



CITY OF GRAPEVINE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2016





CITY OF GRAPEVINE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2016

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

CITY OF GRAPEVINE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

HOME RULE, COUNCIL-MANAGER FORM OF GOVERNMENT

**William D. Tate
MAYOR**

CITY COUNCIL

Darlene Freed, Mayor Pro Tem

Chris Coy

Mike Lease

Paul Slechta

Duff O'Dell

Sharron Spencer

**Bruno Rumbelow
CITY MANAGER**

**Jennifer Hibbs
ASSISTANT CITY MANAGER**

**Greg Jordan
CHIEF FINANCIAL OFFICER**

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INTRODUCTORY SECTION

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March 2, 2017

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

The Finance Division of Fiscal 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 this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects. The data is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. To enable the reader to gain an understanding of the City's financial activities, all necessary disclosures have been included.

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

Pattillo, Brown & Hill, LLP has issued an unmodified ("clean") opinion on the City's financial statements for the year ended September 30, 2016. The independent audit report is located at the front of the financial section of this report.

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

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

Fiscal Services • 200 South Main Street • Grapevine, Texas • 76051 • 817-410-3113 • Fax 817-410-3005



Profile of the City of Grapevine

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

The City is located in the center of the Dallas/Fort Worth metropolitan complex, 21 miles northwest of downtown Dallas and 19 miles northeast of downtown Fort Worth. Three major freeways, State Hwy 114, State Hwy 121, and Interstate Hwy 635, intersect in the heart of Grapevine, providing excellent access to Dallas, Fort Worth and the area shopping, entertainment, and employment centers. The City is located in Northeast Tarrant County and is home to the Dallas/Fort Worth International Airport. Two-thirds of the airport properties are located within Grapevine city limits and Grapevine participates in a revenue share agreement with the cities of Ft. Worth and Dallas. The City is approximately 35 square miles and serves an approximate population of 50,000.

The City provides a full range of services, including police and fire protection, emergency ambulance service, planning and zoning, public improvements, water and sewer services, culture and recreation, and general administrative services. The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund and department, and the City Manager can approve the transfer of expenditures within a fund, but transfers between funds requires approval from the City Council.

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

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

Local Economy

During FY 2016, the City continued to experience economic growth due to superior access to major highways, an aggressive economic development program, and a stable political climate. In addition, the City is in close proximity to DFW International Airport, which helps to promote tourism, and it is the largest employer in Grapevine with more than half of the total employment base. Other local economic indicators for Grapevine in FY 2016 include an unemployment rate of 3.6%, personal income per capita that slightly increased over the past several fiscal years, and 406 certificates of occupancy that were issued compared to 333 in FY 2015.

The overall sales tax receipts for FY 2016 were \$55,883,649 reflecting a modest increase of 3.37% from FY2015 collections of \$54,059,761. The City's hotel and occupancy tax receipts for FY 2016 were \$18,964,558, which equated to a 4.76% increase from prior fiscal year collections of \$18,102,966. These results are an indicator of continued local steady economic growth.

While road construction has been a challenge for the City the past several fiscal years, the work on the FM 2499 project in Northeast Grapevine has been completed. The completed FM 2499 project now has depressed main lanes from SH 121 to Denton Creek, which no longer pass through signalized intersections. New service roads have been constructed to provide access to abutting properties and to connect with the two signalized intersections. Construction work continues on the SH 121 “Section 13” project in Northeast Grapevine with a combined cost of \$184 million. The “Section 13” project is scheduled for completion in 2018 and doubles the current capacity of SH 121 in Northeast Grapevine providing an improved connection between the DFW Connector project and the Sam Rayburn Toll Road. The segment of Kubota Drive serving the new Kubota Headquarters Campus from SH 121 has been completed.

Long-term Financial Planning

The City Council establishes long term financial goals each year as a part of the budgeting process. For FY 2016, the Council continued with the following goals:

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

The City Council held strategic visioning workshops on May 31 and June 2, 2016 for the purpose of developing a strategic vision that serves as a roadmap for future priorities. On July 19, 2016, the Council adopted this strategic plan and agreed to focus upon 5 Key Strategic Priorities listed below:

- (1) Updating the Land Use Master Plan
- (2) Developing the Train District/Dallas Road project
- (3) Completing the 185 Acre project
- (4) Execution of the “Quality of Life” Fund projects
- (5) Capital Improvement Planning

In meeting the goal of providing a safe and secure community, the Police Department responded to 52,613 calls for service while the Fire Department responded to 5,905 calls for service and 4,893 ambulance runs.

The City continued to maintain financial stability and strong fiscal management for FY 2016. The General, Debt Service, Utility Enterprise, and Stormwater Drainage funds ended the fiscal year with fund balances that meet or exceed their requirement. The City also maintained existing services and transferred from the General Fund \$3,000,000 to the Quality of Life Fund, \$200,000 to the Streets Capital Projects Fund, \$3,279,000 to the Permanent Capital Maintenance Fund, \$1,906,099 to the Capital Equipment Fund; \$499,436 to the Capital Projects Recreation Fund, and \$1,499,999 to the General Facilities Capital Fund.

Major Economic Initiatives and Community Development

Grapevine continues to experience strong construction growth. In FY 2016, construction values exceeded \$251 million, compared to \$192 million in FY 2015. The largest category in this fiscal year was \$124 million in new commercial construction, which accounted for approximately 49% of the construction values. A total of 64 single-family residential homes were permitted in FY 2016 valued at \$22,872,201. The following are some other major community development projects and economic initiatives that occurred or continued during FY 2016.

At the end of 2013, the City purchased a 185 acre commercial and industrial tract for local development. The first property sale occurred in FY 2015 for the Kubota Tractor Headquarters North American location for the purpose of relocating from Torrance, California. At the close of FY 2016, construction is nearing completion and personnel are beginning to move into the building. This project has a construction value of over \$50 million and will initially

employ over 300 people with potential expansion in staff to 500 people. A second parcel of land was sold to Mercedes-Benz Corporation for a \$30 million new training and distribution facility and a third parcel was sold to TST Impreso for an \$8 million warehouse facility. Both tracts are now under construction. Finally, a fourth project has been announced on the 185 acre tract by Stand Rock Hospitality for a \$330 million 2 phase resort and waterpark that will ultimately include more than 800 guest rooms, and an expansive water park. Construction is planned to begin in 2018 ultimately employing approximately 1,000 people.

Other major developments include the addition of a 103 thousand square foot Fieldhouse USA regional sports training facility that is anchored at Grapevine Mills Mall. The renovation cost for this project was \$7 million and the facility opened in January 2017. Perry's Steakhouse is planning to construct a \$7 million restaurant adjacent to Park Place Shopping Center, and D.L. Rogers Corporation is finishing construction on their 38,730 square foot headquarters building on South Main Street. The hospitality business continued to expand in Grapevine with the Gaylord Texan beginning a \$120 million expansion that will add 303 more rooms and additional convention space. To serve the meeting and events business, the Laurel Event Center opened a 14,519 square foot facility near State Highway 121 and Bass Pro Drive. American Airlines was granted two Enterprise Projects by the State for \$85 million in improvements to their cargo and maintenance facilities at Dallas/Fort Worth International Airport.

In FY 2007, the City of Grapevine passed a 3/8 cent sales tax to participate in a commuter rail system that will span from Fort Worth to Dallas/Fort Worth International Airport. The City has purchased a site for the train station and is currently under design with an expectation of opening in 2018.

Staff continues to finish work on the new Public Safety Building funded by the 2012 General Obligation (GO) bond issue. This new facility located on Dallas Road will include offices for Police, Court, IT and Fire Administration and will replace their existing facilities. It is expected to be open in the summer of 2017.

The Convention & Visitors Bureau (CVB) promotes Grapevine locally, regionally, nationally and internationally as a tourism and recreation destination. The CVB operates the Grapevine Shuttle which provides local transportation for visitors from the DFW International Airport and local Grapevine hotels to Historic Downtown Grapevine, restaurants, and retail establishments. In 2016, the Grapevine Convention & Visitors Bureau, along with partners throughout the City, hosted Travel Media Showcase, an annual convention of 75 travel writers representing more than 240 publications and media outlets across the United States as well as Connect Marketplace, an annual convention of more than 2,500 meeting planners and suppliers over a four-day period.

Awards and Acknowledgements

The City's Finance Division was awarded the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report ("CAFR") for the fiscal year ended September 30, 2015. This was the 29th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City's Purchasing Division received the 2016 Annual Achievement of Excellence in Procurement® Award. The continuously evolving AEP criteria is designed to measure state of the art in best practices. The City of Grapevine was one of only 28 agencies in Texas and one of only 72 cities in the United States and Canada to receive this award. Grapevine staff have worked diligently and therefore have received this award for three consecutive years.

The CVB promotes many community events including the Christmas Capital of Texas® and GrapeFest® which have been recognized as Top 100 events by the American Bus Association for 8 years and 9 years respectively. Grapevine was also recognized as an International Festivals & Events City by the International Festivals & Events Association and received the IFEA World Festival & Event City Award in 2012.

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

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

Respectfully submitted by:

Greg Jordan

Greg Jordan
Chief Financial Officer



Government Finance Officers Association

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

Presented to

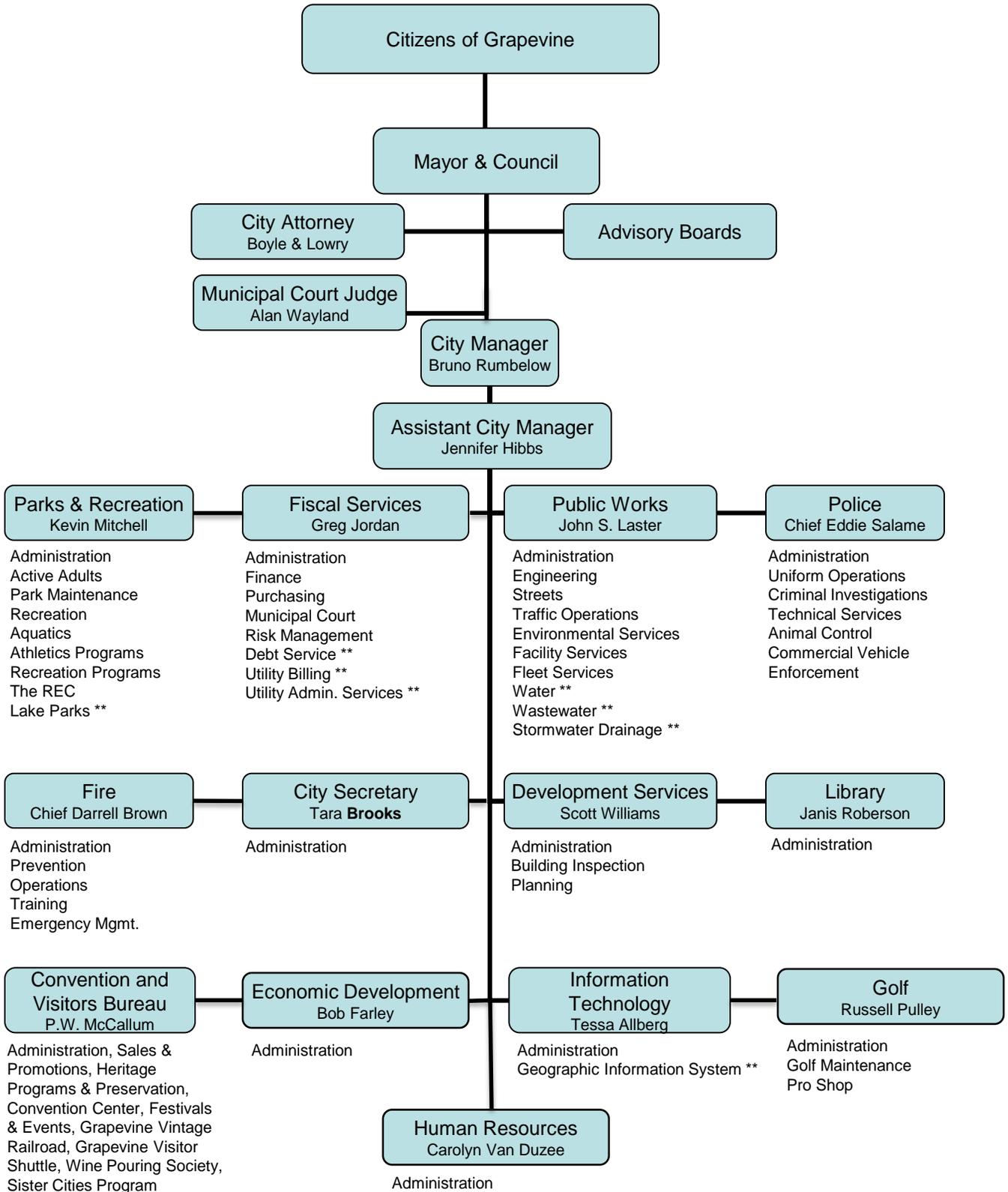
**City of Grapevine
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

City of Grapevine Organization Chart



CITY OF GRAPEVINE, TEXAS
ADMINISTRATIVE OFFICIALS

Bruno Rumbelow
City Manager

Jennifer Hibbs
Assistant City Manager

Tara Brooks
City Secretary

John F. Boyle, Jr.
City Attorney

Alan Wayland
Municipal Court Judge

Greg Jordan
Chief Financial Officer

Stan Laster
Director of Public Works

Scott Williams
Director of Development Services

Darrell Brown
Fire Chief

Edward Salame
Chief of Police

Janis Roberson
Library Director

Kevin Mitchell
Director of Parks and Recreation

Russell E. Pulley
Director of Golf

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

Carolyn Van Duzee
Human Resources Director

Karen L. Walker
Managing Director of Financial Services

Robert Smeby
Purchasing Agent

Gary W. Livingston
Management Services Director

Robert Farley
*Director of Economic
Development*

Tessa Allberg
Chief Technical Officer

FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grapevine, Texas (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grapevine, Texas, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grapevine, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2017, on our consideration of the City of Grapevine, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Grapevine, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
March 2, 2017

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis

As management of the City of Grapevine (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$378,987,563 (net position). Of this amount, (\$5,536,872) represents a deficit unrestricted net position.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,753,407 or 26% of total General Fund expenditures.
- The City transferred \$3,000,000 from the General Fund to the Quality of Life CIP Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

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

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

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

The City maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Special Revenue Fund—Hotel Occupancy Tax, Special Revenue Fund—Crime District, Special Revenue Fund—4B – Economic Development Fund, Special Revenue Fund—4B – Transit Fund, Special Revenue Fund—Lake Parks Fund, Debt Service Fund, Debt Service Fund—Tax Reinvestment Zone Number One (TIF #1), Debt Service Fund—Tax Reinvestment Zone Number Two (TIF #2), and Capital Projects Fund – General Facilities and Equipment, all of which are considered to be major funds. Data from the other 10 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 (Golf Course).

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the City’s Financial Position —

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. As of September 30, 2016, the City’s assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$378,987,563.

The largest portion of the City's net position \$303,100,487 reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire capital assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. Restricted net position is for (1) use of impact fees for construction purposes \$3,205,263, (2) debt service \$17,938,102, (3) capital projects \$1,995,243, (4) public safety \$1,310,314, (5) economic development \$56,460,582, (6) transportation \$465,201, and (7) culture and recreation \$49,243. Unrestricted net position of (\$5,536,872), if positive, may be used to meet the City's ongoing obligations to citizens and creditors.

For fiscal year-end 2016, the City is able to report positive balances in two categories of net position for the City as a whole, which reflects an improvement from the prior year. Unrestricted net position is negative for the governmental activities and in total for the City. This is due in part to the recognition of the net pension liability under the requirements of GASB Statement No. 68 and also due to the fact that the City has a substantial amount of debt related to TIF #2 which is not capital-related.

Condensed Schedule of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 181,994,910	\$ 187,036,392	\$ 30,652,849	\$ 32,782,280	\$ 212,647,759	\$ 219,818,672
Capital assets	282,253,588	261,484,947	128,863,442	109,956,822	411,117,030	371,441,769
Total assets	464,248,498	448,521,339	159,516,291	142,739,102	623,764,789	591,260,441
Deferred outflows of resources	16,900,916	7,959,879	1,761,880	946,670	18,662,796	8,906,549
Long-term liabilities	216,233,080	210,166,587	18,864,649	23,634,994	235,097,729	233,801,581
Other liabilities	22,060,466	17,943,345	3,980,666	4,876,786	26,041,132	22,820,131
Total liabilities	238,293,546	228,109,932	22,845,315	28,511,780	261,138,861	256,621,712
Deferred inflows of resources	2,089,713	1,353,050	211,448	134,569	2,301,161	1,487,619
Net position:						
Net investment						
in capital assets	176,590,969	176,132,960	126,509,518	104,296,149	303,100,487	280,429,109
Restricted	78,218,685	71,931,832	3,205,263	2,649,103	81,423,948	74,580,935
Unrestricted	(14,043,499)	(21,046,556)	8,506,627	8,094,171	(5,536,872)	(12,952,385)
Total net position	\$ 240,766,155	\$ 227,018,236	\$ 138,221,408	\$ 115,039,423	\$ 378,987,563	\$ 342,057,659

Analysis of the City's operations—

Governmental activities – Governmental activities increased the City's net position by \$13,747,919. Significant reasons for this increase are as follows:

Overall total revenues for fiscal year 2016 were 11.6% higher than the previous fiscal year and the City experienced increases in several categories of revenue. The largest of the revenue increases came from capital grants and contributions. The increase for both of these items can be attributed to economic growth within the City. Another increase was a hotel occupancy tax increase caused in part by an increase in the rate by 1% as of October 1, 2015. The City's operating expenses for 2016 increased by \$13,591,465 or 11.2%. The City incurred more expenses than the prior year due to another flooding event, which had an impact on departments within the City. Additionally, the City had higher expenses related to its TMRS pension plan, additional costs related to the first full year of operations for the REC, and higher expenses than the previous year related to economic development agreements.

Business-type activities – Business-type activities increased the City's net position by \$23,181,985. The increase is primarily due to the increase in capital contributions from developers within the City. The Utilities Fund had several capital projects either started or completed during the fiscal year and they included repairs and maintenance on the Mustang Water Tower, the Denton and Greenhouse Lift Stations, continued work on the DFW Connector project and other water and sewer line improvements. The Lake Enterprise Fund (Golf) continued to experience a decrease in activity for the year due to the effects of the previous year's flood.

The following table provides a summary of the City's operations for the year ended September 30, 2016, and 2015.

CITY OF GRAPEVINE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 20,265,199	\$ 18,525,588	\$ 26,640,704	\$ 24,647,820	\$ 46,905,903	\$ 43,173,408
Operating grants and contributions	382,612	1,381,374	-	-	382,612	1,381,374
Capital grants and contributions	9,548,715	1,608,783	17,980,963	4,896,352	27,529,678	6,505,135
General revenues:						
Property taxes	31,616,778	30,902,986	-	-	31,616,778	30,902,986
Hotel occupancy taxes	18,964,558	18,102,966	-	-	18,964,558	18,102,966
Sales taxes	55,883,649	54,059,761	-	-	55,883,649	54,059,761
Mixed beverage taxes	1,710,043	1,647,776	-	-	1,710,043	1,647,776
Franchise taxes	6,818,261	6,824,482	-	-	6,818,261	6,824,482
Investment earnings	886,949	266,322	147,858	43,357	1,034,807	309,679
Miscellaneous	203,915	11,316	-	-	203,915	11,316
Gain on sale of capital assets	4,143,738	1,489,776	3,044	6,525	4,146,782	1,496,301
Total revenues	<u>150,424,417</u>	<u>134,821,130</u>	<u>44,772,569</u>	<u>29,594,054</u>	<u>195,196,986</u>	<u>164,415,184</u>
Expenses:						
General government	21,300,608	19,301,939	-	-	21,300,608	19,301,939
Public safety	31,685,529	31,305,282	-	-	31,685,529	31,305,282
Culture and recreation	18,353,520	15,617,342	-	-	18,353,520	15,617,342
Public works	13,590,399	12,817,108	-	-	13,590,399	12,817,108
Transportation	9,600,441	9,222,903	-	-	9,600,441	9,222,903
Tourism	18,526,251	16,965,739	-	-	18,526,251	16,965,739
Economic development	15,976,338	10,035,979	-	-	15,976,338	10,035,979
Interest on long-term debt	5,479,872	5,655,201	-	-	5,479,872	5,655,201
Water and sewer	-	-	20,497,966	19,691,317	20,497,966	19,691,317
Lake enterprise	-	-	3,256,158	2,850,206	3,256,158	2,850,206
Total expenses	<u>134,512,958</u>	<u>120,921,493</u>	<u>23,754,124</u>	<u>22,541,523</u>	<u>158,267,082</u>	<u>143,463,016</u>
Increases in net position before transfers	15,911,459	13,899,637	21,018,445	7,052,531	36,929,904	20,952,168
Transfers	(2,163,540)	1,423,799	2,163,540	(1,423,799)	-	-
Change in net position	13,747,919	15,323,436	23,181,985	5,628,732	36,929,904	20,952,168
Net position, beginning	<u>227,018,236</u>	<u>203,556,390</u>	<u>115,039,423</u>	<u>92,074,414</u>	<u>342,057,659</u>	<u>295,630,804</u>
Prior period adjustment	-	8,138,410	-	17,336,277	-	25,474,687
Net position, beginning, as restated	<u>227,018,236</u>	<u>211,694,800</u>	<u>115,039,423</u>	<u>109,410,691</u>	<u>342,057,659</u>	<u>321,105,491</u>
Net position, ending	<u>\$ 240,766,155</u>	<u>\$ 227,018,236</u>	<u>\$ 138,221,408</u>	<u>\$ 115,039,423</u>	<u>\$ 378,987,563</u>	<u>\$ 342,057,659</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds – As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$159,915,128, a decrease of \$9,260,892 compared with the prior year. Unassigned fund balance is \$8,984,472 (6%), which is available for spending at the City's discretion. The remainder of fund balance is not available for new spending because it has already been (1) classified as nonspendable (\$1,101,795) (2) restricted for debt service, capital projects, public safety, economic development, transportation, and culture and recreation programs (\$99,109,405) (3) committed for stormwater drainage and public arts (\$2,006,762) (4) or assigned for economic development, capital projects, tourism and culture and recreation programs (\$48,712,694).

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

General Fund – The fund balance decreased \$422,176 for FY 2016. Every year the General Fund makes transfers to other funds and this year some of those transfers included \$3,000,000 to the Quality of Life Fund (non-major fund) for capital projects designated by the City Council; \$700,000 to the Crime District Fund (CCPD); \$1,202,000 to the Capital Acquisition Fund; and \$3,279,000 to the Street Maintenance and Capital Replacement Fund. Fund balance in the General Fund was also impacted by the increase in revenues and increased operating costs. This fiscal year the City experienced an increase in sales and mixed beverage taxes which contributed to the General Fund revenue increase of \$3,324,367. Overall operating expenditures increased from the previous year by \$2,823,673 as the City continues to provide quality programs, public safety and other services for the City's residents and visitors.

Special Revenue – Hotel Occupancy Tax Fund – Fund balance increased in the Hotel Occupancy Tax Fund by \$6,360,106, which was primarily due to expenditures being less than budget by \$3,192,796 and an increase in hotel occupancy tax revenues of \$861,592. This increase is the result of increased occupancy and overall economic gains within the City as well as a 1% tax rate increase.

Special Revenue – Crime District Fund – The Crime District Fund experienced an increase in sales tax revenues of \$320,618. Expenditures of the Crime District Fund were also less than budget by \$311,176. The ending fund balance for FY 2016 was \$638,848.

Special Revenue – 4B – Economic Development – The 4B fund balance increased by \$15,429,770 over last fiscal year. This increase can be primarily attributed to the sale of large parcels of land for economic development. A portion of sales tax dollars are being transferred into the 4B – Economic Development Fund to cover the long-term debt on the original purchase of the 185 acre development parcel the City purchased in FY 2014. The first property was sold to Kubota Tractor Corporation in FY 2015 for their new headquarters building which is a relocation from Torrance, California. Kubota's facility is currently under construction and expected to employ approximately 300 employees. Additional properties were sold in FY 2016, including a sale to Mercedes Benz for expansion and the sale for development of a new apartment complex.

Special Revenue – 4B – Transit – The 4B fund balance increased by \$4,515 over last fiscal year. A portion of the economic sales tax dollars received are being reported in the 4B – Transit Fund and these sales tax receipts are being used to pay the Ft. Worth Transit Authority and cover a portion of the City's CVB shuttle visitors bus system.

Special Revenue – Lake Parks – The Lake Parks fund balance decreased by \$995,165 over last fiscal year. Revenues were significantly less than budget in FY 2016 for the Lake Parks Fund due to significant flooding that left the parks closed for a majority of the year.

Debt Service Fund – This fund has a total fund balance of \$13,760,380 that is restricted for the payment of debt service. The \$3,598,055 decrease in fund balance can be attributed to the restructuring of previously issued debt.

Debt Service Fund – TIF #1 – The Debt Service Fund – TIF #1 had a total fund balance of \$27,445,693. The \$6,488,823 decrease in fund balance was primarily attributed to an increase in distributions out of the fund. The final debt service payments for TIF #1 were paid in FY 2016. As a result of all debt service requirements being met, a significant portion of the funds of the TIF are being distributed to the participating entities.

Debt Service Fund – TIF #2 – The Debt Service – TIF #2 had a total fund balance of \$4,921,198. The \$545,642 decrease in fund balance was primarily the result of excess expenditures over property tax collections for FY 2016.

Capital Projects – General Facilities and Equipment – The General Facilities and Equipment capital projects fund had an ending fund balance of \$16,863,458. This is a decrease of \$18,576,191 compared to the prior year. The decrease in fund balance was due to the City spending the previously issued 2012 GO bond proceeds on the new public safety facility.

Proprietary Funds –

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

General Fund Budgetary Highlights

Significant amendment changes:

The General Fund transferred out \$10,384,534 to several funds including the Capital Equipment Fund, the General Facilities Fund, the Quality of Life Fund, the 4B Economic Development Fund and the Special Revenue Fund – Crime District (CCPD). Overall, the operating expenditures for the General Fund increased from the previous year primarily due to adopted salary increases, professional services, apparatus and tools, and utilities. The cultural and recreation expenditure budget increased this year largely due to increased participant demand in athletic and recreation programs, aquatics and grounds maintenance.

Significant budget variances:

For the year ended September 30, 2016, revenues exceeded the final budget in the General Fund due to tax receipts being greater than anticipated, and overall expenditures were higher due to increases in self-funded insurance costs, software licensing and maintenance fees, and professional services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

During fiscal year 2016, significant focus was placed on the construction of a new Public Safety Building. This new state-of-the-art facility will be home to our Police Department, Municipal Court, Fire Department Administration, Information Technology Department and Logistics. This will be a multi-level facility boasting three different buildings on one campus. Our first responders will also benefit from enhanced technology allowing them to better assist Grapevine citizens. During the year, the City incurred \$23,634,800 in capital expenditures related to the design and construction of the facility. An additional \$2,451,388 was spent on technology, of which \$1,464,000 was capital-related. The new Public Safety Building is scheduled to open in the summer of 2017.

The City's total value for land and improvements decreased by \$2,643,079 due to individual sales of some of the 185-acres purchased in FY 2014 for economic development. This includes sales to Mercedes Benz to further their operations in Grapevine as well as a sale to develop an apartment complex. In large part, the \$16,950,421 increase in easement acquisitions are related to these sales due to the entity's donation back to the City square footage allotments for easement use.

The City's construction in progress (CIP) decrease is related to the completion of the REC renovation. As a result, the asset value is now reflected in the "Buildings" category. Finally, several large pieces of machinery and equipment were purchased during this fiscal year by the Public Works Department including a Mack tandem truck, sewer jetter truck and several Freightliner trucks.

Capital assets—The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounted to \$411,117,030 (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 \$39,675,261.

CITY OF GRAPEVINE'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land and improvements	\$ 105,504,964	\$ 108,148,043	\$ 1,643,545	\$ 1,643,545	\$ 107,148,509	\$ 109,791,588
Easements	-	-	39,402,819	22,452,398	39,402,819	22,452,398
Construction in progress	38,202,094	40,981,780	1,574,202	83,339	39,776,296	41,065,119
Buildings	59,400,490	30,521,937	791,995	835,471	60,192,485	31,357,408
Improvements other than buildings	19,348,545	19,864,602	913,075	1,285,712	20,261,620	21,150,314
Machinery and equipment	15,277,127	14,275,927	2,164,556	1,899,035	17,441,683	16,174,962
Water storage rights	-	-	78,327	95,416	78,327	95,416
Infrastructure	44,520,368	47,692,658	82,294,923	81,661,906	126,815,291	129,354,564
Total	\$ 282,253,588	\$ 261,484,947	\$ 128,863,442	\$ 109,956,822	\$ 411,117,030	\$ 371,441,769

Additional information on the City's capital assets can be found in Note 5 of the notes to the financial statements.

Long-term debt—At the end of the current fiscal year, the City had total bonded debt outstanding of \$157,335,512. Of this amount, \$139,165,512 comprises debt backed by the full faith and credit of the City.

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

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 83,250,000	\$ 88,810,000	\$ 3,085,000	\$ 7,140,000	\$ 86,335,000	\$ 95,950,000
Certificates of obligation	35,313,701	35,588,796	7,880,000	9,720,000	43,193,701	45,308,796
Revenue bonds	18,170,000	18,840,000	-	-	18,170,000	18,840,000
Notes payable	2,500,410	3,070,708	-	-	2,500,410	3,070,708
Premium on bonds issued	6,649,133	7,137,404	487,268	815,535	7,136,401	7,952,939
	<u>\$ 145,883,244</u>	<u>\$ 153,446,908</u>	<u>\$ 11,452,268</u>	<u>\$ 17,675,535</u>	<u>\$ 157,335,512</u>	<u>\$ 171,122,443</u>

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The following economic factors currently affect the City and were considered in developing the 2016-2017 fiscal year budget.

The economy continues to be strong for the City and the Dallas-Fort Worth metroplex in general. With quality of life focus, the City takes a proactive approach to economic development with its business, cultural, educational and recreational amenities the community has to offer.

As 2015 brought the excitement of the opening of the new Recreation Center, 2017 will include the opening of the new Public Safety Building. Both facilities are state-of-the-art and are designed to provide the highest quality service to citizens. The citizens of Grapevine have benefited from the effective tax rate and as a result have not paid any additional taxes for the two facilities.

The effective tax rate is the tax rate that, when applied to the taxable assessed valuation, would produce the same total taxes as last year when properties taxed in both years are compared. The objective of the effective tax rate is to generate equal tax revenues using taxable valuation’s from different years. For fiscal year 2017, the effective tax rate was lowered from fiscal year 2016 from \$0.328437 per \$100 of assessed valuation to \$0.289271 per \$100 of assess valuation.

General government revenue is projected to increase by \$930,000 over the prior year as both sales tax and mixed beverage tax collections are projected to increase. The General Fund fund balance requirement is 20% of total budgeted expenditures or 72 days of operations. The 2017 projected ending fund balance represents 24.7% of total budgeted expenditures or 90 days of operations.

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 POSITION
SEPTEMBER 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Heritage Foundation
ASSETS				
Cash and investments	\$ 157,489,651	\$ 15,550,665	\$ 173,040,316	\$ 512,148
Receivables, net				
Taxes	11,781,530	-	11,781,530	-
Accounts	2,116,602	3,144,839	5,261,441	-
Pledges	-	-	-	46,220
Internal balances	1,526,111	(1,526,111)	-	-
Due from primary government	-	-	-	702
Due from other governments	1,665,165	-	1,665,165	-
Inventory	531,173	67,830	599,003	-
Accrued interest	53,434	8,562	61,996	200
Prepaid expenses	1,367,844	37,533	1,405,377	-
Deposits	5,463,400	-	5,463,400	-
Restricted assets:				
Cash and investments	-	13,369,531	13,369,531	-
Capital assets (net of accumulated depreciation)				
Non-depreciable	143,707,058	42,620,566	186,327,624	450,067
Depreciable	138,546,530	86,242,876	224,789,406	876,663
Total assets	<u>464,248,498</u>	<u>159,516,291</u>	<u>623,764,789</u>	<u>1,886,000</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	15,939,980	1,612,896	17,552,876	-
Deferred loss on bond refunding	960,936	148,984	1,109,920	-
Total deferred outflows of resources	<u>16,900,916</u>	<u>1,761,880</u>	<u>18,662,796</u>	<u>-</u>
LIABILITIES				
Accounts payable	12,433,698	2,302,281	14,735,979	8,266
Contracts and retainage payable	1,365,584	135,724	1,501,308	-
Accrued and other liabilities	2,336,615	354,047	2,690,662	7
Developer deposits	2,161,367	-	2,161,367	-
Interest payable	822,034	713	822,747	-
Due to component unit	702	-	702	-
Unearned revenue	2,940,466	257,699	3,198,165	2,925
Customer deposits	-	930,202	930,202	-
Noncurrent liabilities:				
Due within one year	13,870,803	213,489	14,084,292	-
Due in more than one year	202,362,277	18,651,160	221,013,437	-
Total liabilities	<u>238,293,546</u>	<u>22,845,315</u>	<u>261,138,861</u>	<u>11,198</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	2,089,713	211,448	2,301,161	-
Total deferred inflows of resources	<u>2,089,713</u>	<u>211,448</u>	<u>2,301,161</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	176,590,969	126,509,518	303,100,487	1,326,730
Restricted for:				
Use of impact fees	-	3,205,263	3,205,263	-
Debt service	17,938,102	-	17,938,102	-
Capital projects	1,995,243	-	1,995,243	-
Public safety	1,310,314	-	1,310,314	-
Economic development	56,460,582	-	56,460,582	-
Transportation	465,201	-	465,201	-
Culture and recreation	49,243	-	49,243	-
Unrestricted	(14,043,499)	8,506,627	(5,536,872)	548,072
Total net position	<u>\$ 240,766,155</u>	<u>\$ 138,221,408</u>	<u>\$ 378,987,563</u>	<u>\$ 1,874,802</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, 2016

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 21,300,608	\$ 2,734,526	\$ 29,169	\$ 7,183,198
Public safety	31,685,529	3,788,664	242,212	-
Culture and recreation	18,353,520	4,526,047	111,231	423,566
Public works	13,590,399	1,494,657	-	1,941,951
Transportation	9,600,441	-	-	-
Economic development	15,976,338	-	-	-
Tourism	18,526,251	7,721,305	-	-
Interest on long-term debt	5,479,872	-	-	-
Total governmental activities	<u>134,512,958</u>	<u>20,265,199</u>	<u>382,612</u>	<u>9,548,715</u>
Business-type activities:				
Water and sewer	20,497,966	23,824,432	-	17,980,963
Lake Enterprise	3,256,158	2,816,272	-	-
Total business-type activities	<u>23,754,124</u>	<u>26,640,704</u>	<u>-</u>	<u>17,980,963</u>
Total primary government	<u>\$ 158,267,082</u>	<u>\$ 46,905,903</u>	<u>\$ 382,612</u>	<u>\$ 27,529,678</u>
Component unit:				
Heritage Foundation	<u>\$ 189,431</u>	<u>\$ 8,029</u>	<u>\$ 88,056</u>	<u>\$ 3,854</u>
General revenues:				
Taxes:				
Property				
Franchise				
Hotel occupancy				
Sales				
Mixed beverage				
Investment income				
Gain on disposal of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position			Component
Primary Government			Unit
Governmental Activities	Business-type Activities	Total	Heritage Foundation
\$(11,353,715)	\$ -	\$(11,353,715)	\$ -
(27,654,653)	-	(27,654,653)	-
(13,292,676)	-	(13,292,676)	-
(10,153,791)	-	(10,153,791)	-
(9,600,441)	-	(9,600,441)	-
(15,976,338)	-	(15,976,338)	-
(10,804,946)	-	(10,804,946)	-
(5,479,872)	-	(5,479,872)	-
<u>(104,316,432)</u>	<u>-</u>	<u>(104,316,432)</u>	<u>-</u>
-	21,307,429	21,307,429	-
<u>-</u>	<u>(439,886)</u>	<u>(439,886)</u>	<u>-</u>
<u>-</u>	<u>20,867,543</u>	<u>20,867,543</u>	<u>-</u>
<u>(104,316,432)</u>	<u>20,867,543</u>	<u>(83,448,889)</u>	<u>-</u>
			<u>(89,492)</u>
31,616,778	-	31,616,778	-
6,818,261	-	6,818,261	-
18,964,558	-	18,964,558	-
55,883,649	-	55,883,649	-
1,710,043	-	1,710,043	-
886,949	147,858	1,034,807	2,187
4,143,738	3,044	4,146,782	-
203,915	-	203,915	9,057
<u>(2,163,540)</u>	<u>2,163,540</u>	<u>-</u>	<u>-</u>
<u>118,064,351</u>	<u>2,314,442</u>	<u>120,378,793</u>	<u>11,244</u>
13,747,919	23,181,985	36,929,904	(78,248)
<u>227,018,236</u>	<u>115,039,423</u>	<u>342,057,659</u>	<u>1,953,050</u>
<u>\$ 240,766,155</u>	<u>\$ 138,221,408</u>	<u>\$ 378,987,563</u>	<u>\$ 1,874,802</u>

CITY OF GRAPEVINE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Special Revenue				
	General	Hotel Occupancy Tax	Crime District	4B-Economic Development	4B-Transit
ASSETS					
Cash and investments	\$ 6,787,057	\$ 20,859,197	\$ 10,213	\$ 27,143,269	\$ 1,131,911
Receivables (net of allowances for uncollectibles)					
Accounts	1,763,847	70,862	3,231	4,395	-
Taxes	5,427,898	1,538,560	2,257,672	721,595	1,753,678
Accrued interest	4,858	5,446	-	10,793	457
Inventory	514,277	5,714	-	-	-
Due from other funds	5,814,455	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	265,155	138,897	65,553	-	-
Deposits	-	-	-	5,463,400	-
Total assets	<u>\$ 20,577,547</u>	<u>\$ 22,618,676</u>	<u>\$ 2,336,669</u>	<u>\$ 33,343,452</u>	<u>\$ 2,886,046</u>
LIABILITIES					
Accounts payable	\$ 2,930,251	\$ 2,187,166	\$ 361,583	\$ 1,043,686	\$ 2,420,845
Accrued liabilities	1,707,069	210,982	368,207	15,908	-
Due to other funds	-	-	968,031	-	-
Due to component unit	-	702	-	-	-
Unearned revenue	1,668,754	935,377	-	-	-
Developer deposits	-	-	-	-	-
Total liabilities	<u>6,306,074</u>	<u>3,334,227</u>	<u>1,697,821</u>	<u>1,059,594</u>	<u>2,420,845</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	738,634	-	-	-	-
Total deferred inflows of resources	<u>738,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Nonspendable:					
Inventory	514,277	5,714	-	-	-
Prepaid items	265,155	138,897	65,553	-	-
Restricted for:					
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Public safety	-	-	573,295	-	-
Economic development	-	-	-	29,014,889	-
Transportation	-	-	-	-	465,201
Culture and recreation	-	-	-	-	-
Committed for:					
Stormwater drainage operations	-	-	-	-	-
Public arts	-	-	-	-	-
Assigned for:					
Economic development	-	-	-	3,268,969	-
Capital projects	-	-	-	-	-
Tourism	-	19,139,838	-	-	-
Culture and recreation	-	-	-	-	-
Unassigned	12,753,407	-	-	-	-
Total fund balances	<u>13,532,839</u>	<u>19,284,449</u>	<u>638,848</u>	<u>32,283,858</u>	<u>465,201</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,577,547</u>	<u>\$ 22,618,676</u>	<u>\$ 2,336,669</u>	<u>\$ 33,343,452</u>	<u>\$ 2,886,046</u>

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

<u>Special Revenue</u>		<u>Capital Projects</u>					
<u>Lake Parks</u>	<u>Debt Service</u>	<u>Debt Service TIF #1</u>	<u>Debt Service TIF #2</u>	<u>General Facilities and Equipment</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	
\$ 180,105	\$ 13,773,281	\$ 27,424,285	\$ 4,919,241	\$ 17,923,513	\$ 37,337,579	\$ 157,489,651	
4,391	-	-	-	-	269,876	2,116,602	
-	71,673	10,454	-	-	-	11,781,530	
-	5,484	10,954	1,957	1,877	11,608	53,434	
11,182	-	-	-	-	-	531,173	
-	-	-	-	-	-	5,814,455	
-	-	-	-	-	1,665,165	1,665,165	
-	-	-	-	797,222	101,017	1,367,844	
-	-	-	-	-	-	5,463,400	
<u>\$ 195,678</u>	<u>\$ 13,850,438</u>	<u>\$ 27,445,693</u>	<u>\$ 4,921,198</u>	<u>\$ 18,722,612</u>	<u>\$ 39,385,245</u>	<u>\$ 186,283,254</u>	
\$ 152,363	\$ 11,500	\$ -	\$ -	\$ 1,859,154	\$ 1,467,150	\$ 12,433,698	
7,474	-	-	-	-	26,975	2,336,615	
2,165,559	-	-	-	-	1,154,754	4,288,344	
-	-	-	-	-	-	702	
336,335	-	-	-	-	-	2,940,466	
-	-	-	-	-	2,161,367	2,161,367	
<u>2,661,731</u>	<u>11,500</u>	<u>-</u>	<u>-</u>	<u>1,859,154</u>	<u>4,810,246</u>	<u>24,161,192</u>	
-	78,558	-	-	-	1,389,742	2,206,934	
-	<u>78,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,389,742</u>	<u>2,206,934</u>	
11,182	-	-	-	-	-	531,173	
-	-	-	-	-	101,017	570,622	
-	13,760,380	-	4,921,198	-	-	18,681,578	
-	-	-	-	9,831,352	12,311,135	22,142,487	
-	-	-	-	-	737,019	1,310,314	
-	-	27,445,693	-	-	-	56,460,582	
-	-	-	-	-	-	465,201	
-	-	-	-	-	49,243	49,243	
-	-	-	-	-	923,013	923,013	
-	-	-	-	-	1,083,749	1,083,749	
-	-	-	-	-	-	3,268,969	
-	-	-	-	7,032,106	18,001,677	25,033,783	
-	-	-	-	-	-	19,139,838	
-	-	-	-	-	1,270,104	1,270,104	
(2,477,235)	-	-	-	-	(1,291,700)	8,984,472	
(2,466,053)	<u>13,760,380</u>	<u>27,445,693</u>	<u>4,921,198</u>	<u>16,863,458</u>	<u>33,185,257</u>	<u>159,915,128</u>	
<u>\$ 195,678</u>	<u>\$ 13,850,438</u>	<u>\$ 27,445,693</u>	<u>\$ 4,921,198</u>	<u>\$ 18,722,612</u>	<u>\$ 39,385,245</u>	<u>\$ 186,283,254</u>	

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CITY OF GRAPEVINE, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Total fund balances - governmental funds balance sheet \$ 159,915,128

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

Capital assets used in governmental activities are not reported in the funds. 280,888,004

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

Property tax receivables	105,437
Property tax penalties and interest receivable	29,848
Court fines and fees receivable	404,868
Ambulance receivable	115,764
Grant receivables	1,275,767
Other receivables	275,250

Accrued bond interest is not due and payable in the current period and therefore is not reported in the funds. (822,034)

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

A summary of these items are as follows:

Long-term liabilities:

Bonds payable	(143,372,193)
Notes payable	(2,500,410)
Compensated absences	(3,410,277)
Sales tax obligation	(425,135)
Net OPEB obligation	(20,871,877)

Deferred outflows of resources:

Deferred losses on bond refundings	960,936
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Included in the items related to long-term liabilities is the recognition of the City's net pension liability and a deferred outflow of resources and deferred inflows of resources related to the net pension liability

Long-term liabilities:

Net pension liability	(45,653,188)
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Deferred outflows of resources:

Pension related deferred outflow of resources	15,939,980
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Deferred inflows of resources:

Pension related deferred inflow of resources	(2,089,713)
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Net position of governmental activities \$ 240,766,155

CITY OF GRAPEVINE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue				
	General	Hotel Occupancy Tax	Crime District	4B-Economic Development	4B-Transit
REVENUES					
Property tax	\$ 9,793,332	\$ -	\$ -	\$ -	\$ -
Hotel occupancy tax	-	18,964,558	-	-	-
Sales tax	28,314,649	-	13,517,360	4,170,134	9,881,506
Mixed beverage tax	1,710,043	-	-	-	-
Franchise tax	6,661,526	-	-	-	-
Licenses and permits	1,745,323	-	-	-	-
Intergovernmental	92,507	-	-	-	-
Charges for services	5,420,544	7,538,390	-	-	-
Fines and forfeitures	1,903,068	-	-	-	-
Investment income	74,874	83,174	12,886	98,234	4,516
Contributions	-	-	-	-	-
Miscellaneous	490,065	189,648	8,791	695	-
Total revenues	<u>56,205,931</u>	<u>26,775,770</u>	<u>13,539,037</u>	<u>4,269,063</u>	<u>9,886,022</u>
EXPENDITURES					
Current:					
General government	18,173,372	-	148,306	-	-
Public safety	13,934,258	-	13,538,281	-	-
Culture and recreation	12,151,021	-	-	-	-
Public works	5,351,318	-	-	-	-
Tourism	-	17,702,223	-	-	-
Economic development	-	-	-	2,908,858	-
Transportation	-	-	-	-	9,550,381
Capital outlay	179,348	84,991	-	-	-
Debt service:					
Principal	173,556	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Other	-	-	-	-	-
Total expenditures	<u>49,962,873</u>	<u>17,787,214</u>	<u>13,686,587</u>	<u>2,908,858</u>	<u>9,550,381</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,243,058</u>	<u>8,988,556</u>	<u>(147,550)</u>	<u>1,360,205</u>	<u>335,641</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	3,718,163	331,126	4,831	2,200,000	-
Transfers out	(10,384,534)	(2,959,576)	(374,277)	(1,910,433)	(331,126)
Sale of capital assets	1,137	-	-	13,779,998	-
Issuance of debt	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Insurance recoveries	-	-	-	-	-
Total other financing sources and uses	<u>(6,665,234)</u>	<u>(2,628,450)</u>	<u>(369,446)</u>	<u>14,069,565</u>	<u>(331,126)</u>
NET CHANGE IN FUND BALANCES	<u>(422,176)</u>	<u>6,360,106</u>	<u>(516,996)</u>	<u>15,429,770</u>	<u>4,515</u>
FUND BALANCES, BEGINNING	13,955,015	12,924,343	1,155,844	16,854,088	460,686
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-
FUND BALANCES, ENDING	<u>\$ 13,532,839</u>	<u>\$ 19,284,449</u>	<u>\$ 638,848</u>	<u>\$ 32,283,858</u>	<u>\$ 465,201</u>

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

<u>Special Revenue</u>					<u>Capital Projects</u>		
<u>Lake Parks</u>	<u>Debt Service</u>	<u>Debt Service TIF #1</u>	<u>Debt Service TIF #2</u>	<u>General Facilities and Equipment</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	
\$ -	\$ 11,164,476	\$ 6,276,592	\$ 4,415,647	\$ -	\$ -	\$ -	\$ 31,650,047
-	-	-	-	-	-	-	18,964,558
-	-	-	-	-	-	-	55,883,649
-	-	-	-	-	-	-	1,710,043
-	-	-	-	-	-	-	6,661,526
-	-	-	-	-	-	-	1,745,323
-	-	-	-	500,000	763,396	-	1,355,903
570,267	-	-	-	-	2,039,049	-	15,568,250
-	-	-	-	-	64,267	-	1,967,335
-	89,081	141,905	25,507	153,602	203,170	-	886,949
-	-	-	-	-	253,224	-	253,224
21,690	-	-	-	1,050,000	212,958	-	1,973,847
<u>591,957</u>	<u>11,253,557</u>	<u>6,418,497</u>	<u>4,441,154</u>	<u>1,703,602</u>	<u>3,536,064</u>	<u>-</u>	<u>138,620,654</u>
-	45,375	-	-	248,089	1,153,204	-	19,768,346
-	-	-	-	-	330,268	-	27,802,807
1,479,421	-	-	-	-	1,100,483	-	14,730,925
-	-	-	-	-	2,586,403	-	7,937,721
-	-	-	-	-	-	-	17,702,223
-	-	10,353,484	2,713,996	-	-	-	15,976,338
-	-	-	-	-	50,060	-	9,600,441
34,750	-	-	-	25,817,032	7,459,425	-	33,575,546
-	12,070,393	2,350,000	1,505,000	-	-	-	16,098,949
-	5,409,112	58,750	766,550	-	-	-	6,234,412
-	2,677	-	-	55,065	14,888	-	72,630
-	1,135	-	1,250	1,430	6,561	-	10,376
<u>1,514,171</u>	<u>17,528,692</u>	<u>12,762,234</u>	<u>4,986,796</u>	<u>26,121,616</u>	<u>12,701,292</u>	<u>-</u>	<u>169,510,714</u>
(922,214)	(6,275,135)	(6,343,737)	(545,642)	(24,418,014)	(9,165,228)	(-)	(30,890,060)
-	2,677,080	-	-	2,749,999	10,053,845	-	21,735,044
(72,951)	-	(145,086)	-	(7,256)	(1,578,782)	(-)	(17,764,021)
-	-	-	-	-	74,749	-	13,855,884
-	-	-	-	2,395,000	675,000	-	3,070,000
-	-	-	-	164,295	28,181	-	192,476
-	-	-	-	539,785	-	-	539,785
(72,951)	2,677,080	(145,086)	-	5,841,823	9,252,993	-	21,629,168
(995,165)	(3,598,055)	(6,488,823)	(545,642)	(18,576,191)	87,765	(-)	(9,260,892)
(1,470,888)	17,358,435	33,934,516	5,466,840	35,439,649	32,488,400	-	168,566,928
-	-	-	-	-	609,092	-	609,092
<u>\$(2,466,053)</u>	<u>\$ 13,760,380</u>	<u>\$ 27,445,693</u>	<u>\$ 4,921,198</u>	<u>\$ 16,863,458</u>	<u>\$ 33,185,257</u>	<u>\$ -</u>	<u>\$ 159,915,128</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, 2016

Net change in fund balances - total governmental funds	\$(9,260,892)
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.	33,646,588
Governmental funds do not recognize capital assets contributed by other entities. However, in the Statement of Activities, the fair value of those assets are recognized as revenue, then depreciated over their estimated useful lives.	7,107,109
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.	(10,050,699)
The net effect of various miscellaneous transactions involving capital assets (i.e., the sales, trade-ins, and donations) is to decrease net position.	(10,317,418)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of debt	(3,262,476)
Repayment of principal of long-term debt	16,098,949
Transfer of long-term debt from business-type activities	(6,068,076)
Amortization of:	
Premium on bond issuance	1,016,794
Loss on refunding	(265,378)
Interest is accrued in the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period.	3,124
Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences liability	(253,767)
Net OPEB obligation	(3,321,069)
Net pension liability	(1,876,786)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	<u>551,916</u>
Change in net position of governmental activities	<u>\$ 13,747,919</u>

CITY OF GRAPEVINE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 15,409,626	\$ 141,039	\$ 15,550,665
Receivables, net	3,093,415	51,424	3,144,839
Due from other funds	11	-	11
Accrued interest	8,517	45	8,562
Prepaid items	36,233	1,300	37,533
Inventory	-	67,830	67,830
Total current assets	<u>18,547,802</u>	<u>261,638</u>	<u>18,809,440</u>
Noncurrent assets:			
Restricted cash and investments:			
Customer deposits	930,202	-	930,202
Bond construction	9,141,845	92,221	9,234,066
Impact fees	3,205,263	-	3,205,263
Total restricted cash and investments	<u>13,277,310</u>	<u>92,221</u>	<u>13,369,531</u>
Capital assets:			
Land	550,882	1,092,663	1,643,545
Easements	39,402,819	-	39,402,819
Construction in progress	1,574,202	-	1,574,202
Buildings, infrastructure and improvements	131,114,629	9,117,408	140,232,037
Vehicles, machinery and equipment	3,194,590	1,121,306	4,315,896
Water storage rights	683,547	-	683,547
Less accumulated depreciation	(50,731,670)	(8,256,934)	(58,988,604)
Net capital assets	<u>125,788,999</u>	<u>3,074,443</u>	<u>128,863,442</u>
Total noncurrent assets	<u>139,066,309</u>	<u>3,166,664</u>	<u>142,232,973</u>
Total assets	<u>157,614,111</u>	<u>3,428,302</u>	<u>161,042,413</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,166,068	446,828	1,612,896
Deferred loss on bond refunding	148,984	-	148,984
Total deferred outflows of resources	<u>1,315,052</u>	<u>446,828</u>	<u>1,761,880</u>

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

CITY OF GRAPEVINE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(Continued)
SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,156,100	\$ 146,181	\$ 2,302,281
Accrued liabilities	306,955	47,092	354,047
Due to other funds	-	1,526,122	1,526,122
Unearned revenue	257,699	-	257,699
Compensated absences	32,593	20,896	53,489
Accrued bond interest payable	713	-	713
Retainage payable	135,724	-	135,724
Bonds payable	160,000	-	160,000
Customer deposits	930,202	-	930,202
Total current liabilities	<u>3,979,986</u>	<u>1,740,291</u>	<u>5,720,277</u>
Noncurrent liabilities:			
Bonds payable	11,292,268	-	11,292,268
Net OPEB obligation	1,760,778	818,203	2,578,981
Net pension liability	3,339,697	1,279,746	4,619,443
Compensated absences	97,780	62,688	160,468
Total noncurrent liabilities	<u>16,490,523</u>	<u>2,160,637</u>	<u>18,651,160</u>
Total liabilities	<u>20,470,509</u>	<u>3,900,928</u>	<u>24,371,437</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>152,870</u>	<u>58,578</u>	<u>211,448</u>
Total deferred inflows of resources	<u>152,870</u>	<u>58,578</u>	<u>211,448</u>
NET POSITION			
Net investment in capital assets	123,342,854	3,166,664	126,509,518
Restricted for:			
Impact fees	3,205,263	-	3,205,263
Unrestricted	<u>11,757,667</u>	<u>(3,251,040)</u>	<u>8,506,627</u>
Total net position	<u>\$ 138,305,784</u>	<u>\$(84,376)</u>	<u>\$ 138,221,408</u>

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CITY OF GRAPEVINE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
OPERATING REVENUES			
Charges for services	\$ 22,972,123	\$ 2,794,801	\$ 25,766,924
Miscellaneous	852,309	21,471	873,780
Total operating revenues	23,824,432	2,816,272	26,640,704
OPERATING EXPENSES			
Salaries and benefits	3,254,834	1,382,108	4,636,942
Maintenance, repairs, and supplies	11,052,778	529,110	11,581,888
Depreciation	3,128,185	486,722	3,614,907
General and administrative	3,051,186	858,218	3,909,404
Total operating expenses	20,486,983	3,256,158	23,743,141
OPERATING INCOME (LOSS)	3,337,449	(439,886)	2,897,563
NONOPERATING REVENUES (EXPENSES)			
Investment income	147,157	701	147,858
Gain (loss) on disposal of property	(3,141)	6,185	3,044
Interest and fiscal agent charges	(10,983)	-	(10,983)
Total nonoperating revenues (expenses)	133,033	6,886	139,919
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	3,470,482	(433,000)	3,037,482
Capital contributions	22,373,856	1,741,670	24,115,526
Transfers out	(3,872,193)	(98,830)	(3,971,023)
Total capital contributions and transfers	18,501,663	1,642,840	20,144,503
CHANGE IN NET POSITION	21,972,145	1,209,840	23,181,985
TOTAL NET POSITION, BEGINNING	116,333,639	(1,294,216)	115,039,423
TOTAL NET POSITION, ENDING	\$ 138,305,784	\$(84,376)	\$ 138,221,408

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, 2016

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 25,055,778	\$ 2,794,692	\$ 27,850,470
Cash paid to employees	(2,824,985)	(1,141,324)	(3,966,309)
Cash paid to suppliers for goods and services	(14,969,690)	(1,345,740)	(16,315,430)
Net cash provided by operating activities	<u>7,261,103</u>	<u>307,628</u>	<u>7,568,731</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal repayment on bonds	(115,000)	-	(115,000)
Interest and related fees paid on long-term debt	(4,519)	-	(4,519)
Proceeds from the sale of assets	-	6,185	6,185
Acquisition and construction of capital assets	(4,375,200)	(140,366)	(4,515,566)
Net cash used by capital and related financing activities	<u>(4,494,719)</u>	<u>(134,181)</u>	<u>(4,628,900)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments and cash equivalents	<u>143,236</u>	<u>683</u>	<u>143,919</u>
Net cash provided by investing activities	<u>143,236</u>	<u>683</u>	<u>143,919</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer out	(3,872,193)	(98,830)	(3,971,023)
Net cash used by noncapital financing activities	<u>(3,872,193)</u>	<u>(98,830)</u>	<u>(3,971,023)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
	(962,573)	75,300	(887,273)
CASH AND CASH EQUIVALENTS, BEGINNING			
	<u>29,649,509</u>	<u>157,960</u>	<u>29,807,469</u>
CASH AND CASH EQUIVALENTS, ENDING			
	<u>\$ 28,686,936</u>	<u>\$ 233,260</u>	<u>\$ 28,920,196</u>
(Including \$13,227,310 of restricted cash and investments in the Water and Sewer Fund and \$92,221 of restricted cash and investments in the Lake Enterprise Fund)			

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

CITY OF GRAPEVINE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 3,337,449	\$(439,886)	\$ 2,897,563
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	3,128,185	486,722	3,614,907
(Increase) decrease in assets:			
Customer receivable	61,823	(21,580)	40,243
Other receivable	1,217,498	-	1,217,498
Other assets	(28,664)	-	(28,664)
Inventories	-	5,805	5,805
Increase (decrease) in liabilities:			
Accounts payable	(885,268)	24,568	(860,700)
Accrued liabilities	62,309	11,078	73,387
Other liabilities	-	11,215	11,215
Unearned revenue	(19,311)	-	(19,311)
Customer deposits	19,542	-	19,542
Net OPEB obligation	253,564	117,505	371,069
Net pension liability	135,970	105,673	241,643
Compensated absences	(21,994)	6,528	(15,466)
Total adjustments	<u>3,923,654</u>	<u>747,514</u>	<u>4,671,168</u>
Net cash provided by operating activities	<u>\$ 7,261,103</u>	<u>\$ 307,628</u>	<u>\$ 7,568,731</u>

SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

Contributions of capital assets	\$ 17,980,963	\$ -	\$ 17,980,963
Transfer of capital assets from governmental activities	66,488	-	66,488
Transfer of long-term debt to governmental activities	<u>4,326,405</u>	<u>1,741,670</u>	<u>6,068,075</u>
Total non-cash capital and related financing activities	<u>\$ 22,373,856</u>	<u>\$ 1,741,670</u>	<u>\$ 24,115,526</u>

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CITY OF GRAPEVINE, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	Agency	Grapevine Health Care Reimbursement Trust
ASSETS		
Cash and cash equivalents	\$ 163,419	\$ 2,412,800
Accrued interest receivable	-	5,653
Total assets	163,419	2,418,453
LIABILITIES		
Due to beneficiary	163,419	-
Total liabilities	\$ 163,419	-
NET POSITION		
Held in trust for Grapevine Health Care Reimbursement		\$ 2,418,453

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

CITY OF GRAPEVINE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Grapevine Health Care Reimbursement Trust
ADDITIONS	
Employer contributions	\$ 436,083
Investment income	<u>13,148</u>
Total additions	<u>449,231</u>
DEDUCTIONS	
Distributions	<u>473,109</u>
Change in net position	(23,878)
NET POSITION, BEGINNING	<u>2,442,331</u>
NET POSITION, ENDING	<u>\$ 2,418,453</u>

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

CITY OF GRAPEVINE, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

Blended Component Units

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

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

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

Discretely Presented Component Unit

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

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

B. Government-wide Fund Financial Statements

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

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

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

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

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

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

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

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

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

Governmental Funds

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

The City reports the following major governmental funds:

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

The **Special Revenue Fund (Hotel Occupancy Tax Fund)** accounts for all hotel occupancy tax revenues which are restricted by state statute and can only be used on expenditures related to tourism activities. Additional local revenues generated through tourism activities are accumulated in this fund and are assigned for use on expenditures related to culture and recreation. Per Ordinance No. 2014-37 the City Council passed a 1% increase in the Hotel Occupancy Tax Rate effective October 1, 2014.

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

The **Special Revenue Fund (4B-Economic Development Fund)** is used to account for the accumulation of sales tax restricted for economic development projects and local funds assigned by the City to stimulate the local economy, development, and redevelopment.

The **Special Revenue Fund (4B Transit Fund)** is used to account for the accumulation of sales taxes restricted to fund the City of Grapevine's participation in the commuter rail development project with the Fort Worth Transit Authority (the "T").

The *Special Revenue Fund (Lake Parks Fund)* is used to account for the revenues from the campgrounds at Lake Grapevine. Revenues are restricted in accordance with the Army Corp. of Engineer requirements and used for debt requirements for bonds issued for campground construction.

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

The *Tax Increment Financing Number One (TIF #1) Debt Service Fund* 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 *Tax Increment Financing Number Two (TIF#2) Debt Service Fund* was 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.

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

Proprietary funds

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

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

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

There are no non-major proprietary funds for the fiscal year ended September 30, 2016.

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

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

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

D. Assets, Liabilities, and Net Position

1. Cash and Investments

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the City are reported at fair value, except for the position in investment pools. The City’s investment in pools are 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

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

2. Interfund Transactions, Receivables and Payables

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

3. Property Taxes and Other Receivables

The City's property tax is levied each October 1, on the assessed value listed as of the prior January 1 for all real property located in the City. The appraisal of property within the City is the responsibility of the Central Appraisal Districts of Dallas, Denton, and Tarrant Counties as required by legislation passed by the Texas Legislature. The Appraisal Districts are required under such legislation to assess all property within their Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The assessed value upon which the completed tax year 2015 levy was based was approximately \$6,873,164,976. The value of property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action.

General property taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The combined tax rate to finance maintenance and operations and debt service for the year ended September 30, 2016, was \$0.328437 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 2016 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2016 and those considered "available" at year-end are recognized as revenues in 2016. The City considers property taxes available if they are collected within 60 days after year-end. Prior year levies were recorded using these same principles. The remaining receivables are reflected as deferred inflows of resources in the fund financial statements.

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

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

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

4. Inventories and Prepaid Items

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

Inventories in the General Fund are recorded using the consumption method (i.e., recorded as an expenditure when used). Prepaid items are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. A corresponding portion of fund balance is shown as nonexpendable in governmental funds for prepaid items to indicate it is not available for other subsequent expenditures. Prepaid items are defined as payments of greater than \$1,000 that benefit future periods.

5. Restricted Assets

Certain proceeds of the City’s general obligation, certificates of obligation and revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or they are maintained in separate investment accounts. The “revenue bond construction” accounts are used to report those proceeds of revenue bond issuances that are restricted for use in construction of assets. Also included in restricted assets are impact fees and customer deposits.

6. Capital Assets

Capital assets, which include land improvements, construction-in-progress, buildings and improvements, equipment, intangible assets and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Infrastructure assets are defined by the City as assets costing in excess of \$50,000 that have an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

The estimated useful lives are as follows:

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

7. Deferred Inflows and Outflows of Resources

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

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

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

	General	Debt Service	Nonmajor Governmental	Total
Property taxes	\$ 44,655	\$ 60,782	\$ -	\$ 105,437
Property tax penalties and interest	12,072	17,776	-	29,848
Court fines and fees	404,868	-	-	404,868
Ambulance	115,764	-	-	115,764
Grant receivables	-	-	1,275,767	1,275,767
Other receivables	161,275	-	113,975	275,250
Total	<u>\$ 738,634</u>	<u>\$ 78,558</u>	<u>\$ 1,389,742</u>	<u>\$ 2,206,934</u>

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

- Differences between expected and actual economic experience for the City's pension – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

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

8. Compensated Absences

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

9. Long-term Debt

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

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

10. Pension

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover the gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

12. New Accounting Principles

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

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

GASB Statement No. 77, “Tax Abatement Disclosures” – This statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding these commitments. This statement will become effective for the City in fiscal year 2017.

2. DEFICIT EQUITY BALANCES

The Lake Parks Fund (special revenue fund – major fund) had a deficit fund balance of \$2,477,235. The deficit increased in this fund during the current year because of significant flooding events that have occurred over the past two years. This deficit will be eliminated either with increased revenues or a transfer from other funds in the future.

The Grant Fund (special revenue – nonmajor fund) had a deficit fund balance of \$1,291,700. The deficit equity in this fund is primarily the result of timing differences between when grant expenditures were incurred and when they will be reimbursed by granting agencies. This deficit will be eliminated when the City receives reimbursement for the related grants.

The Lake Enterprise Fund had a deficit net position of \$84,376. This deficit exists because of significant flooding events. The City anticipates the deficit equity balance in this fund will decline in the future due to changes put in place by the City to move long-term debt previously recorded in this fund to the governmental activities.

3. CASH AND INVESTMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

As of September 30, 2016, the City had the following cash and investments:

	9/30/2016	Fair Value Measurement Using			Percent of Total Portfolio	Weighted Average Maturity (Days)
		(Level 1)	(Level 2)	(Level 3)		
Primary government						
Cash and cash equivalents						
Cash deposits - City	\$ 26,281,228					
Cash deposits - trust and agency	<u>2,576,219</u>					
Total cash and cash equivalents	<u>28,857,447</u>					
Investments measured at net asset value per share:						
Investment pools:						
TexPool	7,026,352				4.39%	42
TexPool Prime	16,963,598				10.59%	37
LOGIC	120,622,417				75.33%	56
Investments by fair value level:						
Debt securities:						
State and Municipal Bonds	1,798,988	\$ -	\$ 1,798,988	\$ -	1.12%	547
Federal Farm Credit Bonds	4,068,681	-	4,068,681	-	2.54%	738
Federal Home Loan Bank Bonds	499,943	-	499,943	-	0.31%	759
Federal Home Loan Mortgage Corporation	3,697,608	-	3,697,608	-	2.31%	946
Federal National Mortgage Association	<u>5,451,032</u>	<u>499,914</u>	<u>4,951,119</u>	<u>-</u>	3.40%	816
Total investments	<u>160,128,619</u>	<u>499,914</u>	<u>15,016,339</u>	<u>-</u>		
Total cash and investments of the primary government	<u>\$ 188,986,066</u>	<u>\$ 499,914</u>	<u>\$ 15,016,339</u>	<u>\$ -</u>		
Portfolio weighted average maturity (days)						125
Component unit						
Cash deposits	<u>\$ 512,148</u>					
Total cash and investments of the reporting entity	<u>\$ 189,498,214</u>					

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

Under the LOGIC Participation Agreement, administrative and investment services to LOGIC are provided by Hilltop Securities, Inc. and JP Morgan Asset Management, Inc. as co administrators. The administrators settle all trades for LOGIC and secure and value its assets every day. The fair value of the City's position in these pools is the same as the value of the pool shares. As of September 30, 2016, the City's investments in LOGIC, TexPool and TexPool Prime were all rated AAAM by Standard & Poor's.

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

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

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

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

Concentration of Credit Risk. The City's investment policy allows up to 100% to be invested in U. S. Treasury Bills/Notes/Bonds, and U. S. Agencies and Instrumentalities. The City's investment in the securities of U. S. agencies are rated AAA by Standard & Poor's. TexPool, TexPool Prime and LOGIC are public funds investment pools operating as a 2a-7 like pool and in full compliance with the Public Funds Investment Act.

Custodial Credit Risk. State statutes require that all City deposits in financial institutions be fully collateralized by U. S. Government obligations or obligations of the State of Texas or its agencies. The City's deposits were fully collateralized by government securities, or had a letter of credit issued by the Federal Home Loan Bank as required by State statutes at September 30, 2016.

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	\$ 4,858	\$ 6,239,394	\$ 6,029,252	\$ 12,273,504	\$ (5,076,901)	\$ 7,196,603
Hotel Occupancy	5,446	1,538,560	85,850	1,629,856	(14,988)	1,614,868
Crime District	-	2,257,672	3,231	2,260,903	-	2,260,903
4B - Economic Development	10,793	721,595	4,395	736,783	-	736,783
4B - Transit	457	1,753,678	-	1,754,135	-	1,754,135
Lake Parks	-	-	4,391	4,391	-	4,391
Debt Service	5,484	1,057,212	-	1,062,696	(985,539)	77,157
Debt Service TIF #1	10,954	10,454	-	21,408	-	21,408
Debt Service TIF #2	1,957	-	-	1,957	-	1,957
General Facilities and Equipment	1,877	-	-	1,877	-	1,877
Nonmajor governmental funds	11,608	-	269,876	281,484	-	281,484
Water and Sewer	8,517	-	3,220,135	3,228,652	(126,720)	3,101,932
Lake Enterprise	45	-	51,424	51,469	-	51,469
Total	<u>\$ 61,996</u>	<u>\$ 13,578,565</u>	<u>\$ 9,668,554</u>	<u>\$ 23,309,115</u>	<u>\$ (6,204,148)</u>	<u>\$ 17,104,967</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

Primary Government

	Beginning Balance	Transfers and Additions	Transfers and Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 108,148,043	\$ 7,249,099	\$ (9,892,178)	\$ 105,504,964
Construction in progress	40,981,780	30,198,899	(32,978,585)	38,202,094
Total assets not being depreciated	<u>149,129,823</u>	<u>37,447,998</u>	<u>(42,870,763)</u>	<u>143,707,058</u>
Capital assets, being depreciated:				
Buildings	51,612,103	30,400,531	-	82,012,634
Improvement other than buildings	32,499,457	1,366,924	(346,321)	33,520,060
Equipment and vehicles	38,605,886	3,763,227	(1,207,927)	41,161,186
Infrastructure	<u>125,613,386</u>	<u>1,072,419</u>	<u>-</u>	<u>126,685,805</u>
Total capital assets being depreciated	<u>248,330,832</u>	<u>36,603,101</u>	<u>(1,554,248)</u>	<u>283,379,685</u>
Less accumulated depreciation:				
Buildings	(21,090,166)	(1,521,978)	-	(22,612,144)
Improvement other than buildings	(12,634,855)	(1,544,726)	8,065	(14,171,516)
Equipment and vehicles	(24,329,959)	(2,739,286)	1,185,187	(25,884,058)
Infrastructure	<u>(77,920,728)</u>	<u>(4,244,709)</u>	<u>-</u>	<u>(82,165,437)</u>
Total accumulated depreciation	<u>(135,975,708)</u>	<u>(10,050,699)</u>	<u>1,193,252</u>	<u>(144,833,155)</u>
Total capital assets being depreciated, net	<u>112,355,124</u>	<u>26,552,402</u>	<u>(360,996)</u>	<u>138,546,530</u>
Governmental activities capital assets, net	<u>\$ 261,484,947</u>	<u>\$ 64,000,400</u>	<u>\$ (43,231,759)</u>	<u>\$ 282,253,588</u>

	Beginning Balance	Transfers and Additions	Transfers and Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,643,545	\$ -	\$ -	\$ 1,643,545
Easements	22,452,398	16,950,421	-	39,402,819
Construction in progress	<u>83,339</u>	<u>1,490,863</u>	<u>-</u>	<u>1,574,202</u>
Total assets not being depreciated	<u>24,179,282</u>	<u>18,441,284</u>	<u>-</u>	<u>42,620,566</u>
Capital assets, being depreciated:				
Buildings	2,555,238	-	-	2,555,238
Improvement other than buildings	7,011,565	-	-	7,011,565
Equipment and vehicles	3,743,022	712,601	(139,727)	4,315,896
Water storage rights	683,547	-	-	683,547
Infrastructure	<u>127,254,860</u>	<u>3,419,821</u>	<u>(9,447)</u>	<u>130,665,234</u>
Total capital assets being depreciated	<u>141,248,232</u>	<u>4,132,422</u>	<u>(149,174)</u>	<u>145,231,480</u>
Less accumulated depreciation:				
Buildings	(1,719,767)	(43,476)	-	(1,763,243)
Improvement other than buildings	(5,725,853)	(372,637)	-	(6,098,490)
Equipment and vehicles	(1,843,987)	(394,901)	87,548	(2,151,340)
Water storage rights	(588,131)	(17,089)	-	(605,220)
Infrastructure	<u>(45,592,954)</u>	<u>(2,786,804)</u>	<u>9,447</u>	<u>(48,370,311)</u>
Total accumulated depreciation	<u>(55,470,692)</u>	<u>(3,614,907)</u>	<u>96,995</u>	<u>(58,988,604)</u>
Total capital assets being depreciated, net	<u>85,777,540</u>	<u>517,515</u>	<u>(52,179)</u>	<u>86,242,876</u>
Business-type activities capital assets, net	<u>\$ 109,956,822</u>	<u>\$ 18,958,799</u>	<u>\$(52,179)</u>	<u>\$ 128,863,442</u>

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

Governmental activities:	
General government	\$ 529,274
Public safety	1,321,170
Public works	4,879,011
Culture and recreation	2,497,216
Tourism	<u>824,028</u>
Total depreciation expense - governmental activities	<u>\$ 10,050,699</u>
Business-type activities:	
Water and sewer	\$ 3,128,185
Lake Enterprise	<u>486,722</u>
Total depreciation expense - business-type activities	<u>\$ 3,614,907</u>

	Beginning Balance	Transfers and Additions	Transfers and Retirements	Ending Balance
Discretely Presented Component Unit:				
Capital assets, not being depreciated:				
Land	\$ 450,067	\$ -	\$ -	\$ 450,067
Total assets not being depreciated	<u>450,067</u>	<u>-</u>	<u>-</u>	<u>450,067</u>
Capital assets, being depreciated:				
Building	1,031,174	-	-	1,031,174
Improvements other than building	945,651	-	-	945,651
Vehicles and equipment	<u>31,275</u>	<u>-</u>	<u>-</u>	<u>31,275</u>
Total capital assets being depreciated	<u>2,008,100</u>	<u>-</u>	<u>-</u>	<u>2,008,100</u>
Less accumulated depreciation:				
Building	(238,657)	(26,492)	-	(265,149)
Improvements other than building	(787,538)	(47,475)	-	(835,013)
Vehicles and equipment	<u>(31,275)</u>	<u>-</u>	<u>-</u>	<u>(31,275)</u>
Total accumulated depreciation	<u>(1,057,470)</u>	<u>(73,967)</u>	<u>-</u>	<u>(1,131,437)</u>
Total capital assets being depreciated, net	<u>950,630</u>	<u>(73,967)</u>	<u>-</u>	<u>876,663</u>
Discretely presented component unit capital assets, net	<u>\$ 1,400,697</u>	<u>\$ (73,967)</u>	<u>\$ -</u>	<u>\$ 1,326,730</u>

Construction Commitments

The City has active construction commitments as of September 30, 2016 totaling \$10,215,877. This includes building projects, street construction and improvements of existing streets, and repair and maintenance of existing water and sewer systems.

Project	Commitment
Streets and drainage projects	\$ 941,341
Water and wastewater projects	438,062
Economic development projects	37,545
Fiber optic cable project	6,525
Train station	164,245
Public safety building	<u>8,628,159</u>
Total	<u>\$ 10,215,877</u>

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

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2016, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Crime District Fund	\$ 968,031
	Lake Parks Fund	2,165,559
	Grant Fund (nonmajor fund)	1,154,754
	Lake Enterprise Fund	<u>1,526,111</u>
Total General Fund		5,814,455
Water and Sewer Fund	Lake Enterprise Fund	<u>11</u>
Total		<u>\$ 5,814,466</u>

Interfund balances for all of the funds are created by short-term deficiencies in cash position in the individual fund. It is anticipated that the balances will be repaid in one year or less. Similar transactions such as this also exist between the primary government and the City's discretely presented component unit. The balances due to and due from component unit and primary government at September 30, 2016 consisted of the following:

<u>Receivable</u>	<u>Payable</u>	
Component unit - Heritage Foundation	Primary Government - Hotel Occupancy Tax Fund	<u>\$ 702</u>

Interfund Transfers

Various non-major funds received transfers from the General Fund during fiscal year 2016 amounting to \$8,884,535. Those transfers included: \$3,279,000 to the Street Maintenance and Capital Replacement Fund for capital projects related to streets and general facilities, \$3,000,000 to the Quality of Life Fund for capital projects, \$1,906,099 to the Capital Acquisition Fund for purchases of fleet and technology equipment, \$499,436 to the Parks Open Space and Recreation Fund for completion of recreation projects and \$200,000 to the Streets Fund for street related projects. Additionally, \$1,499,999 was transferred from the General Fund to the General Facilities and Equipment Fund for the Public Safety Building.

Other transfers included: \$3,718,163 from various funds to the General Fund for administrative fees incurred in the General Fund on behalf of other funds, \$2,677,080 from the Hotel Occupancy Tax Fund and the 4-B Economic Development Fund to the Debt Service Fund for payment of debt obligations and \$2,200,000 from the Water & Sewer Fund to the 4-B Economic Development Fund associated with incentives for the development of the Fieldhouse project. In addition, \$6,068,075 of Water & Sewer and Lake Enterprise debt was transferred to the governmental activities.

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 in	Transfers out	Amount	Total
General Fund	Hotel Occupancy Tax Fund	\$ 1,465,969	
	4B-Economic Development Fund	314,997	
	Lake Parks Fund	72,951	
	General Facilities and Equipment Fund	7,256	
	Nonmajor governmental funds	107,391	
	Water and Sewer Fund	1,650,769	
	Lake Enterprise Fund	<u>98,830</u>	
Total General Fund			\$ 3,718,163
Hotel Occupancy Tax Fund	4B-Transit Fund		331,126
Crime District Fund	Nonmajor governmental funds		4,831
4-B Economic Development Fund	Water and Sewer Fund		2,200,000
Debt Service Fund	Hotel Occupancy Tax Fund	1,081,644	
	4-B Economic Development Fund	<u>1,595,436</u>	
Total Debt Service			2,677,080
General Facilities and Equipment	General	1,499,999	
	Hotel Occupancy Tax	400,000	
	Nonmajor governmental	850,000	
Total General Facilities and Equipment			2,749,999
Nonmajor governmental	General	8,884,535	
	Crime District Fund	374,277	
	TIF #1 - Debt Service Fund	145,086	
	Hotel Occupancy Tax Fund	11,963	
	Water and Sewer	21,424	
	Nonmajor governmental	<u>616,560</u>	
Total nonmajor governmental			10,053,845
Business-type activities	Governmental activities		<u>6,134,563</u>
Total			<u>\$ 27,869,607</u>

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

In May 2009, the City and Gaylord Texan Resort and Convention Center entered into a third agreement and agreed to extend the required commencement date of the expansion from September 12, 2009 until September 12, 2012 and extended the renewal dates for parcels 5 and 7 as defined in the agreement, until September 12, 2012. The City then entered into several additional extensions and recently approved the sixth addendum or extension with the Gaylord Texan Resort on April 1, 2014 extending the agreement to September 12, 2016.

In January 2016, the City of Grapevine entered into its seventh addendum to the original Convention Development and Marketing Agreement with RHP Operations GT, LLC successor in interest to (Opryland Hotel – Gaylord). This new addendum provides for the expansion of their facility and offered an incentive of \$1 million of Hotel occupancy funds to be paid annually for a period of not more than ten (10) years. The “Available CVB Funds” as amended means, for any Fiscal Year one Cent (\$.01) of the Hotel Occupancy Tax (currently seven cents (\$.07) collected by the City from the existing 1,511 rooms in the project for the immediately preceding fiscal year, which amount shall be allocated to the project and expended by the City to pay costs and expenses incurred in connection with the advertising and promotion of the project in accordance with this agreement.

Cowboys Golf Course:

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

8. LONG-TERM LIABILITIES

General Obligation Bonds

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

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with principal maturing each year. A summary of the terms of general obligation bonds outstanding and their corresponding allocations to the governmental and business-type activities at September 30, 2016, follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.5% - 5.25%	\$ 61,555,000
Governmental activities, refunding	2.5% - 5.25%	<u>22,415,000</u>
Total governmental		83,970,000
Business-type activities, refunding	2.0% - 5.25%	<u>2,365,000</u>
Total general obligation debt		<u><u>\$ 86,335,000</u></u>

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 8,315,000	\$ 3,339,958	\$ 160,000	\$ 4,100
2018	6,820,000	3,048,195	475,000	61,625
2019	6,760,000	2,803,795	835,000	53,675
2020	5,195,000	2,557,533	440,000	27,000
2021	5,450,000	2,311,433	455,000	9,100
2022-2026	19,690,000	8,816,319	-	-
2027-2031	21,555,000	4,795,790	-	-
2032-2036	<u>10,185,000</u>	<u>515,625</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 83,970,000</u>	<u>\$ 28,188,648</u>	<u>\$ 2,365,000</u>	<u>\$ 155,500</u>

Certificates of Obligation

The City also issued certificates of obligation (“COs”) to finance the acquisition and construction of capital assets including certain capital improvement projects, municipal facilities, and machinery and equipment. Interest rates on the outstanding COs range from 3.00% – 7.00%. Annual debt service requirements to maturity for certificates of obligation of the primary government are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 3,261,864	\$ 1,550,884	\$ -	\$ -
2018	3,363,694	1,454,025	-	-
2019	3,085,590	1,080,054	400,000	272,569
2020	3,207,553	969,673	400,000	260,569
2021	3,190,000	840,035	405,000	250,519
2022-2026	15,515,000	2,268,653	2,235,000	1,089,588
2027-2031	2,790,000	231,802	2,680,000	647,507
2032-2036	<u>180,000</u>	<u>11,222</u>	<u>2,480,000</u>	<u>157,128</u>
Total	<u>\$ 34,593,701</u>	<u>\$ 8,406,348</u>	<u>\$ 8,600,000</u>	<u>\$ 2,677,880</u>

Revenue Bonds

The City issued revenue bonds to finance the acquisition of certain assets for the City. The interest rates on the outstanding revenue bonds range from 1.04% – 5.84%.

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2017	\$ 680,000	\$ 913,409
2018	695,000	897,714
2019	715,000	877,912
2020	740,000	853,654
2021	770,000	824,856
2022-2026	4,420,000	3,543,802
2027-2031	5,780,000	2,189,763
2032-2035	<u>4,370,000</u>	<u>403,127</u>
Total	<u>\$ 18,170,000</u>	<u>\$ 10,504,237</u>

Notes Payable

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

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2017	\$ 587,814	\$ 56,751
2018	717,596	43,119
2019	590,000	21,763
2020	<u>605,000</u>	<u>7,563</u>
Total	<u>\$ 2,500,410</u>	<u>\$ 129,196</u>

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2016:

	Balance 9/30/2015	Increases	Reductions	Transfers	Balance 9/30/2016	Due Within One Year
Governmental activities:						
General obligation bonds	\$ 88,810,000	\$ -	\$(9,500,000)	\$ 4,660,000	\$ 83,970,000	\$ 8,315,000
Certificates of obligation	35,588,796	3,070,000	(5,185,095)	1,120,000	34,593,701	3,261,864
Sales tax revenue bonds	18,840,000	-	(670,000)	-	18,170,000	680,000
Total bonds payable	<u>143,238,796</u>	<u>3,070,000</u>	<u>(15,355,095)</u>	<u>5,780,000</u>	<u>136,733,701</u>	<u>12,256,864</u>
Notes payable - taxes	2,900,000	-	(555,000)	-	2,345,000	570,000
Notes payable	170,708	-	(15,298)	-	155,410	17,814
Total notes payable	<u>3,070,708</u>	<u>-</u>	<u>(570,298)</u>	<u>-</u>	<u>2,500,410</u>	<u>587,814</u>
Total bonds and notes	<u>146,309,504</u>	<u>3,070,000</u>	<u>(15,925,393)</u>	<u>5,780,000</u>	<u>139,234,111</u>	<u>12,844,678</u>
Premium on bond issues	7,137,404	192,476	(1,016,793)	325,405	6,638,492	-
Net governmental bonds and notes outstanding	<u>153,446,908</u>	<u>3,262,476</u>	<u>(16,942,186)</u>	<u>6,105,405</u>	<u>145,872,603</u>	<u>12,844,678</u>
Sales tax obligation	598,691	-	(173,556)	-	425,135	173,556
Net OPEB obligation	17,550,808	4,617,602	(1,296,533)	-	20,871,877	-
Net pension liability	35,413,670	17,069,557	(6,830,039)	-	45,653,188	-
Compensated absences	3,156,510	2,527,033	(2,273,266)	-	3,410,277	852,569
Total governmental long-term liabilities	<u>\$ 210,166,587</u>	<u>\$ 27,476,668</u>	<u>\$(27,515,580)</u>	<u>\$ 6,105,405</u>	<u>\$ 216,233,080</u>	<u>\$ 13,870,803</u>

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

	Balance 9/30/2015	Increases	Reductions	Transfers	Balance 9/30/2016	Due Within One Year
Business-type activities:						
Water and sewer obligations						
General obligation bonds	\$ 5,520,000	\$ -	\$(115,000)	\$(3,040,000)	\$ 2,365,000	\$ 160,000
Certificates of obligation	9,720,000	-	-	(1,120,000)	8,600,000	-
Premium on bond issues	674,988	-	(2,862)	(184,858)	487,268	-
Net water and sewer bonds payable	<u>15,914,988</u>	<u>-</u>	<u>(117,862)</u>	<u>(4,344,858)</u>	<u>11,452,268</u>	<u>160,000</u>
Lake enterprise obligations						
General obligation bonds	1,620,000	-	-	(1,620,000)	-	-
Premium on bond issues	140,547	-	-	(140,547)	-	-
Net Lake Enterprise bonds payable	<u>1,760,547</u>	<u>-</u>	<u>-</u>	<u>(1,760,547)</u>	<u>-</u>	<u>-</u>
Net business-type bonds payable	<u>17,675,535</u>	<u>-</u>	<u>(117,862)</u>	<u>(6,105,405)</u>	<u>11,452,268</u>	<u>160,000</u>
Net OPEB obligation	2,207,912	515,933	(144,864)	-	2,578,981	-
Net pension liability	3,522,124	1,788,420	(691,101)	-	4,619,443	-
Compensated absences	229,423	136,499	(151,965)	-	213,957	53,489
Total business-type long-term liabilities	<u>\$ 23,634,994</u>	<u>\$ 2,440,852</u>	<u>\$(1,105,792)</u>	<u>\$(6,105,405)</u>	<u>\$ 18,864,649</u>	<u>\$ 213,489</u>

Other Long-term Liabilities – Texas Comptroller of Public Accounts

As of September 30, 2016, the City of Grapevine has three payout agreements with the Texas Comptroller of Public Accounts for overpayment of sales taxes that total \$425,135. These amounts will be withheld from sales tax receipts over a period of three years.

Pledged Revenues

Tax Increment Financing District #2

On June 6, 2000, the City issued Combination Tax and Tax Increment Revenue Certificates of Obligation, Series 2000. These bonds were subsequently refunded with Combination Tax and Tax Increment Reinvestment Zone Revenue Refunding Bonds, Series 2005A, and with Combination Tax and Tax Increment Reinvestment Zone Revenue Refunding Bonds, Series 2015A. These bonds represent direct obligations of the City and are payable from a combination of the levy and collection of a direct and continuing ad valorem tax within the limits prescribed by law on all taxable property within the City and a subordinate lien on and pledge of the tax increments deposited into the tax increment fund established for TIF #2. The proceeds of the bonds were used to finance various public improvements within the zone. At September 30, 2016, the remaining principal and interest on the bonds was \$18,685,000 and \$4,268,500 respectively. Principal and interest payments for the fiscal year was \$1,505,000 and \$766,550. Tax increment revenues for TIF #2 for the current year were \$4,415,647. The outstanding revenue bonds have a final maturity of August 15, 2026.

Sales Tax Revenue Bonds

On January 29, 2014, the City of Grapevine issued Grapevine 4B Economic Development Corporation Sales Tax Revenue Bonds, Series 2014. The bonds are special obligations of the corporation payable from and secured by a lien on and pledge of certain revenues which include the proceeds of the ¼ of the ½ cent sales and use tax levied within the City for the benefit of the corporation. These bonds were issued to acquire land within the City to be used to promote new and expanded business enterprises. At September 30, 2016, the remaining balances for principal and interest on the debt are \$18,170,000 and \$10,504,237 respectively. The bonds mature on February 15, 2034. Annual debt service requirements through February 15, 2034 do not exceed \$1,600,000 per year. Sales tax revenue collections in the 4B-Economic Development fund were \$4,170,134.

9. DEFINED BENEFIT PENSION POLICIES

Plan Descriptions. The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided. TMRS provides retirement and disability benefits. Benefit provisions are adopted by the governing body of the City of Grapevine, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

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

A Summary of the plan provisions is as follows:

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

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	334
Inactive employees entitled to but not yet receiving benefits	213
Active employees	<u>562</u>
	<u><u>1,109</u></u>

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 19.15% and 19.06% in calendar years 2015 and 2016, respectively. The City’s contributions to TMRS for the year ended September 30, 2016, were \$7,395,291, and were equal to the required contributions.

Net Pension Liability. The City’s Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering the 2009 through 2011, and the dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS. The target allocation and best estimates of arithmetic real rates return for each major assets class are summarized in the following table:

Asset Class	Target	Long-Term Expected
	Allocation	Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 231,804,709	\$ 192,868,916	\$ 38,935,793
Changes for the year:			
Service cost	7,082,668	-	7,082,668
Interest	16,144,617	-	16,144,617
Difference between expected and actual experience	(1,393,602)	-	(1,393,602)
Changes of assumptions	(77,299)	-	(77,299)
Contributions - employer	-	7,547,081	(7,547,081)
Contributions - employee	-	2,769,765	(2,769,765)
Net investment income	-	284,606	(284,606)
Benefit payments, including refunds of employee contributions	(9,417,307)	(9,417,307)	-
Administrative expense	-	(173,344)	173,344
Other changes	-	(8,562)	8,562
Net changes	<u>12,339,077</u>	<u>1,002,239</u>	<u>11,336,838</u>
Balance at 12/31/2015	<u>\$ 244,143,786</u>	<u>\$ 193,871,155</u>	<u>\$ 50,272,631</u>

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
	City's net pension liability	\$ 85,600,888	\$ 50,272,631

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2016, the City recognized pension expense of \$9,587,930.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 2,239,479
Changes in actuarial assumptions	-	61,682
Difference between projected and actual investment earnings	11,963,304	-
Contributions subsequent to the measurement date	<u>5,589,572</u>	<u>-</u>
Total	<u>\$ 17,552,876</u>	<u>\$ 2,301,161</u>

\$5,589,572 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

For the Year Ended September 30,	
2017	\$ 2,449,328
2018	2,449,328
2019	2,402,537
2020	<u>2,360,950</u>
Total	<u>\$ 9,662,143</u>

10. COMMITMENTS AND CONTINGENCIES

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

Gaylord Texan Resort and Convention Center

The City of Grapevine, Texas has a Memorandum of Understanding with Opryland Hotel—Texas, Limited Partnership “Gaylord” whereas one cent (\$.01) of the Hotel Occupancy Tax [currently seven cents (\$.07)] collected by the City from the Gaylord, for the immediately preceding fiscal-year, shall be remitted each year back to the Gaylord. Per the agreement dated March 24, 1999, these payments will continue for a period of 20 years. The initial term payment was made in 2005, and for fiscal year-end 2016 the payment was made for expenditures of \$918,096.

There have been seven addendums to the original Memorandum of Understanding which are previously discussed in Note 7. Leases.

Grapevine Mills Mall

In 2012, the Tax Increment Financing District Reinvestment Zone Number One (TIF#1) Board of Directors approved an Economic Development Agreement with Grapevine Mills LTD Partnership in an amount not to exceed \$14,000,000 for interior renovations (\$10,000,000) and future exterior improvements (\$4,000,000) at Grapevine Mills Mall. In the year ended September 30, 2016, the City paid \$7,084,730 to the mall for their continued draw on the incentive agreement.

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 constructed a family oriented resort hotel featuring an indoor water park known as the “Great Wolf Lodge.” The City agreed 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 seven cents (\$.07)] 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 seven cents (\$.07)] 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. The initial term payment was made in 2008, and for the fiscal year-end 2016 the incentives earned were \$564,889 and were remitted by the City in fiscal year 2016.

Henry Schein

The City 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. The initial term payment was made in 2007, and for the fiscal year-end 2016 the rebate amounts earned by Henry Schein, Inc. totaled \$1,356,358.

11. RISK MANAGEMENT

The City 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 established a risk management program to account for and finance its risk of loss. In fiscal year 1991, the Risk Management program was expanded to include implementation of the SIR (Self Insured Retention) plan.

Under this plan, the City provided insurance protection for all known exposures, including all third party liability, law enforcement liability, public officials' errors and omissions, and all bodily injury and property damage arising out of the City's operations on an insured basis with various retentions up to \$10,000 per occurrence. In addition, the City provides protection for all its real property on a blanket building basis, including contents with agreed values and replacement costs with \$5,000 retention per occurrence. The City provides statutory workers' compensation for all employees for bodily injury and indemnity loss of wages. The City provides liability and physical damage protection for all its commercial auto vehicles (fleet) with a \$1,000 deductible per occurrence for physical damage. The City also provides \$10,000,000 excess umbrella liability over all liability exposures.

The City's loss experience has been very favorable with the experience modifier of .28 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 vehicles. 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 A.M. Best Rating Services. All workers' compensation protection afforded the employees of the City 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>2016</u>	<u>2015</u>
Claims payable, beginning of year	\$ 645,953	\$ 340,141
Current year claims and changes in estimates	8,994,196	8,853,320
Payments on claims	<u>(9,233,124)</u>	<u>(8,547,508)</u>
Claims payable at end of year	<u>\$ 407,025</u>	<u>\$ 645,953</u>

12. WATER STORAGE RIGHTS

Water storage rights of \$683,547 net of accumulated amortization of \$605,220 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 5 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. WATER AND SEWER CONTRACTS

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

Payments during 2016 for the purchase of treated water were \$8,412,477 and payments made for the transportation, treatment, and disposal of wastewater by TRA were \$1,282,688. 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.

15. OTHER POSTEMPLOYMENT BENEFITS

Post-retirement Health Care Benefits

The City provides certain health care and life insurance benefits through a single-employer defined benefit OPEB plan, under City ordinance, for all full and part-time employees that meet eligibility requirements. Eligible individuals include retired employees who have satisfied the requirement as defined by the Texas Municipal Retirement System and their dependents that were covered prior to retirement. The requirement as defined by the Texas Municipal Retirement System is any age with 20 years of service or 5 years of service for age 60 and above. City Council members that serve three terms will be classified as retired employees when they leave office. As of the measurement date the City had 583 active members and 193 retirees eligible to participate in the City's plan.

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

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

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

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

Annual OPEB Cost and Net OPEB Obligation

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

The annual OPEB cost for the fiscal year ending September 30, 2016, is as follows:

Annual Required Contribution (ARC)	\$ 5,068,175
Interest on Net OPEB Obligation	889,142
Adjustment to the ARC	(823,781)
Annual OPEB Cost	5,133,536
Employer Contributions	(1,441,397)
Increase (Decrease) in Net OPEB Obligation	3,692,139
Net OPEB Obligation/(Asset), beginning of year	<u>19,758,720</u>
Net Pension Obligation/(Asset), ending of year	<u>\$ 23,450,859</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 \$194,764 in the form of premiums which funded current medical claims.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2016 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2014	\$ 4,270,199	\$ 1,128,111	26.4%	\$ 16,179,664
9/30/2015	4,974,080	1,395,024	28.0%	19,758,720
9/30/2016	5,133,536	1,441,397	28.1%	23,450,859

Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2014	-	\$ 49,256,419	\$ 49,256,419	-	\$ 39,260,910	125.46%

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

Actuarial Methods and Assumptions

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

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

Significant methods and assumptions were as follows:

Actuarial Valuation Date	12/31/2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level as a percentage of payroll
Remaining Amortization Period	30 years; open
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Inflation rate	3% per annum
Investment Rate of Return	4.5% per annum, net of expenses
Payroll Growth Rate	3% per annum
General Inflation Rate	3% per annum
Health Care Trend	Initial rate of 7.25% declining to an ultimate rate of 4.75% after 13 years

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

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

16. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2016, expenditures exceeded appropriations in the General Fund for general government and debt service expenditures (the legal level of budgetary control) by \$276,501 and \$173,556 respectively.

17. SUBSEQUENT EVENTS

On December 8, 2015 the City of Grapevine entered into an Economic Development and Incentive Agreement with John T Evans Company (developer) to sell property for \$2.6 million. The City is authorized under Chapter 380 of the Texas Local Government Code to provide economic development incentives to support the expansion of local business activity. The project is the Perry's Steakhouse and will generate about 90 new full-time positions. The City will provide a total economic grant of \$750,000 when the conditions of the agreement have been met. The property was purchased and the transaction completed on December 4, 2016.

On July 28, 2016 the City of Grapevine entered into an Economic Development and Incentive Agreement with Grapevine Mills Mall (Simon Properties) to renovate space for a new Fieldhouse indoor facility. The terms of the agreement were met and the final incentive payment of \$1 million was paid on December 22, 2016. The City is authorized under Chapter 380 of the Texas Local Government Code to provide economic development incentives to support the expansion of local business activity. The new facility opened in January 2017 bringing athletic and tournament events to the local community.

On October 18, 2016 the City Council approved a resolution adopting the Public Agencies Retirement Services (PARS) Post-Retirement Health Care Plan Trust and Ordinance No. 2016-079 appropriating the funds. On February 2, 2017 the City transferred \$500,000 into the PARS Trust.

On January 17, 2017, the City Council approved the sale of City of Grapevine, Texas Combination Tax and Revenue Certificates of Obligation, Series 2017 (the "Certificates") for \$9,535,000 to finance the acquisition and construction of capital assets including certain land acquisitions, capital municipal facility improvement projects, and capital equipment. Interest rates on this new debt obligation range from 3.00% – 5.00%. The City Council approved a General Obligation Refunding Bonds, Series 2017 (the "Bonds") for \$1,365,000 and settlement was completed for these bonds on February 21, 2017.

The City has begun work to develop the new Downtown Grapevine TEX Rail Station located at the intersection of Dallas Road and Main Street. The initial service of TEX Rail will extend from downtown Fort Worth, across northeast Tarrant County and Grapevine, and into DFW Airport at Terminal B. This 27-mile regional rail corridor is projected to have more than 10,000 daily riders at the initial start of service in 2018 using eight stations. By 2035, there will be 10 stations and more than 15,500 daily riders. The site plan for the Downtown Grapevine Station is complete and will include a boutique hotel, parking garage, public plaza, shops and restaurants. Construction is expected to begin in Spring 2017.

18. PRIOR PERIOD ADJUSTMENT

Adjustments to prior year expenditures resulted in an increase in the beginning fund balance for the Streets Capital Projects Fund in the amount of \$609,092.

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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, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 45,402,000	\$ 45,402,000	\$ 46,479,550	\$ 1,077,550
Licenses and permits	1,324,673	1,324,673	1,745,323	420,650
Intergovernmental	86,482	86,482	92,507	6,025
Charges for services	4,822,673	4,822,673	5,420,544	597,871
Fines and forfeitures	2,222,696	2,222,696	1,903,068	(319,628)
Investment income	15,750	15,750	74,874	59,124
Miscellaneous	<u>283,000</u>	<u>283,000</u>	<u>490,065</u>	<u>207,065</u>
Total revenues	<u>54,157,274</u>	<u>54,157,274</u>	<u>56,205,931</u>	<u>2,048,657</u>
EXPENDITURES				
Current:				
General government	17,109,053	17,896,871	18,173,372	(276,501)
Public safety	14,181,163	14,079,157	13,934,258	144,899
Culture and recreation	11,759,815	12,192,443	12,151,021	41,422
Public works	5,851,235	5,527,857	5,351,318	176,539
Capital outlay	62,000	179,354	179,348	6
Debt service principal	-	-	<u>173,556</u>	<u>(173,556)</u>
Total expenditures	<u>48,963,266</u>	<u>49,875,682</u>	<u>49,962,873</u>	<u>(87,191)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES				
	<u>5,194,008</u>	<u>4,281,592</u>	<u>6,243,058</u>	<u>1,961,466</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,415,718	3,415,718	3,718,163	302,445
Transfers out	(8,385,099)	(8,884,535)	(10,384,534)	(1,499,999)
Sale of capital assets	<u>5,000</u>	<u>5,000</u>	<u>1,137</u>	<u>(3,863)</u>
Total other financing sources (uses)	<u>(4,964,381)</u>	<u>(5,463,817)</u>	<u>(6,665,234)</u>	<u>(1,201,417)</u>
NET CHANGE IN FUND BALANCES	229,627	(1,182,225)	(422,176)	760,049
FUND BALANCES, BEGINNING	<u>13,955,015</u>	<u>13,955,015</u>	<u>13,955,015</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 14,184,642</u>	<u>\$ 12,772,790</u>	<u>\$ 13,532,839</u>	<u>\$ 760,049</u>

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**CITY OF GRAPEVINE, TEXAS
HOTEL OCCUPANCY TAX
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 16,649,018	\$ 16,649,018	\$ 18,964,558	\$ 2,315,540
Charges for services	6,810,668	6,810,668	7,538,390	727,722
Investment income	13,800	13,800	83,174	69,374
Miscellaneous	<u>55,000</u>	<u>55,000</u>	<u>189,648</u>	<u>134,648</u>
Total revenues	<u>23,528,486</u>	<u>23,528,486</u>	<u>26,775,770</u>	<u>3,247,284</u>
EXPENDITURES				
Current:				
Tourism	21,090,287	20,876,010	17,702,223	3,173,787
Capital outlay	<u>104,000</u>	<u>104,000</u>	<u>84,991</u>	<u>19,009</u>
Total expenditures	<u>21,194,287</u>	<u>20,980,010</u>	<u>17,787,214</u>	<u>3,192,796</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>2,334,199</u>	<u>2,548,476</u>	<u>8,988,556</u>	<u>6,440,080</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	372,500	372,500	331,126	(41,374)
Transfers out	<u>(2,456,619)</u>	<u>(2,731,979)</u>	<u>(2,959,576)</u>	<u>(227,597)</u>
Total other financing sources (uses)	<u>(2,084,119)</u>	<u>(2,359,479)</u>	<u>(2,628,450)</u>	<u>(268,971)</u>
NET CHANGE IN FUND BALANCES	250,080	188,997	6,360,106	6,171,109
FUND BALANCES, BEGINNING	<u>12,924,343</u>	<u>12,924,343</u>	<u>12,924,343</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 13,174,423</u>	<u>\$ 13,113,340</u>	<u>\$ 19,284,449</u>	<u>\$ 6,171,109</u>

**CITY OF GRAPEVINE, TEXAS
CRIME DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 14,250,000	\$ 14,250,000	\$ 13,517,360	\$(732,640)
Investment income	1,000	1,000	12,886	11,886
Miscellaneous	-	-	8,791	8,791
Total revenues	<u>14,251,000</u>	<u>14,251,000</u>	<u>13,539,037</u>	<u>(711,963)</u>
EXPENDITURES				
Current:				
General government	136,326	157,456	148,306	9,150
Public safety	<u>13,861,437</u>	<u>13,840,307</u>	<u>13,538,281</u>	<u>302,026</u>
Total expenditures	<u>13,997,763</u>	<u>13,997,763</u>	<u>13,686,587</u>	<u>311,176</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>253,237</u>	<u>253,237</u>	<u>(147,550)</u>	<u>(400,787)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	4,831	4,831
Transfers out	<u>(372,479)</u>	<u>(197,479)</u>	<u>(374,277)</u>	<u>(176,798)</u>
Total other financing sources (uses)	<u>(372,479)</u>	<u>(197,479)</u>	<u>(369,446)</u>	<u>(171,967)</u>
NET CHANGE IN FUND BALANCES	(119,242)	55,758	(516,996)	(572,754)
FUND BALANCES, BEGINNING	<u>1,155,844</u>	<u>1,155,844</u>	<u>1,155,844</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 1,036,602</u>	<u>\$ 1,211,602</u>	<u>\$ 638,848</u>	<u>\$(572,754)</u>

CITY OF GRAPEVINE, TEXAS
4B - ECONOMIC DEVELOPMENT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 3,562,500	\$ 3,562,500	\$ 4,170,134	\$ 607,634
Investment income	21,197	21,197	98,234	77,037
Miscellaneous	-	-	695	695
Total revenues	<u>3,583,697</u>	<u>3,583,697</u>	<u>4,269,063</u>	<u>685,366</u>
EXPENDITURES				
Current:				
Economic development	8,682,183	8,682,183	2,908,858	5,773,325
Total expenditures	<u>8,682,183</u>	<u>8,682,183</u>	<u>2,908,858</u>	<u>5,773,325</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(5,098,486)</u>	<u>(5,098,486)</u>	<u>1,360,205</u>	<u>6,458,691</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,200,000	2,200,000
Transfers out	(1,857,087)	(1,857,087)	(1,910,433)	(53,346)
Sale of capital assets	-	-	13,779,998	13,779,998
Total other financing sources (uses)	<u>(1,857,087)</u>	<u>(1,857,087)</u>	<u>14,069,565</u>	<u>15,926,652</u>
NET CHANGE IN FUND BALANCES	<u>(6,955,573)</u>	<u>(6,955,573)</u>	<u>15,429,770</u>	<u>22,385,343</u>
FUND BALANCES, BEGINNING	<u>16,854,088</u>	<u>16,854,088</u>	<u>16,854,088</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 9,898,515</u>	<u>\$ 9,898,515</u>	<u>\$ 32,283,858</u>	<u>\$ 22,385,343</u>

CITY OF GRAPEVINE, TEXAS
4B - TRANSIT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales taxes	\$ 10,687,500	\$ 10,687,500	\$ 9,881,506	\$(805,994)
Investment income	<u>1,000</u>	<u>1,000</u>	<u>4,516</u>	<u>3,516</u>
Total revenues	<u>10,688,500</u>	<u>10,688,500</u>	<u>9,886,022</u>	<u>(802,478)</u>
EXPENDITURES				
Current:				
Transportation	<u>9,740,000</u>	<u>9,739,999</u>	<u>9,550,381</u>	<u>189,618</u>
Total expenditures	<u>9,740,000</u>	<u>9,739,999</u>	<u>9,550,381</u>	<u>189,618</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>948,500</u>	<u>948,501</u>	<u>335,641</u>	<u>(612,860)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(372,500)</u>	<u>(372,500)</u>	<u>(331,126)</u>	<u>41,374</u>
Total other financing sources (uses)	<u>(372,500)</u>	<u>(372,500)</u>	<u>(331,126)</u>	<u>41,374</u>
NET CHANGE IN FUND BALANCE	576,000	576,001	4,515	(571,486)
FUND BALANCE, BEGINNING	<u>460,686</u>	<u>460,686</u>	<u>460,686</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,036,686</u>	<u>\$ 1,036,687</u>	<u>\$ 465,201</u>	<u>\$(571,486)</u>

**CITY OF GRAPEVINE, TEXAS
LAKE PARKS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,685,250	\$ 1,685,250	\$ 570,267	\$(1,114,983)
Miscellaneous	<u>80,000</u>	<u>80,000</u>	<u>21,690</u>	<u>(58,310)</u>
Total revenues	<u>1,765,250</u>	<u>1,765,250</u>	<u>591,957</u>	<u>(1,173,293)</u>
EXPENDITURES				
Current:				
Culture and recreation	1,657,939	1,657,938	1,479,421	178,517
Capital outlay	<u>81,000</u>	<u>81,000</u>	<u>34,750</u>	<u>46,250</u>
Total expenditures	<u>1,738,939</u>	<u>1,738,938</u>	<u>1,514,171</u>	<u>224,767</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>26,311</u>	<u>26,312</u>	<u>(922,214)</u>	<u>(948,526)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(121,050)</u>	<u>(121,050)</u>	<u>(72,951)</u>	<u>48,099</u>
Total other financing sources (uses)	<u>(121,050)</u>	<u>(121,050)</u>	<u>(72,951)</u>	<u>48,099</u>
NET CHANGE IN FUND BALANCE	(94,739)	(94,738)	(995,165)	(900,427)
FUND BALANCE, BEGINNING	<u>(1,470,888)</u>	<u>(1,470,888)</u>	<u>(1,470,888)</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$(1,565,627)</u></u>	<u><u>\$(1,565,626)</u></u>	<u><u>\$(2,466,053)</u></u>	<u><u>\$(900,427)</u></u>

CITY OF GRAPEVINE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2016, only 2 years are included and additional years will be added in the future as the information becomes available.

**CITY OF GRAPEVINE, TEXAS
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2016, only 3 years are included and additional years will be added in the future as the information becomes available.

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

Other Information

There were no benefit changes during the year.

**CITY OF GRAPEVINE, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 POST-RETIREMENT HEALTH CARE BENEFIT PLAN
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/2010	\$ -	\$ 36,241,223	0.0%	\$ 36,241,223	\$ 35,278,020	102.7%
12/31/2012	-	41,596,928	0.0%	41,596,928	35,493,723	117.2%
12/31/2014	-	49,256,419	0.0%	49,256,419	36,690,944	134.2%

CITY OF GRAPEVINE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Budgets

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

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

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**COMBINING AND INDIVIDUAL
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

**CITY OF GRAPEVINE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Special Revenue			Capital Projects
	Special Revenue	Storm Drainage	Grant	Parks Open Space and Recreation
ASSETS				
Cash	\$ 3,679,692	\$ 1,158,076	\$ -	\$ 509,950
Receivables:				
Accounts, net	12,244	156,762	-	-
Accrued interest	1,440	287	-	201
Due from other governments	-	-	1,579,702	-
Prepays	-	-	-	-
	3,693,376	1,315,125	1,579,702	510,151
LIABILITIES				
Liabilities:				
Accounts payable	51,773	35,015	445,950	-
Accrued and other liabilities	6,335	18,898	-	-
Due to other funds	-	-	1,154,754	-
Developer deposits	-	-	-	282,926
Total liabilities	58,108	53,913	1,600,704	282,926
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	1,270,698	-
Total deferred inflows of resources	-	-	1,270,698	-
FUND BALANCES (DEFICITS)				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Capital projects	-	338,199	-	27,930
Public safety	737,019	-	-	-
Culture and recreation	49,243	-	-	-
Committed for:				
Stormwater drainage operations	-	923,013	-	-
Public arts	1,083,749	-	-	-
Assigned for:				
Capital projects	495,153	-	-	199,295
Culture and recreation	1,270,104	-	-	-
Unassigned	-	-	(1,291,700)	-
Total fund balances	3,635,268	1,261,212	(1,291,700)	227,225
Total liabilities, deferred inflows of resources and fund balances	\$ 3,693,376	\$ 1,315,125	\$ 1,579,702	\$ 510,151

Capital Projects

TIF #1	TIF #2	Streets	Street Maintenance and Capital Replacement	Capital Acquisition	Quality of Life	Total Other Governmental Funds
\$ 679,881	\$ 2,152,524	\$ 8,403,524	\$ 1,969,095	\$ 6,446,990	\$ 12,337,847	\$ 37,337,579
-	-	-	280	-	100,590	269,876
250	-	2,132	775	1,644	4,879	11,608
-	-	72,079	13,384	-	-	1,665,165
-	-	-	1,200	99,817	-	101,017
<u>680,131</u>	<u>2,152,524</u>	<u>8,477,735</u>	<u>1,984,734</u>	<u>6,548,451</u>	<u>12,443,316</u>	<u>39,385,245</u>
-	-	8,951	358,234	227,080	340,147	1,467,150
-	-	-	-	1,742	-	26,975
-	-	-	-	-	-	1,154,754
-	-	1,878,441	-	-	-	2,161,367
-	-	1,887,392	358,234	228,822	340,147	4,810,246
-	-	5,069	13,385	-	100,590	1,389,742
-	-	5,069	13,385	-	100,590	1,389,742
-	-	-	1,200	99,817	-	101,017
680,131	2,152,524	6,585,274	-	2,527,077	-	12,311,135
-	-	-	-	-	-	737,019
-	-	-	-	-	-	49,243
-	-	-	-	-	-	923,013
-	-	-	-	-	-	1,083,749
-	-	-	1,611,915	3,692,735	12,002,579	18,001,677
-	-	-	-	-	-	1,270,104
-	-	-	-	-	-	(1,291,700)
<u>680,131</u>	<u>2,152,524</u>	<u>6,585,274</u>	<u>1,613,115</u>	<u>6,319,629</u>	<u>12,002,579</u>	<u>33,185,257</u>
<u>\$ 680,131</u>	<u>\$ 2,152,524</u>	<u>\$ 8,477,735</u>	<u>\$ 1,984,734</u>	<u>\$ 6,548,451</u>	<u>\$ 12,443,316</u>	<u>\$ 39,385,245</u>

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue			Capital Projects
	Special Revenue	Storm Drainage	Grant	Parks Open Space and Recreation
REVENUES				
Charges for services	\$ 595,919	\$ 1,443,130	\$ -	\$ -
Fines and forfeitures	64,267	-	-	-
Intergovernmental	29,482	-	725,721	-
Contributions	253,224	-	-	-
Investment income	17,036	4,078	-	2,822
Miscellaneous	9,118	471	-	64,613
Total revenues	969,046	1,447,679	725,721	67,435
EXPENDITURES				
Current:				
General government	154,813	-	588,342	-
Public safety	115,875	-	37,563	-
Culture and recreation	99,420	-	117,846	-
Public works	-	873,861	-	-
Tourism	-	-	-	-
Capital outlay	24,781	3,953	1,521,217	825,730
Debt service:				
Bond issuance costs	-	-	-	-
Other	-	-	-	-
Total expenditures	394,889	877,814	2,264,968	825,730
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	574,157	569,865	(1,539,247)	(758,295)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	240,018	499,436
Transfers out	(153,622)	(293,672)	(5,447)	-
Sale of capital assets	-	-	-	-
Issuance of debt	-	-	-	-
Premium on issuance of bonds	-	-	-	-
Total other financing sources (uses)	(153,622)	(293,672)	234,571	499,436
NET CHANGE IN FUND BALANCES	420,535	276,193	(1,304,676)	(258,859)
FUND BALANCES, BEGINNING	3,214,733	985,019	12,976	486,084
PRIOR PERIOD ADJUSTMENT	-	-	-	-
FUND BALANCES, ENDING	\$ 3,635,268	\$ 1,261,212	\$(1,291,700)	\$ 227,225

Capital Projects

TIF #1	TIF #2	Streets	Street Maintenance and Capital Replacement	Capital Acquisition	Quality of Life	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,039,049
-	-	-	-	-	-	64,267
-	-	-	8,193	-	-	763,396
-	-	-	-	-	-	253,224
4,368	7,782	37,675	11,721	35,729	81,959	203,170
-	-	-	50,924	71,832	16,000	212,958
<u>4,368</u>	<u>7,782</u>	<u>37,675</u>	<u>70,838</u>	<u>107,561</u>	<u>97,959</u>	<u>3,536,064</u>
-	-	-	248,025	142,175	19,849	1,153,204
-	-	-	124,257	52,573	-	330,268
-	-	-	227,893	-	655,324	1,100,483
-	-	-	1,656,026	56,516	-	2,586,403
-	-	-	-	-	50,060	50,060
2,093	-	278,517	1,010,588	3,029,006	763,540	7,459,425
-	-	-	-	14,888	-	14,888
-	2,138	1,650	-	2,773	-	6,561
<u>2,093</u>	<u>2,138</u>	<u>280,167</u>	<u>3,266,789</u>	<u>3,297,931</u>	<u>1,488,773</u>	<u>12,701,292</u>
<u>2,275</u>	<u>5,644</u>	<u>(242,492)</u>	<u>(3,195,951)</u>	<u>(3,190,370)</u>	<u>(1,390,814)</u>	<u>(9,165,228)</u>
145,086	-	200,000	3,279,000	2,498,862	3,191,443	10,053,845
(500,000)	-	-	(387,821)	-	(238,220)	(1,578,782)
-	-	-	-	74,749	-	74,749
-	-	-	-	675,000	-	675,000
-	-	-	-	28,181	-	28,181
<u>(354,914)</u>	<u>-</u>	<u>200,000</u>	<u>2,891,179</u>	<u>3,276,792</u>	<u>2,953,223</u>	<u>9,252,993</u>
(352,639)	5,644	(42,492)	(304,772)	86,422	1,562,409	87,765
1,032,770	2,146,880	6,018,674	1,917,887	6,233,207	10,440,170	32,488,400
-	-	609,092	-	-	-	609,092
<u>\$ 680,131</u>	<u>\$ 2,152,524</u>	<u>\$ 6,585,274</u>	<u>\$ 1,613,115</u>	<u>\$ 6,319,629</u>	<u>\$ 12,002,579</u>	<u>\$ 33,185,257</u>

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CITY OF GRAPEVINE, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 11,599,929	\$ 11,599,929	\$ 11,164,476	\$(435,453)
Investment income	<u>20,000</u>	<u>20,000</u>	<u>89,081</u>	<u>69,081</u>
Total revenues	<u>11,619,929</u>	<u>11,619,929</u>	<u>11,253,557</u>	<u>(366,372)</u>
EXPENDITURES				
Current:				
General government	-	-	45,375	(45,375)
Debt service:				
Principal	9,911,628	9,911,628	12,070,393	(2,158,765)
Interest and fiscal charges	4,831,981	4,831,981	5,409,112	(577,131)
Bond issuance costs	-	2,677	2,677	-
Other	<u>7,000</u>	<u>4,322</u>	<u>1,135</u>	<u>3,187</u>
Total expenditures	<u>14,750,609</u>	<u>14,750,608</u>	<u>17,528,692</u>	<u>(2,778,084)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(3,130,680)</u>	<u>(3,130,679)</u>	<u>(6,275,135)</u>	<u>(3,144,456)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,677,080</u>	<u>2,677,080</u>	<u>2,677,080</u>	<u>-</u>
Total other financing sources (uses)	<u>2,677,080</u>	<u>2,677,080</u>	<u>2,677,080</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(453,600)</u>	<u>(453,599)</u>	<u>(3,598,055)</u>	<u>(3,144,456)</u>
FUND BALANCE, BEGINNING	<u>17,358,435</u>	<u>17,358,435</u>	<u>17,358,435</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 16,904,835</u>	<u>\$ 16,904,836</u>	<u>\$ 13,760,380</u>	<u>\$(3,144,456)</u>

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Police Department Case Settlement			
	Balance 10/1/2015	Additions	Deletions	
Cash and cash equivalents	\$ <u>18,704</u>	\$ <u>87</u>	\$ <u>-</u>	\$ <u>18,791</u>
Total assets	\$ <u><u>18,704</u></u>	\$ <u><u>87</u></u>	\$ <u><u>-</u></u>	\$ <u><u>18,791</u></u>
Due to beneficiary	\$ <u>18,704</u>	\$ <u>87</u>	\$ <u>-</u>	\$ <u>18,791</u>
Total liabilities	\$ <u><u>18,704</u></u>	\$ <u><u>87</u></u>	\$ <u><u>-</u></u>	\$ <u><u>18,791</u></u>

	Industrial Development Corporation			
	Balance 10/1/2015	Additions	Deletions	
Cash and cash equivalents	\$ <u>130,373</u>	\$ <u>493</u>	\$ <u>-</u>	\$ <u>130,866</u>
Total assets	\$ <u><u>130,373</u></u>	\$ <u><u>493</u></u>	\$ <u><u>-</u></u>	\$ <u><u>130,866</u></u>
Due to beneficiary	\$ <u>130,373</u>	\$ <u>493</u>	\$ <u>-</u>	\$ <u>130,866</u>
Total liabilities	\$ <u><u>130,373</u></u>	\$ <u><u>493</u></u>	\$ <u><u>-</u></u>	\$ <u><u>130,866</u></u>

	W.D. Tate Scholarship			
	Balance 10/1/2015	Additions	Deletions	
Cash and cash equivalents	\$ <u>13,708</u>	\$ <u>54</u>	\$ <u>-</u>	\$ <u>13,762</u>
Total assets	\$ <u><u>13,708</u></u>	\$ <u><u>54</u></u>	\$ <u><u>-</u></u>	\$ <u><u>13,762</u></u>
Due to beneficiary	\$ <u>13,708</u>	\$ <u>54</u>	\$ <u>-</u>	\$ <u>13,762</u>
Total liabilities	\$ <u><u>13,708</u></u>	\$ <u><u>54</u></u>	\$ <u><u>-</u></u>	\$ <u><u>13,762</u></u>

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
(Continued)
YEAR ENDED SEPTEMBER 30, 2016

	Total Agency Funds			Balance 9/30/2016
	Balance 10/1/2015	Additions	Deletions	
Cash and cash equivalents	\$ <u>162,785</u>	\$ <u>634</u>	\$ <u>-</u>	\$ <u>163,419</u>
Total assets	\$ <u><u>162,785</u></u>	\$ <u><u>634</u></u>	\$ <u><u>-</u></u>	\$ <u><u>163,419</u></u>
Due to beneficiary	\$ <u>162,785</u>	\$ <u>634</u>	\$ <u>-</u>	\$ <u>163,419</u>
Total liabilities	\$ <u><u>162,785</u></u>	\$ <u><u>634</u></u>	\$ <u><u>-</u></u>	\$ <u><u>163,419</u></u>

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STATISTICAL SECTION

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STATISTICAL SECTION

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

Contents

	Page
Financial Trends	84 – 95
<p>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</p>	
Revenue Capacity	96 – 101
<p>These schedules contain information to help the reader assess the City's most significant local revenue sources. Sales tax is the City's most significant revenue source. Beginning in FY 2010, sales tax revenue information became available to the City and is in Tables 5 and 6. Information about principal sales tax revenue payers is confidential under Texas statutes and is not provided. Additionally, information about the City's second most significant local revenue source, the property tax, is provided.</p>	
Debt Capacity	102 – 107
<p>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</p>	
Demographic and Economic Information	108 – 109
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</p>	
Operating Information	110 – 112
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</p>	

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

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

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities:				
Net investment in capital assets	\$ 28,660	\$ 39,332	\$ 57,264	\$ 73,702
Restricted	32,626	34,200	40,419	55,622
Unrestricted	<u>18,198</u>	<u>29,360</u>	<u>25,626</u>	<u>13,109</u>
Total governmental activities net position	<u>\$ 79,484</u>	<u>\$ 102,892</u>	<u>\$ 123,309</u>	<u>\$ 142,433</u>
Business-type activities:				
Net investment in capital assets	\$ 65,750	\$ 68,641	\$ 68,785	\$ 70,055
Restricted	7,228	7,365	7,097	6,732
Unrestricted	<u>14,382</u>	<u>13,790</u>	<u>14,238</u>	<u>11,924</u>
Total business-type activities net position	<u>\$ 87,360</u>	<u>\$ 89,796</u>	<u>\$ 90,120</u>	<u>\$ 88,711</u>
Primary government:				
Net investment in capital assets	\$ 94,410	\$ 107,973	\$ 126,049	\$ 143,757
Restricted	39,854	41,565	47,516	62,354
Unrestricted	<u>32,580</u>	<u>43,150</u>	<u>39,864</u>	<u>25,033</u>
Total primary government net position	<u>\$ 166,844</u>	<u>\$ 192,688</u>	<u>\$ 213,429</u>	<u>\$ 231,144</u>

Source: Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 84,069	\$ 88,342	\$ 114,212	\$ 139,392	\$ 176,133	\$ 176,591
61,712	71,909	78,377	74,312	71,932	78,219
<u>10,421</u>	<u>14,469</u>	<u>(3,570)</u>	<u>(10,147)</u>	<u>(21,047)</u>	<u>(14,043)</u>
<u>\$ 156,202</u>	<u>\$ 174,720</u>	<u>\$ 189,019</u>	<u>\$ 203,557</u>	<u>\$ 227,018</u>	<u>\$ 240,767</u>
\$ 70,771	\$ 70,171	\$ 74,750	\$ 77,872	\$ 104,296	\$ 126,510
7,133	8,969	8,032	2,612	2,649	3,205
<u>11,240</u>	<u>10,530</u>	<u>6,912</u>	<u>11,590</u>	<u>8,094</u>	<u>8,507</u>
<u>\$ 89,144</u>	<u>\$ 89,670</u>	<u>\$ 89,694</u>	<u>\$ 92,074</u>	<u>\$ 115,039</u>	<u>\$ 138,222</u>
\$ 154,840	\$ 158,513	\$ 172,921	\$ 217,264	\$ 280,429	\$ 303,101
68,845	80,878	86,409	76,924	74,581	81,424
<u>21,661</u>	<u>24,999</u>	<u>19,382</u>	<u>1,443</u>	<u>(12,953)</u>	<u>(5,536)</u>
<u>\$ 245,346</u>	<u>\$ 264,390</u>	<u>\$ 278,712</u>	<u>\$ 295,631</u>	<u>\$ 342,057</u>	<u>\$ 378,989</u>

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

	Fiscal Year			
	2007	2008	2009	2010
EXPENSES				
Governmental activities:				
General government	\$ 19,150	\$ 17,898	\$ 19,245	\$ 19,048
Public safety	20,732	23,701	26,031	27,095
Culture and recreation	21,914	26,753	25,657	27,175
Public works	12,777	18,573	18,670	19,136
Transportation	-	-	-	-
Economic development	-	-	-	-
Tourism	-	-	-	-
Interest on long-term debt	<u>6,634</u>	<u>6,403</u>	<u>5,093</u>	<u>5,432</u>
Total governmental activities expenses	<u>81,207</u>	<u>93,328</u>	<u>94,696</u>	<u>97,886</u>
Business-type activities:				
Water and sewer	15,494	17,415	17,160	17,647
Lake Enterprise	<u>2,668</u>	<u>2,786</u>	<u>2,885</u>	<u>2,955</u>
Total business-type activities expenses	<u>18,162</u>	<u>20,201</u>	<u>20,045</u>	<u>20,602</u>
Total primary government expenses	<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	\$ 3,535	\$ 4,071	\$ 3,771	\$ 4,039
Public safety	3,280	3,597	3,759	3,660
Culture and recreation	6,908	7,479	7,829	8,530
Public works	3,085	1,372	1,344	1,467
Tourism	-	-	-	-
Operating grants and contributions	2,310	1,629	957	1,060
Capital grants and contributions	<u>785</u>	<u>1,891</u>	<u>5,204</u>	<u>3,819</u>
Total governmental activities program revenues	<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	17,689	18,893	17,950	18,523
Lake Enterprise	2,712	2,862	2,649	2,377
Capital grants and contributions	<u>833</u>	<u>1,331</u>	<u>674</u>	<u>274</u>
Total business-type activities program revenues	<u>21,234</u>	<u>23,086</u>	<u>21,273</u>	<u>21,174</u>
Total primary government program revenues	<u>\$ 41,137</u>	<u>\$ 43,125</u>	<u>\$ 44,137</u>	<u>\$ 43,749</u>

TABLE 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 22,526	\$ 18,370	\$ 18,602	\$ 16,348	\$ 18,944	\$ 21,301
27,588	28,264	28,309	30,039	31,305	31,686
26,673	27,954	29,578	31,549	15,617	18,354
10,563	11,056	12,216	13,689	12,817	13,590
7,901	7,789	8,620	11,275	9,223	9,600
3,394	4,040	3,609	1,405	10,036	15,976
-	-	-	-	16,966	18,526
5,140	4,590	4,095	6,029	6,013	5,480
<u>103,785</u>	<u>102,063</u>	<u>105,029</u>	<u>110,334</u>	<u>120,921</u>	<u>134,514</u>
18,972	18,372	18,807	19,763	19,691	20,498
3,062	3,053	3,156	2,764	2,850	3,256
<u>22,034</u>	<u>21,425</u>	<u>21,963</u>	<u>22,527</u>	<u>22,541</u>	<u>23,754</u>
<u>\$ 125,819</u>	<u>\$ 123,488</u>	<u>\$ 126,992</u>	<u>\$ 132,861</u>	<u>\$ 143,462</u>	<u>\$ 158,268</u>
\$ 4,250	\$ 2,547	\$ 2,013	\$ 1,992	\$ 1,723	\$ 2,735
3,346	3,736	3,971	4,109	3,705	3,789
9,198	10,099	10,012	10,531	4,322	4,526
1,378	1,418	1,486	1,504	1,448	1,495
-	-	-	-	7,327	7,721
1,212	1,124	526	275	1,381	383
1,302	810	108	203	1,609	9,549
<u>20,686</u>	<u>19,734</u>	<u>18,116</u>	<u>18,614</u>	<u>21,515</u>	<u>30,198</u>
21,168	20,481	20,185	23,667	22,434	23,824
2,862	3,079	3,120	3,017	2,214	2,816
26,685	-	-	-	4,896	17,981
<u>50,715</u>	<u>23,560</u>	<u>23,305</u>	<u>26,684</u>	<u>29,544</u>	<u>44,621</u>
<u>\$ 71,401</u>	<u>\$ 43,294</u>	<u>\$ 41,421</u>	<u>\$ 45,298</u>	<u>\$ 51,059</u>	<u>\$ 74,819</u>

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

	Fiscal Year			
	2007	2008	2009	2010
NET (EXPENSE) REVENUES				
Governmental activities	\$(61,304)	\$(73,289)	\$(71,832)	\$(75,311)
Business-type activities	<u>3,072</u>	<u>2,885</u>	<u>1,228</u>	<u>572</u>
Total primary government net expense	<u>(58,232)</u>	<u>(70,404)</u>	<u>(70,604)</u>	<u>(74,739)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	27,066	27,974	30,385	33,092
Franchise	6,191	6,295	6,319	6,133
Hotel occupancy	10,126	11,842	10,498	10,725
Sales	31,827	45,098	40,712	42,000
Mixed beverage	1,128	1,295	1,188	1,226
Investment earnings	3,257	2,520	1,213	426
Miscellaneous	124	-	36	-
Gain on sale of capital assets	-	-	31	119
Transfers	<u>1,505</u>	<u>1,673</u>	<u>1,867</u>	<u>2,064</u>
Total governmental activities	<u>81,224</u>	<u>96,697</u>	<u>92,249</u>	<u>95,785</u>
Business-type activities:				
Investment earnings	1,437	1,046	401	83
Gain on disposal of capital assets	-	-	-	-
Miscellaneous	624	178	562	-
Transfers	<u>(1,505)</u>	<u>(1,673)</u>	<u>(1,867)</u>	<u>(2,064)</u>
Total business-type activities	<u>556</u>	<u>(449)</u>	<u>(904)</u>	<u>(1,981)</u>
Total primary government	<u>81,780</u>	<u>96,248</u>	<u>91,345</u>	<u>93,804</u>
CHANGE IN NET POSITION				
Governmental activities	19,920	23,408	20,417	20,474
Business-type activities	<u>3,628</u>	<u>2,436</u>	<u>324</u>	<u>(1,409)</u>
Total primary government	<u>\$ 23,548</u>	<u>\$ 25,844</u>	<u>\$ 20,741</u>	<u>\$ 19,065</u>

Notes:

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

Source: Comprehensive Annual Financial Reports

TABLE 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$(83,099)	\$(82,329)	\$(86,913)	\$(91,720)	\$(99,406)	\$(104,316)
<u>1,996</u>	<u>2,135</u>	<u>1,342</u>	<u>4,158</u>	<u>7,003</u>	<u>20,868</u>
<u>(81,103)</u>	<u>(80,194)</u>	<u>(85,571)</u>	<u>(87,562)</u>	<u>(92,403)</u>	<u>(83,448)</u>
29,559	32,048	29,979	30,917	30,903	31,617
6,401	6,356	6,618	6,785	6,824	6,818
12,105	12,327	12,772	14,025	18,103	18,965
45,572	46,932	49,047	52,020	54,060	55,884
1,223	1,051	1,159	1,567	1,648	1,710
338	286	159	120	266	887
-	170	6	23	11	204
33	-	-	262	1,490	4,144
<u>1,638</u>	<u>1,677</u>	<u>1,471</u>	<u>1,661</u>	<u>1,424</u>	<u>(2,164)</u>
<u>96,869</u>	<u>100,847</u>	<u>101,211</u>	<u>107,380</u>	<u>114,729</u>	<u>118,065</u>
75	68	152	20	43	148
-	-	-	-	-	3
170	-	-	-	-	-
<u>(1,638)</u>	<u>(1,677)</u>	<u>(1,471)</u>	<u>(1,661)</u>	<u>(1,424)</u>	<u>2,164</u>
<u>(1,393)</u>	<u>(1,609)</u>	<u>(1,319)</u>	<u>(1,641)</u>	<u>(1,381)</u>	<u>2,315</u>
<u>95,476</u>	<u>99,238</u>	<u>99,892</u>	<u>105,739</u>	<u>113,348</u>	<u>120,380</u>
13,770	18,518	14,298	15,658	15,323	13,748
<u>432</u>	<u>526</u>	<u>23</u>	<u>2,517</u>	<u>5,629</u>	<u>23,182</u>
<u>\$ 14,202</u>	<u>\$ 19,044</u>	<u>\$ 14,321</u>	<u>\$ 18,175</u>	<u>\$ 20,952</u>	<u>\$ 36,930</u>

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

	Fiscal Year			
	2007	2008	2009	2010
General fund				
Reserved**	\$ 667	\$ 727	\$ 632	\$ 714
Unreserved	7,562	8,190	8,105	7,468
Nonspendable*	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 8,229</u>	<u>\$ 8,917</u>	<u>\$ 8,737</u>	<u>\$ 8,182</u>
All other governmental funds				
Reserved for:				
Prepayments	\$ 76	\$ 91	\$ 583	\$ 118
Inventory	2	-	-	-
Debt service	26,778	29,863	31,784	40,700
Capital projects	284	6,249	20,566	16,861
Unreserved, reported in:				
Special revenue	7,289	10,002	9,238	11,347
Capital projects	28,753	24,982	18,631	20,426
Nonspendable:				
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Public safety	-	-	-	-
Economic development	-	-	-	-
Transportation	-	-	-	-
Culture and recreation	-	-	-	-
Tourism	-	-	-	-
Committed for:				
Stormwater drainage operations	-	-	-	-
Public arts	-	-	-	-
Assigned for:				
Economic development	-	-	-	-
Capital projects	-	-	-	-
Culture and recreation	-	-	-	-
Tourism	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<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.

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

Source: Comprehensive Annual Financial Reports

TABLE 3

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
657	653	659	600	553	779
<u>8,938</u>	<u>11,742</u>	<u>11,303</u>	<u>12,318</u>	<u>13,402</u>	<u>12,753</u>
<u>\$ 9,595</u>	<u>\$ 12,395</u>	<u>\$ 11,962</u>	<u>\$ 12,918</u>	<u>\$ 13,955</u>	<u>\$ 13,532</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15	18	18	15	23	17
42	14	4	23	122	305
26,713	28,858	29,051	28,234	25,720	18,682
19,863	17,655	90,741	68,131	48,216	22,143
836	1,078	1,088	1,288	1,818	1,310
28,985	35,493	41,198	40,137	46,996	56,461
345	369	412	459	461	465
264	152	41	48	38	49
4,605	5,954	5,268	6,544	-	-
3,005	3,179	2,024	990	613	923
453	600	697	841	954	1,084
-	-	-	1,717	1,384	3,269
9,322	10,627	8,043	13,382	16,034	25,033
841	635	677	732	910	1,270
-	-	-	-	12,801	19,140
<u>(1,822)</u>	<u>(1,777)</u>	<u>(841)</u>	<u>(1,123)</u>	<u>(1,477)</u>	<u>(3,769)</u>
<u>\$ 93,467</u>	<u>\$ 102,855</u>	<u>\$ 178,421</u>	<u>\$ 161,418</u>	<u>\$ 154,613</u>	<u>\$ 146,382</u>

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

	Fiscal Year			
	2007	2008	2009	2010
REVENUES				
Taxes:				
Property	\$ 26,913	\$ 27,945	\$ 29,454	\$ 34,225
Hotel occupancy	10,126	11,842	10,498	10,725
Sales	31,826	45,098	40,712	42,000
Mixed beverage	1,128	1,295	1,188	1,226
Franchise	6,191	6,295	6,319	6,133
Licenses and permits	1,776	1,227	1,087	1,117
Intergovernmental	931	673	3,000	4,525
Charges for services	12,987	12,489	12,893	13,296
Fines and forfeitures	1,607	2,197	2,208	2,126
Contributions	393	391	556	8
Interest and miscellaneous	4,354	4,354	2,108	2,407
Total revenues	<u>98,232</u>	<u>113,806</u>	<u>110,023</u>	<u>117,788</u>
EXPENDITURES				
General government	15,345	15,024	15,435	16,367
Public safety	19,047	20,589	21,582	22,275
Culture and recreation	19,470	21,982	21,714	22,677
Public works	4,514	4,674	4,922	5,049
Operations	6,552	14,168	13,485	13,819
Transportation	-	-	-	-
Economic development	-	-	-	-
Tourism	-	-	-	-
Capital outlay	8,290	10,295	18,695	15,051
Debt service:				
Principal	9,667	11,492	11,880	12,096
Interest and fiscal charges	6,599	6,370	5,304	5,547
Payment to bond refunding escrow agent	-	-	-	-
Bond issuance costs	-	-	-	-
Other	2,557	2,527	2,535	1,050
Total expenditures	<u>92,041</u>	<u>107,121</u>	<u>115,552</u>	<u>113,931</u>

TABLE 4

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 29,930	\$ 32,147	\$ 28,326	\$ 33,470	\$ 30,931	\$ 31,650
12,105	12,326	12,772	14,025	18,103	18,965
45,572	46,932	49,047	52,020	54,060	55,884
1,223	1,051	1,159	1,567	1,648	1,710
6,401	6,356	6,618	6,785	6,824	6,662
1,044	1,542	1,248	1,337	1,527	1,745
1,505	1,012	1,175	430	974	1,356
14,582	13,572	13,286	13,755	14,681	15,568
1,712	2,017	2,258	2,413	2,100	1,967
73	194	162	169	304	253
1,741	1,192	731	872	872	2,861
<u>115,888</u>	<u>118,341</u>	<u>116,782</u>	<u>126,843</u>	<u>132,024</u>	<u>138,621</u>
17,681	13,979	13,714	15,611	17,878	19,768
24,297	25,539	25,674	27,215	28,672	27,803
23,495	24,832	26,202	27,707	12,931	14,731
5,821	6,061	7,037	8,335	8,077	7,938
-	-	-	-	-	-
7,901	7,789	8,620	11,275	9,223	9,600
3,405	4,543	3,609	1,405	10,036	15,976
-	-	-	-	16,179	17,702
13,076	9,446	17,011	53,121	24,476	33,576
12,328	11,164	11,462	12,664	14,477	16,099
5,029	4,564	3,864	6,695	6,405	6,234
-	-	-	-	22,812	1
-	-	-	-	358	73
30	25	394	269	21	10
<u>113,063</u>	<u>107,942</u>	<u>117,587</u>	<u>164,297</u>	<u>171,545</u>	<u>169,511</u>

CITY OF GRAPEVINE, TEXAS

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

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2007	2008	2009	2010
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ <u>6,191</u>	\$ <u>6,685</u>	\$ <u>(5,529)</u>	\$ <u>3,857</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	5,610	260	45,825	8,565
Notes payable issued	-	-	-	-
Premium on issuance of debt	2	-	2,184	344
Payments to escrow agent	-	76	(34,944)	(6,954)
Sale of capital assets	-	-	32	219
Insurance recoveries	-	-	-	-
Transfers in	7,757	16,531	17,415	14,510
Transfers out	(6,252)	(14,859)	(15,548)	(12,446)
Total other financing sources (uses)	<u>7,117</u>	<u>2,008</u>	<u>14,964</u>	<u>4,238</u>
NET CHANGE IN FUND BALANCES	\$ <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>19.4%</u>	<u>18.4%</u>	<u>20.4%</u>	<u>17.8%</u>

Source: Comprehensive Annual Financial Reports

TABLE 4

Fiscal Year					
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ <u>2,825</u>	\$ <u>10,399</u>	\$(<u>805</u>)	\$(<u>37,454</u>)	\$(<u>39,521</u>)	\$(<u>30,890</u>)
500	-	78,640	19,500	35,065	3,070
309	-	-	-	-	-
-	-	3,455	-	3,757	192
-	-	(7,834)	-	(13,643)	-
155	112	204	250	6,110	13,856
-	-	-	-	800	540
17,593	15,244	19,768	18,507	17,248	21,735
(<u>15,955</u>)	(<u>13,568</u>)	(<u>18,297</u>)	(<u>16,846</u>)	(<u>15,585</u>)	(<u>17,764</u>)
<u>2,602</u>	<u>1,788</u>	<u>75,936</u>	<u>21,411</u>	<u>33,752</u>	<u>21,629</u>
\$ <u><u>5,427</u></u>	\$ <u><u>12,187</u></u>	\$ <u><u>75,131</u></u>	\$(<u><u>16,043</u></u>)	\$(<u><u>5,769</u></u>)	\$(<u><u>9,261</u></u>)
<u>16.8%</u>	<u>15.7%</u>	<u>14.7%</u>	<u>17.5%</u>	<u>30.2%</u>	<u>16.5%</u>

TABLE 5

CITY OF GRAPEVINE, TEXAS

TAXABLE SALES BY CATEGORY

LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands)

Function/Program	2007 (1)	2008	2009	2010	2011	2012	2013	2014	2015	2016 (2)
Agriculture/forestry/fishing/hunting	\$ -	\$ 113	\$ 107	\$ -	\$ -	\$ -	\$ -	\$ 414	\$ 514	\$ 343
Construction	36,212	33,550	27,636	19,347	23,201	32,162	38,720	46,112	49,895	38,138
Manufacturing	76,917	149,328	173,395	158,571	149,783	157,519	157,403	164,251	164,726	123,848
Wholesale trade	103,370	212,637	200,208	216,540	236,878	245,838	266,052	276,437	285,962	224,366
Retail trade	873,696	887,650	774,650	774,638	816,452	849,825	897,364	930,931	921,231	702,741
Transportation/warehousing	7,823	9,726	7,794	10,239	13,817	11,810	13,751	12,539	13,467	9,193
Information	22,968	22,836	28,136	29,311	36,209	42,137	49,559	58,753	68,853	54,951
Finance/insurance	4,711	4,641	1,379	964	1,049	993	804	808	808	670
Professional/scientific/technical	47,792	85,256	23,165	15,745	15,485	18,966	20,321	28,112	26,370	24,417
Real estate/rental/leasing	35,622	34,950	25,870	34,389	37,831	36,597	46,875	52,312	61,550	48,127
Management of companies/enterprises	1,324	1,644	938	15	1	-	-	-	-	-
Admin/support/waste mgmt/remediation svcs	34,942	35,281	35,470	37,065	54,218	47,264	47,117	60,296	76,038	41,717
Educational services	153	186	104	344	531	2,762	1,931	1,079	645	485
Health care/social assistance	2,243	3,594	1,903	1,930	2,465	2,999	2,961	2,028	1,735	1,386
Arts/entertainment/recreation	31,372	28,676	23,115	25,623	25,657	24,811	24,592	27,313	16,310	15,868
Accommodation/food service	402,040	421,867	402,661	413,133	453,507	477,342	472,830	522,296	572,882	440,361
Other services (except public administration)	15,815	20,877	21,970	24,736	24,868	24,250	33,721	38,588	47,645	40,129
Unclassified	6,111	6,997	9,849	-	17,457	-	-	-	8	-
Total	\$ 1,703,111	\$ 1,959,809	\$ 1,758,350	\$ 1,762,590	\$ 1,909,409	\$ 1,975,275	\$ 2,073,999	\$ 2,222,269	\$ 2,308,639	\$ 1,766,740
City direct sales tax rate	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Source: Texas Comptroller

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

(2) Only information for three quarters is available for Fiscal Year

CITY OF GRAPEVINE, TEXAS

DIRECT AND OVERLAPPING SALES TAX RATES

LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rate	State of Texas
04/01/07-9/30/07	2.0%	6.3%
2008	2.0%	6.3%
2009	2.0%	6.3%
2010	2.0%	6.3%
2011	2.0%	6.3%
2012	2.0%	6.3%
2013	2.0%	6.3%
2014	2.0%	6.3%
2015	2.0%	6.3%
2016	2.0%	6.3%

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			
2007	\$ 7,026,000	\$ 2,068,000	\$ 3,684,740	\$ 5,409,260	\$ 0.3625
2008	7,316,619	2,294,141	3,753,870	5,856,890	0.3625
2009	7,011,568	2,257,318	3,314,798	5,954,088	0.3500
2010	7,339,403	2,446,105	3,588,781	6,196,727	0.3500
2011	7,320,478	2,309,223	3,765,059	5,864,642	0.3500
2012	7,111,827	2,005,549	3,205,119	5,912,257	0.3480
2013	7,373,725	2,169,614	3,311,568	6,231,772	0.3457
2014	7,744,617	2,141,161	3,421,500	6,464,278	0.3425
2015	7,972,445	2,437,129	3,816,444	6,593,130	0.3324
2016	8,127,156	2,620,115	3,874,106	6,873,165	0.3284

Source: Grapevine/Colleyville ISD Tax Assessor

TABLE 8

CITY OF GRAPEVINE, TEXAS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates				Total Direct and Overlapping Rates
	Operating/ General Rate	General Obligation Debt Service	Total Direct Rate	Junior College	School District	Hospital District	County	
2007	\$ 0.1150	\$ 0.2475	\$ 0.3625	\$ 0.1310	\$ 1.3240	\$ 0.2340	\$ 0.2420	\$ 2.2930
2008	0.1275	0.2350	0.3625	0.1390	1.2900	0.2300	0.2670	2.2890
2009	0.1189	0.2311	0.3500	0.1380	1.2900	0.2280	0.2640	2.2700
2010	0.1346	0.2154	0.3500	0.1380	1.2900	0.2280	0.2640	2.2700
2011	0.1346	0.2154	0.3500	0.1380	1.2900	0.2280	0.2640	2.2700
2012	0.1423	0.2057	0.3480	0.1490	1.3100	0.2280	0.2640	2.2990
2013	0.1357	0.2100	0.3457	0.1490	1.3201	0.2279	0.2640	2.3067
2014	0.1314	0.2111	0.3425	0.1490	1.3201	0.2279	0.2640	2.3035
2015	0.1274	0.2050	0.3324	0.1495	1.3201	0.2279	0.2640	2.2939
2016	0.1421	0.1863	0.3284	0.1495	1.3201	0.2279	0.2640	2.2899

Source: Tarrant County Appraisal District

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

TABLE 9

CITY OF GRAPEVINE, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

(Unaudited) (Amounts Expressed in Thousands)

Taxpayer	FY 2016		Taxpayer	FY 2007	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Gaylord Texan Resort and Convention Center	\$ 559,232	8.14%	American Airlines Inc	\$ 351,880	6.51%
American Airlines Inc/Envoy Air Inc	375,480	5.46%	Gaylord Texan Resort and Convention Center	297,855	5.51%
Grapevine Mills, Ltd. Partnership	248,726	3.62%	Grapevine Mills, Ltd. Partnership	204,391	3.78%
Great Wolf Lodge	120,092	1.75%	CAE Simuflite/Simuflite Training Unit	167,403	3.09%
Mesa Airlines	103,188	1.50%	Gamestop	102,042	1.89%
Fund Riverwalk LLC	90,029	1.31%	GTE	57,999	1.07%
CAE Simuflite	71,751	1.04%	TXU Electric Delivery	49,918	0.92%
Rackspace US Inc	68,645	1.00%	Atrium Finance I Lp	47,773	0.88%
Silver Oaks LP	62,506	0.91%	DCT Patriot Drive TXLP	44,576	0.82%
Spirit Airlines Inc	57,432	0.84%	IDERAC Nedia Corp	42,186	0.78%
Total	\$ 1,757,081	17.43%	Total	\$ 1,366,023	25.25%

Source: Grapevine/Colleyville ISD Tax Assessor
Grapevine CAFR (2007)

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

Fiscal Year Ended	Taxes Levied for the Fiscal Year			Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Original Levy	Adjustments	Adjusted Levy	Amount	Percentage of Levy Collected		Amount	Percentage of Levy
2007	\$ 19,572	\$ -	\$ 19,572	\$ 19,368	98.96%	\$ 174	\$ 19,542	99.85%
2008	21,113	-	21,113	20,964	99.29%	115	21,079	99.84%
2009	22,250	-	22,250	21,936	98.59%	286	22,222	99.87%
2010	22,208	-	22,208	21,958	98.87%	214	22,172	99.84%
2011	21,114	-	21,114	20,954	99.24%	134	21,088	99.88%
2012	21,321	(1)	21,320	21,211	99.49%	90	21,301	99.91%
2013	21,467	(37)	21,430	21,364	99.69%	44	21,408	99.90%
2014	21,847	(28)	21,819	21,804	99.93%	2	21,806	99.94%
2015	22,020	(23)	21,997	21,952	99.80%	2	21,954	99.80%
2016	22,574	-	22,574	22,498	99.66%	-	22,498	99.66%

Source: Grapevine/Colleyville ISD Tax Assessor

TABLE 11

CITY OF GRAPEVINE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

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

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government Debt	Percentage of Personal Income	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Sales Tax Revenue Bonds	Notes Payable	Water and Sewer Obligations	General Obligation Bonds	Certificates of Obligation	Other Obligations			
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	-	-	133,885	6.88%	2,614
2011	45,335	55,473	-	4,852	1,035	14,042	-	-	120,737	7.14%	2,569
2012	40,355	50,794	-	3,605	790	9,923	-	-	105,467	6.16%	2,201
2013	102,690	45,659	-	6,297	-	10,962	-	-	165,607	8.89%	3,380
2014	100,952	42,455	19,500	4,514	-	9,556	-	-	176,977	9.26%	3,612
2015	93,376	38,125	18,840	3,107	-	7,579	10,097	-	171,124	8.32%	3,492
2016	88,200	36,974	18,170	2,529	-	2,551	8,902	-	157,326	7.16%	3,147

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

* See Table 18 for personal income and population data.

CITY OF GRAPEVINE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

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

Fiscal Year	Governmental Activities			Business-type Activities	Resources Restricted For Debt Service	Net Bonded Debt	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	(a) General Obligation Bonds	Certificates of Obligation	Total	General Obligation Bonds				
2007	\$ 66,275	\$ 68,905	\$ 135,180	\$ 6,820	\$ 26,778	\$ 115,222	2.13%	\$ 2,351
2008	60,690	63,675	124,365	6,685	29,863	101,187	1.73%	2,024
2009	54,315	65,960	120,275	12,540	31,784	101,031	1.70%	2,021
2010	51,290	59,870	111,160	15,305	40,700	85,765	1.38%	1,715
2011	45,335	55,473	100,808	15,135	26,713	89,230	1.52%	1,899
2012	40,355	50,794	91,149	9,895	28,858	72,186	1.22%	1,506
2013	102,690	45,659	148,349	10,845	29,051	130,143	2.09%	2,656
2014	100,952	42,455	143,407	9,556	20,985	131,978	2.04%	2,693
2015	93,376	38,125	131,501	7,579	19,603	119,477	1.81%	2,438
2016	88,200	36,974	125,174	2,551	17,938	109,787	1.60%	2,196

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

^a See Table 7 for property value data.

^b See Table 18 for population data.

CITY OF GRAPEVINE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2016

(Unaudited)

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes:			
Carroll Independent School District	\$ 203,421,047	5.61%	\$ 11,411,921
Coppell Independent School District	288,134,166	2.43%	7,001,660
Dallas County	227,980,000	0.11%	250,778
Dallas County Community College District	294,050,000	0.11%	323,455
Dallas County Hospital District	718,480,000	0.11%	790,328
Dallas County Schools	50,405,000	0.11%	55,446
Denton County	608,895,000	*	-
Grapevine-Colleyville Independent School District	470,887,687	54.46%	256,445,434
Northwest Independent School District	733,049,556	0.08%	586,440
Tarrant County	344,185,000	6.05%	20,823,193
Tarrant County Hospital District	22,335,000	6.05%	<u>1,351,268</u>
Subtotal overlapping debt			299,039,921
Total direct - City of Grapevine	\$ 145,872,603	100.00%	<u>145,872,603</u>
Direct and Overlapping Debt			<u>\$ 444,912,524</u>
Total Direct and Overlapping Debt % of A.V.:		6.72%	
Total Direct and Overlapping Debt per Capita:		\$ 8,575	

* Less than .01%

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

Source: Municipal Advisory Council of Texas

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

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

CITY OF GRAPEVINE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

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

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

Notes: ^a Includes tax revenues only

^b Includes transfers out.

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

Source: Comprehensive Annual Financial 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					Coverage
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Principal and Interest Payments		
2007	\$ 3,574	\$ 1,539	\$ 2,035	\$ 1,686	1.21	
2008	3,392	1,536	1,856	2,691	0.69	
2009	3,638	1,591	2,047	2,686	0.76	
2010	5,749	726	5,023	2,677	1.88	
2011	4,291	731	3,560	2,664	1.34	
2012	5,736	1,548	4,188	2,672	1.57	
2013	3,637	2,283	1,354	2,679	0.51	
2014	5,878	2,446	3,432	2,681	1.28	
2015	4,246	2,678	1,568	2,683	0.58	
2016	4,416	2,714	1,702	2,273	0.75	

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

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

CITY OF GRAPEVINE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

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

Calendar Year	(1) Estimated Population	(1) Personal Income	(1) Personal Income Per Capita	(1) Median Age	(2) School Enrollment	(3) Unemployment Rate
2007	49	\$ 1,764	\$ 36	34	14	3.5%
2008	50	1,800	36	36	14	4.2%
2009	50	1,800	36	36	14	6.6%
2010	50	1,900	38	36	14	6.0%
2011	47	1,692	36	35	14	6.3%
2012	48	1,711	36	35	14	5.6%
2013	49	1,862	38	38	14	5.1%
2014	49	1,911	39	38	14	4.7%
2015	49	2,058	42	39	14	3.3%
2016	50	2,197	42	39	14	3.6%

Sources: (1) Estimate from City Economic Development Dept staff; (population as of 12.31.15) Neilsen/Clarita's Report, ERSI
(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)

2016			2007		
Employer	Employees	Percentage of of Total City Employment (1)	Employer	Employees	Percentage of of Total City Employment
DFW International Airport	60.0	61.22%	DFW International Airport	16.2	33.0%
Game Stop Corporation	2.4	2.45%	Gaylord Texan Resort and Convention Center	1.8	4.0%
United Parcel Service	2.0	2.04%	Grapevine/Colleyville ISD	1.6	3.0%
Grapevine Colleyville ISD	1.8	1.86%	United Parcel Service	1.2	2.0%
Gaylord Texan Resort	1.8	1.84%	Baylor Medical Center	1.0	2.0%
Baylor Medical Center	1.1	1.07%	Gamestop	0.6	1.0%
Great Wolf Lodge	0.6	0.61%	City of Grapevine	0.6	1.0%
City of Grapevine	0.6	0.57%	DFW Hilton Hotel	0.4	1.0%
Pavestone Mfg.	0.4	0.41%	SimuFlite Training Int'l.	0.3	1.0%
Hilton-DFW Lakes	<u>0.4</u>	<u>0.41%</u>	Apollo Paper	<u>0.2</u>	<u>1.0%</u>
	<u>71.1</u>	<u>72.48%</u>		<u>23.9</u>	<u>49.0%</u>

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

(1) Per Nielsen/Claritas there are 97,906 total employees in the City (including 60,000 at DFW Airport) as of 2015.

TABLE 19

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government and administration	78	59	60	59	59	57	58	61	63	63
Public safety	230	238	237	236	237	237	240	241	245	246
Development services	15	15	15	15	15	15	15	16	19	19
Culture and recreational	159	163	174	175	169	168	172	175	206	207
Water and sewer	51	51	51	60	59	59	59	60	59	59
Golf course	31	29	29	28	26	26	26	26	26	25
Public works	<u>54</u>	<u>75</u>	<u>67</u>	<u>67</u>	<u>65</u>	<u>65</u>	<u>66</u>	<u>66</u>	<u>66</u>	<u>66</u>
Total	<u>618</u>	<u>630</u>	<u>633</u>	<u>640</u>	<u>630</u>	<u>627</u>	<u>636</u>	<u>645</u>	<u>684</u>	<u>685</u>

Source: Human Resources Department - 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Police										
Calls for service	45,815	49,618	52,111	65,361	66,686	67,634	58,680	44,266	53,372	52,613
Traffic citations	17,367	27,363	26,068	25,533	18,995	23,817	21,447	24,441	19,138	14,566
Criminal offenses	3,764	3,905	3,796	3,552	3,346	1,366	3,219	5,318	5,364	5,395
Fire										
Fire runs	3,601	4,682	4,844	4,595	5,079	5,135	5,156	5,101	5,588	5,905
Ambulance runs	3,056	3,132	3,980	3,015	3,343	3,026	3,541	3,614	3,715	4,893
Development services										
Area in square miles	36	36	36	36	36	36	36	36	36	36
Cultural and recreational										
Picnic areas	35	35	49	49	49	49	49	49	49	49
Library										
Volumes	182,241	183,529	191,437	197,509	205,194	186,817	197,377	204,206	252,227	259,203
Annual circulation	531,229	320,267	347,215	341,726	330,975	316,236	303,622	293,434	301,522	307,662
Water and sewer										
Number of water connections	14,117	14,117	14,120	14,343	14,384	14,460	14,517	14,476	14,564	14,665
Average daily consumption MG (water)	8.61	10.75	10.37	10.23	11.98	10.74	10.40	9.35	9.40	9.30
System capacity - MG (Water)	24	26	26	27	27	27	27	27	27	27
Number of sewer connections	12,860	12,946	13,107	13,130	13,081	13,103	13,315	13,387	13,452	13,570
Number of refuse connections	11,279	11,279	11,955	11,865	11,895	11,911	11,964	12,110	12,175	12,272
Sewer system capacity (MGD)	8	8	8	8	8	8	8	8	8	8
Lake Enterprise										
Number of golfers, annually	66,874	70,200	62,882	56,053	65,052	67,555	71,706	68,368	48,689	55,913

Source: City departments

TABLE 21

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

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Police stations	2	2	2	2	2	2	2	2	2	2
Patrol units	26	36	30	30	32	32	35	35	35	35
Fire stations	5	5	5	5	5	5	5	5	5	5
Public works										
Streets - paved (miles)	180	180	180	208	208	208	208	208	208	208
Parks and recreation										
Acreage*	1,522	1,522	1,522	1,522	1,522	1,522	1,522	1,522	1,557	1,559
Playgrounds	34	35	35	35	35	35	35	36	40	40
Swimming pools	2	2	2	2	2	2	2	2	3	3
Recreation centers	1	1	1	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1	0	0
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)	280	280	280	280	280	280	290	292	293	295
Wastewater										
Sanitary sewers (miles)	230	230	227	227	227	227	224	225	226	228

Note: In FY2015, the "REC" (a multigenerational facility) was expanded and now includes an active adult component and indoor pool.

Source: City departments

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

SINGLE AUDIT SECTION

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grapevine, Texas (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 2, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Waco, Texas
March 2, 2017



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

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Grapevine, Texas (the "City") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2016. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Grapevine, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

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

Waco, Texas
March 2, 2017

CITY OF GRAPEVINE, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures	Pass-through Expenditures
FEDERAL AWARDS				
<u>U.S. Department of Justice</u>				
Direct program				
Body Armor Grant	16.607	1121-0235	\$ 11,442	\$ -
Total U.S. Department of Justice			<u>11,442</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Passed through the Texas Department of Transportation				
Highway Planning and Construction - Green Ribbon Program	20.205	0353-03-094	309,325	-
Highway Planning and Construction - Kubota Drive	20.205	0364-02-017	<u>9,253</u>	<u>-</u>
Subtotal			<u>318,578</u>	<u>-</u>
National Priority Safety Programs - Impaired Driving Mobilization	20.616	586EGF6282	<u>3,000</u>	<u>-</u>
Total Texas Department of Transportation			<u>321,578</u>	<u>-</u>
Passed through the Texas Parks and Wildlife Department				
National Recreational Trails Fund - Wall Farrar Nature Trail	20.219	RT-013009	<u>177,484</u>	<u>-</u>
Total Texas Parks and Wildlife Department			<u>177,484</u>	<u>-</u>
Total U.S. Department of Transportation			<u>499,062</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Passed through the Texas Department of Public Safety				
Public Assistance Grant - DR 4223-TX	97.036	PW-02080	47,047	-
Public Assistance Grant - DR 4223-TX	97.036	PW-01744	35,775	-
Public Assistance Grant - DR 4223-TX	97.036	PW-02104	15,942	-
Public Assistance Grant - DR 4223-TX	97.036	PW-02102	11,357	-
Public Assistance Grant - DR 4223-TX	97.036	PW-02034	11,872	-
Public Assistance Grant - DR 4223-TX	97.036	PW-02003	32,641	-
Public Assistance Grant - DR 4223-TX	97.036	PW-02130	81,247	-
Public Assistance Grant - DR 4223-TX	97.036	PW-02021	29,910	-
Public Assistance Grant - DR 4223-TX	97.036	PW-02127	11,518	-
Public Assistance Grant - DR 4223-TX	97.036	PW-02024	330,506	-
Public Assistance Grant - DR 4223-TX	97.036	PW-02025	50,792	-
Public Assistance Grant - DR 4223-TX	97.036	PW-02005	9,534	-
Public Assistance Grant - DR 4223-TX	97.036	PW-02036	56,239	-
Public Assistance Grant - DR 4223-TX	97.036	PW-02103	<u>17,469</u>	<u>-</u>
Total Texas Department of Public Safety			<u>741,849</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>741,849</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,252,353</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

CITY OF GRAPEVINE, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2016

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards of the City of Grapevine, Texas (the "City") for the year ended September 30, 2016. The City's reporting entity is defined in Note 1 of the basic financial statements.

2. BASIS OF ACCOUNTING

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

3. INDIRECT COSTS

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

CITY OF GRAPEVINE, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section I: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
Identification of major programs: U.S. Department of Homeland Security: Passed through the Texas Department of Public Safety: Public Assistance Grant	Federal CFDA Number 97.036
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Low risk auditee statement	The City was not classified as a low-risk auditee in the context of 2 CFR 200.

Section II - Financial Statement Findings

None

Section III - Federal Award Findings

None

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