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.	(880)
Bond issuance costs are recorded as expenditures when paid in the fund financial statements but are capitalized and amortized in the government wide financial statements.	<u>1,339</u>
Net assets of governmental activities	<u>\$ 142,433</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, 2010
(Amounts Expressed in Thousands)

	Special Revenue			
	General	Hotel Occupancy Tax	Crime District	4B - Transit
REVENUES				
Property tax	\$ 8,673	-	-	-
Sales tax	21,214	-	\$ 10,147	\$ 7,459
Hotel occupancy tax	-	\$ 10,725	-	-
Franchise tax	6,133	-	-	-
Mixed beverage tax	1,226	-	-	-
Licenses and permits	1,117	-	-	-
Intergovernmental	72	-	19	-
Charges for services	5,210	5,050	-	-
Fines and forfeitures	2,126	-	-	-
Investment income	28	18	4	-
Contributions	-	-	-	-
Miscellaneous	958	633	3	-
Total revenues	46,757	16,426	10,173	7,459
EXPENDITURES				
Current:				
General government	16,367	-	-	-
Public safety	11,776	-	10,380	-
Culture and recreation	7,808	14,605	-	-
Public works	5,035	-	-	-
Operations	-	-	1,626	7,217
Other	-	-	-	-
Capital outlay	94	803	23	21
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	41,080	15,408	12,029	7,238
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,677	1,018	(1,856)	221
OTHER FINANCING SOURCES (USES)				
Transfers in	2,776	327	2,017	-
Transfers out	(9,008)	(2,144)	(156)	(327)
Sale of capital assets	-	-	-	-
Issuance of debt	-	-	-	-
Premium on issuance of debt	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-
Total other financing sources and uses	(6,232)	(1,817)	1,861	(327)
NET CHANGE IN FUND BALANCES	(555)	(799)	5	(106)
FUND BALANCES, BEGINNING	8,737	3,436	(507)	(2,769)
FUND BALANCES, ENDING	\$ 8,182	\$ 2,637	\$(502)	\$(2,875)

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

<u>Debt Service</u>		<u>Capital Projects</u>			
<u>Debt Service</u>	<u>TIF #1</u>	<u>Streets</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	
\$ 11,812	\$ 7,991	-	\$ 5,749	\$ 34,225	
-	-	-	3,180	42,000	
-	-	-	-	10,725	
-	-	-	-	6,133	
-	-	-	-	1,226	
-	-	-	-	1,117	
-	-	\$ 2,720	1,714	4,525	
-	-	-	3,036	13,296	
-	-	-	-	2,126	
56	85	32	204	427	
-	-	-	8	8	
-	-	149	237	1,980	
<u>11,868</u>	<u>8,076</u>	<u>2,901</u>	<u>14,128</u>	<u>117,788</u>	
-	-	-	-	16,367	
-	-	-	119	22,275	
-	-	-	264	22,677	
-	-	-	14	5,049	
-	-	84	4,892	13,819	
111	1	8	930	1,050	
-	-	3,196	10,914	15,051	
9,181	1,790	-	1,125	12,096	
<u>3,472</u>	<u>523</u>	<u>-</u>	<u>1,552</u>	<u>5,547</u>	
<u>12,764</u>	<u>2,314</u>	<u>3,288</u>	<u>19,810</u>	<u>113,931</u>	
(896)	<u>5,762</u>	(387)	(5,682)	<u>3,857</u>	
1,747	-	-	7,643	14,510	
-	-	-	(811)	(12,446)	
-	-	-	219	219	
6,560	-	-	2,005	8,565	
339	-	-	5	344	
(6,954)	-	-	-	(6,954)	
<u>1,692</u>	-	-	<u>9,061</u>	<u>4,238</u>	
796	5,762	(387)	3,379	8,095	
<u>6,791</u>	<u>22,713</u>	<u>9,403</u>	<u>41,735</u>	<u>89,539</u>	
<u>\$ 7,587</u>	<u>\$ 28,475</u>	<u>\$ 9,016</u>	<u>\$ 45,114</u>	<u>\$ 97,634</u>	

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CITY OF GRAPEVINE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2010

(Amounts Expressed in Thousands)

Net change in fund balances - total governmental funds	\$	8,095
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.		15,018
Governmental funds do not recognize contributed capital assets. However, in the statement of activities, the fair value of those assets are recognized as revenue, then depreciated over their estimated useful lives.		57
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.	(	7,887)
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	(	8,565)
Repayment of principal of long-term debt		12,096
Payment to refunding escrow agent		6,954
Premium on debt	(	344)
Amortization of:		
Premium on bond issuance		64
Bond issuance costs	(	4)
Loss on refunding	(	181)
The net effect of various miscellaneous transactions involving capital assets (i.e., the sales, trade-ins, and donations) is to decrease net assets.	(	100)
Interest accrued at the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period.		234
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated absences	(	165)
Arbitrage		2
Net pension obligation	(	1,531)
Net OPEB obligation	(	1,608)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(	1,661)
Change in net assets of governmental activities	\$	<u>20,474</u>

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

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

SEPTEMBER 30, 2010

(Amounts Expressed in Thousands)

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,660	\$ 65	\$ 12,725
Receivables, net	2,609	44	2,653
Accrued interest	19	-	19
Inventory	<u>-</u>	<u>4</u>	<u>4</u>
Total unrestricted current assets	<u>15,288</u>	<u>113</u>	<u>15,401</u>
Restricted assets:			
Revenue bond reserve fund - cash and investments	351	-	351
Revenue bond interest and sinking fund - cash and investments	51	-	51
Customers deposits - billed and customers	<u>834</u>	<u>-</u>	<u>834</u>
Total restricted current assets	<u>1,236</u>	<u>-</u>	<u>1,236</u>
Total current assets	<u>16,524</u>	<u>113</u>	<u>16,637</u>
Noncurrent assets:			
Restricted investments:			
Revenue bond construction	3,258	219	3,477
Impact fees - construction	<u>6,396</u>	<u>-</u>	<u>6,396</u>
Total restricted noncurrent assets	<u>9,654</u>	<u>219</u>	<u>9,873</u>
Capital assets:			
Land	551	1,093	1,644
Buildings, structure and improvements	112,014	8,851	120,865
Vehicles, machinery and equipment	719	125	844
Construction in progress	178	-	178
Water storage rights	181	-	181
Less accumulated depreciation	<u>(34,876)</u>	<u>(5,247)</u>	<u>(40,123)</u>
Net capital assets	<u>78,767</u>	<u>4,822</u>	<u>83,589</u>
Deferred charges	<u>254</u>	<u>30</u>	<u>284</u>
Total noncurrent assets	<u>88,675</u>	<u>5,071</u>	<u>93,746</u>
Total assets	<u>105,199</u>	<u>5,184</u>	<u>110,383</u>

(continued)

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

(Continued)

SEPTEMBER 30, 2010

(Amounts Expressed in Thousands)

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	\$ 1,142	\$ 71	\$ 1,213
Accrued liabilities and other payables	102	120	222
Due to other funds	7	827	834
Deferred revenue	383	-	383
Compensated absences	21	13	34
Total current liabilities payable from current assets	1,655	1,031	2,686
Current liabilities (payable from restricted assets):			
Retainage payable related to capital recovery			
fees - construction	139	-	139
Accrued bond interest payable	66	18	84
General obligation bonds payable	876	280	1,156
Revenue bonds payable	550	-	550
Customers' deposits	838	-	838
Total current liabilities payable from restricted assets	2,469	298	2,767
Total current liabilities	4,124	1,329	5,453
Noncurrent liabilities:			
General obligation bonds payable	11,139	3,122	14,261
Revenue bonds payable	1,044	-	1,044
Net OPEB obligation	305	162	467
Net pension obligation	197	91	288
Compensated absences	89	70	159
Total noncurrent liabilities	12,774	3,445	16,219
Total liabilities	16,898	4,774	21,672
NET ASSETS			
Invested in capital assets, net of related debt	68,416	1,639	70,055
Restricted for:			
Use of impact fees	6,396	-	6,396
Debt service	336	-	336
Unrestricted	13,153	(1,229)	11,924
Total net assets	\$ 88,301	\$ 410	\$ 88,711

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

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CITY OF GRAPEVINE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2010

(Amounts Expressed in Thousands)

	Business-type Activities - Enterprise Fund		
	Water and Sewer	Lake Enterprise	Total
OPERATING REVENUES			
Charges for services	\$ 18,233	-	\$ 18,233
Culture and recreation - fees	-	\$ 2,355	2,355
Miscellaneous operating revenues	290	22	312
Total operating revenues	18,523	2,377	20,900
OPERATING EXPENSES			
Salaries and benefits	2,856	1,368	4,224
Maintenance, repairs, and supplies	8,818	270	9,088
Depreciation	2,402	403	2,805
General and administrative	3,030	771	3,801
Total operating expenses	17,106	2,812	19,918
OPERATING INCOME (LOSS)	1,417	(435)	982
NONOPERATING REVENUES (EXPENSES)			
Interest on investments	82	1	83
Interest and fiscal agent charges	(541)	(143)	(684)
Total nonoperating revenues (expenses)	(459)	(142)	(601)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	958	(577)	381
Contributions	274	-	274
Transfers in	63	-	63
Transfers out	(1,916)	(211)	(2,127)
CHANGE IN NET ASSETS	(621)	(788)	(1,409)
TOTAL NET ASSETS, BEGINNING	88,922	1,198	90,120
TOTAL NET ASSETS, ENDING	\$ 88,301	\$ 410	\$ 88,711

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, 2010

(Amounts Expressed in Thousands)

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 18,375	\$ 2,363	\$ 20,738
Cash paid to employees	(2,579)	(1,386)	(3,965)
Cash paid to suppliers for goods and services	(11,504)	(289)	(11,793)
Net cash provided by operating activities	4,292	688	4,980
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payment to refunding bond escrow agent	(4,090)	-	(4,090)
Principal repayment on bonds	(1,980)	(275)	(2,255)
Proceeds from capital related debt	3,752	-	3,752
Interest and related fees paid on long-term debt	(414)	(138)	(552)
Acquisition and construction of capital assets	(2,250)	-	(2,250)
Net cash used by capital and related financing activities	(4,982)	(413)	(5,395)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments and cash equivalents	108	1	109
Net cash provided by investing activities	108	1	109
NONCAPITAL FINANCING ACTIVITIES			
Transfers in	63	-	63
Transfers out	(1,916)	(211)	(2,127)
Net cash used by noncapital financing activities	(1,853)	(211)	(2,064)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(2,435)	65	(2,370)
CASH AND CASH EQUIVALENTS, BEGINNING			
	25,985	219	26,204
CASH AND CASH EQUIVALENTS, ENDING			
	\$ 23,550	\$ 284	\$ 23,834
REPORTED AS:			
Cash and cash equivalents	\$ 12,660	\$ 65	\$ 12,725
Revenue bond reserve fund - cash and investments	351	-	351
Revenue bond interest and sinking fund - cash and investments	51	-	51
Customers deposits - billed and customers	834	-	834
Revenue bond construction	3,258	219	3,477
Impact fees - construction	6,396	-	6,396
Total cash and cash equivalents	\$ 23,550	\$ 284	\$ 23,834

(continued)

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2010

(Amounts Expressed in Thousands)

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
RECONCILIATION OF OPERATING INCOME			
(LOSS) TO NET CASH PROVIDED BY			
OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,417	\$(435)	\$ 982
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	2,402	403	2,805
(Increase) decrease in assets:			
Customer receivable	(111)	(13)	(124)
Other assets	9	-	9
Inventories	-	(1)	(1)
Increase (decrease) in liabilities:			
Accounts payable	201	28	229
Accrued liabilities	20	60	80
Deferred revenue	(43)	-	(43)
Other liabilities	(1)	532	531
Customer deposits	11	-	11
Retainage payable	111	-	111
Net pension obligation	116	53	169
Net OPEB obligation	151	80	231
Compensated absences	9	(19)	(10)
Total adjustments	2,875	1,123	3,998
Net cash provided by operating activities	\$ 4,292	\$ 688	\$ 4,980
NONCASH INVESTING, CAPITAL, AND			
FINANCING ACTIVITIES			
Capital contributions received	\$ 274	\$ -	\$ 274

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

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

SEPTEMBER 30, 2010

(Amounts Expressed in Thousands)

	<u>Agency Funds</u>	<u>Grapevine Health Care Reimbursement Trust Fund</u>
ASSETS		
Cash and cash equivalents	\$ 136	\$ 1,117
Accrued interest receivable	<u>-</u>	<u>6</u>
Total assets	<u>136</u>	<u>1,123</u>
LIABILITIES		
Due to Police Department case settlement	6	
Due to Industrial Development Corporation	<u>130</u>	
Total liabilities	<u>\$ 136</u>	
NET ASSETS		
Held in trust for Grapevine Health Care Reimbursement Account		<u>\$ 1,123</u>

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

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2010

(Amounts Expressed in Thousands)

	<u>Grapevine Health Care Reimbursement Trust Fund</u>
ADDITIONS	
Employer contributions	\$ 336
Interest earnings	<u>12</u>
Total additions	<u>348</u>
DEDUCTIONS	
Distributions	<u>11</u>
Change in net assets	337
NET ASSETS, BEGINNING	<u>786</u>
NET ASSETS, ENDING	<u>\$ 1,123</u>

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

CITY OF GRAPEVINE, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Blended component units, although legally separate entities, are, in substance, part of the City’s operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize it is legally separate from the City.

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

Blended Component Units

Grapevine Tax Increment Financing District Reinvestment Zone Number One and Two (the “TIFS”) were formed to finance and make public improvements serving only the City, under the authority of the Tax Increment Financing Act. The TIFS are governed by two separate nine-member boards of directors, of which five members are appointed by the City Council. The chairman of the board is also designated by the City Council.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

Discretely Presented Component Unit

Grapevine Heritage Foundation (the "Foundation") is a Texas nonprofit corporation governed by a 15-member board of directors appointed by City Council, which includes a City Council member and the Director of the City's Convention and Visitor's Bureau. The Foundation's operating budget is subject to the approval of the City Council. The City is able to impose its will on the Foundation. The boards are not substantively the same. The Foundation does not provide services to the City.

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

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide Fund Financial Statements

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

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

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

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

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

(continued)

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

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

Governmental Funds:

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

The City reports the following major governmental funds:

The **General Fund** accounts for several of the City's primary services (Police Administration, Fire, Public Works, Libraries, Parks and Recreation, etc.) and is the primary operating unit of the City. The fund is used to account for all financial resources except those required to be accounted for in another fund.

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)** accounts for the accumulation and expenditure of resources used to fund 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 **Streets Capital Projects Fund** is used to account for the construction of improvements to various streets, drainage and sidewalk projects.

(continued)

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

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

Proprietary funds:

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

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

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

There are no non-major proprietary funds for the fiscal year end September 30, 2010.

Fiduciary Funds. There are three fiduciary funds: two agency funds and the Grapevine Health Reimbursement Trust Account (HRA). Agency Funds represent funds held in an agency capacity for the Industrial Development Corporation and funds held for the Police Department entitled "Police Department Case Settlement." These funds are monies held by the police department related to evidence for cases not yet closed. 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Assets or Equity

1. Cash and Investments

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

Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers quoted market prices at September 30, 2010, 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(continued)

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

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

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 2009 levy was based was approximately \$5,829,604,089 (amount not expressed in thousands). 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, 2010, was \$.35 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 2010 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2010 and those considered "available" at year-end are recognized as revenues in 2010. 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 revenues.

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

Property taxes are an 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Inventories and Prepaid Items

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

Inventories in the General Fund are recorded using the consumption method (i.e., recorded as an expenditure when used).

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

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include land improvements, construction-in-progress, buildings and improvements, equipment, intangible assets and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not expressed in thousands) and an estimated useful life in excess of two years. Infrastructure assets are defined by the City as assets costing in excess of \$50,000 (amounts not expressed in thousands) that have an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

(continued)

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

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

6. Capital Assets (Continued)

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

8. Long-term Debt

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs and losses on refundings are reported as deferred charges and amortized on a straight line basis over the life of the related debt.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Long-term Debt (Continued)

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 Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans, and are subject to change.

10. New Accounting Principles

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

Statement No. 54 (“GASB 54”), *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for periods beginning after June 15, 2010. This Statement establishes accounting and financial reporting requirements to improve the usefulness of information about fund balance by providing clearer, more structured fund balance classifications and clarifying the definitions of existing governmental fund types.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The 4-B Transit Fund (Special Revenue – Major Fund) had a deficit fund balance of (\$2,875). This deficit was attributed to two factors. First, the City purchased land for the construction of a station to be built in Grapevine for \$3,092 in fiscal year 2009 and the reduction in current year is a result of this being carried over to current year. The City believes this deficit will be eliminated with sales tax revenue collections in subsequent fiscal years.

The Crime District Fund (Special Revenue – Major Fund) had a deficit fund balance of (\$502) due to a decrease in sales tax revenues of (\$478) from fiscal year 2010. The City believes this deficit will be eliminated with sales tax revenue collections in subsequent fiscal years.

(continued)

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

The Lake Parks Fund (Special Revenue – Nonmajor Fund) had a deficit fund balance of (\$712). This deficit can be attributed to an increase in expenditures from the expansion of the Vineyards Campground and cabins. This deficit will be funded by an increase in revenues projected by the expansion efforts.

The Parks Open Space and Recreation (Capital Projects-Nonmajor Fund) had a deficit fund balance of (\$59). The City anticipated the deficit equity balance in this fund. This deficit will either be resolved with an increase in revenues or a transfer from other funds in 2011.

3. CASH AND INVESTMENTS

As of September 30, 2010, the City had the following cash and investments:

Total City cash deposits	\$	22,024
Total investments		<u>101,180</u>
Total City cash and investments	\$	<u>123,204</u>
Cash and investments composition:		
Primary government	\$	121,483
Component unit		468
Trust and agency funds		<u>1,253</u>
Total cash and investments	\$	<u>123,204</u>

(continued)

3. CASH AND INVESTMENTS (Continued)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 50,973	30
LOGIC	40,670	43
FHLB	2,003	338
FHLMC	250	4
Farmer Mac	260	288
U. S. Treasury Bonds	328	2,054
Municipal Bonds	<u>6,696</u>	333
Total portfolio	<u>\$ 101,180</u>	
Portfolio weighted average maturity (days)		69

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, 2010, 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.

(continued)

3. CASH AND INVESTMENTS (Continued)

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, 2010, the City's investments in TexPool were rated AAAM and its investments in LOGIC were rated AAA.

Custodial Credit Risk. State statutes require that all City deposits in financial institutions be fully collateralized by U. S. Government obligations or obligations of the State of Texas or its agencies. The City's deposits were fully collateralized, or have a letter of credit issued by the Federal Home Loan Bank as required by State statutes at September 30, 2010. The bank balances were fully collateralized by government securities.

4. RECEIVABLES

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

	Accrued Interest	Taxes	Accounts	Gross Receivables	Less Allowance for Uncollectibles	Total
General	\$ 1	\$ 1,003	\$ 974	\$ 1,978	\$(319)	\$ 1,659
Hotel occupancy	4	912	65	981	-	981
Crime district	-	-	1	1	-	1
Debt service	7	972	10	989	(228)	761
Debt service TIF #1	25	79	-	104	-	104
Capital projects streets	4	-	167	171	-	171
Water and sewer	19	-	2,609	2,628	-	2,628
Lake enterprise	-	-	44	44	-	44
Nonmajor funds	29	-	208	237	-	237
Total	<u>\$ 89</u>	<u>\$ 2,966</u>	<u>\$ 4,078</u>	<u>\$ 7,133</u>	<u>\$(547)</u>	<u>\$ 6,586</u>

(continued)

4. RECEIVABLES (Continued)

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:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental funds:		
Franchise fees	-	\$ 1,578
Open space deposits	-	35
Convention center deposits	-	90
Camping and pavilion fees	-	126
Delinquent property taxes receivable - general	\$ 760	-
Delinquent property taxes receivable - debt service	727	-
Property taxes receivable debt service - TIF #1	79	-
Local contract - Tarrant County	334	-
Construction cost sharing agreements	167	-
Ambulance fees	198	-
Municipal court fines	43	-
Miscellaneous	<u>44</u>	<u>48</u>
Total	<u>\$ 2,352</u>	<u>\$ 1,877</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, 2010, was as follows:

Primary Government

	Beginning Balance	Transfers and Additions	Transfers and Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 47,682	\$ 139	-	\$ 47,821
Construction in progress	<u>6,844</u>	<u>10,864</u>	\$(8,606)	<u>9,102</u>
Total assets not being depreciated	<u>54,526</u>	<u>11,003</u>	<u>(8,606)</u>	<u>56,923</u>
Capital assets, being depreciated:				
Buildings	36,550	169	(111)	36,608
Improvement other than buildings	24,814	44	(682)	24,176
Equipment and vehicles	24,633	4,456	(1,340)	27,749
Infrastructure	<u>113,170</u>	<u>8,321</u>	<u>-</u>	<u>121,491</u>
Total capital assets being depreciated	<u>199,167</u>	<u>12,990</u>	<u>(2,133)</u>	<u>210,024</u>
Less accumulated depreciation:				
Buildings	(13,252)	(1,095)	29	(14,318)
Improvement other than buildings	(5,489)	(1,154)	670	(5,973)
Equipment and vehicles	(18,885)	(1,864)	1,337	(19,412)
Infrastructure	<u>(53,195)</u>	<u>(3,774)</u>	<u>-</u>	<u>(56,969)</u>
Total accumulated depreciation	<u>(90,821)</u>	<u>(7,887)</u>	<u>2,036</u>	<u>(96,672)</u>
Total capital assets being depreciated, net	<u>108,346</u>	<u>5,103</u>	<u>(97)</u>	<u>113,352</u>
Governmental activities capital assets, net	<u>\$ 162,872</u>	<u>\$ 16,106</u>	<u>\$(8,703)</u>	<u>\$ 170,275</u>

(continued)

5. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,644	-	-	\$ 1,644
Construction in progress	<u>2,485</u>	\$ <u>2,111</u>	\$(<u>4,418</u>)	<u>178</u>
Total assets not being depreciated	<u>4,129</u>	<u>2,111</u>	<u>(4,418)</u>	<u>1,822</u>
Capital assets, being depreciated:				
Buildings	2,432	-	-	2,432
Improvement other than buildings	6,867	-	-	6,867
Equipment and vehicles	801	66	(23)	844
Water storage rights	683	-	-	683
Infrastructure	<u>106,784</u>	<u>4,781</u>	<u>-</u>	<u>111,565</u>
Total capital assets being depreciated	<u>117,567</u>	<u>4,847</u>	<u>(23)</u>	<u>122,391</u>
Less accumulated depreciation:				
Buildings	(1,442)	(49)	-	(1,491)
Improvement other than buildings	(3,525)	(366)	-	(3,891)
Equipment and vehicles	(531)	(60)	23	(568)
Water storage rights	(485)	(17)	-	(502)
Infrastructure	<u>(31,859)</u>	<u>(2,313)</u>	<u>-</u>	<u>(34,172)</u>
Total accumulated depreciation	<u>(37,842)</u>	<u>(2,805)</u>	<u>23</u>	<u>(40,624)</u>
Total capital assets being depreciated, net	<u>79,725</u>	<u>2,042</u>	<u>-</u>	<u>81,767</u>
Business-type activities capital assets, net	<u>\$ 83,854</u>	<u>\$ 4,153</u>	<u>\$(4,418)</u>	<u>\$ 83,589</u>

(continued)

5. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 481
Public safety	1,255
Public works	3,950
Culture and recreation	<u>2,201</u>
Total depreciation expense - governmental activities	<u>\$ 7,887</u>
Business-type activities:	
Water and sewer	\$ 2,402
Lake Enterprise	<u>403</u>
Total depreciation expense - business-type activities	<u>\$ 2,805</u>

Construction Commitments

The City has active construction projects as of September 30, 2010. 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, 2010, the City had outstanding construction commitments totaling \$4,532.

<u>Project</u>	<u>Commitment</u>
Streets and drainage projects	\$ 3,336
Commuter rail project	120
Water and wastewater - new water lines, repair and maintenance	<u>1,076</u>
Total	<u>\$ 4,532</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.

(continued)

5. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balance</u>
Discretely Presented Component Unit:				
Capital assets, not being depreciated:				
Land	\$ 450	-	-	\$ 450
Total assets not being depreciated	<u>450</u>	<u>-</u>	<u>-</u>	<u>450</u>
Capital assets, being depreciated:				
Building	1,031	-	-	1,031
Improvements other than building	946	-	-	946
Vehicles and equipment	<u>31</u>	<u>-</u>	<u>-</u>	<u>31</u>
Total capital assets being depreciated	<u>2,008</u>	<u>-</u>	<u>-</u>	<u>2,008</u>
Less accumulated depreciation:				
Building	(73)	\$(28)	-	(101)
Improvements other than building	(501)	(48)	-	(549)
Vehicles and equipment	<u>(31)</u>	<u>-</u>	<u>-</u>	<u>(31)</u>
Total accumulated depreciation	<u>(605)</u>	<u>(76)</u>	<u>-</u>	<u>(681)</u>
Total capital assets being depreciated, net	<u>1,403</u>	<u>(76)</u>	<u>-</u>	<u>1,327</u>
Discretely presented component unit capital assets, net	<u>\$ 1,853</u>	<u>\$(76)</u>	<u>\$ -</u>	<u>\$ 1,777</u>

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2010, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special revenue fund:	
	Grants (nonmajor fund)	\$ 939
	Lake parks (nonmajor fund)	649
	Hotel occupancy tax	190
	4-B transit	2,831
	Crime district	<u>1,724</u>
Total governmental		<u>6,333</u>
	Water sewer fund	7
	Lake enterprise	<u>827</u>
Total enterprise		<u>834</u>
Total general		<u>7,167</u>
Capital projects - streets	Grants (nonmajor fund)	<u>13</u>
Special revenue (nonmajor fund)	Hotel occupancy tax	<u>16</u>
Total special revenue		<u>29</u>
Street maintenance and capital replacement (nonmajor fund)	Grants (nonmajor fund)	<u>36</u>
Total street maintenance capital replacement (nonmajor fund)		<u>36</u>
Total		<u>\$ 7,232</u>

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

Component unit - Heritage	Hotel occupancy tax	\$ <u>9</u>
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The balance of \$89 advanced to the Hotel Occupancy Tax Fund from the General Fund resulted from a loan made to provide financing resources for the purchase of land.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Hotel occupancy tax	\$ <u>89</u>

(continued)

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

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	Debt Service	Water/ Sewer	Nonmajor Governmental	
Transfers from:							
General fund	-	-	\$ 2,004	-	-	\$ 7,004	\$ 9,008
Hotel occupancy tax	\$ 904	-	1	\$ 1,185	-	54	2,144
Crime district	-	-	-	156	-	-	156
4-B Transit	-	\$ 327	-	-	-	-	327
Water/sewer	1,350	-	-	-	-	566	1,916
Lake Enterprise	175	-	-	17	-	19	211
Nonmajor governmental	<u>347</u>	<u>-</u>	<u>12</u>	<u>389</u>	<u>\$ 63</u>	<u>-</u>	<u>811</u>
Total	<u>\$ 2,776</u>	<u>\$ 327</u>	<u>\$ 2,017</u>	<u>\$ 1,747</u>	<u>\$ 63</u>	<u>\$ 7,643</u>	<u>\$ 14,573</u>

Various nonmajor funds received transfers from the General Fund during fiscal year 2010. The General Fund transferred \$4,260 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 \$2,003 to the Crime District Fund to supplement a decrease in anticipated sales tax revenues for fiscal year 2010. In addition, the Street Maintenance and Capital Replacement Fund received a \$2,315 transfer for capital projects related to streets and general facilities, and \$430 was transferred to the Capital Acquisition Fund for fleet, capital and technology equipment purchases. There were transfers to the Debt Service Fund of \$1,185 for payment of debt obligations for the Hotel Occupancy Tax Fund, \$233 for the Storm Drainage Fund, \$156 for the Crime District, \$156 for the Lake Parks Fund and \$17 for the Lake Enterprise Fund. The Hotel Occupancy Tax Fund transferred \$81 to the Capital Projects Fund for capital. Transfers to the General Fund for \$2,776 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.

(continued)

7. **LEASES** (Continued)

Operating Leases (Continued)

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

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, 2010, follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	4.3% - 6.35%	\$ 23,120
Governmental activities, refunding	2.5% - 5.25%	<u>28,170</u>
Total governmental		51,290
Business-type activities, refunding	4.0% - 4.25%	<u>15,305</u>
Total general obligation debt		<u><u>\$ 66,595</u></u>

(continued)

8. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>General Obligation</u>	<u>G. O. Interest</u>	<u>General Obligation</u>	<u>G. O. Interest</u>
2011	\$ 5,955	\$ 2,126	\$ 1,205	\$ 620
2012	4,980	1,908	1,590	564
2013	4,975	1,667	1,680	499
2014	5,200	1,439	1,745	430
2015	5,525	1,218	1,825	356
2016-2020	19,075	3,125	6,805	701
2021-2025	5,180	448	455	9
2026-2030	<u>400</u>	<u>9</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 51,290</u>	<u>\$ 11,940</u>	<u>\$ 15,305</u>	<u>\$ 3,179</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:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Certificates of Obligation</u>	<u>C. O. Interest</u>
2011	\$ 4,850	\$ 2,661
2012	4,635	2,468
2013	4,790	2,274
2014	4,860	2,082
2015	4,650	1,800
2016-2020	14,825	6,847
2021-2025	15,225	3,595
2026-2030	<u>6,035</u>	<u>442</u>
Total	<u>\$ 59,870</u>	<u>\$ 22,169</u>

(continued)

8. LONG-TERM LIABILITIES (Continued)

Revenue Bonds

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

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>	
	<u>Revenues</u>	<u>Revenue Interest</u>
2011	\$ 550	\$ 60
2012	245	41
2013	255	32
2014	265	22
2015	<u>270</u>	<u>11</u>
Total	\$ <u>1,585</u>	\$ <u>166</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:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Tax, Land and Other Notes</u>	<u>Tax, Land and Other Interest</u>
2011	\$ 1,221	\$ 221
2012	1,247	174
2013	1,273	124
2014	1,304	73
2015	856	30
2016-2020	<u>172</u>	<u>57</u>
Total	\$ <u>6,073</u>	\$ <u>679</u>

(continued)

8. LONG-TERM LIABILITIES (Continued)

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2010, (amounts expressed in thousands):

	<u>09/30/09</u>	<u>Increases</u>	<u>Reductions</u>	<u>09/30/10</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 54,315	\$ 6,560	\$(9,585)	\$ 51,290	\$ 5,955
Certificates of obligation	<u>65,960</u>	<u>2,005</u>	<u>(8,095)</u>	<u>59,870</u>	<u>4,850</u>
Total bonds payable	120,275	8,565	(17,680)	111,160	10,805
Notes payable - taxes	6,696	-	(861)	5,835	1,210
Notes payable	<u>249</u>	<u>-</u>	<u>(11)</u>	<u>238</u>	<u>11</u>
Total notes payable	6,945	-	(872)	6,073	1,221
Total bonds and notes	127,220	8,565	(18,552)	117,233	12,026
Less deferred amount on refunding	(3,438)	(499)	313	(3,624)	549
Premium on bond issues	4,383	344	(197)	4,530	(363)
Discount on bond issues	<u>(27)</u>	<u>-</u>	<u>1</u>	<u>(26)</u>	<u>1</u>
Net governmental bonds and notes outstanding	128,138	8,410	(18,435)	118,113	12,213
Texas Comptroller of Public Accounts	-	1,564	(214)	1,350	214
Net OPEB obligation	1,697	1,608	-	3,305	-
Net pension obligation	1,060	1,530	-	2,590	-
Compensated absences	2,687	199	(34)	2,852	4
Arbitrage liability	<u>2</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>-</u>
Total governmental long-term liabilities	<u>\$ 133,584</u>	<u>\$ 13,311</u>	<u>\$(18,685)</u>	<u>\$ 128,210</u>	<u>\$ 12,431</u>

(continued)

8. LONG-TERM LIABILITIES (Continued)

	<u>09/30/09</u>	<u>Increases</u>	<u>Reductions</u>	<u>09/30/10</u>	<u>Due Within One Year</u>
Business-type activities:					
Water and sewer obligations					
General obligation bonds	\$ 9,070	\$ 3,915	\$(875)	\$ 12,110	\$ 920
Water and sewer bonds	6,780	-	(5,195)	1,585	550
Less deferred amount on refund	(310)	(379)	97	(592)	(71)
Premium on bond issues	324	208	(22)	510	29
Discount on bond issues	<u>(35)</u>	<u>-</u>	<u>31</u>	<u>(4)</u>	<u>(2)</u>
Net water and sewer bonds payable	15,829	3,744	(5,964)	13,609	1,426
Lake enterprise obligations					
General obligation bonds	3,470	-	(275)	3,195	285
Less deferred amount on refund	(78)	-	8	(70)	8
Premium on bond issues	<u>284</u>	<u>-</u>	<u>(7)</u>	<u>277</u>	<u>(13)</u>
Net Lake enterprise bonds payable	<u>3,676</u>	<u>-</u>	<u>(274)</u>	<u>3,402</u>	<u>280</u>
Net business-type bonds payable	<u>19,505</u>	<u>3,744</u>	<u>(6,238)</u>	<u>17,011</u>	<u>1,706</u>
Net OPEB obligation	236	231	-	467	-
Net pension obligation	119	169	-	288	-
Compensated absences	<u>201</u>	<u>18</u>	<u>(26)</u>	<u>193</u>	<u>34</u>
Total business-type long-term liabilities	<u>\$ 20,061</u>	<u>\$ 4,162</u>	<u>\$(6,264)</u>	<u>\$ 17,959</u>	<u>\$ 1,740</u>
Component units	<u>\$ 80</u>	<u>\$ -</u>	<u>\$(80)</u>	<u>\$ -</u>	<u>\$ -</u>
Total component units long-term debt	<u>\$ 80</u>	<u>\$ -</u>	<u>\$(80)</u>	<u>\$ -</u>	<u>\$ -</u>

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

Bond Refunding

For the general obligation, a deposit of \$11,329 was made on August 5, 2010, to the escrow account to provide for the current refunding of \$265 of the 2000A Certificate of Obligation Bonds, \$330 of the 2000A General Obligation Bonds, and \$415 of the 2000 General Obligation Bonds. These bonds were placed in escrow until the call date of September 7, 2010, as stipulated in the old debt agreements. These current refunded bonds are considered legally defeased and the liability for these bonds has been removed. The remainder of the deposit was designated for the advanced refunding of \$4,090 of the 2001 Water and Sewer Bonds, \$3,355 of the 2002 GO

(continued)

8. LONG-TERM LIABILITIES (Continued)

Bond Refunding (Continued)

Refunding Bond, and \$2,090 of the 2001 Combination Tax and Revenue Certificate of Obligation. These bonds are considered to be defeased and the liability for these bonds has been removed. The reacquisition price exceeded the net carrying amount of the old debt by \$880. The City refunded the bonds to reduce its total debt service payments by \$1,221 and to obtain an economic gain of \$729 (present value). The book loss on this refunding was \$880.

Defeased Debt Outstanding

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's financial statements. At September 30, 2010, the following bonds were considered defeased:

General obligation and revenue bonds:	
Series 2001 certificate of obligation	\$ 2,090
Series 2001 revenue bonds	4,090
Series 2002 general obligation bonds	<u>3,355</u>
 Total	 \$ <u><u>9,535</u></u>

Other Long-term Liabilities – Texas Comptroller of Public Accounts

As of September 30, 2010, the City of Grapevine has two payout agreements with the Texas Comptroller of Public Accounts for overpayment of sales taxes that total \$1,350. These amounts will be withheld from sales tax receipts over a period not to exceed eight years.

Pledged Revenues

Proprietary Funds

The City has pledged future water and wastewater customer revenues, net of specified operating expenses, to repay outstanding revenue and general obligation bonds funded with water and wastewater customer revenues in the amount of \$13,695 as noted in footnote 8 (long-term liabilities). The bonds were used to make improvements in the City's water and wastewater system. The bonds are payable from the net revenues of the City's utility system and are payable through 2022. Average annual principal and interest payments on the bonds are expected to require \$1,360 each year. The total principal and interest remaining to be paid on the bonds are \$16,320. Principal and interest paid on the bonds for the current year and total customer operating revenues were \$2,563 and \$18,233, respectively.

(continued)

8. LONG-TERM LIABILITIES (Continued)

Pledged Revenues (Continued)

Golf

The City has pledged future customer revenues, net of specified operating expenses, to repay outstanding general obligation bonds and Tax Notes funded with customer revenues in the amount of \$3,195 issue as noted in footnote 8 (long-term liabilities). The bonds were used to make improvements in the City's Lake Enterprise system. The bonds are payable from the net revenues of the City's Lake Enterprise system and are payable through 2019. Average annual principal and interest payments on the bonds are expected to require \$489 each year. The total principal and interest remaining to be paid on the bond is \$3,913. Principal and interest paid on the bonds for the current year and total customer operating revenues were \$425 and \$2,355, respectively.

Tax Increment Financing District #1

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

Tax Increment Financing District #2

The City has entered into a local agreement with the Grapevine-Colleyville Independent School District where future ad valorem taxes collected for the zone will be used to contribute towards the School's middle school debt. The total contribution that the City is obligated to pay is \$47,295 as of September 30, 2010. The annual amount is negotiated each year with the school and the school bills the City. The City does not have title to the middle school improvements.

9. EMPLOYEES' RETIREMENT SYSTEM

Plan Description

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

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9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

Plan Description (Continued)

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 by writing to TMRS, P. O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on 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 2009</u>	<u>Plan Year 2010</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	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:

(continued)

9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

Contributions (Continued)

Annual Required Contribution (ARC)	\$ 7,068
Interest on Net Pension Obligation	88
Adjustment to the ARC	<u>(71)</u>
Annual Pension Cost	7,085
Contributions Made	<u>(5,385)</u>
Increase (Decrease) in Net Pension Obligation	1,700
Net Pension Obligation/(Asset), beginning of year	<u>1,178</u>
 Net Pension Obligation/(Asset), ending of year	 <u><u>\$ 2,878</u></u>

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/08	\$ 5,001	\$ 5,001	100%	\$ -
09/30/09	6,059	4,881	81%	1,178
09/30/10	7,085	5,385	76%	2,878

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Actuarial Valuation Date	12/31/07	12/31/08	12/31/09
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
Remaining amortization period	30 years - closed	29 years - closed	28 years - closed
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	Amortized cost	Amortized cost	10-year smoothed market
Actuarial Assumptions:			
Investment rate of return	7%	7.5%	7.5%
Projected salary increases	varies by age and service	varies by age and service	varies by age and service
*Includes inflation at	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%

(continued)

9. EMPLOYEES' RETIREMENT SYSTEM (Continued)

Schedule of Funding Information

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actual Valuation Date	<u>12/31/07</u>	<u>12/31/08</u>	<u>12/31/09</u>
Actuarial value of assets	\$ 74,898	\$ 77,459	\$ 83,121
Actuarial accrued liability	115,041	123,443	133,446
Percent funded	65.1%	62.7%	62.3%
Unfunded (overfunded) actuarial accrued liability (UAAL)	40,143	45,984	50,325
Annual covered payroll	30,287	34,376	35,341
UAAL as a percentage of covered payroll	132.5%	133.8%	142.4%

10. COMMITMENTS AND CONTINGENCIES

The City is defendant in several pending lawsuits. City management estimates, based on the advice of legal counsel, that the potential claims against the City, in excess of insurance coverage, would not materially affect the basic financial statements of the City. The City participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability that may arise as the result of these audits is not believed to be estimatable or probable.

Gaylord Texan Resort and Convention Center

The City of Grapevine, Texas has a Memorandum of Understanding with Opryland Hotel—Texas, Limited Partnership whereas one cent (\$.01) of the Hotel Occupancy Tax [currently six cents (\$.06)] collected by the City from the Project for the immediately preceding Fiscal Year shall be remitted each year to Gaylord Entertainment, Inc. Expenditures for fiscal year-end 2010 were \$634.

October 2007, the City entered into a second addendum agreement with Opryland Hotel – Texas, Limited Partnership related to the expansion of the Gaylord Texan Resort and Convention Center. Gaylord Entertainment, Inc. will receive a payment from the City in the amount equal to one-half of the “City Property Taxes” paid by Gaylord Texan Resort and Convention Center to the City for a 10-year period. The term “City Property Taxes” means the amount determined by multiplying the City ad valorem tax rate for the years in question times the “Incremental Increase” in value with the base year being 2009.

The payment of Hotel Occupancy Taxes, as described in the preceding paragraph, will continue during the second addendum agreement with remittance being made every six months instead of annually.

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10. COMMITMENTS AND CONTINGENCIES (Continued)

Great Wolf Lodge

The City of Grapevine, Texas entered into an incentive agreement with Great Wolf Resorts, Inc. under Chapter 380 of the Texas Local Government Code. The Developer must complete the project to construct a family oriented resort hotel featuring an indoor water park to be known as the "Great Wolf Lodge." The Project is to be completed in two phases. In consideration of the Developer's completion of the Project, the City agrees to provide the following incentives. For a period of 10 years after the issuance of a Certificate of Occupancy for Phase I, the City shall annually grant an amount to developer equal to one cent (\$.01) of the Hotel Occupancy Tax rate [currently six cents (\$.06)] collected by the City from Phase I of the Project for the immediately preceding Fiscal Year. For a period of 10 years after the issuance of a Certificate of Occupancy for Phase I, the City shall annually grant an amount to Developer equal to one cent of the Hotel Occupancy Tax rate [currently six cents (\$.06)] collected by the City from Phase II of the Project for the immediately preceding Fiscal Year. The City shall annually provide a grant in an amount equal to one half of one cent of the municipal sales tax revenue collected on the "Property" for a period of 10 years following the opening of Phase II. Incentives of \$395 were earned in fiscal year 2010 and were remitted by the City in fiscal year 2011 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 \$1,074 as of September 30, 2010.

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 (whole dollars) 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 (whole dollars) 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 (whole dollars) per occurrence. The City also provides \$10,000,000 (whole dollars) 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>2010</u>	<u>2009</u>
Claims payable, beginning of year	\$ 506	\$ 534
Current year claims and changes in estimates	4,975	4,193
Payments on claims	<u>4,791</u>	<u>4,221</u>
Claims payable at end of year	<u>\$ 690</u>	<u>\$ 506</u>

12. WATER STORAGE RIGHTS

Water storage rights of \$683 net of accumulated amortization of \$502, 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 11 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 – WATER AND SEWER FUND

Deferred charges consist of expenses incurred in connection with the issuance of certain outstanding revenue 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 2010 for the purchase of treated water were \$6,597 and payments made for the transportation, treatment, and disposal of wastewater by TRA were \$985. 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.

17. 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 in an eligible class. Retired employees who have satisfied the requirement as defined by the Texas Municipal Retirement System and their dependents who 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 552 active employees and 190 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 \$200 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 not receive the \$200 supplement, but can participate in the provided insured program at full cost.

Retirees are eligible for benefits immediately upon retirement. If the employee returns to work for an employer that offers health coverage, the retiree can opt out of coverage and rejoin at a later date or remain in the plan and pay an additional premium of \$200 per month.

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City does not issue separate financial statements for the plan and the City has not established a trust to fund the plan. The City's annual OPEB cost for the current year and the related information is listed below:

(continued)

17. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Post-retirement Health Care Benefits (Continued)

Annual Required Contribution (ARC)	\$ 2,518
Interest on Net OPEB Obligation	87
Adjustment to the ARC	<u>(80)</u>
Annual OPEB Cost	2,525
Employer Contributions	<u>(686)</u>
Increase (Decrease) in Net OPEB Obligation	1,839
Net OPEB Obligation/(Asset), beginning of year	<u>1,933</u>
 Net Pension Obligation/(Asset), ending of year	 <u><u>\$ 3,772</u></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 \$125 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 the current year (4.5% discount rate, and level percent of pay amortization) follow:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
09/30/09	\$ 2,496	\$ 563	22%	\$ 1,933
09/30/10	2,525	686	27%	3,772

Funding Status and Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (AAL) (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/06	\$ -	\$ 22,067	\$ 22,067	- %	\$ 34,376	64.19%
12/31/08	-	23,745	23,745	- %	35,564	66.77%

This is the second year of implementation of GASB 45. Accordingly, only two years of funding progress are available. 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.

(continued)

17. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Post-retirement Health Care Benefits (Continued)

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 funding for 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.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The 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, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

Actuarial Valuation Date	12/31/2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level as a percentage of salary
Remaining Amortization Period	30 years; open
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%, net of expenses
Payroll Growth Rate	3% per annum
General Inflation Rate	3%
Health Care Trend	10.0% in 2009, declining by 0.5% per year to an ultimate rate of 4.5% in 2019 thereafter

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

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF GRAPEVINE, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2010

(Amounts Expressed in Thousands)

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	
REVENUES				
Taxes	\$ 36,199	\$ 36,199	\$ 37,246	\$ 1,047
Licenses and permits	1,001	1,001	1,117	116
Intergovernmental	72	72	72	-
Charges for services	4,686	4,686	5,210	524
Fines and forfeitures	2,244	2,244	2,126	(118)
Interest and miscellaneous	<u>582</u>	<u>582</u>	<u>986</u>	<u>404</u>
Total revenues	<u>44,784</u>	<u>44,784</u>	<u>46,757</u>	<u>1,973</u>
EXPENDITURES				
Current:				
General government	15,251	15,463	16,367	(904)
Public safety	11,928	11,882	11,776	106
Culture and recreation	7,352	7,603	7,808	(205)
Public works	5,297	5,296	5,035	261
Capital outlay	<u>-</u>	<u>9</u>	<u>94</u>	<u>(85)</u>
Total expenditures	<u>39,828</u>	<u>40,253</u>	<u>41,080</u>	<u>(827)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>4,956</u>	<u>4,531</u>	<u>5,677</u>	<u>1,146</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,092	3,092	2,776	(316)
Transfers out	<u>(8,454)</u>	<u>(9,007)</u>	<u>(9,008)</u>	<u>(1)</u>
Total other financing sources (uses)	<u>(5,362)</u>	<u>(5,915)</u>	<u>(6,232)</u>	<u>(317)</u>
NET CHANGE IN FUND BALANCES	<u><u>\$ (406)</u></u>	<u><u>\$ (1,384)</u></u>	<u><u>\$ (555)</u></u>	<u><u>\$ 829</u></u>
FUND BALANCES, BEGINNING			<u>8,737</u>	
FUND BALANCES, ENDING			<u><u>\$ 8,182</u></u>	

CITY OF GRAPEVINE, TEXAS

HOTEL OCCUPANCY TAX

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2010

(Amounts Expressed in Thousands)

	Budgeted Amounts			Variance
	Original	Final	Actual	with Final Budget - Positive
REVENUES				
Taxes	\$ 11,519	\$ 11,452	\$ 10,725	\$(727)
Charges for services	4,440	5,814	5,050	(764)
Contributions	-	-	-	-
Interest and miscellaneous	<u>116</u>	<u>116</u>	<u>651</u>	<u>535</u>
Total revenues	<u>16,075</u>	<u>17,382</u>	<u>16,426</u>	<u>(956)</u>
EXPENDITURES				
Current:				
Culture and recreation	11,833	16,942	14,605	2,337
Capital outlay	<u>780</u>	<u>780</u>	<u>803</u>	<u>(23)</u>
Total expenditures	<u>12,613</u>	<u>17,722</u>	<u>15,408</u>	<u>2,314</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>3,462</u>	<u>(340)</u>	<u>1,018</u>	<u>1,358</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	271	271	327	56
Transfers out	<u>(2,157)</u>	<u>(2,155)</u>	<u>(2,144)</u>	<u>11</u>
Total other financing sources (uses)	<u>(1,886)</u>	<u>(1,884)</u>	<u>(1,817)</u>	<u>67</u>
NET CHANGE IN FUND BALANCES	\$ <u>1,576</u>	\$ <u>(2,224)</u>	\$ (799)	\$ <u>1,425</u>
FUND BALANCES, BEGINNING			<u>3,436</u>	
FUND BALANCES, ENDING			\$ <u><u>2,637</u></u>	

CITY OF GRAPEVINE, TEXAS

CRIME DISTRICT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2010

(Amounts Expressed in Thousands)

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	
REVENUES				
Taxes	\$ 10,625	\$ 10,625	\$ 10,147	\$(478)
Intergovernmental	-	18	19	1
Interest and miscellaneous	<u>25</u>	<u>25</u>	<u>7</u>	<u>(18)</u>
Total revenues	<u>10,650</u>	<u>10,668</u>	<u>10,173</u>	<u>(495)</u>
EXPENDITURES				
Current:				
Public safety	10,641	10,678	10,380	298
Operations	1,626	1,626	1,626	-
Capital outlay	<u>46</u>	<u>61</u>	<u>23</u>	<u>38</u>
Total expenditures	<u>12,313</u>	<u>12,365</u>	<u>12,029</u>	<u>336</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(1,663)</u>	<u>(1,697)</u>	<u>(1,856)</u>	<u>(159)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,450	1,467	2,017	550
Transfers out	<u>(156)</u>	<u>(156)</u>	<u>(156)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,294</u>	<u>1,311</u>	<u>1,861</u>	<u>550</u>
NET CHANGE IN FUND BALANCES	<u>\$(369)</u>	<u>\$(386)</u>	\$ 5	<u>\$ 391</u>
FUND BALANCES, BEGINNING			<u>(507)</u>	
FUND BALANCES, ENDING			<u>\$(502)</u>	

CITY OF GRAPEVINE, TEXAS

4B - TRANSIT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2010

(Amounts Expressed in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final		
REVENUES				
Sales tax	\$ 7,969	\$ 7,969	\$ 7,459	\$(510)
Total revenues	<u>7,969</u>	<u>7,969</u>	<u>7,459</u>	<u>(510)</u>
EXPENDITURES				
Current:				
Operations	7,755	7,698	7,217	481
Capital outlay	<u>-</u>	<u>21</u>	<u>21</u>	<u>-</u>
Total expenditures	<u>7,755</u>	<u>7,719</u>	<u>7,238</u>	<u>481</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>214</u>	<u>250</u>	<u>221</u>	<u>(29)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(271)</u>	<u>(327)</u>	<u>(327)</u>	<u>-</u>
Total other financing sources (uses)	<u>(271)</u>	<u>(327)</u>	<u>(327)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$(57)</u>	<u>\$(77)</u>	<u>\$(106)</u>	<u>\$(29)</u>
FUND BALANCES, BEGINNING			<u>(2,769)</u>	
FUND BALANCES, ENDING			<u>\$(2,875)</u>	

CITY OF GRAPEVINE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2010

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 Funds 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 as required by GASB 34. 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 (Special Revenue), Crime District Fund (Special Revenue), and 4B – Transit (Special Revenue). A comparison of budgetary data to actual results of the operations for the Debt Service Fund is presented in the Other Supplementary Information.

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**COMBINING AND INDIVIDUAL
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Township Revitalization Fund – to account for revenues and expenditures relating to preserving the architectural heritage of the original Township of the City of Grapevine.

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

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

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

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

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

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

CITY OF GRAPEVINE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2010
(Amounts Expressed in Thousands)

	Special Revenue					
	Township Revitalization	Grant	Special Revenue	Storm Drainage	Lake Parks	4B-Economic Development
ASSETS						
Cash and investments	\$ 222	-	\$ 2,336	\$ 2,558	-	\$ 9,731
Receivables:						
Accounts, net	-	\$ 1	-	143	\$ 64	-
Accrued interest	-	-	2	2	-	9
Due from other funds	-	-	16	-	-	-
Due from other governments	-	1,450	-	-	67	557
Prepaid items	-	-	3	-	-	-
Total assets	\$ 222	\$ 1,451	\$ 2,357	\$ 2,703	\$ 131	\$ 10,297
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	-	\$ 432	\$ 23	\$ 27	\$ 61	\$ 1
Accrued liabilities	-	-	2	22	7	-
Due to other funds	-	989	-	-	649	-
Deferred revenue	-	-	-	-	126	-
Contracts and retainage payable	-	30	-	-	-	-
Total liabilities	-	1,451	25	49	843	1
Fund balances:						
Reserved for:						
Prepaid items	-	-	3	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	2,654	-	-
Unreserved, reported in:						
Special revenue funds:						
Designated for capital projects	\$ 222	-	-	-	-	10,296
Undesignated	-	-	2,329	-	(712)	-
Capital projects funds:						
Designated for capital projects	-	-	-	-	-	-
Undesignated	-	-	-	-	-	-
Total fund balances	222	-	2,332	2,654	(712)	10,296
Total liabilities and fund balances	\$ 222	\$ 1,451	\$ 2,357	\$ 2,703	\$ 131	\$ 10,297

<u>Debt Service</u>			<u>Capital Projects</u>						
<u>TIF #2</u>	<u>TIF #1</u>	<u>TIF #2</u>	<u>Parks Open Space and Recreation</u>	<u>Street Maintenance and Capital Replacement</u>	<u>General Facilities and Equipment</u>	<u>Capital Acquisition Fund</u>	<u>Quality of Life</u>	<u>Total Other Governmental Funds</u>	
\$ 4,634	\$ 2,666	\$ 2,209	\$ 438	\$ 845	\$ 9,214	\$ 5,585	\$ 5,846	\$ 46,284	
-	-	-	-	-	-	-	-	208	
4	2	-	-	1	-	4	5	29	
-	-	-	-	36	-	-	-	52	
-	-	-	-	-	-	-	-	2,074	
-	-	-	67	-	-	-	-	70	
<u>\$ 4,638</u>	<u>\$ 2,668</u>	<u>\$ 2,209</u>	<u>\$ 505</u>	<u>\$ 882</u>	<u>\$ 9,214</u>	<u>\$ 5,589</u>	<u>\$ 5,851</u>	<u>\$ 48,717</u>	
-	\$ 6	\$ 1	\$ 529	\$ 85	\$ 548	\$ 26	\$ 2	\$ 1,741	
-	-	-	-	-	-	2	-	33	
-	-	-	-	-	-	-	-	1,638	
-	-	-	35	-	-	-	-	161	
-	-	-	-	-	-	-	-	30	
-	6	1	564	85	548	28	2	3,603	
-	-	-	67	-	-	-	-	70	
\$ 4,638	-	-	-	-	-	-	-	4,638	
-	2,662	2,208	(126)	797	8,666	-	-	16,861	
-	-	-	-	-	-	-	-	10,518	
-	-	-	-	-	-	-	-	1,617	
-	-	-	-	-	-	3,111	5,849	8,960	
-	-	-	-	-	-	2,450	-	2,450	
<u>4,638</u>	<u>2,662</u>	<u>2,208</u>	<u>(59)</u>	<u>797</u>	<u>8,666</u>	<u>5,561</u>	<u>5,849</u>	<u>45,114</u>	
<u>\$ 4,638</u>	<u>\$ 2,668</u>	<u>\$ 2,209</u>	<u>\$ 505</u>	<u>\$ 882</u>	<u>\$ 9,214</u>	<u>\$ 5,589</u>	<u>\$ 5,851</u>	<u>\$ 48,717</u>	

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2010
(Amounts Expressed in Thousands)

	Special Revenue					
	Township Revitalization	Grant	Special Revenue	Storm Drainage	Lake Parks	4B-Economic Development
REVENUES						
Property taxes	-	-	-	-	-	-
Sales tax	-	-	-	-	-	\$ 3,180
Charges for services	-	-	\$ 619	\$ 1,359	\$ 1,058	-
Intergovernmental	-	\$ 1,699	15	-	-	-
Contributions	-	-	-	-	-	-
Investment income	\$ 2	-	18	6	-	34
Miscellaneous	-	-	1	88	37	-
Total revenues	2	1,699	653	1,453	1,095	3,214
EXPENDITURES						
Operations	11	370	195	826	1,063	1
Culture and recreation	-	-	152	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Other	-	56	-	2	2	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Capital outlay	-	1,273	94	44	-	3
Total expenditures	11	1,699	441	872	1,065	4
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9)	-	212	581	30	3,210
OTHER FINANCING SOURCES (USES)						
Transfers in	25	-	-	-	-	-
Transfers out	-	-	(13)	(336)	(218)	(244)
Issuance of debt	-	-	-	-	-	-
Premium on issuance	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	25	-	(13)	(336)	(218)	(244)
NET CHANGE IN FUND BALANCES	16	-	199	245	(188)	2,966
FUND BALANCES, BEGINNING	206	-	2,133	2,409	(524)	7,330
FUND BALANCES, ENDING	\$ 222	\$ -	\$ 2,332	\$ 2,654	\$(712)	\$ 10,296

Debt Service			Capital Projects					Total
TIF #2	TIF #1	TIF #2	Parks Open Space and Recreation	Street Maintenance and Capital Replacement	General Facilities and Equipment	Capital Acquisition Fund	Quality of Life	Other Governmental Funds
\$ 5,749	-	-	-	-	-	-	-	\$ 5,749
-	-	-	-	-	-	-	-	3,180
-	-	-	-	-	-	-	-	3,036
-	-	-	-	-	-	-	-	1,714
-	-	-	\$ 8	-	-	-	-	8
12	\$ 21	\$ 4	6	\$ 16	\$ 31	\$ 20	\$ 34	204
-	-	-	-	-	-	1	110	237
<u>5,761</u>	<u>21</u>	<u>4</u>	<u>14</u>	<u>16</u>	<u>31</u>	<u>21</u>	<u>144</u>	<u>14,128</u>
-	34	3	25	1,952	3	373	36	4,892
-	-	-	-	-	-	40	72	264
-	-	-	-	-	-	109	10	119
-	-	-	-	-	-	14	-	14
726	-	4	33	-	7	100	-	930
1,125	-	-	-	-	-	-	-	1,125
1,552	-	-	-	-	-	-	-	1,552
-	229	-	1,770	236	3,818	3,298	149	10,914
<u>3,403</u>	<u>263</u>	<u>7</u>	<u>1,828</u>	<u>2,188</u>	<u>3,828</u>	<u>3,934</u>	<u>267</u>	<u>19,810</u>
<u>2,358</u>	<u>(242)</u>	<u>(3)</u>	<u>(1,814)</u>	<u>(2,172)</u>	<u>(3,797)</u>	<u>(3,913)</u>	<u>(123)</u>	<u>(5,682)</u>
-	-	-	-	2,315	-	1,043	4,260	7,643
-	-	-	-	-	-	-	-	(811)
-	-	-	1,744	-	-	261	-	2,005
-	-	-	4	-	-	1	-	5
-	-	-	-	-	82	137	-	219
-	-	-	<u>1,748</u>	<u>2,315</u>	<u>82</u>	<u>1,442</u>	<u>4,260</u>	<u>9,061</u>
2,358	(242)	(3)	(66)	143	(3,715)	(2,471)	4,137	3,379
<u>2,280</u>	<u>2,904</u>	<u>2,211</u>	<u>7</u>	<u>654</u>	<u>12,381</u>	<u>8,032</u>	<u>1,712</u>	<u>41,735</u>
<u>\$ 4,638</u>	<u>\$ 2,662</u>	<u>\$ 2,208</u>	<u>\$ (59)</u>	<u>\$ 797</u>	<u>\$ 8,666</u>	<u>\$ 5,561</u>	<u>\$ 5,849</u>	<u>\$ 45,114</u>

CITY OF GRAPEVINE, TEXAS

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2010

(Amounts Expressed in Thousands)

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	
REVENUES				
Taxes	\$ 10,524	\$ 10,524	\$ 11,812	\$ 1,288
Investment income	<u>175</u>	<u>175</u>	<u>56</u>	<u>(119)</u>
Total revenues	<u>10,699</u>	<u>10,699</u>	<u>11,868</u>	<u>1,169</u>
EXPENDITURES				
Debt service:				
Principal	9,766	9,180	9,181	(1)
Interest and fiscal charges	<u>3,895</u>	<u>3,583</u>	<u>3,583</u>	<u>-</u>
Total expenditures	<u>13,661</u>	<u>12,763</u>	<u>12,764</u>	<u>(1)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(2,962)</u>	<u>(2,064)</u>	<u>(896)</u>	<u>1,168</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,051	2,419	1,747	(672)
Issuance of debt	-	6,560	6,560	-
Premium on issuance of debt	-	339	339	-
Payment to refunding bond escrow agent	<u>-</u>	<u>(6,954)</u>	<u>(6,954)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,051</u>	<u>2,364</u>	<u>1,692</u>	<u>(672)</u>
NET CHANGE IN FUND BALANCES	<u><u>\$ (911)</u></u>	<u><u>\$ 300</u></u>	\$ 796	<u><u>\$ 496</u></u>
FUND BALANCES, BEGINNING			<u>6,791</u>	
FUND BALANCES, ENDING			<u><u>\$ 7,587</u></u>	

CITY OF GRAPEVINE, TEXAS

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

AGENCY FUNDS

YEAR ENDED SEPTEMBER 30, 2010

(Amounts Expressed in Thousands)

	<u>Balance</u> <u>10/01/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/10</u>
POLICE DEPARTMENT CASE SETTLEMENT				
Assets - cash and cash equivalents	\$ <u>7</u>	\$ <u>-</u>	\$ <u>1</u>	\$ <u>6</u>
Liabilities - accounts payable	\$ <u>7</u>	\$ <u>-</u>	\$ <u>1</u>	\$ <u>6</u>
 INDUSTRIAL DEVELOPMENT CORPORATION				
Assets - cash and cash equivalents	\$ <u>129</u>	\$ <u>1</u>	\$ <u>-</u>	\$ <u>130</u>
Liabilities - accounts payable	\$ <u>129</u>	\$ <u>1</u>	\$ <u>-</u>	\$ <u>130</u>
 TOTAL AGENCY FUNDS				
Assets - cash and cash equivalents	\$ <u>136</u>	\$ <u>1</u>	\$ <u>1</u>	\$ <u>136</u>
Liabilities - accounts payable	\$ <u>136</u>	\$ <u>1</u>	\$ <u>1</u>	\$ <u>136</u>

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STATISTICAL SECTION

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STATISTICAL SECTION

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

Contents

	Page
Financial Trends	76 – 81
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	82 – 87
The 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 Table 7. 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.	
Debt Capacity	88 – 95
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.	
Demographic and Economic Information	96 – 97
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	98 – 100
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.	

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

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TABLE 1

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities:								
Invested in capital assets, net of related debt	\$ 10,004	\$ 8,757	\$ 16,729	\$ 21,862	\$ 28,660	\$ 39,332	\$ 57,264	\$ 73,702
Restricted	8,387	14,106	14,625	21,049	32,626	34,200	40,419	55,622
Unrestricted	<u>9,465</u>	<u>9,607</u>	<u>12,957</u>	<u>16,653</u>	<u>18,198</u>	<u>29,360</u>	<u>25,626</u>	<u>13,109</u>
Total governmental activities net assets	<u>\$ 27,856</u>	<u>\$ 32,470</u>	<u>\$ 44,311</u>	<u>\$ 59,564</u>	<u>\$ 79,484</u>	<u>\$ 102,892</u>	<u>\$ 123,309</u>	<u>\$ 142,433</u>
Business-type activities:								
Invested in capital assets, net of related debt	\$ 57,118	\$ 57,643	\$ 60,931	\$ 63,936	\$ 65,750	\$ 68,641	\$ 68,785	\$ 70,055
Restricted	5,016	5,312	6,421	6,784	7,228	7,365	7,097	6,732
Unrestricted	<u>8,727</u>	<u>11,374</u>	<u>10,407</u>	<u>13,012</u>	<u>14,382</u>	<u>13,790</u>	<u>14,238</u>	<u>11,924</u>
Total business-type activities net assets	<u>\$ 70,861</u>	<u>\$ 74,329</u>	<u>\$ 77,759</u>	<u>\$ 83,732</u>	<u>\$ 87,360</u>	<u>\$ 89,796</u>	<u>\$ 90,120</u>	<u>\$ 88,711</u>
Primary government:								
Invested in capital assets, net of related debt	\$ 67,122	\$ 66,400	\$ 77,660	\$ 85,798	\$ 94,410	\$ 107,973	\$ 126,049	\$ 143,757
Restricted	13,403	19,418	21,046	27,833	39,854	41,565	47,516	62,354
Unrestricted	<u>18,192</u>	<u>20,981</u>	<u>23,364</u>	<u>29,665</u>	<u>32,580</u>	<u>43,150</u>	<u>39,864</u>	<u>25,033</u>
Total primary government net assets	<u>\$ 98,717</u>	<u>\$ 106,799</u>	<u>\$ 122,070</u>	<u>\$ 143,296</u>	<u>\$ 166,844</u>	<u>\$ 192,688</u>	<u>\$ 213,429</u>	<u>\$ 231,144</u>

Notes: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Source: Comprehensive Annual Financial Reports

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
EXPENSES								
Governmental activities:								
General government	\$ 13,062	\$ 12,382	\$ 14,564	\$ 13,964	\$ 19,150	\$ 17,898	\$ 19,245	\$ 19,048
Public safety	16,366	17,598	19,094	19,174	20,732	23,701	26,031	27,095
Culture and recreation	14,070	16,090	17,055	19,978	21,914	26,753	25,657	27,175
Public works	14,342	10,363	9,077	9,502	12,777	18,573	18,670	19,136
Interest on long-term debt	<u>7,603</u>	<u>7,683</u>	<u>5,993</u>	<u>6,579</u>	<u>6,634</u>	<u>6,403</u>	<u>5,093</u>	<u>5,432</u>
Total governmental activities expenses	<u>65,443</u>	<u>64,116</u>	<u>65,783</u>	<u>69,197</u>	<u>81,207</u>	<u>93,328</u>	<u>94,696</u>	<u>97,886</u>
Business-type activities:								
Water and sewer	15,231	15,049	14,975	15,944	15,494	17,415	17,160	17,647
Lake Enterprise	<u>2,648</u>	<u>2,842</u>	<u>2,673</u>	<u>2,664</u>	<u>2,668</u>	<u>2,786</u>	<u>2,885</u>	<u>2,955</u>
Total business-type activities expenses	<u>17,879</u>	<u>17,891</u>	<u>17,648</u>	<u>18,608</u>	<u>18,162</u>	<u>20,201</u>	<u>20,045</u>	<u>20,602</u>
Total primary government expenses	<u>\$ 83,322</u>	<u>\$ 82,007</u>	<u>\$ 83,431</u>	<u>\$ 87,805</u>	<u>\$ 99,369</u>	<u>\$ 113,529</u>	<u>\$ 114,741</u>	<u>\$ 118,488</u>
PROGRAM REVENUES								
Governmental activities:								
Fees, fines, and charges for services:								
General government	\$ 3,843	\$ 4,298	\$ 1,362	\$ 1,148	\$ 3,535	\$ 4,071	\$ 3,771	\$ 4,039
Public safety	2,123	2,260	2,029	3,282	3,280	3,597	3,759	3,660
Culture and recreation	4,842	5,362	5,369	6,306	6,908	7,479	7,829	8,530
Public works	2,710	1,346	2,877	2,782	3,085	1,372	1,344	1,467
Operating grants and contributions	1,893	1,813	1,944	805	2,310	1,629	957	1,060
Capital grants and contributions	<u>1,108</u>	<u>597</u>	<u>2,732</u>	<u>3,759</u>	<u>785</u>	<u>1,891</u>	<u>5,204</u>	<u>3,819</u>
Total governmental activities program revenues	<u>16,519</u>	<u>15,676</u>	<u>16,313</u>	<u>18,082</u>	<u>19,903</u>	<u>20,039</u>	<u>22,864</u>	<u>22,575</u>
Business-type activities:								
Charges for services:								
Water and sewer	16,308	16,595	17,929	20,348	17,689	18,893	17,950	18,523
Lake Enterprise	2,159	2,500	2,630	2,890	2,712	2,862	2,649	2,377
Capital grants and contributions	<u>2,987</u>	<u>1,172</u>	<u>1,049</u>	<u>1,690</u>	<u>833</u>	<u>1,331</u>	<u>674</u>	<u>274</u>
Total business-type activities program revenues	<u>21,454</u>	<u>20,267</u>	<u>21,608</u>	<u>24,928</u>	<u>21,234</u>	<u>23,086</u>	<u>21,273</u>	<u>21,174</u>
Total primary government program revenues	<u>\$ 37,973</u>	<u>\$ 35,943</u>	<u>\$ 37,921</u>	<u>\$ 43,010</u>	<u>\$ 41,137</u>	<u>\$ 43,125</u>	<u>\$ 44,137</u>	<u>\$ 43,749</u>

(continued)

CITY OF GRAPEVINE, TEXAS

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
NET (EXPENSE) REVENUES								
Governmental activities	\$(48,924)	\$(48,440)	\$(49,470)	\$(51,115)	\$(61,304)	\$(73,289)	\$(71,832)	\$(75,311)
Business-type activities	<u>3,575</u>	<u>2,376</u>	<u>3,960</u>	<u>6,320</u>	<u>3,072</u>	<u>2,885</u>	<u>1,228</u>	<u>572</u>
Total primary government net expense	<u>(45,349)</u>	<u>(46,064)</u>	<u>(45,510)</u>	<u>(44,795)</u>	<u>(58,232)</u>	<u>(70,404)</u>	<u>(70,604)</u>	<u>(74,739)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS								
Governmental activities:								
Taxes								
Property	22,769	23,600	26,066	26,046	27,066	27,974	30,385	33,092
Franchise	4,945	5,211	5,369	5,945	6,191	6,295	6,319	6,133
Hotel occupancy	3,380	4,931	7,566	9,194	10,126	11,842	10,498	10,725
Sales	16,040	17,976	18,746	19,993	31,827	45,098	40,712	42,000
Mixed beverage	578	686	863	952	1,128	1,295	1,188	1,226
Investment earnings	1,107	620	1,099	2,187	3,257	2,520	1,213	426
Miscellaneous	97	29	101	310	124	-	36	-
Gain on sale of capital assets	-	-	-	-	-	-	31	119
Transfers	<u>-</u>	<u>-</u>	<u>1,501</u>	<u>1,741</u>	<u>1,505</u>	<u>1,673</u>	<u>1,867</u>	<u>2,064</u>
Total governmental activities	<u>48,916</u>	<u>53,053</u>	<u>61,311</u>	<u>66,368</u>	<u>81,224</u>	<u>96,697</u>	<u>92,249</u>	<u>95,785</u>
Business-type activities:								
Investment earnings	541	397	648	1,035	1,437	1,046	401	83
Miscellaneous	103	696	323	359	624	178	562	-
Transfers	<u>-</u>	<u>-</u>	<u>(1,501)</u>	<u>(1,741)</u>	<u>(1,505)</u>	<u>(1,673)</u>	<u>(1,867)</u>	<u>(2,064)</u>
Total business-type activities	<u>644</u>	<u>1,093</u>	<u>(530)</u>	<u>(347)</u>	<u>556</u>	<u>(449)</u>	<u>(904)</u>	<u>(1,981)</u>
Total primary government	<u>49,560</u>	<u>54,146</u>	<u>60,781</u>	<u>66,021</u>	<u>81,780</u>	<u>96,248</u>	<u>91,345</u>	<u>93,804</u>
CHANGE IN NET ASSETS								
Governmental activities	(8)	4,613	11,841	15,253	19,920	23,408	20,417	20,474
Business-type activities	<u>4,219</u>	<u>3,469</u>	<u>3,430</u>	<u>5,973</u>	<u>3,628</u>	<u>2,436</u>	<u>324</u>	<u>(1,409)</u>
Total primary government	<u>\$ 4,211</u>	<u>\$ 8,082</u>	<u>\$ 15,271</u>	<u>\$ 21,226</u>	<u>\$ 23,548</u>	<u>\$ 25,844</u>	<u>\$ 20,741</u>	<u>\$ 19,065</u>

Notes:

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

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

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CITY OF GRAPEVINE, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDSLAST EIGHT FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General fund								
Reserved*	\$ 678	\$ 1,543	\$ 1,290	\$ 691	\$ 667	\$ 727	\$ 632	\$ 714
Unreserved	<u>5,427</u>	<u>3,018</u>	<u>3,981</u>	<u>5,904</u>	<u>7,562</u>	<u>8,190</u>	<u>8,105</u>	<u>7,468</u>
Total general fund	<u>\$ 6,105</u>	<u>\$ 4,561</u>	<u>\$ 5,271</u>	<u>\$ 6,595</u>	<u>\$ 8,229</u>	<u>\$ 8,917</u>	<u>\$ 8,737</u>	<u>\$ 8,182</u>
All other governmental funds								
Reserved for:								
Prepayments	-	\$ 402	\$ 392	\$ 64	\$ 76	\$ 91	\$ 583	\$ 118
Inventory	\$ 394	-	-	-	2	-	-	-
Debt service	9,355	11,716	15,478	21,906	26,778	29,863	31,784	40,700
Capital projects	33,151	19,763	14,810	20,983	284	6,249	20,566	16,861
Unreserved, reported in:								
Special revenue	728	482	1,724	4,071	7,289	10,002	9,238	11,347
Capital projects	<u>2,134</u>	<u>4,509</u>	<u>4,391</u>	<u>4,484</u>	<u>28,753</u>	<u>24,982</u>	<u>18,631</u>	<u>20,426</u>
Total all other governmental funds	<u>\$ 45,762</u>	<u>\$ 36,872</u>	<u>\$ 36,795</u>	<u>\$ 51,508</u>	<u>\$ 63,182</u>	<u>\$ 71,187</u>	<u>\$ 80,802</u>	<u>\$ 89,452</u>

Note:

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

Source: Comprehensive Annual Financial Reports

CITY OF GRAPEVINE, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUES										
Taxes:										
Property	\$ 19,729	\$ 21,082	\$ 22,563	\$ 23,584	\$ 25,607	\$ 26,296	\$ 26,913	\$ 27,945	\$ 29,454	\$ 34,225
Sales	16,048	14,940	16,040	17,976	18,746	19,993	31,826	45,098	40,712	42,000
Hotel occupancy	3,970	3,365	3,381	4,931	7,566	9,194	10,126	11,842	10,498	10,725
Mixed beverage	538	527	578	686	863	952	1,128	1,295	1,188	1,226
Franchise	4,399	5,225	4,945	5,211	5,369	5,945	6,191	6,295	6,319	6,133
Licenses and permits	1,146	1,537	1,482	1,264	1,530	1,550	1,776	1,227	1,087	1,117
Intergovernmental	4,538	510	875	951	1,945	1,042	931	673	3,000	4,525
Charges for services	7,274	9,673	10,637	11,019	9,839	11,209	12,987	12,489	12,893	13,296
Fines and forfeitures	2,150	2,102	2,047	1,961	1,713	1,860	1,607	2,197	2,208	2,126
Contributions	-	-	49	488	418	423	393	391	556	8
Interest and miscellaneous	4,798	4,939	3,544	1,853	2,156	4,895	4,354	4,354	2,108	2,407
Total revenues	<u>64,590</u>	<u>63,900</u>	<u>66,141</u>	<u>69,924</u>	<u>75,752</u>	<u>83,359</u>	<u>98,232</u>	<u>113,806</u>	<u>110,023</u>	<u>117,788</u>
EXPENDITURES										
General government	6,181	11,687	12,168	12,897	14,379	14,355	15,345	15,024	15,435	16,367
Public safety	17,641	15,532	15,846	16,168	17,187	17,527	19,047	20,589	21,582	22,275
Culture and recreation	13,717	13,154	12,818	14,541	15,071	17,015	19,470	21,982	21,714	22,677
Public works	6,067	4,773	4,771	5,101	4,945	4,840	4,514	4,674	4,922	5,049
Operations	-	-	7,263	3,677	2,954	2,262	6,552	14,168	13,485	13,819
Capital outlay	19,973	25,657	9,545	10,612	8,425	8,235	8,290	10,295	18,695	15,051
Debt service:										
Principal	8,915	7,211	8,115	9,011	8,698	8,165	9,667	11,492	11,880	12,096
Interest and fiscal charges	7,815	8,440	8,098	7,532	6,053	6,575	6,599	6,370	5,304	5,547
Other	-	-	1,203	819	2,918	1,451	2,557	2,527	2,535	1,050
Total expenditures	<u>80,309</u>	<u>86,454</u>	<u>79,827</u>	<u>80,358</u>	<u>80,630</u>	<u>80,425</u>	<u>92,041</u>	<u>107,121</u>	<u>115,552</u>	<u>113,931</u>

(continued)

TABLE 4

CITY OF GRAPEVINE, TEXAS

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

(Continued)

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (15,719)</u>	<u>\$ (22,554)</u>	<u>\$ (13,686)</u>	<u>\$ (10,434)</u>	<u>\$ (4,878)</u>	<u>\$ 2,934</u>	<u>\$ 6,191</u>	<u>\$ 6,685</u>	<u>\$ (5,529)</u>	<u>\$ 3,857</u>
OTHER FINANCING SOURCES (USES)										
Bonds issued	16,893	11,545	30,025	-	46,245	-	5,610	260	45,825	8,565
Notes payable issued	-	246	-	-	-	11,385	-	-	-	-
Premium on issuance of debt	-	-	-	-	2,114	6	2	-	2,184	344
Bond discount	-	-	-	-	-	(29)	-	-	-	-
Payments to escrow agent	-	-	-	-	-	-	-	76	(34,944)	(6,954)
Sale of capital assets	143	(3,653)	-	-	(44,349)	-	-	-	32	219
Transfers in	3,513	4,300	4,301	2,248	7,037	4,084	7,757	16,531	17,415	14,510
Transfers out	(3,513)	(3,957)	(3,951)	(2,248)	(5,536)	(2,343)	(6,252)	(14,859)	(15,548)	(12,446)
Total other financing sources (uses)	<u>17,036</u>	<u>8,481</u>	<u>30,375</u>	<u>-</u>	<u>5,511</u>	<u>13,103</u>	<u>7,117</u>	<u>2,008</u>	<u>14,964</u>	<u>4,238</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,317</u>	<u>\$ (14,073)</u>	<u>\$ 16,689</u>	<u>\$ (10,434)</u>	<u>\$ 633</u>	<u>\$ 16,037</u>	<u>\$ 13,308</u>	<u>\$ 8,693</u>	<u>\$ 9,435</u>	<u>\$ 8,095</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>27.7%</u>	<u>25.7%</u>	<u>23.1%</u>	<u>23.7%</u>	<u>20.4%</u>	<u>20.4%</u>	<u>19.4%</u>	<u>18.4%</u>	<u>20.4%</u>	<u>17.8%</u>

Source: Comprehensive Annual Financial Reports

CITY OF GRAPEVINE, TEXAS

TAXABLE SALES BY CATEGORY

LAST EIGHT FISCAL YEARS

(Amounts Expressed in Thousands, Except where noted)

Function/Program	Fiscal Year							
	2003	2004	2005	2006	2007 (1)	2008	2009	2010 (2)
Agriculture/forestry/fishing/hunting	-	-	1	-	1	2	-	-
Construction	234	227	282	362	540	671	553	283
Manufacturing	461	487	675	673	1,215	2,986	3,468	2,357
Wholesale trade	340	520	507	771	1,734	4,252	3,992	3,105
Retail trade	6,666	7,018	7,424	7,944	13,038	17,745	15,777	12,067
Transportation/warehousing	156	116	65	110	119	195	156	108
Information	412	504	382	335	355	457	563	433
Finance/insurance	42	47	88	55	71	93	28	14
Professional/scientific/technical	126	189	188	329	775	749	462	233
Real estate/rental/leasing	302	300	367	379	526	708	531	516
Management of companies/enterprises	-	-	17	-	19	33	19	-
Admin/support/waste management/remediation services	305	352	385	374	519	705	707	554
Educational services	1	1	1	1	2	4	2	4
Health care/social assistance	7	8	8	12	35	72	38	30
Arts/entertainment/recreation	207	264	258	271	478	573	462	397
Accommodation/food service	2,421	3,075	3,413	3,730	6,050	8,437	8,053	6,148
Other services (except public administration)	160	123	145	156	238	419	438	332
Other	24	19	1	-	-	-	-	-
Unclassified	3,076	2,790	4,539	4,491	6,111	6,997	9,849	-
Total	14,940	16,040	18,746	19,993	31,826	45,098	45,098	26,581
City direct sales tax rate	1.0%	1.0%	1.0%	1.0%	1.0%	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 2010

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

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>State of Texas</u>
2003	1.00%	6.25%
2004	1.00%	6.25%
2005	1.00%	6.25%
2006	1.00%	6.25%
10/01/06 - 03/31/07	1.00%	6.25%
04/01/07-9/30/07	2.00%	6.25%
2008	2.00%	6.25%
2009	2.00%	6.25%
2010	2.00%	6.25%

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			
2001	\$ 4,579,000	\$ 2,254,000	\$ 2,478,000	\$ 4,355,000	\$ 0.3750
2002	5,704,000	2,274,000	3,205,000	4,773,000	0.3660
2003	5,973,000	2,324,000	3,531,000	4,766,000	0.3660
2004	6,204,000	2,248,000	3,572,000	4,880,000	0.3660
2005	6,461,000	2,391,000	3,625,000	5,227,000	0.3635
2006	6,647,000	2,224,000	3,514,000	5,357,000	0.3625
2007	7,026,000	2,068,000	3,684,740	5,409,260	0.3625
2008	7,316,619	2,294,141	3,753,870	5,856,890	0.3625
2009	7,011,568	2,257,318	3,314,798	5,954,088	0.3500
2010	7,339,403	2,446,105	3,588,781	6,196,727	0.3500

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	
2001	\$ 0.1896	\$ 0.1854	\$ 0.3750	\$ 0.106	\$ 1.550	\$ 0.234	\$ 0.275	\$ 2.570
2002	0.1359	0.2301	0.3660	0.106	1.580	0.234	0.275	2.591
2003	0.1489	0.2171	0.3660	0.139	1.610	0.234	0.275	2.674
2004	0.1237	0.2423	0.3660	0.139	1.700	0.234	0.272	2.712
2005	0.1416	0.2219	0.3635	0.139	1.700	0.235	0.273	2.711
2006	0.1285	0.2340	0.3625	0.139	1.700	0.235	0.273	2.709
2007	0.1150	0.2475	0.3625	0.131	1.324	0.234	0.242	2.293
2008	0.1275	0.2350	0.3625	0.139	1.290	0.230	0.267	2.289
2009	0.1189	0.2311	0.3500	0.138	1.290	0.228	0.264	2.270
2010	0.1364	0.2136	0.3500	0.138	1.290	0.228	0.264	2.270

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	2010		Taxpayer	2001	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
American Airlines, Inc.	\$ 292,447	4.72%	American Airlines, Inc.	\$ 667,847	15.27%
Gaylord Texan Resort and Convention Center	247,782	4.00%	Grapevine Mills, Ltd. Partnership	187,728	4.29%
Grapevine Mills, Ltd. Partnership	205,000	3.31%	Delta Airlines	185,930	4.25%
CAE Simuflite/Simuflite Training Unit	130,794	2.11%	United Parcel Service, Inc.	59,508	1.36%
Great Wolf Lodge	128,745	2.08%	GTE Capital Services	49,419	1.13%
Backspace US, Inc.	87,500	1.41%	National Car Rental Systems, Inc.	48,165	1.10%
A & B Properties, Inc., etal	53,615	0.87%	Hertz Corporation Rent-a-Car	46,265	1.06%
Chesapeake Operating	51,340	0.83%	Industrial Development International, Inc.	46,385	1.06%
Oncor Electric Delivery Co., LLC.	51,102	0.82%	GTE Directories	41,917	0.96%
Verde Riverwalk Apts II, LP	46,540	0.75%	DFW Hilton Hotel	32,934	0.75%
Total	\$ <u>1,294,865</u>	<u>20.90%</u>	Total	\$ <u>1,366,098</u>	<u>31.23%</u>

Source: Tarrant County Appraisal District (2010)
Grapevine CAFR (2001)

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
2001	\$ 16,334	\$ 16,135	98.78%	\$ 54	\$ 658	4.0%	\$ 16,189	99.1%
2002	17,432	17,151	98.39%	147	843	4.8%	17,298	99.2%
2003	17,663	17,423	98.64%	126	967	5.5%	17,549	99.4%
2004	18,044	17,859	98.97%	124	1,020	5.7%	17,983	99.7%
2005	19,223	18,764	97.61%	176	808	4.2%	18,940	98.5%
2006	19,182	18,945	98.76%	109	829	4.3%	19,054	99.3%
2007	19,572	19,368	98.96%	198	876	4.5%	19,566	99.9%
2008	21,113	20,964	99.29%	148	891	4.2%	21,112	99.9%
2009	22,250	21,936	98.59%	106	925	4.2%	22,042	99.1%
2010	22,208	21,958	98.87%	267	973	4.4%	22,225	100.1%

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			
2001	\$ 75,600	\$ 67,458	\$ 735	\$ 36,921	\$ -	\$ 7,782	\$ 445	\$ 188,941	11.30%	\$ 4,294
2002	77,495	72,940	2,204	35,101	-	-	785	188,525	9.76%	4,098
2003	77,630	73,040	1,562	33,247	-	-	665	186,144	11.24%	4,047
2004	72,140	69,735	1,138	26,300	-	4,935	542	174,790	10.33%	3,719
2005	71,775	67,055	863	24,448	-	4,715	415	169,271	9.53%	3,526
2006	71,755	70,600	521	22,545	-	4,485	282	170,188	9.39%	3,473
2007	66,275	68,905	3,611	13,300	6,820	4,240	144	163,295	9.26%	3,333
2008	60,690	63,675	3,195	11,570	6,685	3,980	-	149,795	8.32%	2,996
2009	54,315	65,960	6,945	6,780	12,540	-	-	146,540	8.14%	2,431
2010	51,290	59,870	5,835	1,585	15,305	-	-	130,690	6.88%	2,614

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

* See Table 14 for personal income and population data.

CITY OF GRAPEVINE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

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

Fiscal Year	Governmental Activities			Business-type Activities	Total General Obligation Debt	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	(a) General Obligation Bonds	Certificates of Obligation	Total	General Obligation Bonds			
2001	\$ 75,600	\$ 67,458	\$ 143,058	\$ -	\$ 143,058	3.28%	\$ 3,251
2002	77,495	72,940	150,435	-	150,435	3.15%	3,270
2003	77,630	73,040	150,670	-	150,670	3.16%	3,275
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

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 14 for population data.

CITY OF GRAPEVINE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2010

(Unaudited) (Amounts Expressed in Thousands)

Taxing Jurisdiction	2009/10 Taxable Assessed Value	2009/10 Tax Rate	Total Funded Debt	Estimated Percentage Applicable	City's Overlapping Funded Debt 09/30/2010
City of Grapevine	\$ 6,481,509	\$ 0.3500	\$ 132,300	100.00%	\$ 132,300
Carroll Independent School District	5,340,420	1.4150	179,650	5.89%	10,581
Coppell Independent School District	7,531,143	1.2834	142,273	5.03%	7,156
Dallas County	166,098,438	0.2281	121,176	0.09%	109
Dallas County Community College District	172,435,850	0.0949	416,040	0.09%	374
Dallas County Hospital District	166,251,472	0.2740	705,000	0.09%	635
Grapevine-Colleyville Independent School District	11,222,066	1.2900	264,847	58.42%	154,724
Tarrant County	121,465,013	0.2640	355,470	6.42%	22,821
Tarrant County Hospital District	121,565,707	0.2279	28,000	6.42%	1,798
Tarrant County Junior College District	122,129,757	0.1377	36,495	6.42%	<u>2,343</u>
Total Direct and Overlapping Funded Debt					332,841
Ratio of Direct and Overlapping Funded Debt to Taxable/Assessed Valuation					<u>5.14%</u>
Per Capita Overlapping Funded Debt					<u>\$ 6,657</u>

Source: First Southwest Company

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

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

CITY OF GRAPEVINE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

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

Fiscal Year	Proprietary Fund - Waterworks and Sewer System Revenue Bonds					Coverage
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Principal and Interest Payments		
2001	\$ 17,083	\$ 10,647	\$ 6,436	\$ 4,223	\$ 1.52	
2002	16,743	10,802	5,941	4,742	1.25	
2003	16,821	11,271	5,550	4,746	1.17	
2004	16,988	10,854	6,134	4,235	1.45	
2005	17,929	10,693	7,236	4,235	1.71	
2006	20,348	11,636	8,712	4,232	2.06	
2007	17,689	13,722	3,967	2,835	1.40	
2008	18,893	15,807	3,086	2,315	1.33	
2009	17,950	15,847	2,103	1,989	1.06	
2010	18,523	16,620	1,903	2,710	0.70	

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

Source: Comprehensive Annual Financial Report

CITY OF GRAPEVINE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

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

Fiscal Year	Proprietary Fund - Golf					Coverage
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Principal and Interest Payments		
2001	\$ 2,090	\$ 1,772	\$ 318	\$ 439	\$ 0.72	
2002	2,150	2,011	139	428	0.32	
2003	2,159	1,854	305	594	0.51	
2004	2,500	2,081	419	590	0.71	
2005	2,630	2,105	525	596	0.88	
2006	2,890	2,135	755	594	1.27	
2007	2,712	2,758	(46)	595	- c	
2008	2,862	2,399	463	598	0.77	
2009	2,649	2,555	94	395	0.24	
2010	2,377	2,620	(243)	413	- c	

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

Source: Comprehensive Annual Financial Report

CITY OF GRAPEVINE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

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

Fiscal Year	Tax Increment Financing District Reinvestment Zone Number One					Coverage
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Principal and Interest Payments		
2001	\$ 4,029	\$ 3	\$ 4,026	\$ 2,512	\$ 1.60	
2002	4,245	-	4,245	2,503	1.70	
2003	4,825	200	4,625	2,493	1.86	
2004	4,766	200	4,566	2,478	1.84	
2005	4,788	1	4,787	2,470	1.94	
2006	4,960	1	4,959	2,470	2.01	
2007	5,350	5	5,345	2,482	2.15	
2008	5,076	1	5,075	2,498	2.03	
2009	5,274	3,087	2,187	2,240	0.98	
2010	7,991	1	7,990	2,313	3.45	

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

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

CITY OF GRAPEVINE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

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

Fiscal Year	Tax Increment Financing District Reinvestment Zone Number Two				
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Principal and Interest Payments	Coverage
2001	\$ 13	\$ -	\$ 13	\$ 1,983	\$ 0.01
2002	137	-	137	1,883	0.07
2003	1,107	1	1,106	1,884	0.59
2004	1,953	-	1,953	1,883	1.04
2005	3,401	1,560	1,841	1,719	1.07
2006	4,056	-	4,056	1,686	2.41
2007	3,574	1,539	2,035	1,686	1.21
2008	3,392	1,536	1,856	2,691	0.69
2009	3,638	1,591	2,047	2,686	0.76
2010	5,749	726	5,023	2,677	1.88

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

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

CITY OF GRAPEVINE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

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

<u>Calendar Year</u>	<u>(1) Estimated Population</u>	<u>Personal Income</u>	<u>(1) Personal Income Per Capita</u>	<u>(1) Median Age</u>	<u>(2) School Enrollment</u>	<u>(3) Unemployment Rate</u>
2001	44	\$ 1,672	\$ 38	34	13	2.6%
2002	46	1,932	42	33	14	3.3%
2003	46	1,656	36	34	14	3.4%
2004	47	1,692	36	34	14	2.8%
2005	48	1,776	37	34	14	3.5%
2006	49	1,813	37	34	13	3.5%
2007	49	1,764	36	34	14	3.5%
2008	50	1,800	36	36	14	4.2%
2009	50	1,800	36	36	14	6.6%
2010	50	1,900	38	36	14	6.0%

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)

2010			2001		
Employer	Employees	Percentage of of Total City Employment (1)	Employer	Employees	Percentage of of Total City Employment
DFW International Airport	16.0	31.37%	DFW International Airport	33.0	75.00%
Gaylord Texan Resort and Convention Center	2.0	3.92	Grapevine/Colleyville ISD	1.7	3.86
Grapevine/Colleyville ISD	1.6	3.14	United Parcel Service	1.2	2.73
United Parcel Service	1.0	1.96	GTE Directory Corporation	1.2	2.73
Baylor Medical Center	1.0	1.96	Baylor Medical Center	0.9	2.05
GameStop	0.5	0.98	Hyatt Regency Hotel	0.8	1.82
City of Grapevine	0.5	0.98	City of Grapevine	0.4	0.91
DFW Hilton Hotel	0.5	0.98	DFW Hilton Hotel	0.3	0.68
Pavestone Manufacturing	0.5	0.98	Super Shuttle	0.3	0.68
Wal-Mart/Sam's (250-500)	0.3	0.49	SimuFlite Training Int'l.	0.3	0.68
	<u>23.9</u>	<u>46.76%</u>		<u>40.1</u>	<u>91.14%</u>

Sources: City of Grapevine, Department of Development Services

(1) Per Neilsen/Claritas there are 51,583 total employees in the City as of 2010.

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government and administration	78	80	79	78	80	78	78	59	60	59
Public safety	216	222	228	228	231	231	230	238	237	236
Development services	25	24	23	23	21	17	15	15	15	15
Culture and recreational	146	147	148	150	153	162	159	163	174	175
Water and sewer	49	50	51	50	48	50	51	51	51	60
Golf course	30	31	32	32	31	31	31	29	29	28
Public works	<u>62</u>	<u>61</u>	<u>61</u>	<u>59</u>	<u>59</u>	<u>58</u>	<u>54</u>	<u>75</u>	<u>67</u>	<u>67</u>
Total	<u>606</u>	<u>615</u>	<u>622</u>	<u>620</u>	<u>623</u>	<u>627</u>	<u>618</u>	<u>630</u>	<u>633</u>	<u>640</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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety										
Police										
Calls for service	25,266	23,894	28,732	32,555	28,976	36,360	45,815	49,618	52,111	65,361
Traffic citations	19,517	28,448	24,323	24,379	13,603	13,406	17,367	27,363	26,068	25,533
Criminal offenses	5,589	6,581	5,898	3,615	2,714	1,157	3,764	3,905	3,796	3,552
Fire										
Fire runs	3,341	3,891	4,283	3,746	3,856	4,171	3,601	4,682	4,844	4,595
Ambulance runs	3,029	2,820	3,080	3,737	3,168	4,151	3,056	3,132	3,980	3,015
Development services										
Area in square miles	35	36	36	36	36	36	36	36	36	36
Cultural and recreational										
Picnic areas	28	35	35	35	35	35	35	35	49	49
Library										
Volumes	109,876	124,817	148,729	148,125	160,109	173,184	182,241	183,529	191,437	197,509
Annual circulation	485,731	584,633	637,107	617,938	579,497	568,431	531,229	320,267	347,215	341,726
Water and sewer										
Number of water connections	12,951	13,242	13,467	13,676	13,860	13,965	14,117	14,117	14,120	14,343
Average daily consumption MG (water)	9.25	8.36	8.79	9.04	9.62	11.37	8.61	10.75	10.37	10.23
System capacity - MG (Water)	23	21	22	23	24	24	24	26	26	27
Number of sewer connections	11,924	12,185	12,198	12,461	12,686	12,866	12,860	12,946	13,107	13,130
Number of refuse connections	11,007	11,206	11,289	11,484	11,673	12,180	11,279	11,279	11,955	11,865
Sewer system capacity (MGD)	6	6	6	6	6	6	8	8	8	8
Lake Enterprise										
Number of golfers, annually	71,562	63,690	62,352	74,183	77,282	74,000	66,874	70,200	62,882	56,053

Source: City departments

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

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety										
Police stations	2	2	2	2	2	2	2	2	2	2
Patrol units	27	27	27	31	26	26	26	36	30	30
Fire stations	5	5	5	5	5	5	5	5	5	5
Public works										
Streets - paved (miles)	185	178	179	180	180	180	180	180	180	208
Parks and recreation										
Acreage*	1,104	1,873	1,873	1,873	1,692	1,772	1,522	1,522	1,522	1,522
Playgrounds	31	35	35	35	35	34	34	35	35	35
Swimming pools	2	2	2	2	2	2	2	2	2	2
Recreation centers	1	1	1	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1	1	1
Central Library	1	1	1	1	1	1	1	1	1	1
Number of golf courses	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	N/A	N/A	N/A	N/A	N/A	247	280	280	280	280
Wastewater										
Sanitary sewers (miles)	N/A	N/A	N/A	N/A	N/A	210	230	230	227	227

Note: N/A - data not available.

Source: City departments

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

COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grapevine, Texas (the “City”) as of and for the year ended September 30, 2010, which collectively comprise the City’s basic financial statements and have issued our report thereon dated February 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

However, we noted certain matters that were reported to management of the City, in a separate letter dated February 21, 2011.

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

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

February 21, 2011



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

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

Compliance

We have audited the compliance of the City of Grapevine, Texas (the “City”) with the types of compliance requirements described in the U. S. Office of Management and Budget (“OMB”) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of the City of Grapevine, Texas, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Grapevine, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Grapevine, Texas' internal control over compliance.

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

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

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

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

February 21, 2011

CITY OF GRAPEVINE, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Expenditures
FEDERAL AWARDS			
<u>U. S. Department of the Interior</u>			
Passed through Texas Parks and Wildlife:			
Sport Fish Restoration Program	15.605	N/A	\$ 28,691
Total passed through Texas Parks and Wildlife			<u>28,691</u>
Total U. S. Department of the Interior			<u>28,691</u>
<u>U. S. Department of Justice</u>			
Direct Programs:			
Federal Forfeitures	16.000	N/A	81,581
Bulletproof Vest Partnership	16.607	N/A	<u>18,129</u>
Total Direct Programs			<u>99,710</u>
Passed through the City of Fort Worth, Texas:			
Justice Assistance Grant	16.738	2009-DJ-BX-1379	8,958
Justice Assistance Grant	16.738	2009-DDB-B9-1479	<u>34,065</u>
Total passed through the City of Fort Worth, Texas			<u>43,023</u>
Total U. S. Department of Justice			<u>142,733</u>
<u>U. S. Department of Transportation</u>			
Passed through Texas Department of Transportation:			
Highway Planning and Construction - Eules-Grapevine Rd	20.205	0902-48-537	2,046,035
Highway Planning and Construction - Traffic Signals	20.205	0902-48-741	861,330
Highway Planning and Construction - Silverlake Sidewalks	20.205	0902-48-724	<u>46,841</u>
Total passed through Texas Department of Transportation			<u>2,954,206</u>
Direct Programs:			
Northeast Transportation Services	20.507	TX90X866	231,889
Northeast Transportation Services	20.507	TX90X909	<u>80,763</u>
Total Direct Programs			<u>312,652</u>
Total U. S. Department of Transportation			<u>3,266,858</u>
<u>U. S. Department of Energy</u>			
Direct Program:			
ARRA - Energy Efficiency and Conservation Block Grant	81.128	DE-SC0002913	1,617
Total Direct Program			<u>1,617</u>

(continued)

CITY OF GRAPEVINE, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Expenditures
FEDERAL AWARDS (Continued)			
Passed through the Texas Comptroller of Public Accounts, State Energy Conservation Office:			
ARRA - State Energy Program	81.041	CS0014	\$ <u>62,977</u>
Total passed through the Texas Comptroller of Public Accounts, State Energy Conservation Office			<u>62,977</u>
Total U. S. Department of Energy			<u>64,594</u>
<u>U. S. Department of Homeland Security</u>			
Direct Programs:			
Assistance to Firefighters Grant	97.044	EMW-2009-FO-10824	1,674
Assistance to Firefighters Grant	97.044	EMW-2008-FP-00872	<u>41,386</u>
Total Direct Programs			<u>43,060</u>
Passed through the Texas Governor's Office			
Division of Emergency Management:			
Urban Areas Security Initiative	97.008	2007-GE-T7-0024	14,971
Law Enforcement Terrorism Prevention Program	97.074	2007-GE-T7-0024	<u>17,970</u>
Total passed through Texas Governor's Office Division of Emergency Management			<u>32,941</u>
Total U. S. Department of Homeland Security			<u>76,001</u>
Total Expenditure of Federal Awards			\$ <u>3,578,877</u>

CITY OF GRAPEVINE, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2010

1. BASIS OF ACCOUNTING

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

2. REPORTING ENTITY

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

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

CITY OF GRAPEVINE, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unqualified

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

Identification of major programs:

CFDA Number(s) #20.205	Name of Federal Program or Cluster: Highway Planning and Construction
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Dollar threshold used to distinguish between type A and type B programs	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

CITY OF GRAPEVINE, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

None

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