

CITY OF GRAPEVINE, TEXAS COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED SEPTEMBER 30, 2018





CITY OF GRAPEVINE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2018

Prepared by: Fiscal Services Department

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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 Rogers

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 14, 2019

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

The Fiscal Services Department 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 government. 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 auditors' 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 of Grapevine's financial statements for the year ended September 30, 2018. The independent audit report is located at the front of the financial section of this report.

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



Profile of the City of Grapevine

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

The City 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 legislatively mandated revenue share agreement with the cities of Ft. Worth and Dallas. The City is approximately 35 square miles and serves an approximate population of 51,000.

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, sanitation services, extensive parks and recreation facilities, library services, street and other public infrastructure maintenance and improvements, and general administrative services. The City also offers a 27-hole golf course, a very active economic development focus and an aggressive marketing plan to continue to grow and develop industry and tourism within the City. The City also provides internal services, through the General Fund, for fleet services and risk management.

The City of Grapevine's Home Rule Charter provides for the submission of the budget to the City Council by the City Manager. At least sixty days and no more than ninety days before the beginning of the fiscal year, the City Manager must submit a proposed budget to the City Council. The annual budget serves as the foundation for the City of Grapevine's financial planning and control. The budget is prepared by fund and department, and the City Manager can approve the transfer of expenditures within a fund, but transfers between funds requires approval from the governing Council. The Grapevine Code of Ordinances establishes a balanced budget provision for the General and Debt Service funds. Total estimated expenditures within these funds shall not exceed the total estimated resources, but it does, however, provide for disclosure when a deviation from a balanced budget is necessary. The budget may be amended and appropriations altered in cases of public necessity, upon declaration of 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.

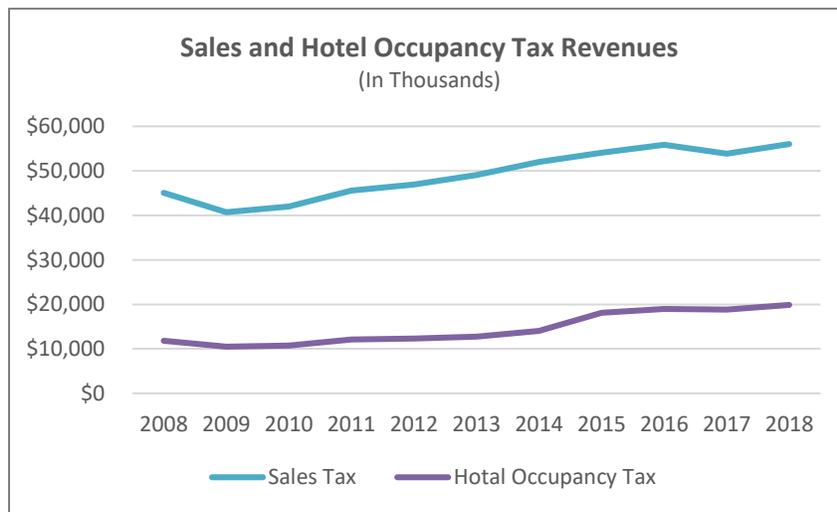
The Heritage Foundation is a legally separate organization that is a discretely presented component unit of the City. The Foundation was organized to promote the preservation, protection and economic development of Grapevine's physical and cultural heritage. Additional information on all six component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

Local Economy

During FY 2018, Grapevine 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 of Grapevine is in close proximity to DFW International Airport, which helps to promote tourism, and it is the largest employer in Grapevine with more than 27% of the total employment base. Other local economic indicators for Grapevine in FY 2018 include an unemployment rate of 2.3% and personal income per capita slightly increased over 22% over the last ten years.

Sales tax, the single largest revenue stream for the City, has been recovering over FY 2018 with an increase to \$56.03 million after a short decline in FY 2017. Total sales tax revenues have increased 4% or \$2.18 million from FY 2017 to FY 2018. Over the last 5 years, sales tax revenues have seen an increase of 7.1% or roughly \$4 million. Sales tax revenues over the last 10 years are illustrated in the table below.

The City's hotel and occupancy tax receipts have been on a steady incline over the last several years. Since 2015, hotel occupancy tax revenues have increased 9.8%. This growth was driven in the last several years by higher occupancy rates for hotels located in the City as well as an increase in the average daily rate of those occupied rooms. Additional growth was seen in FY 2018 because of the opening of the Gaylord Texan Resort expansion. The project increased the number of rooms by 303 and has also provided the facility with an additional 86,000 square feet of meeting space. Hotel occupancy taxes are expected to continue to grow over the next several years as current and future hotel construction projects are completed within the City.



Long-term Financial Planning

The City Council establishes long term financial goals each year as a part of the budgeting process. For FY 2018, 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

Grapevine continued to maintain financial stability and strong fiscal management for FY 2018. 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, \$2,235,000 Crime District Fund, and \$2,645,000 to the Street Maintenance and Capital Replacement Fund.

In meeting the goal of providing a safe and secure community, the Police Department responded to 43,402 calls for service while the Fire Department responded to 6,026 calls for service and 4,047 ambulance runs.

Major Economic Initiatives and Community Development

Grapevine is home to many successful businesses as well as numerous wineries, fine dining, nationally ranked festivals, and select attractions and resorts. Its economic development efforts are designed to further increase visitors and tax revenues through projects that emphasize hospitality, entertainment and retail uses. Grapevine has earned a well-deserved reputation as one of the nation's premier destinations by drawing 15 million visitors annually. Grapevine also boasts exceptional commercial and office facilities that capitalize on the City's central location in one of the top regions in the nation for business and close proximity to the world's third-busiest airport, providing ready access to major U.S. and international markets.

Grapevine continues to experience strong construction growth. In FY 2018, construction values exceeded \$276 million, compared to \$260 million in FY 2017. The largest category in this fiscal year was \$73 million in new multi-family residences, which accounted for approximately 27% of the construction values. A total of 21 single-family residential homes were permitted in FY 2018 valued at \$9,314,251. The following are some other major community development projects and economic initiatives that occurred or continued during FY 2018.

In FY 2006, the citizens of Grapevine overwhelmingly voted to approve the creation of an economic development fund for the primary purpose of providing commuter rail service to the City. Since that time, the City has worked closely with TEXRail to achieve this goal. On January 10, 2019, TEXRail commuter rail service began in Grapevine. TEXRail is a new 27-mile commuter rail line that extends from downtown Fort Worth, across northeast Tarrant County, through North Richland Hills and Grapevine, and into DFW International Airport's Terminal B. The future train station in Grapevine will consist of an observation tower, public plaza, parking garage, public meeting spaces, market hall, and retail spaces. In conjunction with the aforementioned projects, the City has entered into agreements to include a 121 room, AAA, four diamond level hotel to this project.

The City has proudly announced that THE TRADE GROUP® will be relocating their global headquarters to Grapevine, Texas. The company has made the Inc. 5000 list of fastest growing private companies for the past four years and is one of the nation's leading trade show exhibit and event companies. Known for its dedication to design excellence, the company provides trade show exhibit design and fabrication services, state-of-the-art live event planning, event execution and management; general contracting services for events; RFID technology/interactive experiences; as well as immersive corporate and commercial design and production.

In June 2018, the City announced that Paycom will be relocating its Texas operations center to Grapevine. Construction will begin in 2019 on 14 acres of city property across from Kubota's headquarters. The company ranked second on Fortune magazine's 2017 100 Fastest-Growing Companies list of domestic and foreign publicly-traded companies.

Awards and Acknowledgements

The City's Fiscal Services Department 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, 2017. This was the 31st 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 2018 Annual Achievement of Excellence in Procurement® Award. The continuously evolving AEP criteria is designed to measure state of the art in best practices. There were 201 agencies in the United States and Canada that earned the award with 65 of them being cities. Grapevine staff have worked diligently and therefore received this award for 5th consecutive year.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire Fiscal Services Department. 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
Chief Financial Officer

Jeff Strawn
Managing Director of Financial Services

Nicole Bradshaw, CPA
Director of Internal Audit



Government Finance Officers Association

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

Presented to

**City of Grapevine,
Texas**

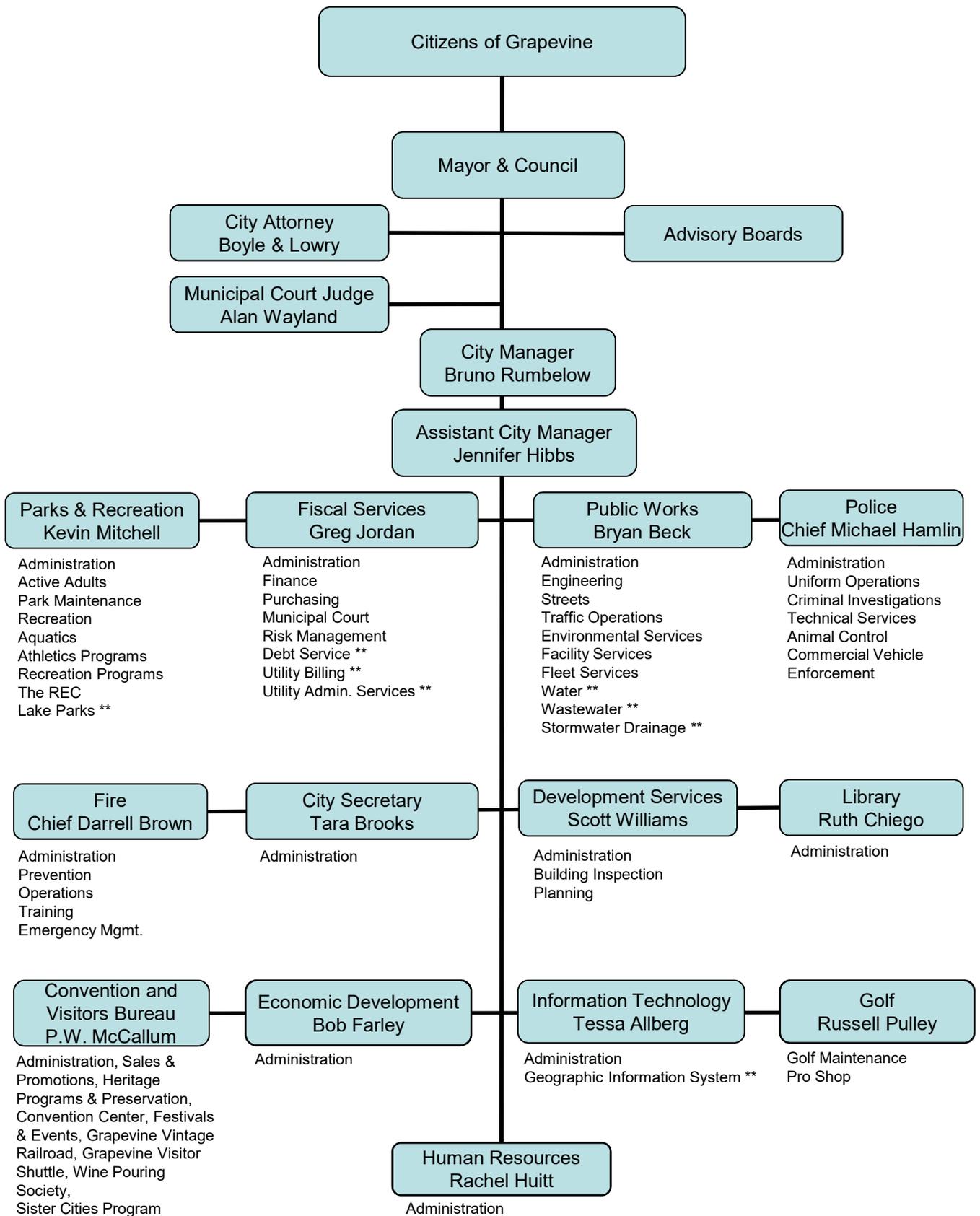
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill

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

Bryan Beck
Director of Public Works

Scott Williams
Director of Development Services

Darrell Brown
Fire Chief

Michael Hamlin
Chief of Police

Ruth Chiego
Library Director

Kevin Mitchell
Director of Parks and Recreation

Russell E. Pulley
Director of Golf

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

Rachel Huitt
Human Resources Director

Nicole L. Bradshaw, CPA, CGMA
Internal Audit Director

Tessa Allberg
Chief Technology Officer

Jeff Strawn
Managing Director of Financial Services

Lance Wright
Acting Purchasing Agent

Gary W. Livingston
Management Services Director

John Butkus
Capital Budget Director

Robert Farley
Director of Economic Development

FINANCIAL SECTION

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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, 2018, 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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, 2018, 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.

Change in Accounting Principle

As discussed in the notes to the financial statements, in 2018 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2019, on our consideration of the City's 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 the City's internal control over financial reporting and compliance.

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

Waco, Texas
March 14, 2019

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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, 2018.

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 \$379,551,641 (net position).
- The City's total net position increased by \$13,806,201 from operations. \$5,492,422 of this increase was attributable to governmental activities and \$8,313,779 was due to business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$155,401,332, an increase of \$9,367,476 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,851,591 or 24% of total General Fund expenditures.

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 supplementary information intended to furnish additional detail to support 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 services and the lake enterprise activities (golf course).

The government-wide financial statements include not only the City itself (known as the *primary government*), but also include the Heritage Foundation which is a legally separate entity for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The Tax Increment Reinvestment Zones Numbers One and Two, the Crime Control and Prevention District (Crime District), and the Grapevine 4B Economic Development Corporation, although legally separate, function for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

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 *near-term inflows and outflows 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 19 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, Hotel Occupancy Tax Fund, Crime District Fund, 4B – Economic Development Fund, 4B – Transit Fund, Debt Service Fund, TIF #1 Capital Projects Fund and General Facilities and Equipment Fund, all of which are considered to be major funds. Data from the other 11 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 in the combining and individual fund statements and schedules section of this report.

Proprietary Funds

The City maintains two different types of proprietary 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 and Sewer Fund, and Lake Enterprise Fund (golf course). *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its document management services. Because these services predominantly benefit the governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

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 considered to be 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, a type of fiduciary fund, are used to report resources held by the City in a custodial capacity for individuals, private organizations, or other governments. Agency funds are used by the City to account for funds held for the Employee Activity Fund, the Industrial Development Corporation, and the W.D. Tate Scholarship Fund. See Note I for additional information pertaining to fiduciary funds.

Notes to the financial statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information*. The required supplementary information section of this report includes budgetary comparison schedules for the General Fund and major special revenue funds with legally adopted budgets which include the Hotel Occupancy Tax Fund, Crime District Fund, 4B Economic Development Fund, and 4B Transit Fund. This section of the report also includes schedules detailing the City's progress in funding its liabilities related to providing pension and OPEB benefits to its employees.

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on the City's pension and OPEB plans.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2018, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$379,551,641.

CITY OF GRAPEVINE'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 179,649,835	\$ 168,042,416	\$ 36,878,600	\$ 32,802,715	\$ 216,528,435	\$ 200,845,131
Capital assets	<u>344,986,936</u>	<u>320,398,947</u>	<u>128,598,748</u>	<u>124,872,370</u>	<u>473,585,684</u>	<u>445,271,317</u>
Total assets	<u>524,636,771</u>	<u>488,441,363</u>	<u>165,477,348</u>	<u>157,675,085</u>	<u>690,114,119</u>	<u>646,116,448</u>
Deferred outflows of resources	<u>11,497,781</u>	<u>14,208,122</u>	<u>1,229,689</u>	<u>1,456,416</u>	<u>12,727,470</u>	<u>15,664,538</u>
Long-term liabilities	264,986,869	215,437,613	21,333,900	18,822,590	286,320,769	234,260,203
Other liabilities	<u>25,550,915</u>	<u>22,643,203</u>	<u>3,051,607</u>	<u>3,295,693</u>	<u>28,602,522</u>	<u>25,938,896</u>
Total liabilities	<u>290,537,784</u>	<u>238,080,816</u>	<u>24,385,507</u>	<u>22,118,283</u>	<u>314,923,291</u>	<u>260,199,099</u>
Deferred inflows of resources	<u>7,652,986</u>	<u>2,305,925</u>	<u>713,671</u>	<u>223,807</u>	<u>8,366,657</u>	<u>2,529,732</u>
Net position:						
Net investment						
in capital assets	226,571,617	214,480,835	125,603,797	122,774,540	352,175,414	337,255,375
Restricted	80,077,822	73,871,676	4,187,117	3,466,783	84,264,939	77,338,459
Unrestricted	<u>(68,705,657)</u>	<u>(26,089,767)</u>	<u>11,816,945</u>	<u>10,548,088</u>	<u>(56,888,712)</u>	<u>(15,541,679)</u>
Total net position	<u>\$ 237,943,782</u>	<u>\$ 262,262,744</u>	<u>\$ 141,607,859</u>	<u>\$ 136,789,411</u>	<u>\$ 379,551,641</u>	<u>\$ 399,052,155</u>

The largest portion of the City's net position (\$352,175,414) 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 includes (1) use of impact fees for construction purposes \$4,187,117, (2) debt service \$9,829,878, (3) capital projects \$47,494,386, (4) court security and technology \$356,605, (5) public safety \$602,124, (6) records preservation \$7,456, (7) economic development \$8,436,600, (8) transportation \$8,784, (9) culture and recreation \$218,934, and (10) tourism \$13,123,055.

For fiscal year-end 2018, the City is able to report positive balances in two categories of net position for the City as a whole. Unrestricted net position is a deficit 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, the recognition of the net OPEB liability under GASB Statement No. 75, and also due to the fact that the City has a substantial amount of debt related to TIF #2 which is not capital-related.

Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended September 30, 2018, and 2017:

CITY OF GRAPEVINE'S CHANGES IN NET POSITION

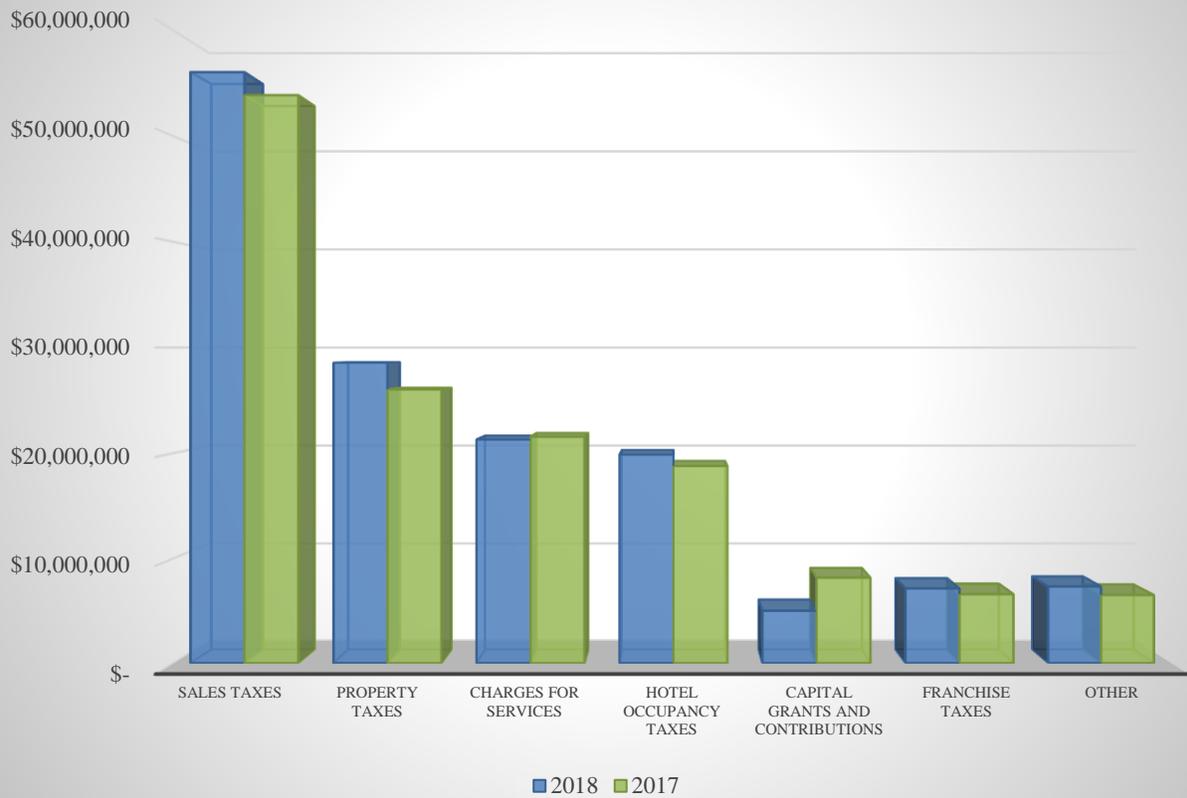
	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 21,295,533	\$ 21,563,067	\$ 31,397,665	\$ 27,836,919	\$ 52,693,198	\$ 49,399,986
Operating grants and contributions	2,200,146	1,078,764	-	-	2,200,146	1,078,764
Capital grants and contributions	5,006,869	8,171,034	4,984,062	1,803,197	9,990,931	9,974,231
General revenues:						
Property taxes	28,561,385	26,027,260	-	-	28,561,385	26,027,260
Hotel occupancy taxes	19,875,456	18,800,663	-	-	19,875,456	18,800,663
Sales taxes	56,029,012	53,853,888	-	-	56,029,012	53,853,888
Mixed beverage taxes	1,792,674	1,733,258	-	-	1,792,674	1,733,258
Franchise taxes	7,144,793	6,602,482	-	-	7,144,793	6,602,482
Investment earnings	2,736,937	1,523,410	579,693	305,651	3,316,630	1,829,061
Gain on sale of capital assets	261,806	1,604,953	-	-	261,806	1,604,953
Miscellaneous	331,280	579,445	-	-	331,280	579,445
Total revenues	145,235,891	141,538,224	36,961,420	29,945,767	182,197,311	171,483,991
Expenses:						
General government	19,248,979	20,417,359	-	-	19,248,979	20,417,359
Public safety	35,954,134	35,650,701	-	-	35,954,134	35,650,701
Culture and recreation	19,596,646	21,087,425	-	-	19,596,646	21,087,425
Public works	16,825,724	16,585,032	-	-	16,825,724	16,585,032
Transportation	9,466,562	9,077,750	-	-	9,466,562	9,077,750
Economic development	14,936,191	9,757,152	-	-	14,936,191	9,757,152
Tourism	21,561,351	20,506,911	-	-	21,561,351	20,506,911
Interest on long-term debt	5,173,776	5,332,385	-	-	5,173,776	5,332,385
Water and sewer	-	-	22,411,243	20,926,232	22,411,243	20,926,232
Lake enterprise	-	-	3,216,504	3,241,784	3,216,504	3,241,784
Total expenses	142,763,363	138,414,715	25,627,747	24,168,016	168,391,110	162,582,731
Increases in net position						
before transfers	2,472,528	3,123,509	11,333,673	5,777,751	13,806,201	8,901,260
Transfers	3,019,894	3,199,377	(3,019,894)	(3,199,377)	-	-
Change in net position	5,492,422	6,322,886	8,313,779	2,578,374	13,806,201	8,901,260
Net position, beginning	262,262,744	240,766,155	136,789,411	138,221,408	399,052,155	378,987,563
Prior period adjustment	(29,811,384)	15,173,703	(3,495,331)	(4,010,371)	(33,306,715)	11,163,332
Net position, beginning (restated)	232,451,360	255,939,858	133,294,080	134,211,037	365,745,440	390,150,895
Net position, ending	\$ 237,943,782	\$ 262,262,744	\$ 141,607,859	\$ 136,789,411	\$ 379,551,641	\$ 399,052,155

Governmental activities – Governmental activities increased the City’s net position by \$5,492,422 from operations, but net position for the governmental activities in total was decreased by a prior period adjustment to beginning net position of \$29,811,384, primarily due to the first year implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

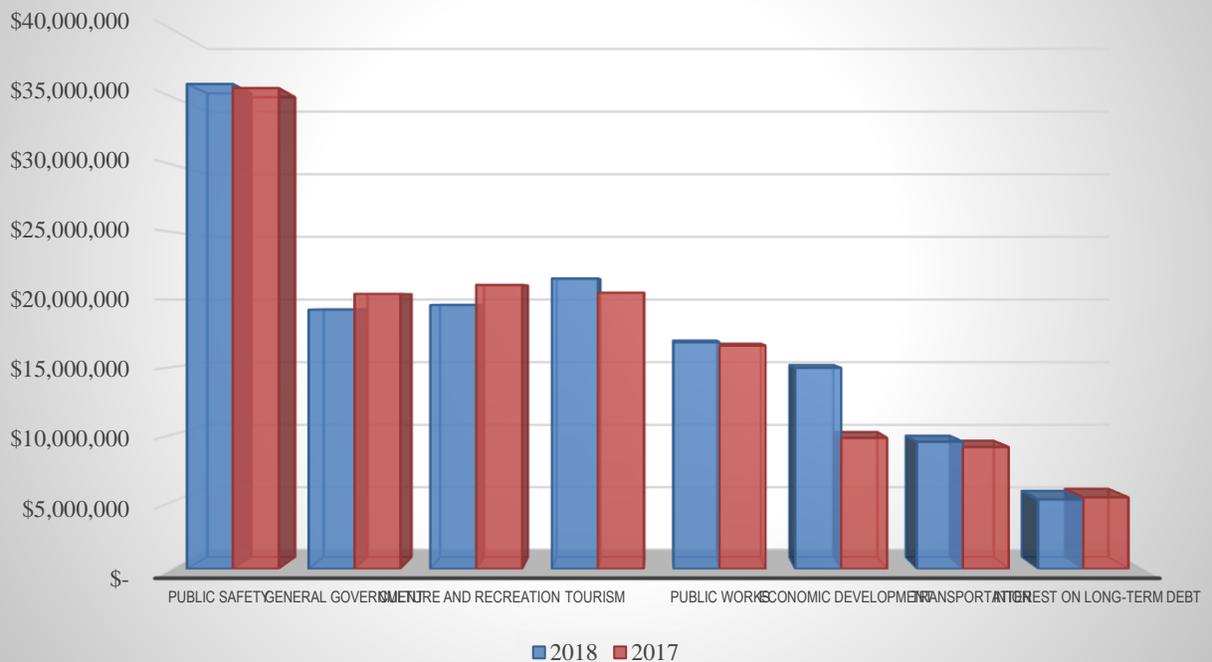
Overall total revenues for fiscal year 2018 were 2.6% higher than the previous fiscal year and the City experienced increases in several categories of revenue. The largest of the revenue increases came from property taxes, which can be attributed to increased tax appraisal valuations as the tax rate for the City overall remained flat between FY 2017 and FY 2018. Another reason for the increase in revenue was a 4.0% increase in sales tax caused by an acceleration in economic activity within the City.

The City’s operating expenses for 2018 increased by \$4,348,648 or 3.19%. The City incurred more expenses in 2018 in most functions due to budgeted payroll increases (3% market adjustment and an additional 2-5% for merit and steps) which were given in order to maintain the City’s standing in the market. The overall increase in expenses can also be attributed to economic development distributions related to TIF#1 increasing from FY 2017 by \$11,081,070. This increase was related to the planned distribution of funds to TIF participants for construction related activities.

Governmental Activities Revenues By Source



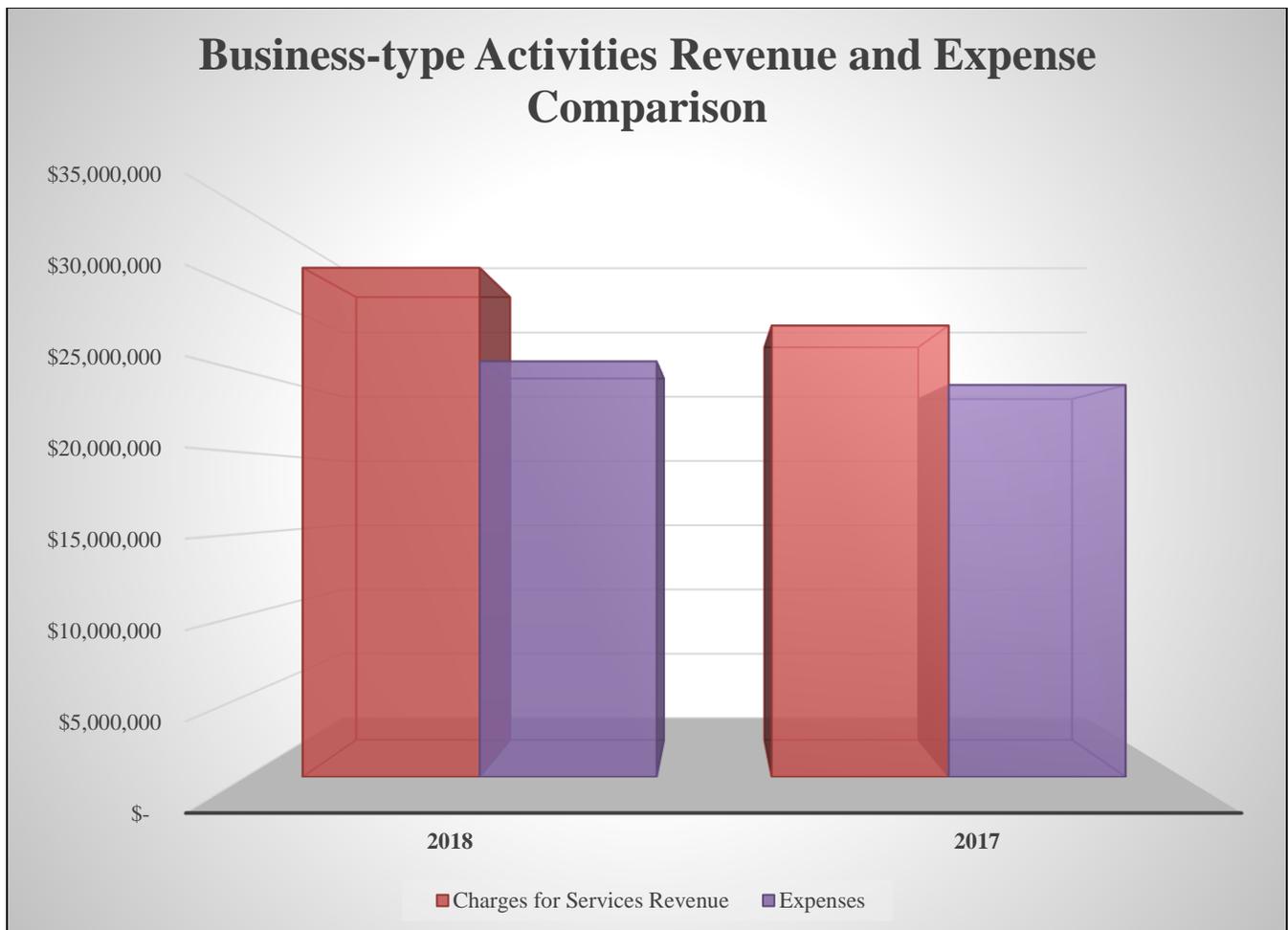
Governmental Activities - Functional Expenses Comparison



Business-type activities – In total, the business-type activities increased the City’s net position by \$4,818,448. This amount includes a prior period adjustment to beginning net position of \$3,495,331, which was due to the first year implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The change in net position, before this adjustment, is \$8,313,779.

The change in net position for the business-type activities was impacted by the Water and Sewer Fund in the following ways: (1) the Water and Sewer Fund received \$4,909,757 in capital contributions of easements and infrastructure from developers during FY 2018, (2) the City received \$2,239,882 in refunds for prior year operating costs, (3) the City experienced increased consumption demand, general pass-through rate increases, and increase in the number of customers, and (4) operating expenses related to salaries and the purchase, storage, and treatment of water did increase for FY 2018, but they stayed proportionate to the increase in charges for services.

The Lake Enterprise Fund (golf course) had a relatively small impact on the change in net position for the business-type activities because of a decline in operations over the fiscal year related to heavy rainfall and flooding at Grapevine Lake and because of the closure of the main road leading to the golf course due to structural issues. Revenues decreased by \$43,234 and related expenses decreased in total by \$26,876 despite budgeted salary increased ranging from 3-5%.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds – The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$155,401,332, an increase of \$9,367,476 compared with the prior year. Unassigned fund balance is \$9,745,251 or 6.2% of that amount, which is available for spending at the City's discretion. The remainder of fund balance is not available for new spending because it is (1) nonspendable (\$1,869,647) (2) restricted for debt service, capital projects, court security and technology, public safety, economic development, transportation, tourism, records preservation and culture and recreation programs (\$111,728,211) (3) committed for stormwater drainage and public arts (\$2,631,972) (4) or assigned for economic development, capital projects, tourism, public safety, culture and recreation programs, and OPEB plan contributions (\$29,426,251).

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

General Fund – The General Fund is the chief operating fund of the City. At the end of FY 2018, unassigned fund balance of the General Fund was \$12,851,591, while total fund balance increased to \$15,555,243. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 24.4% of total General Fund expenditures, while the total fund balance represents approximately 29.5% of that same amount.

The fund balance of the General Fund increased by \$3,160,375 for FY 2018. Revenues increased in the General Fund from FY 2017 to FY 2018 by \$2,782,697. As mentioned previously in connection with the governmental activities, the largest increases in revenues were from property taxes and sales taxes.

Additionally, several significant things happened in the General Fund related to expenditures that had a substantial impact on ending fund balance. First, the City's self-insurance activities are reported within the General Fund, and claims cost and health care costs have decreased by approximately \$2.6 million over the prior year. Additionally, payroll related costs grew as a 3-8% increase in wages was allocated as a part of the FY 2018 budget. Operating transfers were made to capital projects funds as budgeted, including \$3,000,000 to the Quality of Life Fund. Operating transfers to the Crime District Fund increased by over \$2 million for FY 2018 to help fund the increasing salary costs seen in that fund, and an additional transfer of \$574,200 was made to the Grant Fund to cover the remaining deficit related to the 2015 flooding that occurred. The fund balance in the General Fund was also increased by \$1.88 million as funds that were previously held for funding the City's OPEB plan were consolidated with the General Fund.

Special Revenue – Hotel Occupancy Tax Fund – Fund balance in the Hotel Occupancy Tax Fund decreased for FY 2018 by \$6,783,006. This decrease can primarily be attributed to a \$12 million transfer to the General Facilities and Equipment capital projects fund. This transfer was made to help fund the construction of the Grapevine Main train station and other related improvements. Hotel occupancy tax revenues also increased by over \$1 million for FY 2018. This increase is a result of general economic improvements within the City but also because the expansion of the Gaylord Texan Resort completed construction and went online mid-year in FY 2018.

Special Revenue – Crime District Fund – Fund balance of the Crime District Fund decreased by \$415,557. Sales tax revenues, which are the primary funding source of the Crime District Fund, performed just better than budgeted expectations for FY 2018 which was a significant improvement over FY 2017. Although revenues performed on target, expenditures exceeded budget by over \$440,000. These overages can be primarily attributed to salary and benefit cost overruns.

Special Revenue – 4B – Economic Development – The 4B-Economic Development fund balance decreased by \$11,402,231 over last fiscal year. This decrease can be primarily attributed to transfers out to the General Facilities and Equipment fund for approximately \$12 million. This transfer was made to help fund the Grapevine Main construction project. Additionally, previously issued sales tax revenue bonds were refunded in FY 2018. This refunding resulted in a reduction of fund balance for over \$200,000 related to bond issuance costs. As mentioned previously in relation to other funds collecting sales tax, this fund also saw an increase in collections for FY 2018. This increase, as with the others, can be attributed to general economic conditions improving within the City for FY 2018.

Special Revenue – 4B – Transit – The 4B-Transit fund balance increased by \$8,427 over last fiscal year. Sales tax collected in this fund has been pledged to the Fort Worth Transit Authority (the "T"). Any sales tax collections in this fund, less half of the operating costs of the City's visitor shuttle service, are distributed to the "T" to help fund commuter rail service in Grapevine. Sales taxes in this fund also increased for the current period, over FY 2017, because of general economic improvements, and as the revenues in this fund increase, so do the corresponding expenditures.

Debt Service Fund – The total fund balance of \$8,918,787 in the Debt Service Fund is restricted for the payment of debt obligations. This balance has declined by \$2,003,911 and this is attributable to prior year's debt restructuring which resulted in excess payments over receipts.

Capital Projects – TIF #1 – The net change in fund balance for the TIF #1 capital projects fund for FY 2018 was \$11,519,017. This decrease can be attributed to contractual distributions made by the City to the school district to fund the construction of two multipurpose facilities.

Capital Projects – General Facilities and Equipment – The fund balance increased \$36,194,477 from the prior year. The primary project contributing to the increase is the Grapevine Main train station, parking garage, and related improvements. Transfers of \$25,561,943 from other funds were received primarily to fund this project, and certificates of obligation in the amount of \$32,310,000 were also issued in order to provide funding for this project.

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:

There were no changes to budgeted revenues for the fiscal year 2018. Only one significant budget amendment was made to increase expenditures for FY 2018. This increase of \$438,600 was for costs associated with an agreement for revenue sharing with the cities of Dallas and Fort Worth. In addition, other expenditure adjustments to the original budget were made to adjust allocations among categories and had no impact on the total expenditures.

Significant budget variances:

Revenues exceeded the budget by \$2,433,644 primarily due to increases in property and sales taxes. These revenues exceeded budget because of better than expected economic conditions within the City for FY 2018 and because property valuations increased for FY 2018.

Expenditures exceeded the original budget primarily due to retiree health insurance costs and payments, contributions to the OPEB trust, public safety personnel overtime costs, and costs associated with the DFW Revenue Share agreement. Expenditures reflecting favorable variances included active employee health insurance costs, professional services, operating supplies and utilities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets—The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$473,585,684 (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 \$28,314,367 (6%).

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

- Public Safety Building construction totaling \$37,348,203 was completed.
- Grapevine Main construction of \$18,351,290 was added to construction in progress.
- Acquisition of vehicles and equipment totaling \$3,027,184, including \$1,027,540 related to public safety, \$859,982 related to public works, and \$392,496 related to parks and recreation.
- Oak Grove Softball renovations of \$3,023,648 were added to construction in progress.
- Parks and recreation improvement projects of \$2,236,201 were completed, including \$1,769,269 for the Links Trail and \$339,819 related to recreation center renovations.
- Streets projects of \$6,573,932 were completed and transferred to infrastructure assets, including the construction of Kubota Drive, Hudgins Street, and E. Texas Street improvements.
- The Water and Sewer Fund completed \$2,996,356 in projects, which extended and improved the City’s water and sewer system. Donated water and sewer assets totaled \$4,253,090.

CITY OF GRAPEVINE’S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 37,257,669	\$ 37,028,839	\$ 593,970	\$ 593,970	\$ 37,851,639	\$ 37,622,809
Right-of-way/easements	78,359,677	76,145,176	44,492,955	40,239,865	122,852,632	116,385,041
Construction in progress	32,480,427	50,988,604	2,177,296	3,210,218	34,657,723	54,198,822
Buildings	95,488,055	57,837,902	705,280	748,637	96,193,335	58,586,539
Improvements other than buildings	24,586,781	23,290,960	1,551,452	1,943,329	26,138,233	25,234,289
Machinery and equipment	17,394,686	18,534,219	1,748,655	1,770,050	19,143,341	20,304,269
Water storage rights	-	-	44,150	61,238	44,150	61,238
Infrastructure	<u>59,419,641</u>	<u>56,573,247</u>	<u>77,284,990</u>	<u>76,305,063</u>	<u>136,704,631</u>	<u>132,878,310</u>
Total	<u>\$ 344,986,936</u>	<u>\$ 320,398,947</u>	<u>\$ 128,598,748</u>	<u>\$ 124,872,370</u>	<u>\$ 473,585,684</u>	<u>\$ 445,271,317</u>

Additional information on the City’s capital assets can be found in Note V 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 \$176,470,157. Of this amount, \$142,317,564 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	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 70,080,000	\$ 77,020,000	\$ 1,730,000	\$ 2,205,000	\$ 71,810,000	\$ 79,225,000
Certificates of obligation	49,658,143	18,801,837	8,600,000	8,600,000	58,258,143	27,401,837
Revenue bonds	32,480,000	34,630,000	-	-	32,480,000	34,630,000
Contractual obligations	5,505,000	3,535,000	-	-	5,505,000	3,535,000
Tax Notes	1,195,000	1,775,000	-	-	1,195,000	1,775,000
Other notes payable	-	137,596	-	-	-	137,596
Premium on bonds issued	<u>6,758,570</u>	<u>6,360,849</u>	<u>463,444</u>	<u>484,407</u>	<u>7,222,014</u>	<u>6,845,256</u>
	<u>\$ 165,676,713</u>	<u>\$ 142,260,282</u>	<u>\$ 10,793,444</u>	<u>\$ 11,289,407</u>	<u>\$ 176,470,157</u>	<u>\$ 153,549,689</u>

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

In the fiscal year 2019 budget, total City revenues are budgeted at \$177.9 million, an increase of \$2.1 million (1.2%) from the previous year. Certified assessed valuations, including estimated values on properties under protest, increased by 6.0% for the FY 2019 budget compared to an increase of 10.5% for FY 2018’s budget. In response to expected budgeted expenditure fluctuations, the City kept the tax rate level at \$0.289271.

The economy continues to be strong for the City and the Dallas-Fort Worth Metroplex in general. The City continues to focus on quality of life, economic development and cultural, educational and recreational amenities the community has to offer.

The General Fund reserve requirement is expected to remain at approximately 24% of budgeted expenditures for the fiscal year 2019. This exceeds the requirement of 20% of budgeted expenditures.

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.

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CITY OF GRAPEVINE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Heritage Foundation
ASSETS				
Cash and investments	\$ 158,094,439	\$ 22,487,551	\$ 180,581,990	\$ 530,606
Receivables, net:				
Taxes	12,697,954	-	12,697,954	-
Accounts	1,978,288	3,114,531	5,092,819	-
Notes	3,858,000	-	3,858,000	152
Internal balances	784,420	(784,420)	-	-
Due from primary government	-	-	-	7,721
Due from other governments	313,763	-	313,763	-
Inventory	533,768	70,934	604,702	-
Accrued interest	53,324	6,203	59,527	115
Prepaid expenses	841,844	53,730	895,574	-
Deposits	4,643	-	4,643	-
Restricted assets:				
Cash and investments	-	11,930,071	11,930,071	-
Assets held for sale	489,392	-	489,392	-
Capital assets (net of accumulated depreciation):				
Non-depreciable	148,097,773	47,264,221	195,361,994	450,067
Depreciable	<u>196,889,163</u>	<u>81,334,527</u>	<u>278,223,690</u>	<u>729,899</u>
Total assets	<u>524,636,771</u>	<u>165,477,348</u>	<u>690,114,119</u>	<u>1,718,560</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	5,762,324	537,006	6,299,330	-
Deferred outflows related to OPEB	4,988,491	576,628	5,565,119	-
Deferred loss on bond refunding	<u>746,966</u>	<u>116,055</u>	<u>863,021</u>	<u>-</u>
Total deferred outflows of resources	<u>11,497,781</u>	<u>1,229,689</u>	<u>12,727,470</u>	<u>-</u>
LIABILITIES				
Accounts payable	16,159,036	1,558,057	17,717,093	2,968
Contracts and retainage payable	1,540,263	60,516	1,600,779	-
Accrued and other liabilities	2,961,243	425,713	3,386,956	-
Developer deposits	1,528,812	-	1,528,812	-
Interest payable	760,977	43,765	804,742	-
Due to component unit	7,721	-	7,721	-
Due to other governments	227,297	-	227,297	-
Unearned revenue	2,365,566	-	2,365,566	2,076
Customer deposits	-	963,556	963,556	-
Noncurrent liabilities:				
Due within one year	13,542,748	1,292,799	14,835,547	-
Due in more than one year	156,167,242	9,731,842	165,899,084	-
Net OPEB liability	63,849,882	7,380,510	71,230,392	-
Net pension liability	<u>31,426,997</u>	<u>2,928,749</u>	<u>34,355,746</u>	<u>-</u>
Total liabilities	<u>290,537,784</u>	<u>24,385,507</u>	<u>314,923,291</u>	<u>5,044</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	7,631,851	711,228	8,343,079	-
Deferred inflows related to OPEB	<u>21,135</u>	<u>2,443</u>	<u>23,578</u>	<u>-</u>
Total deferred inflows of resources	<u>7,652,986</u>	<u>713,671</u>	<u>8,366,657</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	226,571,617	125,603,797	352,175,414	1,179,966
Restricted for:				
Use of impact fees	-	4,187,117	4,187,117	-
Debt service	9,829,878	-	9,829,878	-
Capital projects	47,494,386	-	47,494,386	-
Court security and technology	356,605	-	356,605	-
Public safety	602,124	-	602,124	-
Records preservation	7,456	-	7,456	-
Economic development	8,436,600	-	8,436,600	-
Transportation	8,784	-	8,784	-
Culture and recreation	218,934	-	218,934	-
Tourism	13,123,055	-	13,123,055	-
Unrestricted	<u>(68,705,657)</u>	<u>11,816,945</u>	<u>(56,888,712)</u>	<u>533,550</u>
Total net position	<u>\$ 237,943,782</u>	<u>\$ 141,607,859</u>	<u>\$ 379,551,641</u>	<u>\$ 1,713,516</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, 2018

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 19,230,968	\$ 1,961,564	\$ 1,101,667	\$ 2,208,551
Public safety	35,954,134	1,662,574	868,119	-
Culture and recreation	19,596,646	6,340,252	230,192	500,000
Public works	16,825,724	3,449,408	168	2,298,318
Transportation	9,466,562	-	-	-
Economic development	14,954,202	-	-	-
Tourism	21,561,351	7,881,735	-	-
Interest on long-term debt	5,173,776	-	-	-
Total governmental activities	<u>142,763,363</u>	<u>21,295,533</u>	<u>2,200,146</u>	<u>5,006,869</u>
Business-type activities:				
Water and sewer	22,411,243	28,266,627	-	4,984,062
Lake Enterprise	3,216,504	3,131,038	-	-
Total business-type activities	<u>25,627,747</u>	<u>31,397,665</u>	<u>-</u>	<u>4,984,062</u>
Total primary government	<u>\$ 168,391,110</u>	<u>\$ 52,693,198</u>	<u>\$ 2,200,146</u>	<u>\$ 9,990,931</u>
Component unit:				
Heritage Foundation	<u>\$ 210,795</u>	<u>\$ 21,618</u>	<u>\$ 130,141</u>	<u>\$ 694</u>

General revenues:

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

Change in net position

Net position - beginning
Prior period adjustment
Net position - beginning, as restated

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
\$(13,959,186)	\$ -	\$(13,959,186)	\$ -
(33,423,441)	-	(33,423,441)	-
(12,526,202)	-	(12,526,202)	-
(11,077,830)	-	(11,077,830)	-
(9,466,562)	-	(9,466,562)	-
(14,954,202)	-	(14,954,202)	-
(13,679,616)	-	(13,679,616)	-
(5,173,776)	-	(5,173,776)	-
(114,260,815)	-	(114,260,815)	-
-	10,839,446	10,839,446	-
-	(85,466)	(85,466)	-
-	10,753,980	10,753,980	-
(114,260,815)	10,753,980	(103,506,835)	-
			(58,342)
28,561,385	-	28,561,385	-
7,144,793	-	7,144,793	-
19,875,456	-	19,875,456	-
56,029,012	-	56,029,012	-
1,792,674	-	1,792,674	-
2,736,937	579,693	3,316,630	8,157
261,806	-	261,806	-
331,280	-	331,280	21,005
3,019,894	(3,019,894)	-	-
119,753,237	(2,440,201)	117,313,036	29,162
5,492,422	8,313,779	13,806,201	(29,180)
262,262,744	136,789,411	399,052,155	1,742,696
(29,811,384)	(3,495,331)	(33,306,715)	-
232,451,360	133,294,080	365,745,440	1,742,696
\$ 237,943,782	\$ 141,607,859	\$ 379,551,641	\$ 1,713,516

CITY OF GRAPEVINE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	Special Revenue				
	General	Hotel Occupancy Tax	Crime District	4B-Economic Development	4B-Transit
ASSETS					
Cash and investments	\$ 8,720,189	\$ 17,253,272	\$ -	\$ 5,729,795	\$ 733,204
Receivables (net of allowances for uncollectibles):					
Accounts	1,620,104	24,146	1,763	-	-
Taxes	5,381,408	2,454,434	2,241,623	697,681	1,646,205
Accrued interest	2,871	3,174	-	1,278	164
Notes	-	-	-	-	-
Inventory	525,741	8,027	-	-	-
Due from other funds	4,770,418	-	-	-	-
Due from other governments	154,805	-	1,783	-	-
Prepaid items	429,539	143,562	51,891	-	-
Deposits	4,643	-	-	-	-
Assets held for sale	343,039	146,353	-	-	-
Total assets	<u>21,952,757</u>	<u>20,032,968</u>	<u>2,297,060</u>	<u>6,428,754</u>	<u>2,379,573</u>
LIABILITIES					
Accounts payable	1,884,947	2,444,626	101,215	310,824	2,370,789
Accrued liabilities	2,108,756	254,354	538,189	19,924	-
Due to other funds	-	-	2,415,271	-	-
Due to component unit	-	7,721	-	-	-
Due to other governments	223,311	33	-	-	-
Unearned revenue	1,592,111	308,392	-	-	-
Developer deposits	-	-	-	-	-
Total liabilities	<u>5,809,125</u>	<u>3,015,126</u>	<u>3,054,675</u>	<u>330,748</u>	<u>2,370,789</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	588,389	-	1,783	-	-
Total deferred inflows of resources	<u>588,389</u>	<u>-</u>	<u>1,783</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Nonspendable:					
Inventory	525,741	8,027	-	-	-
Prepaid items	429,539	143,562	51,891	-	-
Deposits	4,643	-	-	-	-
Property held for sale	343,039	146,353	-	-	-
Restricted for:					
Debt service	-	-	-	1,402,400	-
Capital projects	-	-	-	-	-
Court security and technology	-	-	-	-	-
Economic development	-	-	-	-	-
Public safety	-	-	-	-	-
Records preservation	-	-	-	-	-
Tourism	-	13,123,052	-	-	-
Transportation	-	-	-	-	8,784
Culture and recreation	-	-	-	-	-
Committed for:					
Stormwater drainage operations	-	-	-	-	-
Public arts	-	-	-	-	-
Assigned for:					
Economic development	-	-	-	4,695,606	-
Capital projects	-	-	-	-	-
Tourism	-	3,596,848	-	-	-
Culture and recreation	-	-	-	-	-
Public safety	-	-	-	-	-
OPEB	1,400,690	-	-	-	-
Unassigned	12,851,591	-	(811,289)	-	-
Total fund balances	<u>15,555,243</u>	<u>17,017,842</u>	<u>(759,398)</u>	<u>6,098,006</u>	<u>8,784</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 21,952,757</u>	<u>\$ 20,032,968</u>	<u>\$ 2,297,060</u>	<u>\$ 6,428,754</u>	<u>\$ 2,379,573</u>

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

Debt Service	Capital Projects			Nonmajor Governmental Funds	Total Governmental Funds
	TIF #1	General Facilities and Equipment			
\$ 8,829,619	\$ 13,725,430	\$ 63,106,524	\$ 39,893,876	\$ 157,991,909	
-	-	39,973	292,302	1,978,288	
276,603	-	-	-	12,697,954	
1,933	285	36,243	7,376	53,324	
-	-	3,858,000	-	3,858,000	
-	-	-	-	533,768	
-	-	-	-	4,770,418	
-	-	-	157,175	313,763	
-	-	212,352	4,500	841,844	
-	-	-	-	4,643	
-	-	-	-	489,392	
<u>9,108,155</u>	<u>13,725,715</u>	<u>67,253,092</u>	<u>40,355,229</u>	<u>183,533,303</u>	
-	3,088,283	4,605,663	1,350,571	16,156,918	
-	-	-	40,020	2,961,243	
-	-	-	1,570,727	3,985,998	
-	-	-	-	7,721	
-	-	-	3,953	227,297	
-	-	8,333	456,730	2,365,566	
-	-	400,000	1,128,812	1,528,812	
-	<u>3,088,283</u>	<u>5,013,996</u>	<u>4,550,813</u>	<u>27,233,555</u>	
<u>189,368</u>	-	-	<u>118,876</u>	<u>898,416</u>	
<u>189,368</u>	-	-	<u>118,876</u>	<u>898,416</u>	
-	-	-	-	533,768	
-	-	212,352	4,500	841,844	
-	-	-	-	4,643	
-	-	-	-	489,392	
8,918,787	-	-	-	10,321,187	
-	9,334,316	57,883,401	11,355,449	78,573,166	
-	-	-	356,605	356,605	
-	1,303,116	-	7,213,784	8,516,900	
-	-	-	602,124	602,124	
-	-	-	7,456	7,456	
-	-	-	3	13,123,055	
-	-	-	-	8,784	
-	-	-	218,934	218,934	
-	-	-	1,516,357	1,516,357	
-	-	-	1,115,615	1,115,615	
-	-	-	-	4,695,606	
-	-	4,143,343	15,044,358	19,187,701	
-	-	-	-	3,596,848	
-	-	-	542,384	542,384	
-	-	-	3,022	3,022	
-	-	-	-	1,400,690	
-	-	-	(2,295,051)	9,745,251	
<u>8,918,787</u>	<u>10,637,432</u>	<u>62,239,096</u>	<u>35,685,540</u>	<u>155,401,332</u>	
\$ <u>9,108,155</u>	\$ <u>13,725,715</u>	\$ <u>67,253,092</u>	\$ <u>40,355,229</u>	\$ <u>183,533,303</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, 2018

Total fund balances - governmental funds balance sheet \$ 155,401,332

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. 344,961,099

Certain receivables will not be collected soon enough to pay for the current period's expenditures and are, therefore, reported as deferred inflows of resources in the funds:

Property taxes	156,970
Property tax penalties and interest	225,904
Court fines and fees	163,309
Ambulance billing	161,766
Grants	17,874
Franchise Fees	80,794
Other	91,799

An internal service fund is used to charge the cost of document management equipment acquisition and maintenance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities. 126,249

Accrued bond interest is not due and payable in the current period and, therefore, is not reported in the funds. (760,977)

Retainage payable is not due and payable in the current period and, therefore, is not reported in the funds. (1,540,263)

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	(161,653,235)
Notes payable	(1,195,000)
Compensated absences	(3,914,719)
Sales tax obligation	(2,947,036)

Deferred outflows of resources:

Deferred losses on bond refundings	746,966
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Included in the items related to long-term liabilities is the recognition of the City's net pension liability. The net position related to pensions included a deferred outflows of resources in the amount of \$5,762,324, a deferred inflows of resources in the amount of \$7,631,851, and the net pension liability of \$31,426,997. (33,296,524)

Included in the items related to long-term liabilities is the recognition of the City's net OPEB liability. The net position related to OPEB included a deferred outflows of resources in the amount of \$4,988,491, a deferred inflows of resources in the amount of \$21,135, and the net OPEB liability of \$63,849,882. (58,882,526)

Net position of governmental activities \$ 237,943,782

CITY OF GRAPEVINE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue				
	General	Hotel Occupancy Tax	Crime District	4B-Economic Development	4B-Transit
REVENUES					
Property tax	\$ 11,332,790	\$ -	\$ -	\$ -	\$ -
Hotel occupancy tax	-	19,875,456	-	-	-
Sales tax	28,286,627	-	13,670,499	4,256,508	9,815,378
Mixed beverage tax	1,792,674	-	-	-	-
Franchise tax	6,893,151	-	-	-	-
Licenses and permits	1,603,621	-	-	-	-
Intergovernmental	313,451	-	20,742	-	-
Charges for services	5,569,528	7,881,735	-	-	-
Fines and forfeitures	1,564,586	-	107,196	-	-
Investment income	213,107	537,439	64,703	179,325	8,427
Contributions	-	-	-	-	-
Miscellaneous	524,834	47,911	6,774	-	-
Total revenues	<u>58,094,369</u>	<u>28,342,541</u>	<u>13,869,914</u>	<u>4,435,833</u>	<u>9,823,805</u>
EXPENDITURES					
Current:					
General government	16,181,883	-	147,184	-	-
Public safety	15,484,977	-	16,373,287	-	-
Culture and recreation	12,283,748	-	-	-	-
Public works	8,445,372	-	-	-	-
Tourism	-	20,335,005	-	-	-
Economic development	-	-	-	1,592,147	-
Transportation	-	-	-	-	9,466,562
Capital outlay	109,711	452,127	-	-	-
Debt service:					
Principal	133,021	-	-	-	-
Interest	-	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	17,024,629	-
Bond issuance costs	-	-	-	213,509	-
Fiscal agent charges	5,050	1,194	-	-	-
Total expenditures	<u>52,643,762</u>	<u>20,788,326</u>	<u>16,520,471</u>	<u>18,830,285</u>	<u>9,466,562</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,450,607</u>	<u>7,554,215</u>	<u>(2,650,557)</u>	<u>(14,394,452)</u>	<u>357,243</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	3,973,143	351,077	2,235,000	23,805	-
Transfers out	(8,454,200)	(14,688,298)	-	(13,987,641)	(348,816)
Sale of capital assets	310,757	-	-	-	-
Issuance of debt	-	-	-	16,930,000	-
Premium on issuance of bonds	-	-	-	26,057	-
Insurance recoveries	-	-	-	-	-
Total other financing sources and uses	<u>(4,170,300)</u>	<u>(14,337,221)</u>	<u>2,235,000</u>	<u>2,992,221</u>	<u>(348,816)</u>
NET CHANGE IN FUND BALANCES	1,280,307	(6,783,006)	(415,557)	(11,402,231)	8,427
FUND BALANCES, BEGINNING	12,394,868	23,800,848	(343,841)	17,500,237	357
PRIOR PERIOD ADJUSTMENT	1,880,068	-	-	-	-
FUND BALANCES, BEGINNING, RESTATED	<u>14,274,936</u>	<u>23,800,848</u>	<u>(343,841)</u>	<u>17,500,237</u>	<u>357</u>
FUND BALANCES, ENDING	<u>\$ 15,555,243</u>	<u>\$ 17,017,842</u>	<u>\$ (759,398)</u>	<u>\$ 6,098,006</u>	<u>\$ 8,784</u>

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

Debt Service	Capital Projects			Nonmajor Governmental Funds	Total Governmental Funds
	TIF #1	General Facilities and Equipment			
\$ 11,309,205	\$ 890,398	\$ -	\$ 4,817,939	\$ 28,350,332	
-	-	-	-	19,875,456	
-	-	-	-	56,029,012	
-	-	-	-	1,792,674	
-	-	-	170,848	7,063,999	
-	-	-	-	1,603,621	
-	-	789,973	1,146,118	2,270,284	
-	-	-	4,521,280	17,972,543	
-	-	-	64,145	1,735,927	
195,190	32,929	794,189	694,345	2,719,654	
-	-	-	318,436	318,436	
-	-	1,101,667	27,839	1,709,025	
<u>11,504,395</u>	<u>923,327</u>	<u>2,685,829</u>	<u>11,760,950</u>	<u>141,440,963</u>	
-	-	253,145	436,145	17,018,357	
-	-	7,681	373,574	32,239,519	
-	-	-	6,167,259	18,451,007	
-	-	-	2,921,628	11,367,000	
-	-	-	-	20,335,005	
-	11,942,344	1,693,837	1,410,250	16,638,578	
-	-	-	-	9,466,562	
-	-	21,369,563	8,097,793	30,029,194	
10,336,293	-	-	1,590,000	12,059,314	
5,284,050	-	-	690,100	5,974,150	
-	-	-	-	17,024,629	
-	-	178,399	-	391,908	
<u>15,062</u>	<u>-</u>	<u>2,236</u>	<u>23,449</u>	<u>46,991</u>	
<u>15,635,405</u>	<u>11,942,344</u>	<u>23,504,861</u>	<u>21,710,198</u>	<u>191,042,214</u>	
(4,131,010)	(11,019,017)	(20,819,032)	(9,949,248)	(49,601,251)	
3,097,099	-	25,561,943	11,721,193	46,963,260	
(970,000)	(500,000)	(2,097,250)	(2,897,161)	(43,943,366)	
-	-	-	-	310,757	
-	-	32,310,000	2,500,000	51,740,000	
-	-	1,238,816	-	1,264,873	
-	-	-	66,137	66,137	
<u>2,127,099</u>	<u>(500,000)</u>	<u>57,013,509</u>	<u>11,390,169</u>	<u>56,401,661</u>	
(2,003,911)	(11,519,017)	36,194,477	1,440,921	6,800,410	
10,922,698	22,156,449	26,044,619	33,557,621	146,033,856	
-	-	-	686,998	2,567,066	
<u>10,922,698</u>	<u>22,156,449</u>	<u>26,044,619</u>	<u>34,244,619</u>	<u>148,600,922</u>	
<u>\$ 8,918,787</u>	<u>\$ 10,637,432</u>	<u>\$ 62,239,096</u>	<u>\$ 35,685,540</u>	<u>\$ 155,401,332</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, 2018

Net change in fund balances - total governmental funds	\$ 6,800,410
Amounts reported for governmental activities in the Statement of Activities are different because:	
The net revenue/(expense) of certain activities of internal service funds are reported with governmental activities. This is the net income of the internal service fund.	126,249
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.	34,258,928
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.	3,613,549
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.	(12,393,679)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(115,088)
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	(53,004,873)
Repayment of principal of long-term debt	12,059,311
Bond refunding	17,024,629
Amortization of:	
Premium on bond issuance	867,152
Loss on refunding	(220,102)
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.	153,324
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	(123,080)
Net OPEB liability	(3,408,784)
Net Pension liability	775,981
Retainage payable	198,069
The Statement of Activities reports revenues when earned, but the governmental funds require that funds also be available to be recognized as revenue. This is the cumulative difference in funds received during the year that were previously recognized as revenue in the Statement of Activities.	(<u>1,119,574</u>)
Change in net position of governmental activities	\$ <u>5,492,422</u>

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

CITY OF GRAPEVINE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Lake Enterprise	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 22,487,551	\$ -	\$ 22,487,551	\$ 102,530
Receivables, net	3,067,328	47,203	3,114,531	-
Accrued interest	6,177	26	6,203	-
Prepaid items	53,730	-	53,730	-
Inventory	-	70,934	70,934	-
Total current assets	25,614,786	118,163	25,732,949	102,530
Noncurrent assets:				
Restricted cash and investments:				
Bond construction	7,742,954	-	7,742,954	-
Impact fees	4,187,117	-	4,187,117	-
Total restricted cash and investments	11,930,071	-	11,930,071	-
Capital assets:				
Land	548,132	45,838	593,970	-
Easements	44,492,955	-	44,492,955	-
Construction in progress	2,110,659	66,637	2,177,296	-
Buildings	449,395	2,105,843	2,555,238	-
Improvements other than buildings	-	8,416,221	8,416,221	-
Infrastructure	126,225,170	-	126,225,170	-
Vehicles, machinery and equipment	3,535,460	1,116,283	4,651,743	25,855
Water storage rights	683,547	-	683,547	-
Less accumulated depreciation	(52,031,667)	(9,165,725)	(61,197,392)	(18)
Net capital assets	126,013,651	2,585,097	128,598,748	25,837
Total noncurrent assets	137,943,722	2,585,097	140,528,819	25,837
Total assets	163,558,508	2,703,260	166,261,768	128,367
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	383,915	153,091	537,006	-
Deferred outflows related to OPEB	394,522	182,106	576,628	-
Deferred loss on bond refunding	116,055	-	116,055	-
Total deferred outflows of resources	894,492	335,197	1,229,689	-

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

CITY OF GRAPEVINE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(Continued)
SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Lake Enterprise	Total	Internal Service Fund
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,439,449	\$ 118,608	\$ 1,558,057	\$ 2,118
Accrued liabilities	354,107	71,606	425,713	-
Due to other funds	-	784,420	784,420	-
Accrued bond interest payable	43,765	-	43,765	-
Retainage payable	60,516	-	60,516	-
Compensated absences	36,839	20,960	57,799	-
Bonds payable	1,235,000	-	1,235,000	-
Customer deposits	963,556	-	963,556	-
Total current liabilities	<u>4,133,232</u>	<u>995,594</u>	<u>5,128,826</u>	<u>2,118</u>
Noncurrent liabilities:				
Bonds payable	9,558,444	-	9,558,444	-
Net OPEB liability	5,049,665	2,330,845	7,380,510	-
Net pension liability	2,093,818	834,931	2,928,749	-
Compensated absences	110,518	62,880	173,398	-
Total noncurrent liabilities	<u>16,812,445</u>	<u>3,228,656</u>	<u>20,041,101</u>	<u>-</u>
Total liabilities	<u>20,945,677</u>	<u>4,224,250</u>	<u>25,169,927</u>	<u>2,118</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	508,470	202,758	711,228	-
Deferred inflows related to OPEB	1,671	772	2,443	-
Total deferred inflows of resources	<u>510,141</u>	<u>203,530</u>	<u>713,671</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	123,018,700	2,585,097	125,603,797	25,837
Restricted for:				
Impact fees	4,187,117	-	4,187,117	-
Unrestricted	15,791,365	(3,974,420)	11,816,945	100,412
Total net position	<u>\$ 142,997,182</u>	<u>\$ (1,389,323)</u>	<u>\$ 141,607,859</u>	<u>\$ 126,249</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, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Lake Enterprise	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	\$ 26,006,545	\$ 3,116,082	\$ 29,122,627	\$ 167,005
Miscellaneous	<u>2,260,082</u>	<u>14,956</u>	<u>2,275,038</u>	<u>-</u>
Total operating revenues	<u>28,266,627</u>	<u>3,131,038</u>	<u>31,397,665</u>	<u>167,005</u>
OPERATING EXPENSES				
Salaries and benefits	3,509,269	1,373,683	4,882,952	-
Water purchases, storage, and treatment	11,111,798	-	11,111,798	-
Maintenance, repairs, and supplies	1,778,933	478,319	2,257,252	58,021
Depreciation	3,004,845	520,674	3,525,519	18
General and administrative	<u>2,897,724</u>	<u>842,232</u>	<u>3,739,956</u>	<u>-</u>
Total operating expenses	<u>22,302,569</u>	<u>3,214,908</u>	<u>25,517,477</u>	<u>58,039</u>
OPERATING INCOME (LOSS)	<u>5,964,058</u>	<u>(83,870)</u>	<u>5,880,188</u>	<u>108,966</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	74,305	-	74,305	-
Investment income	576,981	2,712	579,693	17,283
Gain (loss) on disposal of property	-	(1,596)	(1,596)	-
Interest and fiscal agent charges	<u>(108,674)</u>	<u>-</u>	<u>(108,674)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>542,612</u>	<u>1,116</u>	<u>543,728</u>	<u>17,283</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>6,506,670</u>	<u>(82,754)</u>	<u>6,423,916</u>	<u>126,249</u>
Capital contributions	4,909,757	-	4,909,757	-
Transfers in	6,506	-	6,506	-
Transfers out	<u>(2,919,146)</u>	<u>(107,254)</u>	<u>(3,026,400)</u>	<u>-</u>
Total capital contributions and transfers	<u>1,997,117</u>	<u>(107,254)</u>	<u>1,889,863</u>	<u>-</u>
CHANGE IN NET POSITION	8,503,787	(190,008)	8,313,779	126,249
TOTAL NET POSITION, BEGINNING	<u>136,888,885</u>	<u>(99,474)</u>	<u>136,789,411</u>	<u>-</u>
PRIOR PERIOD ADJUSTMENT	<u>(2,395,490)</u>	<u>(1,099,841)</u>	<u>(3,495,331)</u>	<u>-</u>
NET POSITION, BEGINNING, AS RESTATED	<u>134,493,395</u>	<u>(1,199,315)</u>	<u>133,294,080</u>	<u>-</u>
TOTAL NET POSITION, ENDING	<u>\$ 142,997,182</u>	<u>\$ (1,389,323)</u>	<u>\$ 141,607,859</u>	<u>\$ 126,249</u>

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

CITY OF GRAPEVINE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Lake Enterprise	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 27,999,838	\$ 3,136,892	\$ 31,136,730	\$ -
Receipts from interfund charges for document management services	-	-	-	167,005
Cash paid to employees	(3,251,303)	(1,349,733)	(4,601,036)	-
Cash paid to suppliers for goods and services	(16,224,542)	(1,576,235)	(17,800,777)	(55,903)
Net cash provided by operating activities	<u>8,523,993</u>	<u>210,924</u>	<u>8,734,917</u>	<u>111,102</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants	74,305	-	74,305	-
Principal repayment on bonds	(475,000)	-	(475,000)	-
Interest and related fees paid on long-term debt	(61,625)	-	(61,625)	-
Proceeds from the sale of assets	-	(1,596)	(1,596)	-
Acquisition and construction of capital assets	(2,185,401)	(104,795)	(2,290,196)	(25,855)
Net cash used by capital and related financing activities	<u>(2,647,721)</u>	<u>(106,391)</u>	<u>(2,754,112)</u>	<u>(25,855)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments and cash equivalents	<u>578,079</u>	<u>2,721</u>	<u>580,800</u>	<u>17,283</u>
Net cash provided by investing activities	<u>578,079</u>	<u>2,721</u>	<u>580,800</u>	<u>17,283</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer in	6,506	-	6,506	-
Transfer out	(2,919,146)	(107,254)	(3,026,400)	-
Net cash used by noncapital financing activities	<u>(2,912,640)</u>	<u>(107,254)</u>	<u>(3,019,894)</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,541,711	-	3,541,711	102,530
CASH AND CASH EQUIVALENTS, BEGINNING	<u>30,875,911</u>	<u>-</u>	<u>30,875,911</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 34,417,622</u>	<u>\$ -</u>	<u>\$ 34,417,622</u>	<u>\$ 102,530</u>

(Including \$11,930,071 of restricted cash and investments in the Water and Sewer Fund).

CITY OF GRAPEVINE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Lake Enterprise	Total	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income	\$ 5,964,058	\$(83,870)	\$ 5,880,188	\$ 108,966
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	3,004,845	520,674	3,525,519	18
(Increase) decrease in assets:				
Customer receivable	(298,999)	5,854	(293,145)	-
Other assets	(18,289)	2,056	(16,233)	-
Inventories	-	906	906	-
Increase (decrease) in liabilities:				
Accounts payable	(417,798)	(31,837)	(449,635)	2,118
Accrued liabilities	66,635	19,676	86,311	-
Other liabilities	-	(226,809)	(226,809)	-
Customer deposits	32,210	-	32,210	-
Net OPEB liability	269,589	124,438	394,027	-
Net pension liability	(95,277)	(108,742)	(204,019)	-
Compensated absences	17,019	(11,422)	5,597	-
Total adjustments	<u>2,559,935</u>	<u>294,794</u>	<u>2,854,729</u>	<u>2,136</u>
Net cash provided by operating activities	<u>\$ 8,523,993</u>	<u>\$ 210,924</u>	<u>\$ 8,734,917</u>	<u>\$ 111,102</u>
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions of capital assets	<u>\$ 4,909,757</u>	<u>\$ -</u>	<u>\$ 4,909,757</u>	<u>\$ -</u>
Total non-cash capital and related financing activities	<u>\$ 4,909,757</u>	<u>\$ -</u>	<u>\$ 4,909,757</u>	<u>\$ -</u>

CITY OF GRAPEVINE, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2018

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ <u>162,152</u>
Total assets	<u>162,152</u>
LIABILITIES	
Due to beneficiary	<u>162,152</u>
Total liabilities	<u>\$ <u>162,152</u></u>

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

CITY OF GRAPEVINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

I. 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 has been blended or discretely presented within the financial statements.

Blended Component Units

Grapevine Tax Increment Financing District Reinvestment Zone Number One and Two (the “TIFs”) were formed to finance and make public improvements under the authority of the Tax Increment Financing Act. The TIFs 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 TIFs.

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 4B 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 City funds 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 4B 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.

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 Crime Control and Prevention District, the 4B Transit Fund, and the 4B Economic Development Fund are not prepared.

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 board is not substantively the same as the City Council. The Foundation does not provide services to the City.

Separate financial statements are not prepared for the Heritage Foundation.

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 aggregated in a separate column in the fund financial statements. The non-major funds are detailed in the combining section of this report.

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 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*. 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.

All proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. 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.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column. However, interfund services provided and used are not eliminated in the process of consolidation.

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 fund of the City.

The **Hotel Occupancy Tax Fund** is a special revenue fund that 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 tourism.

The **Crime District Fund** is a special revenue fund that accounts for the accumulation and use of sales tax proceeds restricted for crime reduction programs.

The **4-B Economic Development Fund** accounts 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 **4B Transit Fund** is a special revenue fund that accounts for the accumulation of sales taxes restricted to fund the City's participation in the commuter rail development project with the Fort Worth Transit Authority (the "T").

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

The **Tax Increment Financing (TIF) #1 Capital Projects Fund** is used to account for capital acquisition and construction, economic incentives, and other expenditures authorized by the TIF #1 Board of Directors.

The **General Facilities and Equipment Fund** is a capital projects fund used to account for the 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. 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 the City's municipal golf course.

The *Internal Service Fund* accounts for revenues and expenses related to document management services provided to parties inside the City on a cost-reimbursement basis. Because the principal users of the internal services are accounted for in the City's governmental activities, this fund is included in the "Governmental Activities" column of the government-wide financial statements.

Fiduciary Funds

Agency funds are used by the City to report the assets held in an agency capacity for external individuals or organizations including the Industrial Development Corporation, the Employee Activity Fund, and W.D. Tate Scholarship Fund. The donations and other contributions received by the City that are being held for these organizations do not belong to the City and cannot be spent to further the City's own objectives. Agency funds report only assets and liabilities and, therefore, have no measurement focus.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

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.

2. Investments

Investments for the City are reported at fair value, except for the position in investment pools. Investment pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

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 2017 levy was based was approximately \$8,358,123,873. 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, 2018, was \$0.289271 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 2018 are recorded as receivables, net of estimated uncollectibles. The collections during 2018 and those considered “available” at year-end are recognized as revenues in 2018. 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.

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.

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 rather than when purchased).

Prepaid items are 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 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. *Restricted Assets*

Certain proceeds of the City’s general obligation bonds and certificates of obligation are classified as restricted assets on the balance sheet because their use is limited by applicable bond restrictions. Also included in restricted assets are impact fees, which are restricted for use in infrastructure projects.

6. *Assets Held for Sale*

Assets held for sale in the General Fund and Hotel Occupancy Tax Fund consist of properties that are owned by the City which are being held for redevelopment. These assets are valued at estimated realizable value or historical cost, whichever is less.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column 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	3-20
Motor vehicles	3-10

8. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net 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 and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions and other inputs included in determining the OPEB liability – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Differences between expected and actual economic experience for the City’s OPEB plan – These effects on the OPEB 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).

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of 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 that arises only under the 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.

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 in actuarial assumptions and other inputs included in determining the pension liabilities – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension and OPEB assets – This difference is deferred and amortized over a closed five-year period.

9. *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.

10. *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.

11. *Pensions*

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.

12. *Other Postemployment Benefits (OPEB)*

The City provides eligible employees with certain postemployment health and life insurance benefits that meet the criteria of a defined benefit OPEB plan under Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The City has placed assets in trust to pay the obligations of the plan with the Public Agencies Retirement Services (PARS). Because plan assets are pooled by PARS with those of other plans for investment, the City's plan meets the criteria of an agent multiple-employer plan under GASB Statement No. 75.

The City has not established a formal funding policy. Therefore, for purposes of measuring the net OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Contributions are not required but are measured as payments by the City for benefits due and payable that are not reimbursed by plan assets. Information regarding the City's net OPEB liability is obtained from a report prepared by a consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

13. *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.

14. *Fund balance flow assumptions*

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.

15. *Net position flow assumption*

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

16. *Future financial reporting requirements*

The City has reviewed GASB pronouncements which become effective in future years and notes the following statements are applicable to the City.

Statement No. 84, *Fiduciary Activities* – This statement establishes criteria for identifying fiduciary activities of governments and for identifying fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will become effective for the City in fiscal year 2020.

Statement No. 87, *Leases* – This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective for the City in fiscal year 2021.

II. DEFICIT FUND EQUITY

The Crime District Fund (major special revenue fund) had a deficit fund balance of \$759,398. This deficit is primarily the result of increasing costs related to salaries and benefits. This deficit will be eliminated as resources are obtained (e.g., from revenues or transfers in from other funds).

The Lake Park Fund (nonmajor special revenue fund) had a deficit fund balance of \$2,290,551 at fiscal year end. This deficit exists because of significant flooding events at Lake Grapevine which have occurred over the last few years. This deficit will be eliminated as resources are obtained (e.g., from revenues or transfers in from other funds).

The Lake Enterprise Fund had a deficit net position of \$1,389,323 at fiscal year end. This deficit also exists primarily because of flooding events at Lake Grapevine, but recovery in this fund was slowed because the main road accessing the golf course was closed mid-year due to structural issues. Additionally, \$1,099,841 was added to this deficit in the current year solely from the implementation of GASB Statement No. 75. This deficit will be eliminated as resources are obtained (e.g., from revenues or transfers in from other funds).

III. 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 that 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.

Of the City's investments, \$4,189,894 were valued using the option-adjusted discount cash flow model, \$1,495,348 were valued using documented trade history in the exact security, and \$2,230,750 were valued using the present value of expected future cash flow model.

As of September 30, 2018, the City had the following cash and investments:

	9/30/2018	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	\$ 19,782,241					
Cash deposits - trust and agency	162,152					
Total cash and cash equivalents	<u>19,944,393</u>					
Investments measured at net asset value per share:						
Investment pools:						
TexPool	1,240,890				0.72%	28
TexPool Prime	16,975,425				9.83%	33
LOGIC	142,793,741				82.67%	31
Investments by fair value level:						
Certificates of Deposit:	3,823,772	\$ -	\$ 3,823,772	\$ -	2.21%	105
Debt securities:						
State and Municipal Bonds	1,232,408	-	1,232,408	-	0.71%	72
Federal Farm Credit Bonds	1,995,959	-	1,995,959	-	1.16%	11
Federal Home Loan Bank Bonds	499,559	-	499,559	-	0.29%	1
Federal Home Loan Mortgage Corporation	494,200	-	494,200	-	0.29%	13
Federal National Mortgage Association	<u>3,673,866</u>	-	<u>3,673,866</u>	-	2.13%	61
Total investments	<u>172,729,820</u>	<u>-</u>	<u>11,719,764</u>	<u>-</u>		
Total cash and investments of the primary government	<u>\$ 192,674,213</u>	<u>\$ -</u>	<u>\$ 11,719,764</u>	<u>\$ -</u>		
Portfolio weighted average maturity (days)						355
Discretely Presented Component Unit						
Cash deposits	\$ <u>530,606</u>					
Total cash and investments of the reporting entity	<u>\$ 193,204,819</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, 2018, the City's investments in LOGIC, TexPool and TexPool Prime were all rated AAAM by Standard & Poor's.

TexPool, TexPool Prime and LOGIC each have a redemption notice period of one day and may redeem daily. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

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.

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, 2018.

IV. 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	Notes	Gross Receivables	Less Allowance for Uncollectibles	Total
General	\$ 2,871	\$ 6,472,591	\$ 4,072,644	\$ -	\$ 10,548,106	\$(3,543,723)	\$ 7,004,383
Hotel Occupancy	3,174	2,454,434	39,134	-	2,496,742	(14,988)	2,481,754
Crime District	-	2,241,623	1,763	-	2,243,386	-	2,243,386
4B - Economic Development	1,278	697,681	-	-	698,959	-	698,959
4B - Transit	164	1,646,205	-	-	1,646,369	-	1,646,369
Debt Service	1,933	1,349,707	-	-	1,351,640	(1,073,104)	278,536
TIF #1 Capital Projects	285	-	-	-	285	-	285
General Facilities and Equipmen	36,243	-	39,973	3,858,000	3,934,216	-	3,934,216
Nonmajor governmental funds	7,376	-	292,302	-	299,678	-	299,678
Water and Sewer	6,177	-	3,156,870	-	3,163,047	(89,542)	3,073,505
Lake Enterprise	26	-	47,203	-	47,229	-	47,229
Total	<u>\$ 59,527</u>	<u>\$ 14,862,241</u>	<u>\$ 7,649,889</u>	<u>\$ 3,858,000</u>	<u>\$ 26,429,657</u>	<u>\$(4,721,357)</u>	<u>\$ 21,708,300</u>

V. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

Primary Government

	Beginning Balance	Transfers and Additions	Transfers and Retirements	Prior Period Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 37,028,839	\$ 258,838	\$(30,008)	\$ -	\$ 37,257,669
Right of way	76,145,176	2,214,501	-	-	78,359,677
Construction in progress	50,988,604	28,841,686	(47,069,581)	(280,282)	32,480,427
Total assets not being depreciated	<u>164,162,619</u>	<u>31,315,025</u>	<u>(47,099,589)</u>	<u>(280,282)</u>	<u>148,097,773</u>
Capital assets, being depreciated:					
Buildings	82,956,649	39,949,664	-	(22,260)	122,884,053
Improvement other than buildings	39,598,507	3,147,785	(18,880)	(310,595)	42,416,817
Machinery and equipment	46,802,127	2,789,149	(3,005,482)	(4,066,508)	42,519,286
Infrastructure	127,467,104	7,766,290	-	(661,279)	134,572,115
Total capital assets being depreciated	<u>296,824,387</u>	<u>53,652,888</u>	<u>(3,024,362)</u>	<u>(5,060,642)</u>	<u>342,392,271</u>
Less accumulated depreciation:					
Buildings	(25,118,747)	(2,285,156)	-	7,904	(27,395,999)
Improvement other than buildings	(16,307,547)	(2,067,830)	18,880	526,461	(17,830,036)
Machinery and equipment	(28,267,908)	(3,738,556)	2,920,402	3,961,463	(25,124,599)
Infrastructure	(70,893,857)	(4,302,155)	-	43,538	(75,152,474)
Total accumulated depreciation	<u>(140,588,059)</u>	<u>(12,393,697)</u>	<u>2,939,282</u>	<u>4,539,366</u>	<u>(145,503,108)</u>
Total capital assets being depreciated, net	<u>156,236,328</u>	<u>41,259,191</u>	<u>(85,080)</u>	<u>(521,276)</u>	<u>196,889,163</u>
Governmental activities capital assets, net	<u>\$ 320,398,947</u>	<u>\$ 72,574,216</u>	<u>\$(47,184,669)</u>	<u>\$(801,558)</u>	<u>\$ 344,986,936</u>
	Beginning Balance	Transfers and Additions	Transfers and Retirements	Ending Balance	
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 593,970	\$ -	\$ -	\$ 593,970	
Easements	40,239,865	4,253,090	-	44,492,955	
Construction in progress	3,210,218	1,963,434	(2,996,356)	2,177,296	
Total assets not being depreciated	<u>44,044,053</u>	<u>6,216,524</u>	<u>(2,996,356)</u>	<u>47,264,221</u>	
Capital assets, being depreciated:					
Buildings	2,555,238	-	-	2,555,238	
Improvement other than buildings	8,397,341	-	18,880	8,416,221	
Machinery and equipment	4,403,391	380,464	(132,112)	4,651,743	
Water storage rights	683,547	-	-	683,547	
Infrastructure	122,572,148	3,653,022	-	126,225,170	
Total capital assets being depreciated	<u>138,611,665</u>	<u>4,033,486</u>	<u>(113,232)</u>	<u>142,531,919</u>	
Less accumulated depreciation:					
Buildings	(1,806,601)	(43,357)	-	(1,849,958)	
Improvement other than buildings	(6,454,012)	(391,882)	(18,875)	(6,864,769)	
Machinery and equipment	(2,633,341)	(400,097)	130,350	(2,903,088)	
Water storage rights	(622,309)	(17,088)	-	(639,397)	
Infrastructure	(46,267,085)	(2,673,095)	-	(48,940,180)	
Total accumulated depreciation	<u>(57,783,348)</u>	<u>(3,525,519)</u>	<u>111,475</u>	<u>(61,197,392)</u>	
Total capital assets being depreciated, net	<u>80,828,317</u>	<u>507,967</u>	<u>(1,757)</u>	<u>81,334,527</u>	
Business-type activities capital assets, net	<u>\$ 124,872,370</u>	<u>\$ 6,724,491</u>	<u>\$(2,998,113)</u>	<u>\$ 128,598,748</u>	

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

Governmental activities:	
General government	\$ 1,374,657
Public safety	1,774,884
Public works	4,921,733
Culture and recreation	3,653,811
Tourism	<u>668,612</u>
Total depreciation expense - governmental activities	<u>\$ 12,393,697</u>
Business-type activities:	
Water and sewer	\$ 3,004,845
Lake Enterprise	<u>520,674</u>
Total depreciation expense - business-type activities	<u>\$ 3,525,519</u>

	<u>Beginning Balance</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balance</u>
Discretely Presented Component Unit:				
Capital assets, not being depreciated:				
Land	\$ <u>450,067</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>450,067</u>
Total assets not being depreciated	<u>450,067</u>	<u>-</u>	<u>-</u>	<u>450,067</u>
Capital assets, being depreciated:				
Building	1,031,174	-	-	1,031,174
Improvements other than building	945,651	-	-	945,651
Vehicles and equipment	<u>31,275</u>	<u>-</u>	<u>-</u>	<u>31,275</u>
Total capital assets being depreciated	<u>2,008,100</u>	<u>-</u>	<u>-</u>	<u>2,008,100</u>
Less accumulated depreciation:				
Building	(291,568)	(26,419)	-	(317,987)
Improvements other than building	(881,976)	(46,963)	-	(928,939)
Vehicles and equipment	<u>(31,275)</u>	<u>-</u>	<u>-</u>	<u>(31,275)</u>
Total accumulated depreciation	<u>(1,204,819)</u>	<u>(73,382)</u>	<u>-</u>	<u>(1,278,201)</u>
Total capital assets being depreciated, net	<u>803,281</u>	<u>(73,382)</u>	<u>-</u>	<u>729,899</u>
Discretely presented component unit capital assets, net	<u>\$ 1,253,348</u>	<u>\$ (73,382)</u>	<u>\$ -</u>	<u>\$ 1,179,966</u>

Construction Commitments

The City has active construction commitments as of September 30, 2018, totaling \$84,416,192. This includes building projects, street construction and improvements of existing streets, and repair and maintenance of existing water and sewer systems.

<u>Project</u>	<u>Commitment</u>
Streets and drainage projects	\$ 5,177,437
Water and wastewater projects	4,132,438
Fiber optic cable project	3,049,867
Animal Shelter	363,000
Golf Clubhouse	376,200
Fire stations	6,895,378
Grapevine Main	56,804,725
Parks projects	<u>7,617,147</u>
Total	<u>\$ 84,416,192</u>

The commitments for buildings, streets and drainage construction will be funded from unexpended general obligation and certificates of obligation bond proceeds. Water and wastewater projects will be funded from unexpended certificates of obligation and revenue bond proceeds and operations.

VI. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2018, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Crime District Fund	\$ 2,415,271
	Lake Parks Fund (nonmajor fund)	1,570,727
	Lake Enterprise Fund	<u>784,420</u>
Total General Fund		<u>\$ 4,770,418</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, 2018 consisted of the following:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Component unit - Heritage Foundation	Primary Government - Hotel Occupancy Tax Fund	<u>\$ 7,721</u>

Interfund Transfers

A summary of interfund transfers by fund type is as follows:

Transfers in	Transfers out	Amount	Total
General Fund	Hotel Occupancy Tax Fund	\$ 1,347,770	
	4-B Economic Development	326,478	
	Nonmajor governmental funds	272,495	
	Water and Sewer Fund	1,919,146	
	Lake Enterprise Fund	<u>107,254</u>	
Total General Fund			\$ 3,973,143
Hotel Occupancy Tax Fund	4B-Transit Fund	348,816	
	Nonmajor governmental funds	<u>2,261</u>	
Total Hotel Occupancy Tax Fund			351,077
Crime District Fund	General Fund		2,235,000
4-B Economic Development	Nonmajor governmental		23,805
Debt Service Fund	Hotel Occupancy Tax Fund	1,195,210	
	General Facilities and Equipment	309,175	
	4-B Economic Development	<u>1,592,714</u>	
Total Debt Service			3,097,099
General Facilities and Equipment	4-B Economic Development	12,061,944	
	Hotel Occupancy Tax Fund	12,000,000	
	Water and Sewer Fund	1,000,000	
	TIF #1 Capital Projects	<u>500,000</u>	
Total General Facilities and Equipment			25,561,944
Nonmajor governmental	General Fund	6,219,200	
	General Facilities and Equipment	1,788,075	
	Debt Service Fund	970,000	
	Hotel Occupancy Tax Fund	145,318	
	Nonmajor governmental	<u>2,598,599</u>	
Total nonmajor governmental			11,721,192
Water and Sewer Fund	4-B Economic Development		<u>6,506</u>
Total			<u>\$ 46,969,766</u>

Interfund transfers are primarily made by the City for the following reasons:

- Budgeted transfers to the General Fund from other funds for operating and administrative allocations.
- Operating transfer from the 4B-Transit Fund to the Hotel Occupancy Tax Fund for visitor shuttle services.
- Transfers to the Debt Service Fund to pay for self-supporting debt service expenditures.
- Transfers to capital projects funds to fund current and future capital projects within the City.

VII. DEFERRED INFLOWS OF RESOURCES

At September 30, 2018, deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General	Crime District	Debt Service	Nonmajor Governmental	Total
Property taxes	\$ 75,161	\$ -	\$ 81,809	\$ -	\$ 156,970
Property tax penalties and interest	118,345	-	107,559	-	225,904
Court fines and fees	163,309	-	-	-	163,309
Ambulance billing	161,766	-	-	-	161,766
Franchise Fees	67,328	-	-	13,466	80,794
Grants	-	1,783	-	16,091	17,874
Other	2,480	-	-	89,319	91,799
Total	<u>\$ 588,389</u>	<u>\$ 1,783</u>	<u>\$ 189,368</u>	<u>\$ 118,876</u>	<u>\$ 898,416</u>

VIII. 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 with revenues generated from park operations. 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 (“Vineyards”).

The City entered into another 25-year lease agreement with the United State Corps of Engineers to operate and maintain an additional 44.5 acres at Lake Grapevine referred to as Rockledge Park. The term of this operating lease is from March 2009 through March 2034.

Gaylord Texan Resort and Convention Center

The City leased property from the United States Corps of Engineers and subsequently entered into a sublease agreement with the Gaylord Texan Resort and Convention Center (Gaylord) on March 18, 1994, for a portion of the leased property. The contract is for 49 years and rent payment is \$1 per year. The project opened on April 4, 2004 with 1,511 room convention hotel and over 400,000 square feet of convention, meeting, exhibit and related amenities and support facilities. In subsequent years, The City and Gaylord entered into various addendums pertaining to the United States Corps of Engineers leased property. Gaylord completed and opened its \$120 million Vineyard Tower expansion in summer of 2018. This project increased the number of rooms by 303 and also provided 86,000 square feet of additional meeting space. This ranks Gaylord as the nation’s second-largest non-gaming convention hotel when measured by total self-contained exhibit and meeting space.

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.

IX. SHORT-TERM DEBT

The schedule below details the change in short-term debt during the year ending September 30, 2018 for governmental activities:

	Balance 9/30/2017	Increases	Reductions	Balance 9/30/2018
Governmental activities:				
Tax Notes, Series 2017	\$ -	\$ 970,000	\$ (970,000)	\$ -
Total governmental short-term capital borrowings	\$ -	\$ 970,000	\$(970,000)	\$ -

On Oct 17, 2017, the City issued short term Tax Notes, Series 2017 in the amount of \$970,000 at the interest rate of 1.6%. The purpose of the short-term tax note was to fund the acquisition of vehicles for various City departments.

X. LONG-TERM LIABILITIES

General Obligation Bonds

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

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with principal maturing each year.

A summary of the terms of general obligation bonds outstanding and their corresponding allocations to the governmental and business-type activities at September 30, 2018, follows:

<u>General Obligation Bonds</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding</u>
Government activities:					
2009 GO Refunding Bonds	4/22/2009	\$ 24,280,000	2.5% - 5.0%	2019	\$ 1,105,000
2010 GO Refunding Bonds	7/8/2010	6,560,000	2.0% - 4.0%	2022	2,770,000
2012 GO Refunding Bonds	12/4/2012	7,665,000	2.0% - 2.1%	2027	2,520,000
2013 GO	6/27/2013	65,805,000	2.0% - 5.0%	2033	56,585,000
2015 GO Refunding Bonds	1/23/2015	12,125,000	2.0% - 5.0%	2026	5,855,000
2017 GO Refunding bonds	1/17/2017	1,365,000	2.0% - 3.0%	2027	1,245,000
					<u>70,080,000</u>
Business activities:					
2010 GO Refunding Bonds	7/8/2010	3,915,000	2.0% - 4.0%	2022	1,315,000
2012 GO Refunding Bonds	12/4/2012	395,000	2.0% - 2.1%	2027	60,000
2015 GO Refunding Bonds	1/23/2015	2,570,000	2.0% - 5.0%	2026	355,000
					<u>1,730,000</u>
					Total general obligation bonds outstanding <u>\$ 71,810,000</u>

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 6,885,000	\$ 2,837,770	\$ 835,000	\$ 53,675
2020	5,325,000	2,587,683	440,000	27,000
2021	5,580,000	2,337,683	455,000	9,100
2022	4,300,000	2,114,489	-	-
2023	3,975,000	1,930,170	-	-
2024-2028	20,345,000	7,273,900	-	-
2029-2033	<u>23,670,000</u>	<u>2,882,075</u>	-	-
Total	<u>\$ 70,080,000</u>	<u>\$ 21,963,769</u>	<u>\$ 1,730,000</u>	<u>\$ 89,775</u>

Certificates of Obligation

The City also issued certificates of obligation to finance the acquisition and construction of capital assets including certain capital improvement projects, municipal facilities, and machinery and equipment.

The City issued Combination Tax and Revenue Certificates of Obligation, Series 2018 in the amount of \$32,310,000 to provide funds for construction in downtown Grapevine of a public plaza, viewing tower, parking garage, and other capital improvements. The City had the following certificates of obligation outstanding as of September 30, 2018:

<u>Certificates of Obligation</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding</u>
Government activities:					
2009 CO	5/5/2009	\$ 8,995,000	3.5% - 4.7%	2029	\$ 5,320,000
2009 ACO	12/1/2009	2,005,000	2.5% - 3.0%	2030	1,205,000
2010 CO	12/2/2010	500,000	3.5%	2020	113,143
2015 CO	1/23/2015	2,000,000	2.0% - 4.5%	2035	1,495,000
2017 CO	1/17/2017	9,535,000	2.0% - 5.0%	2037	9,215,000
2018 CO	4/17/2018	32,310,000	3.0% - 5.0%	2038	32,310,000
					<u>49,658,143</u>
Business activities:					
2015 CO	1/23/2015	9,720,000	2.0% - 4.5%	2035	<u>8,600,000</u>
					Total certificates of obligation outstanding <u>\$ 58,258,143</u>

Annual debt service requirements to maturity for certificates of obligation of the primary government are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,755,590	\$ 1,882,498	\$ 400,000	\$ 272,569
2020	1,822,553	1,816,713	400,000	260,569
2021	1,735,000	1,750,404	405,000	250,519
2022	2,410,000	1,668,797	425,000	241,688
2023	2,275,000	1,566,479	430,000	231,531
2024-2028	13,135,000	6,065,125	2,390,000	941,082
2029-2033	13,055,000	3,250,172	2,875,000	440,000
2034-2038	<u>13,470,000</u>	<u>1,128,278</u>	<u>1,275,000</u>	<u>39,922</u>
Total	<u>\$ 49,658,143</u>	<u>\$ 19,128,466</u>	<u>\$ 8,600,000</u>	<u>\$ 2,677,879</u>

Contractual Obligations

The City has issued contractual obligations in order to finance the acquisition of certain capital equipment. These obligations are issued pursuant to the Constitution of the State of Texas, including particularly Subchapter A of Chapter 271, Texas Local Government Code (the Public Property Finance Act), and constitute direct obligations of the City of Grapevine, Texas, payable from a continuing ad valorem tax levied on all taxable property within the City.

The City had the following Public Property Finance (“PPF”) contractual obligations outstanding as of September 30, 2018:

<u>Contractual Obligations</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding</u>
Government activities:					
2012 PPF Contractual Obligation	12/4/2012	\$ 1,225,000	1.2%	2027	\$ 820,000
2015 PPF Contractual Obligation	1/1/2015	3,070,000	2.0% - 4.0%	2026	2,185,000
2018 PPF Contractual Obligation	3/6/2018	2,500,000	3.9%	2028	<u>2,500,000</u>
Total contractual obligations outstanding					<u>\$ 5,505,000</u>

Contractual obligation debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 749,920	\$ 167,853
2020	771,840	149,821
2021	790,405	130,480
2022	819,309	105,564
2023	398,564	83,422
2024-2028	<u>1,974,962</u>	<u>197,405</u>
Total	<u>\$ 5,505,000</u>	<u>\$ 834,545</u>

Revenue Bonds

On May 15, 2018, the City issued Sales Tax Revenue Refunding Bonds, Series 2018, to refund the existing Sales Tax Revenue Bonds, Series 2014. The Sales Tax Revenue Refunding Bonds, Series 2018, were issued by the Grapevine 4B Economic Development Corporation, a blended component unit of the City, pursuant to Chapters 501, 502, and 505, Texas Local Government Code. These bonds are special obligations of the City, payable from a secured lien on and pledge of certain pledged revenues which include the proceeds of ¼ of the ½ cent sales and use tax levied within the City for the benefit of the Grapevine 4B Economic Development Corporation.

At September 30, 2018, the remaining balances for principal and interest on the debt are \$16,930,000 and \$5,596,133, respectively. Annual debt service requirements through February 15, 2034 do not exceed \$1,500,000 per year. Sales tax revenue collections in the 4B-Economic Development fund were \$4,256,508.

A reserve fund is required to be maintained as security for the payment of the sales tax revenue refunding bonds. The reserve fund is required to be funded in an amount equal to the maximum annual principal and interest required for the bonds. The reserve is currently funded at \$1,402,400, which meets the reserve requirements.

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. The Combination Tax and Tax Increment Reinvestment Zone #2 Revenue Refunding Bonds, Series 2015A, were issued pursuant to the Constitution and the general laws of the State of Texas, including particularly, Chapter 1207, Texas Government Code and Section 9.26 of the City's Home Rule Charter, and are direct obligations of the City, payable from a combination of the levy and collection of a continuing ad valorem tax levied on all taxable property within the City and a subordinate lien on an pledge of the tax increments deposited in the tax increment fund established for TIF #2.

At September 30, 2018, the remaining principal and interest on the bonds was \$15,550,000 and \$2,841,950, respectively. Principal and interest payments for the fiscal year were \$1,590,000 and \$690,000. Tax increment revenues for TIF #2 for the current year were \$4,817,939. The outstanding revenue bonds have a final maturity of August 15, 2026.

A summary of the terms of the revenue bonds outstanding for the governmental activities as of September 30, 2018, is as follows:

<u>Revenue Bonds</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding</u>
Government activities:					
2015A TIF#2 Revenue Refunding Bonds	1/23/2015	\$ 20,565,000	2.0% - 5.0%	2026	\$ 15,550,000
2018 Sales Tax Revenue Refunding	4/17/2018	169,300,000	3.0% - 4.0%	2034	<u>16,930,000</u>
				Total revenue bonds outstanding	<u>\$ 32,480,000</u>

Annual debt service requirements for the revenue bonds are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,465,000	\$ 1,218,844
2020	2,570,000	1,127,994
2021	2,685,000	1,016,119
2022	2,795,000	898,994
2023	2,920,000	776,794
2024-2028	11,580,000	2,325,066
2029-2033	6,095,000	899,688
2034-2038	<u>1,370,000</u>	<u>27,400</u>
Total	<u>\$ 32,480,000</u>	<u>\$ 8,290,899</u>

Tax Notes

The City issued Tax Notes, Series 2013, in order to fund the acquisition of capital assets for the City. The notes are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1431, Texas Government Code, and constitute direct obligations of the City, payable from a continuing ad valorem tax levied on all taxable property within the City. The terms of the tax notes are as follows:

<u>Tax Notes</u>	<u>Sale Date</u>	<u>Original Borrowing</u>	<u>Interest Rates to Maturity</u>	<u>Final Maturity</u>	<u>Outstanding</u>
Government activities:					
2013 Tax Note	6/27/2013	\$ 3,965,000	2.0% - 2.25%	2020	<u>\$ 1,195,000</u>

The annual debt service requirements for the tax notes are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 590,000	\$ 21,763
2020	<u>605,000</u>	<u>7,563</u>
Total	<u>\$ 1,195,000</u>	<u>\$ 29,326</u>

Other Long-term Liabilities – Texas Comptroller of Public Accounts

As of September 30, 2018, the City has a payout agreement with the Texas Comptroller of Public Accounts for overpayment of sales taxes that total \$118,558. These amounts will be withheld from sales tax receipts until August 2019.

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2018:

	Balance 9/30/2017	Increases	Reductions	Balance 9/30/2018	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 77,020,000	\$ -	\$(6,940,000)	\$ 70,080,000	\$ 6,885,000
Certificates of obligation	18,801,837	32,310,000	(1,453,694)	49,658,143	1,755,590
Contractual obligations	3,535,000	2,500,000	(530,000)	5,505,000	749,920
Revenue bonds	34,630,000	16,930,000	(19,080,000)	32,480,000	2,465,000
Tax notes	1,775,000	-	(580,000)	1,195,000	590,000
Notes payable	137,596	-	(137,596)	-	-
Premium on bond issues	6,360,849	1,264,873	(867,152)	6,758,570	-
Total bonds and notes payable	<u>142,260,282</u>	<u>53,004,873</u>	<u>(29,588,442)</u>	<u>165,676,713</u>	<u>12,445,510</u>
Sales tax obligation	251,579	-	(133,021)	118,558	118,558
Net OPEB liability	-	66,379,338	(2,529,456)	63,849,882	-
Net OPEB obligation	23,896,850	-	(23,896,850)	-	-
Net pension liability	45,237,263	4,283,871	(18,094,137)	31,426,997	-
Compensated absences	3,791,638	2,625,151	(2,502,072)	3,914,719	978,680
Total governmental activities long-term liabilities	<u>\$ 215,437,612</u>	<u>\$ 126,293,233</u>	<u>\$(76,743,978)</u>	<u>\$ 264,986,869</u>	<u>\$ 13,542,748</u>

The liability for compensated absences and the pension and OPEB-related liabilities are paid from the General Fund, Crime District Fund, and enterprise funds based on the assignment of an employee at termination.

	Balance 9/30/2017	Increases	Reductions	Balance 9/30/2018	Due Within One Year
Business-type activities:					
Water and sewer obligations:					
General obligation bonds	\$ 2,205,000	\$ -	\$(475,000)	\$ 1,730,000	\$ 835,000
Certificates of obligation	8,600,000	-	-	8,600,000	400,000
Premium on bond issues	484,407	-	(20,963)	463,444	-
Total water and sewer bonds payable	<u>11,289,407</u>	<u>-</u>	<u>(495,963)</u>	<u>10,793,444</u>	<u>1,235,000</u>
Net OPEB liability	2,916,967	7,380,510	(2,916,967)	7,380,510	-
Net OPEB obligation	2,916,967	-	(2,916,967)	-	-
Net pension liability	4,390,615	224,366	(1,686,232)	2,928,749	-
Compensated absences	225,600	194,158	(188,561)	231,197	57,799
Total business-type activities long-term liabilities	<u>\$ 18,822,589</u>	<u>\$ 7,802,450</u>	<u>\$(5,291,139)</u>	<u>\$ 21,333,900</u>	<u>\$ 1,292,799</u>

Current Refunding

In April 2018, the City issued \$16,930,000 of Grapevine 4B Economic Development Corporation Sales Tax Revenue Refunding Bonds, Series 2018 with interest rates ranging from 3% to 4%. The net proceeds of \$17,024,929 (including a \$26,057 premium) were used to refund the Series 2014 Sales Tax Revenue Bonds.

The reacquisition price exceeded the net carrying amount of the old debt by \$229,629. This amount is reported as a deferred outflow of resources in the Statement of Net Position and will be amortized over the remaining life of the refunding bonds. The Series 2014 bonds were refunded to reduce the City's total debt service payments over 16 years by \$3,109,167 and to obtain an economic gain (difference between the net present values of the debt service payments on the old and new debt) of \$2,279,555.

Authorized and Unissued Debt

The City had \$24,700,000 in authorized general obligation bonds that were unissued as of September 30, 2018. These bonds were authorized through an election held November 7, 2017, for the construction of animal shelter facilities, firefighting facilities, and for a multi-use facility and clubhouse at the Grapevine Municipal Golf Course.

XI. DEFINED BENEFIT PENSION PLAN

Plan Description. The City participates as one of 872 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, 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, 2017, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	377
Inactive employees entitled to but not yet receiving benefits	257
Active employees	<u>575</u>
Total	<u><u>1,209</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 rate for the City was 19.06 % and 18.98% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$8,334,727 and were equal to the required contributions.

Net Pension Liability. The City’s net pension liability (NPL) was measured as of December 31, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%

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, 2017, 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. 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).

The target allocation and best estimates of arithmetic real rates return for each major asset class in fiscal year 2018 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%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	\$ 257,391,961	\$ 207,764,084	\$ 49,627,877
Changes for the year:			
Service cost	7,724,236	-	7,724,236
Interest	17,301,746	-	17,301,746
Difference between expected and actual experience	(772,200)	-	(772,200)
Contributions - employer	-	7,958,051	(7,958,051)
Contributions - employee	-	2,922,684	(2,922,684)
Net investment income	-	28,801,972	(28,801,972)
Benefit payments, including refunds of employee	(9,863,833)	(9,863,833)	-
Administrative expense	-	(149,230)	149,230
Other changes	-	(7,564)	7,564
Net changes	14,389,949	29,662,080	(15,272,131)
Balance at 12/31/2017	\$ 271,781,910	\$ 237,426,164	\$ 34,355,746

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-point 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	\$ 72,953,271	\$ 34,355,746	\$ 2,699,400

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, 2018, the City recognized pension expense of \$7,341,001.

At September 30, 2018, 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	\$ -	\$ 2,229,079
Changes in actuarial assumptions	-	30,451
Difference between projected and actual investment earnings	-	6,083,549
Contributions subsequent to the measurement date	6,299,330	-
Total	<u>\$ 6,299,330</u>	<u>\$ 8,343,079</u>

\$6,299,330 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2019	\$(895,015)
2020	(1,030,184)
2021	(3,337,648)
2022	<u>(3,080,232)</u>
Total	<u>\$(8,343,079)</u>

XII. OTHER POSTEMPLOYMENT BENEFITS

Post-retirement Health Care Benefits

Plan Description.

The City provides certain health care and life insurance benefits through an agent, multiple-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.

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 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.

Benefits Provided.

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.

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.

For the fiscal year ended September 30, 2018, the City's contributions to the plan were \$2,821,839, which exceeded benefit payments of \$1,821,839.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	247
Active members	566
Total	<u>813</u>

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	12/31/2016
Actuarial Cost Method	Individual Entry Age Normal Cost Method
Discount Rate	3.31% as of December 31, 2017
Inflation Rate	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used 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.
Participation Rates	For health care coverage: 85% for retirees who are at least 50 years old at retirement and 65% for retirees who are younger than 50 years old at retirement; For life insurance: 85% regardless of age at retirement
Health care cost trend rates	7.50% decreasing to an ultimate rate of 4.50% over 14 years. Dental costs were assumed to increase by 4.00% per year, and vision costs were assumed to increase by 3.00% per year. The City's subsidy towards the premiums for the Medicare Supplemental and Medicare Advantage plans was assumed to increase with inflation.
Note:	The discount rate changed from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

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.

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

Discount Rate

A Single Discount Rate of 3.31% was used to measure the total OPEB liability. This Single Discount Rate was based on the municipal bond rates as of the measurement date. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2017.

The asset portfolio of the OPEB trust can support a 6.85% long term rate of return. However, the City recently established the trust and does not have a formal funding policy yet. As a result, the City has decided to set the Single Discount Rate equal to the municipal bond rate until a pattern of contributions is established.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.31%) in measuring the Net OPEB liability.

	1% Decrease in Discount Rate (2.31%)		1% Increase in Discount Rate (4.31%)	
City's net OPEB liability	\$	82,245,437	\$	62,206,969

Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the Net OPEB liability.

	1% Decrease		Current Healthcare Cost Trend Rate Assumption		1% Increase	
City's net OPEB liability	\$	60,578,819	\$	71,230,392	\$	84,789,683

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

At September 30, 2018, the City reported a liability of \$71,230,392 for its net OPEB liability. The net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Update procedures were used to roll forward the total OPEB liability to December 31, 2017. For the year ended September 30, 2018, the City recognized OPEB expense of \$5,976,104. There were no changes of benefit terms that affected measurement of the net OPEB liability during the measurement period.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 63,837,532	\$ -	\$ 63,837,532
Changes for the year:			
Service cost	2,883,770	-	2,883,770
Interest	2,452,440	-	2,452,440
Difference between expected and actual experience	209,342	-	209,342
Changes of assumptions	4,730,475	-	4,730,475
Contributions - employer	-	2,821,839	(2,821,839)
Net investment income	-	63,643	(63,643)
Benefit payments	(1,821,839)	(1,821,839)	-
Administrative expense	-	(2,315)	2,315
Net changes	<u>8,454,188</u>	<u>1,061,328</u>	<u>7,392,860</u>
Balance at 12/31/2017	<u>\$ 72,291,720</u>	<u>\$ 1,061,328</u>	<u>\$ 71,230,392</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.81% to 3.31%.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 180,624	\$ -
Changes in actuarial assumptions	4,081,549	-
Difference between projected and actual investment earnings	-	23,578
Contributions subsequent to the measurement date	<u>1,302,946</u>	<u>-</u>
Total	<u>\$ 5,565,119</u>	<u>\$ 23,578</u>

\$1,302,946 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date are due to benefit payments the City paid with own assets and will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2019. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2019	\$ 671,750
2020	671,750
2021	671,750
2022	671,750
2023	677,644
Thereafter	<u>873,951</u>
Total	<u>\$ 4,238,595</u>

XIII. 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.

XIV. TAX ABATEMENTS

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code, Chapter 311 (Tax Increment Financing Act) and Chapter 312 (Property Redevelopment and Tax Abatement) of the Texas Tax Code. The economic development agreements are designed to support the creation of new businesses, the expansion and retention of existing businesses within the City, and the attraction of companies that offer high impact jobs and share the community's values. Recipients may be eligible to receive economic assistance based on the employment, economic or community impact of the project requesting assistance. Recipients generally commit to building or remodeling real property and related infrastructure, redeveloping properties, expanding operations or bringing targeted business to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The City has the following categories of economic development agreements:

- **General Economic Development** – The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount, or a percentage of hotel occupancy taxes or sales taxes received by the City, may result in fee reductions such as utility charges or building inspection or permit fees, or make lump sum payments to offset moving expenses, tenant finish-outs, demolition costs, infrastructure reimbursements, redevelopment costs, or other expenses. For fiscal year 2018, the City rebated \$3,059,568 in taxes, and made incentive payments of \$3,024,000 and waived \$100,000 of permits and inspection fees under these agreements.
- **Tax Increment Financing** – The City has adopted two Tax Increment Financing zones (“TIFs”) under Chapter 311 of the Texas Tax Code. The City enters into economic development and infrastructure reimbursement agreements which earmark TIF revenues for payment to developers and represent obligations over the life of the TIF or until the terms of the agreements have been met. Additionally, the City enters into general economic development agreements under Chapter 380 of the Texas Local Government Code which are funded with TIF resources. The City made \$12,298,599 in payments for TIF obligations and \$1,053,995 in incentive payments from general TIF resources.

XV. RISK MANAGEMENT

The City purchases a fully-insured program for property and casualty insurance coverage through Travelers Insurance and workers’ compensation coverage through Texas Municipal League. The City is insured at the following limits:

<u>Policy</u>	<u>Limits</u>	<u>Deductible</u>
General liability	\$1,000,000 per occurrence/\$2,000,000 aggregate	\$10,000
Automobile liability	\$1,000,000 per occurrence	\$0
Automobile physical damage	Actual cash value	\$1,000
Excess liability	\$10,000,000 per occurrence/\$10,000,000 aggregate	\$0
Property	\$218,365,627	varies by peril
Workers' compensation	Statutory/employers' liability	\$1,000,000

Risk Management oversees the City’s self-insured employee health plan and retiree health plans. UMR is the third-party administrator for the employee and pre-65 retiree health plans. Claims and other plan administration services are performed by UMR. All participating funds make payments to the General Fund for their portion of property and casualty and health plan cost.

Financial responsibility in a self-insured funding arrangement is on the City, the risk of losses exceeding an affordable threshold is transferred to an insurance company through the purchase of stop-loss insurance with Swiss Re. Stop-loss insurance protects the City from plan claims costs exceeding a specified deductible during the plan year.

Specific Excess Loss Insurance

The City has specific excess loss insurance to cover specific claims incurred by plan participants. The City has a \$250,000 specific deductible for each medical plan member and an aggregating specific deductible of \$85,000 for all plan members. The specific benefit period reimbursement maximum under this coverage is unlimited per covered person.

Aggregate Excess Loss Insurance

The City also has coverage for aggregate claims incurred under the self-insured health plan. Under this coverage, aggregate claims in excess of an estimate annual aggregate attachment point of \$10,918,269 would be covered up to an aggregate benefit period reimbursement maximum of \$1,000,000.

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>2018</u>	<u>2017</u>
Claims payable, beginning of year	\$ 2,005,365	\$ 1,084,743
Current year claims and changes in estimates	7,601,763	12,442,261
Payments on claims	<u>(8,957,047)</u>	<u>(11,521,639)</u>
Claims payable at end of year	<u>\$ 650,081</u>	<u>\$ 2,005,365</u>

XVI. WATER STORAGE RIGHTS

Water storage rights of \$683,547 (net of accumulated amortization of \$639,397) 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 3 years remain on the contract.

XVII. 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.

XVIII. 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 2018 for the purchase of treated water were \$9,559,912 and payments made for the transportation, treatment, and disposal of wastewater by TRA were \$1,551,886. 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.

XIX. PRIOR PERIOD ADJUSTMENT

During fiscal year 2018, the City adopted GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*. With GASB 75, the City must assume its net OPEB liability in connection with its OPEB benefits to employees. Adoption of GASB 75 required a prior period adjustment to report the effect of the standard retroactively. As such, beginning net position was decreased by \$31,576,892 in the governmental activities and \$3,495,331 in the business-type activities. In addition, adjustments to capital assets resulted in a decrease to beginning net position of \$801,558 in the governmental activities. The net decrease to beginning net position of governmental activities was \$29,811,384.

In the fund financial statements, an adjustment to developer deposits related to prior years resulted in a decrease in beginning fund balance of the Parks Open Space and Recreation Fund of \$117,514 and an increase of the beginning fund balance of the Streets Fund of \$804,512. Lastly, adjustment to the presentation of assets assigned for OPEB resulted in an increase of beginning fund balance in the General Fund of \$1,880,068.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF GRAPEVINE, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property tax	\$ 9,793,334	\$ 9,793,334	\$ 11,332,790	\$ 1,539,456
Sales tax	27,300,000	27,300,000	28,286,627	986,627
Mixed beverage tax	1,700,000	1,700,000	1,792,674	92,674
Franchise tax	6,760,000	6,760,000	6,893,151	133,151
Licenses and permits	1,763,000	1,763,000	1,603,621	(159,379)
Intergovernmental	89,689	89,689	313,451	223,762
Charges for services	5,820,137	5,820,137	5,569,528	(250,609)
Fines and forfeitures	1,841,315	1,841,315	1,564,586	(276,729)
Investment income	83,250	83,250	213,107	129,857
Miscellaneous	510,000	510,000	524,834	14,834
Total revenues	<u>55,660,725</u>	<u>55,660,725</u>	<u>58,094,369</u>	<u>2,433,644</u>
EXPENDITURES				
Current:				
General government	15,450,428	15,889,028	16,181,883	(292,855)
Public safety	15,101,815	15,101,815	15,484,977	(383,162)
Culture and recreation	12,491,657	12,491,657	12,283,748	207,909
Public works	8,569,606	8,569,606	8,445,372	124,234
Capital outlay	92,000	92,000	109,711	(17,711)
Debt service:				
Principal	-	-	133,021	(133,021)
Fiscal agent charges	-	-	5,050	(5,050)
Total expenditures	<u>51,705,506</u>	<u>52,144,106</u>	<u>52,643,762</u>	<u>(499,656)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES				
	<u>3,955,219</u>	<u>3,516,619</u>	<u>5,450,607</u>	<u>1,933,988</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,023,677	4,023,677	3,973,143	(50,534)
Transfers out	(7,880,250)	(7,880,250)	(8,454,200)	(573,950)
Sale of capital assets	6,000	6,000	310,757	304,757
Total other financing sources (uses)	<u>(3,850,573)</u>	<u>(3,850,573)</u>	<u>(4,170,300)</u>	<u>(319,727)</u>
NET CHANGE IN FUND BALANCES	104,646	(333,954)	1,280,307	1,614,261
FUND BALANCES, BEGINNING	<u>12,394,868</u>	<u>12,394,868</u>	<u>12,394,868</u>	<u>-</u>
PRIOR PERIOD ADJUSTMENT	-	-	1,880,068	1,880,068
FUND BALANCES, BEGINNING - RESTATED	<u>12,394,868</u>	<u>12,394,868</u>	<u>14,274,936</u>	<u>1,880,068</u>
FUND BALANCES, ENDING	<u>\$ 12,499,514</u>	<u>\$ 12,060,914</u>	<u>\$ 15,555,243</u>	<u>\$ 3,494,329</u>

The accompanying notes are an integral part of this schedule.

**CITY OF GRAPEVINE, TEXAS
HOTEL OCCUPANCY TAX
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 17,941,857	\$ 17,941,857	\$ 19,875,456	\$ 1,933,599
Charges for services	7,271,692	7,271,692	7,881,735	610,043
Investment income	112,000	112,000	537,439	425,439
Miscellaneous	<u>50,000</u>	<u>50,000</u>	<u>47,911</u>	<u>(2,089)</u>
Total revenues	<u>25,375,549</u>	<u>25,375,549</u>	<u>28,342,541</u>	<u>2,966,992</u>
EXPENDITURES				
Current:				
Tourism	23,173,444	23,451,674	20,335,005	3,116,669
Capital outlay	43,500	1,160,041	452,127	707,914
Debt Service:				
Fiscal agent charges	<u>-</u>	<u>-</u>	<u>1,194</u>	<u>(1,194)</u>
Total expenditures	<u>23,216,944</u>	<u>24,611,715</u>	<u>20,788,326</u>	<u>3,823,389</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>2,158,605</u>	<u>763,834</u>	<u>7,554,215</u>	<u>6,790,381</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	385,150	385,150	351,077	(34,073)
Transfers out	<u>(2,435,109)</u>	<u>(2,435,109)</u>	<u>(14,688,298)</u>	<u>(12,253,189)</u>
Total other financing sources (uses)	<u>(2,049,959)</u>	<u>(2,049,959)</u>	<u>(14,337,221)</u>	<u>(12,287,262)</u>
NET CHANGE IN FUND BALANCES	108,646	(1,286,125)	(6,783,006)	(5,496,881)
FUND BALANCES, BEGINNING	<u>23,800,848</u>	<u>23,800,848</u>	<u>23,800,848</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 23,909,494</u>	<u>\$ 22,514,723</u>	<u>\$ 17,017,842</u>	<u>\$ (5,496,881)</u>

The accompanying notes are an integral part of this schedule.

**CITY OF GRAPEVINE, TEXAS
CRIME DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 13,650,000	\$ 13,650,000	\$ 13,670,499	\$ 20,499
Intergovernmental	-	12,156	20,742	8,586
Fines and forfeitures	160,000	160,000	107,196	(52,804)
Investment income	15,100	15,100	64,703	49,603
Miscellaneous	4,410	4,410	6,774	2,364
Total revenues	13,825,100	13,837,256	13,869,914	32,658
EXPENDITURES				
Current:				
General government	146,163	146,163	147,184	(1,021)
Public safety	15,918,597	15,930,753	16,373,287	(442,534)
Total expenditures	16,064,760	16,076,916	16,520,471	(443,555)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(2,239,660)	(2,239,660)	(2,650,557)	(410,897)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,235,250	2,235,250	2,235,000	(250)
Total other financing sources (uses)	2,235,250	2,235,250	2,235,000	(250)
NET CHANGE IN FUND BALANCES	(4,410)	(4,410)	(415,557)	(411,147)
FUND BALANCES, BEGINNING	(343,841)	(343,841)	(343,841)	-
FUND BALANCES, ENDING	\$(348,251)	\$(348,251)	\$(759,398)	\$(411,147)

The accompanying notes are an integral part of this schedule.

CITY OF GRAPEVINE, TEXAS
4B - ECONOMIC DEVELOPMENT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 3,412,500	\$ 3,412,500	\$ 4,256,508	\$ 844,008
Investment income	<u>210,000</u>	<u>210,000</u>	<u>179,325</u>	(30,675)
Total revenues	<u>3,622,500</u>	<u>3,622,500</u>	<u>4,435,833</u>	<u>813,333</u>
EXPENDITURES				
Current:				
Economic development	1,850,288	1,850,288	1,592,147	258,141
Debt service:				
Payment to bond refunding escrow agent	-	-	17,024,629	(17,024,629)
Bond issuance costs	<u>-</u>	<u>-</u>	<u>213,509</u>	(213,509)
Total expenditures	<u>1,850,288</u>	<u>1,850,288</u>	<u>18,830,285</u>	(16,979,997)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>1,772,212</u>	<u>1,772,212</u>	(14,394,452)	(16,166,664)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	23,805	23,805
Transfers out	(1,852,777)	(1,852,777)	(13,987,641)	(12,134,864)
Issuance of debt	-	-	16,930,000	16,930,000
Premium on issuance of bonds	<u>-</u>	<u>-</u>	<u>26,057</u>	<u>26,057</u>
Total other financing sources (uses)	<u>(1,852,777)</u>	<u>(1,852,777)</u>	<u>2,992,221</u>	<u>4,844,998</u>
NET CHANGE IN FUND BALANCES	(80,565)	(80,565)	(11,402,231)	(11,321,666)
FUND BALANCES, BEGINNING	<u>17,500,237</u>	<u>17,500,237</u>	<u>17,500,237</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 17,419,672</u>	<u>\$ 17,419,672</u>	<u>\$ 6,098,006</u>	<u>\$(11,321,666)</u>

CITY OF GRAPEVINE, TEXAS
4B - TRANSIT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales taxes	\$ 10,237,500	\$ 10,237,500	\$ 9,815,378	\$(422,122)
Investment income	<u>10,000</u>	<u>10,000</u>	<u>8,427</u>	<u>(1,573)</u>
Total revenues	<u>10,247,500</u>	<u>10,247,500</u>	<u>9,823,805</u>	<u>(423,695)</u>
EXPENDITURES				
Current:				
Transportation	<u>9,852,350</u>	<u>9,852,350</u>	<u>9,466,562</u>	<u>385,788</u>
Total expenditures	<u>9,852,350</u>	<u>9,852,350</u>	<u>9,466,562</u>	<u>385,788</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>395,150</u>	<u>395,150</u>	<u>357,243</u>	<u>(37,907)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(385,150)</u>	<u>(385,150)</u>	<u>(348,816)</u>	<u>36,334</u>
Total other financing sources (uses)	<u>(385,150)</u>	<u>(385,150)</u>	<u>(348,816)</u>	<u>36,334</u>
NET CHANGE IN FUND BALANCE	10,000	10,000	8,427	(1,573)
FUND BALANCE, BEGINNING	<u>357</u>	<u>357</u>	<u>357</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 10,357</u>	<u>\$ 10,357</u>	<u>\$ 8,784</u>	<u>\$(1,573)</u>

CITY OF GRAPEVINE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Plan Year	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
A. Total pension liability				
Service Cost	\$ 6,509,572	\$ 7,082,668	\$ 7,293,298	\$ 7,724,236
Interest (on the total pension liability)	15,338,396	16,144,617	16,410,412	17,301,746
Difference between expected and actual experience	(1,847,827)	(1,393,602)	(1,109,085)	(772,200)
Changes of assumptions	-	(77,299)	-	-
Benefit payments, including refunds of employee contributions	<u>(8,121,165)</u>	<u>(9,417,307)</u>	<u>(9,346,450)</u>	<u>(9,863,833)</u>
Net change in total pension liability	11,878,976	12,339,077	13,248,175	14,389,949
Total pension liability - beginning	<u>219,925,733</u>	<u>231,804,709</u>	<u>244,143,786</u>	<u>257,391,961</u>
Total pension liability - ending (a)	<u>\$ 231,804,709</u>	<u>\$ 244,143,786</u>	<u>\$ 257,391,961</u>	<u>\$ 271,781,910</u>
B. Plan fiduciary net position				
Contributions - employer	\$ 6,975,288	\$ 7,547,081	\$ 7,526,300	\$ 7,958,051
Contributions - employee	2,583,406	2,769,765	2,764,119	2,922,684
Net investment income	10,365,590	284,606	13,104,905	28,801,972
Benefit payments, including refunds of employee contributions	(8,121,165)	(9,417,307)	(9,346,450)	(9,863,833)
Administrative expense	(108,213)	(173,344)	(147,973)	(149,230)
Other	<u>(8,897)</u>	<u>(8,562)</u>	<u>(7,972)</u>	<u>(7,564)</u>
Net change in plan fiduciary net position	11,686,009	1,002,239	13,892,929	29,662,080
Plan fiduciary net position - beginning	<u>181,182,907</u>	<u>192,868,916</u>	<u>193,871,155</u>	<u>207,764,084</u>
Plan fiduciary net position - ending (b)	<u>192,868,916</u>	<u>193,871,155</u>	<u>207,764,084</u>	<u>237,426,164</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 38,935,793</u>	<u>\$ 50,272,631</u>	<u>\$ 49,627,877</u>	<u>\$ 34,355,746</u>
D. Plan fiduciary net position as a percentage of total pension liability	83.20%	79.41%	80.72%	87.36%
E. Covered payroll	\$ 36,690,944	\$ 39,260,910	\$ 39,444,551	\$ 41,752,627
F. Net pension liability as a percentage of covered payroll	106.12%	128.05%	125.82%	82.28%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2018, only 4 years are included and additional years will be added in the future as the information becomes available.

**CITY OF GRAPEVINE, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Fiscal Year	2014	2015	2016	2017	2018
Actuarial determined contribution	\$ 6,911,778	\$ 7,193,830	\$ 7,395,291	\$ 7,815,149	\$ 8,334,727
Contributions in relation to the actuarially determined contribution	<u>6,911,778</u>	<u>7,193,830</u>	<u>7,395,291</u>	<u>7,815,149</u>	<u>8,334,727</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	36,595,511	37,658,091	38,748,515	41,002,879	43,861,106
Contributions as a percentage of covered payroll	18.89%	19.10%	19.09%	19.06%	19.00%

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	28 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.

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2018, only 5 years are included and additional years will be added in the future as the information becomes available.

CITY OF GRAPEVINE, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS
POST-RETIREMENT HEALTH CARE BENEFIT PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Plan Year	<u>2017</u>
A. Total OPEB liability	
Service Cost	\$ 2,883,770
Interest (on the total OPEB liability)	2,452,440
Difference between expected and actual experience	209,342
Changes of assumptions	4,730,475
Benefit payments	<u>(1,821,839)</u>
Net change in total OPEB liability	8,454,188
Total OPEB liability - beginning	<u>63,837,532</u>
Total OPEB liability - ending (a)	<u>\$ 72,291,720</u>
B. Plan fiduciary net position	
Employer Contributions	\$ 2,821,839
Net investment income	63,643
Benefit payments	<u>(1,821,839)</u>
Administrative expense	<u>(2,315)</u>
Net change in plan fiduciary net position	1,061,328
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u>1,061,328</u>
C. Net OPEB liability - ending (a) - (b)	<u>\$ 71,230,392</u>
D. Plan fiduciary net position as a percentage of total OPEB liability	1.47%
E. Covered-employee payroll	\$ 41,752,627
F. Net OPEB liability as a percentage of Covered-employee payroll	170.60%

Notes to Schedule:

GASB Statement No. 75 requires 10 years of data to be provided in this schedule. As of September 30, 2018, only 1 year is included. Additional years will be added in the future as the information becomes available.

Included in the changes of assumptions was a reduction to the discount rate from 3.81% to 3.31%.

CITY OF GRAPEVINE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2018

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, the Lake Park Fund, the Debt Service Fund and Enterprise Funds. Budgetary control is maintained at the fund level.
- (6) Budgets for the General, Hotel Occupancy Tax, Crime District, 4-B Economic Development Fund, 4B–Transit Fund, the Lake Park 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, 4-B Economic Development Fund, and 4B–Transit Fund. A comparison of budgetary data to actual results of operations for the Debt Service Fund and the Lake Park Fund are presented as supplementary information.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At September 30, 2018, expenditures and transfers exceeded appropriations in the General Fund by \$1,073,606, the Hotel Occupancy Tax Fund by \$8,429,800, the Crime District Fund by \$443,555, the 4B Economic Development Fund by \$29,114,861, and the Debt Service Fund by \$1,974,774.

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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, library and parks programs and police in-service training.

Storm Drainage Fund – to account for revenues from a special fee that is restricted to finance the maintenance, repair, and construction of drainage facilities.

Lake Parks Fund – accounts for the operations of the City’s Parks and Recreation Department at Grapevine Lake.

DEBT SERVICE FUND

Debt Service Funds are used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Tax Increment Financing (TIF) #2 Fund – to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of TIF #2.

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.

Grant Fund – accounts for the funds received from external sources as they relate to grants awarded to the City.

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

Tax Increment Financing (TIF) #2 Fund – established for the financing, acquisition and construction of the infrastructure surrounding Gaylord Texas Resort and Convention Center.

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

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

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

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

**CITY OF GRAPEVINE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	Special Revenue			Debt Service	Capital Projects
	Special Revenue	Storm Drainage	Lake Parks	TIF #2	Grant
ASSETS					
Cash	\$ 2,672,590	\$ 1,758,731	\$ -	\$ 7,212,206	\$ 478,236
Receivables:					
Accounts, net	45,648	153,335	-	-	-
Accrued interest	826	313	-	1,578	-
Due from other governments	5,038	-	-	-	75,836
Prepaid items	-	-	4,500	-	-
Total assets	<u>2,724,102</u>	<u>1,912,379</u>	<u>4,500</u>	<u>7,213,784</u>	<u>554,072</u>
LIABILITIES					
Liabilities:					
Accounts payable	11,101	26,371	252,989	-	23,826
Accrued and other liabilities	384	25,031	14,605	-	-
Due to other funds	-	-	1,570,727	-	-
Due to other governments	-	-	-	-	3,953
Unearned revenue	-	-	456,730	-	-
Developer deposits	-	-	-	-	-
Total liabilities	<u>11,485</u>	<u>51,402</u>	<u>2,295,051</u>	<u>-</u>	<u>27,779</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	13,466	-	-	-	10,548
Total deferred inflows of resources	<u>13,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,548</u>
FUND BALANCES (DEFICITS)					
Nonspendable:					
Prepaid items	-	-	4,500	-	-
Restricted:					
Capital projects	127,404	344,620	-	-	-
Court security and technology	356,605	-	-	-	-
Public safety	602,124	-	-	-	-
Records preservation	7,456	-	-	-	-
Tourism	3	-	-	-	-
Economic development	-	-	-	7,213,784	-
Culture and recreation	218,934	-	-	-	-
Committed for:					
Stormwater drainage operations	-	1,516,357	-	-	-
Public arts	1,115,615	-	-	-	-
Assigned for:					
Capital projects	257,203	-	-	-	-
Culture and recreation	10,785	-	-	-	515,745
Public safety	3,022	-	-	-	-
Unassigned	-	-	(2,295,051)	-	-
Total fund balances	<u>2,699,151</u>	<u>1,860,977</u>	<u>(2,290,551)</u>	<u>7,213,784</u>	<u>515,745</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,724,102</u>	<u>\$ 1,912,379</u>	<u>\$ 4,500</u>	<u>\$ 7,213,784</u>	<u>\$ 554,072</u>

Capital Projects

Parks Open Space and Recreation	TIF #2	Streets	Street Maintenance and Capital Replacement	Capital Acquisition	Quality of Life	Total Other Governmental Funds
\$ 145,019	\$ 2,211,994	\$ 6,871,921	\$ 1,318,284	\$ 6,549,716	\$ 10,675,179	\$ 39,893,876
-	-	-	-	-	93,319	292,302
32	-	1,197	502	827	2,101	7,376
-	-	37,500	38,801	-	-	157,175
-	-	-	-	-	-	4,500
<u>145,051</u>	<u>2,211,994</u>	<u>6,910,618</u>	<u>1,357,587</u>	<u>6,550,543</u>	<u>10,770,599</u>	<u>40,355,229</u>
-	-	256,052	249,188	5,272	525,772	1,350,571
-	-	-	-	-	-	40,020
-	-	-	-	-	-	1,570,727
-	-	-	-	-	-	3,953
-	-	-	-	-	-	456,730
<u>129,197</u>	<u>-</u>	<u>999,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,128,812</u>
<u>129,197</u>	<u>-</u>	<u>1,255,667</u>	<u>249,188</u>	<u>5,272</u>	<u>525,772</u>	<u>4,550,813</u>
-	-	-	5,543	-	89,319	118,876
-	-	-	<u>5,543</u>	-	<u>89,319</u>	<u>118,876</u>
-	-	-	-	-	-	4,500
-	2,211,994	5,522,025	-	2,073,183	1,076,223	11,355,449
-	-	-	-	-	-	356,605
-	-	-	-	-	-	602,124
-	-	-	-	-	-	7,456
-	-	-	-	-	-	3
-	-	-	-	-	-	7,213,784
-	-	-	-	-	-	218,934
-	-	-	-	-	-	1,516,357
-	-	-	-	-	-	1,115,615
-	-	132,926	1,102,856	4,472,088	9,079,285	15,044,358
15,854	-	-	-	-	-	542,384
-	-	-	-	-	-	3,022
-	-	-	-	-	-	(2,295,051)
<u>15,854</u>	<u>2,211,994</u>	<u>5,654,951</u>	<u>1,102,856</u>	<u>6,545,271</u>	<u>10,155,508</u>	<u>35,685,540</u>
\$ <u>145,051</u>	\$ <u>2,211,994</u>	\$ <u>6,910,618</u>	\$ <u>1,357,587</u>	\$ <u>6,550,543</u>	\$ <u>10,770,599</u>	\$ <u>40,355,229</u>

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue			Debt Service	Capital Projects
	Special Revenue	Storm Drainage	Lake Park	TIF #2	Grant
REVENUES					
Property tax	\$ -	\$ -	\$ -	\$ 4,817,939	\$ -
Franchise tax	170,848	-	-	-	-
Charges for services	156,905	1,435,920	2,536,722	-	-
Fines and forfeitures	64,145	-	-	-	-
Intergovernmental	56,980	-	-	-	932,518
Contributions	318,436	-	-	-	-
Investment income	43,072	26,752	-	110,788	-
Miscellaneous	11,605	-	5,068	-	-
Total revenues	<u>821,991</u>	<u>1,462,672</u>	<u>2,541,790</u>	<u>4,928,727</u>	<u>932,518</u>
EXPENDITURES					
Current:					
General government	177,017	-	-	-	-
Public safety	65,739	-	-	-	201,098
Culture and recreation	216,863	-	2,294,139	-	-
Public works	-	981,847	-	-	45,000
Economic development	-	-	-	1,410,250	-
Capital outlay	274,332	62,911	15,629	-	1,368,876
Debt service:					
Principal	-	-	-	1,590,000	-
Interest	-	-	-	690,100	-
Fiscal agent charges	-	-	-	750	-
Total expenditures	<u>733,951</u>	<u>1,044,758</u>	<u>2,309,768</u>	<u>3,691,100</u>	<u>1,614,974</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>88,040</u>	<u>417,914</u>	<u>232,022</u>	<u>1,237,627</u>	<u>(682,456)</u>
Transfers in	-	-	-	-	3,502,300
Transfers out	(991,061)	(109,407)	(163,088)	-	-
Insurance recoveries	-	-	-	-	-
Issuance of debt	-	-	-	-	-
Total other financing sources (uses)	<u>(991,061)</u>	<u>(109,407)</u>	<u>(163,088)</u>	<u>-</u>	<u>3,502,300</u>
NET CHANGE IN FUND BALANCES	(903,021)	308,507	68,934	1,237,627	2,819,844
FUND BALANCES, BEGINNING	3,602,172	1,552,470	(2,359,485)	5,976,157	(2,304,099)
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-
FUND BALANCES, BEGINNING, AS RESTATED	<u>3,602,172</u>	<u>1,552,470</u>	<u>(2,359,485)</u>	<u>5,976,157</u>	<u>(2,304,099)</u>
FUND BALANCES, ENDING	<u>\$ 2,699,151</u>	<u>\$ 1,860,977</u>	<u>\$ (2,290,551)</u>	<u>\$ 7,213,784</u>	<u>\$ 515,745</u>

Capital Projects

Parks Open Space and Recreation	TIF #2	Streets	Street Maintenance and Capital Replacement	Capital Acquisition	Quality of Life	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,817,939
-	-	-	-	-	-	170,848
304,677	-	87,056	-	-	-	4,521,280
-	-	-	-	-	-	64,145
-	-	90,104	66,516	-	-	1,146,118
-	-	-	-	-	-	318,436
3,889	38,982	135,787	30,226	131,510	173,339	694,345
-	-	4,099	612	2,455	4,000	27,839
<u>308,566</u>	<u>38,982</u>	<u>317,046</u>	<u>97,354</u>	<u>133,965</u>	<u>177,339</u>	<u>11,760,950</u>
-	-	-	255,407	3,721	-	436,145
-	-	-	41,301	27,116	38,320	373,574
-	-	-	797,510	-	2,858,747	6,167,259
-	-	-	1,710,325	-	184,456	2,921,628
-	-	-	-	-	-	1,410,250
310,475	-	1,512,338	141,409	1,638,053	2,773,770	8,097,793
-	-	-	-	-	-	1,590,000
-	-	-	-	-	-	690,100
-	607	-	-	22,092	-	23,449
<u>310,475</u>	<u>607</u>	<u>1,512,338</u>	<u>2,945,952</u>	<u>1,690,982</u>	<u>5,855,293</u>	<u>21,710,198</u>
(1,909)	38,375	(1,195,292)	(2,848,598)	(1,557,017)	(5,677,954)	(9,949,248)
-	-	-	3,114,775	2,104,118	3,000,000	11,721,193
-	-	(43,805)	-	(469,775)	(1,120,025)	(2,897,161)
-	-	-	-	66,137	-	66,137
-	-	-	-	-	2,500,000	2,500,000
-	-	(43,805)	3,114,775	1,700,480	4,379,975	11,390,169
(1,909)	38,375	(1,239,097)	266,177	143,463	(1,297,979)	1,440,921
135,277	2,173,619	6,089,536	836,679	6,401,808	11,453,487	33,557,621
(117,514)	-	804,512	-	-	-	686,998
<u>17,763</u>	<u>2,173,619</u>	<u>6,894,048</u>	<u>836,679</u>	<u>6,401,808</u>	<u>11,453,487</u>	<u>34,244,619</u>
<u>\$ 15,854</u>	<u>\$ 2,211,994</u>	<u>\$ 5,654,951</u>	<u>\$ 1,102,856</u>	<u>\$ 6,545,271</u>	<u>\$ 10,155,508</u>	<u>\$ 35,685,540</u>

CITY OF GRAPEVINE, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 12,057,538	\$ 12,057,538	\$ 11,309,205	\$(748,333)
Investment income	<u>105,000</u>	<u>105,000</u>	<u>195,190</u>	<u>90,190</u>
Total revenues	<u>12,162,538</u>	<u>12,162,538</u>	<u>11,504,395</u>	<u>(658,143)</u>
EXPENDITURES				
Debt service:				
Principal	9,616,289	9,616,289	10,336,293	(720,004)
Interest	4,954,342	4,954,342	5,284,050	(329,708)
Bond issuance costs	50,000	50,000	-	50,000
Fiscal agent charges	<u>10,000</u>	<u>10,000</u>	<u>15,062</u>	<u>(5,062)</u>
Total expenditures	<u>14,630,631</u>	<u>14,630,631</u>	<u>15,635,405</u>	<u>(1,004,774)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(2,468,093)</u>	<u>(2,468,093)</u>	<u>(4,131,010)</u>	<u>(1,662,917)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,787,924	2,787,924	3,097,099	309,175
Transfers out	<u>-</u>	<u>-</u>	<u>(970,000)</u>	<u>(970,000)</u>
Total other financing sources (uses)	<u>2,787,924</u>	<u>2,787,924</u>	<u>2,127,099</u>	<u>(660,825)</u>
NET CHANGE IN FUND BALANCE	319,831	319,831	(2,003,911)	(2,323,742)
FUND BALANCE, BEGINNING	<u>10,922,698</u>	<u>10,922,698</u>	<u>10,922,698</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 11,242,529</u>	<u>\$ 11,242,529</u>	<u>\$ 8,918,787</u>	<u>\$(2,323,742)</u>

CITY OF GRAPEVINE, TEXAS
LAKE PARK FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 2,475,000	\$ 2,475,000	\$ 2,536,722	\$ 61,722
Miscellaneous	25,000	25,000	5,068	(19,932)
Total revenues	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,541,790</u>	<u>41,790</u>
EXPENDITURES				
Current:				
Culture and recreation	1,840,695	1,840,695	2,294,139	(453,444)
Capital outlay	68,000	68,000	15,629	52,371
Total expenditures	<u>1,908,695</u>	<u>1,908,695</u>	<u>2,309,768</u>	<u>(401,073)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>591,305</u>	<u>591,305</u>	<u>232,022</u>	<u>(359,283)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(591,305)	(591,305)	(163,088)	428,217
Total other financing sources (uses)	<u>(591,305)</u>	<u>(591,305)</u>	<u>(163,088)</u>	<u>428,217</u>
NET CHANGE IN FUND BALANCE	-	-	68,934	68,934
FUND BALANCE, BEGINNING	(2,359,485)	(2,359,485)	(2,359,485)	-
FUND BALANCE, ENDING	<u>\$(2,359,485)</u>	<u>\$(2,359,485)</u>	<u>\$(2,290,551)</u>	<u>\$ 68,934</u>

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Employee Activity Fund			Balance 9/30/2018
	Balance 10/1/2017	Additions	Deletions	
Cash and cash equivalents	\$ <u>22,469</u>	\$ <u>39,906</u>	\$ <u>48,875</u>	\$ <u>13,500</u>
Total assets	\$ <u><u>22,469</u></u>	\$ <u><u>39,906</u></u>	\$ <u><u>48,875</u></u>	\$ <u><u>13,500</u></u>
Due to beneficiary	\$ <u>22,469</u>	\$ <u>39,906</u>	\$ <u>48,875</u>	\$ <u>13,500</u>
Total liabilities	\$ <u><u>22,469</u></u>	\$ <u><u>39,906</u></u>	\$ <u><u>48,875</u></u>	\$ <u><u>13,500</u></u>

	Industrial Development Corporation			Balance 9/30/2018
	Balance 10/1/2017	Additions	Deletions	
Cash and cash equivalents	\$ <u>132,177</u>	\$ <u>2,346</u>	\$ <u>-</u>	\$ <u>134,523</u>
Total assets	\$ <u><u>132,177</u></u>	\$ <u><u>2,346</u></u>	\$ <u><u>-</u></u>	\$ <u><u>134,523</u></u>
Due to beneficiary	\$ <u>132,177</u>	\$ <u>2,346</u>	\$ <u>-</u>	\$ <u>134,523</u>
Total liabilities	\$ <u><u>132,177</u></u>	\$ <u><u>2,346</u></u>	\$ <u><u>-</u></u>	\$ <u><u>134,523</u></u>

	W.D. Tate Scholarship			Balance 9/30/2018
	Balance 10/1/2017	Additions	Deletions	
Cash and cash equivalents	\$ <u>13,895</u>	\$ <u>234</u>	\$ <u>-</u>	\$ <u>14,129</u>
Total assets	\$ <u><u>13,895</u></u>	\$ <u><u>234</u></u>	\$ <u><u>-</u></u>	\$ <u><u>14,129</u></u>
Due to beneficiary	\$ <u>13,895</u>	\$ <u>234</u>	\$ <u>-</u>	\$ <u>14,129</u>
Total liabilities	\$ <u><u>13,895</u></u>	\$ <u><u>234</u></u>	\$ <u><u>-</u></u>	\$ <u><u>14,129</u></u>

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Total Agency Funds			Balance 9/30/2018
	Balance 10/1/2017	Additions	Deletions	
Cash and cash equivalents	\$ 168,541	\$ 42,486	\$ 48,875	\$ 162,152
Total assets	<u>\$ 168,541</u>	<u>\$ 42,486</u>	<u>\$ 48,875</u>	<u>\$ 162,152</u>
Due to beneficiary	\$ 168,541	\$ 42,486	\$ 48,875	\$ 162,152
Total liabilities	<u>\$ 168,541</u>	<u>\$ 42,486</u>	<u>\$ 48,875</u>	<u>\$ 162,152</u>

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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	87 – 98
<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	99 – 104
<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	105 – 110
<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	111 – 112
<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	113 – 116
<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			
	2009	2010	2011	2012
Governmental activities:				
Net investment in capital assets	\$ 57,264	\$ 73,702	\$ 84,069	\$ 88,342
Restricted	40,419	55,622	61,712	71,909
Unrestricted	<u>25,626</u>	<u>13,109</u>	<u>10,421</u>	<u>14,469</u>
Total governmental activities net position	<u>\$ 123,309</u>	<u>\$ 142,433</u>	<u>\$ 156,202</u>	<u>\$ 174,720</u>
Business-type activities:				
Net investment in capital assets	\$ 68,785	\$ 70,055	\$ 70,771	\$ 70,171
Restricted	7,097	6,732	7,133	8,969
Unrestricted	<u>14,238</u>	<u>11,924</u>	<u>11,240</u>	<u>10,530</u>
Total business-type activities net position	<u>\$ 90,120</u>	<u>\$ 88,711</u>	<u>\$ 89,144</u>	<u>\$ 89,670</u>
Primary government:				
Net investment in capital assets	\$ 126,049	\$ 143,757	\$ 154,840	\$ 158,513
Restricted	47,516	62,354	68,845	80,878
Unrestricted	<u>39,864</u>	<u>25,033</u>	<u>21,661</u>	<u>24,999</u>
Total primary government net position	<u>\$ 213,429</u>	<u>\$ 231,144</u>	<u>\$ 245,346</u>	<u>\$ 264,390</u>

Source: Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 114,212	\$ 139,392	\$ 176,133	\$ 176,591	\$ 214,481	\$ 226,572
78,377	74,312	71,932	78,219	73,872	80,078
(3,570)	(10,147)	(21,047)	(14,043)	(26,090)	(68,706)
<u>\$ 189,019</u>	<u>\$ 203,557</u>	<u>\$ 227,018</u>	<u>\$ 240,767</u>	<u>\$ 262,263</u>	<u>\$ 237,943</u>
\$ 74,750	\$ 77,872	\$ 104,296	\$ 126,510	\$ 122,775	\$ 125,604
8,032	2,612	2,649	3,205	3,467	4,187
<u>6,912</u>	<u>11,590</u>	<u>8,094</u>	<u>8,507</u>	<u>10,548</u>	<u>11,817</u>
<u>\$ 89,694</u>	<u>\$ 92,074</u>	<u>\$ 115,039</u>	<u>\$ 138,222</u>	<u>\$ 136,790</u>	<u>\$ 141,608</u>
\$ 172,921	\$ 217,264	\$ 280,429	\$ 303,101	\$ 337,256	\$ 352,175
86,409	76,924	74,581	81,424	77,339	84,265
<u>19,382</u>	<u>1,443</u>	<u>(12,953)</u>	<u>(5,536)</u>	<u>(15,542)</u>	<u>(56,889)</u>
<u>\$ 278,712</u>	<u>\$ 295,631</u>	<u>\$ 342,057</u>	<u>\$ 378,989</u>	<u>\$ 399,053</u>	<u>\$ 379,551</u>

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

	Fiscal Year			
	2009	2010	2011	2012
EXPENSES				
Governmental activities:				
General government	\$ 19,245	\$ 19,048	\$ 22,526	\$ 18,370
Public safety	26,031	27,095	27,588	28,264
Culture and recreation	25,657	27,175	26,673	27,954
Public works	18,670	19,136	10,563	11,056
Transportation	-	-	7,901	7,789
Economic development	-	-	3,394	4,040
Tourism	-	-	-	-
Interest on long-term debt	5,093	5,432	5,140	4,590
Total governmental activities expenses	<u>94,696</u>	<u>97,886</u>	<u>103,785</u>	<u>102,063</u>
Business-type activities:				
Water and sewer	17,160	17,647	18,972	18,372
Lake Enterprise	2,885	2,955	3,062	3,053
Total business-type activities expenses	<u>20,045</u>	<u>20,602</u>	<u>22,034</u>	<u>21,425</u>
Total primary government expenses	<u>\$ 114,741</u>	<u>\$ 118,488</u>	<u>\$ 125,819</u>	<u>\$ 123,488</u>
PROGRAM REVENUES				
Governmental activities:				
Fees, fines, and charges for services:				
General government	\$ 3,771	\$ 4,039	\$ 4,250	\$ 2,547
Public safety	3,759	3,660	3,346	3,736
Culture and recreation	7,829	8,530	9,198	10,099
Public works	1,344	1,467	1,378	1,418
Tourism	-	-	-	-
Operating grants and contributions	957	1,060	1,212	1,124
Capital grants and contributions	5,204	3,819	1,302	810
Total governmental activities program revenues	<u>22,864</u>	<u>22,575</u>	<u>20,686</u>	<u>19,734</u>
Business-type activities:				
Charges for services:				
Water and sewer	17,950	18,523	21,168	20,481
Lake Enterprise	2,649	2,377	2,862	3,079
Capital grants and contributions	674	274	26,685	-
Total business-type activities program revenues	<u>21,273</u>	<u>21,174</u>	<u>50,715</u>	<u>23,560</u>
Total primary government program revenues	<u>\$ 44,137</u>	<u>\$ 43,749</u>	<u>\$ 71,401</u>	<u>\$ 43,294</u>

TABLE 2

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 18,602	\$ 16,348	\$ 18,944	\$ 21,301	\$ 20,417	\$ 19,231
28,309	30,039	31,305	31,686	35,651	35,954
29,578	31,549	15,617	18,354	21,087	19,597
12,216	13,689	12,817	13,590	16,585	16,826
8,620	11,275	9,223	9,600	9,078	9,467
3,609	1,405	10,036	15,976	9,757	14,954
-	-	16,966	18,526	20,507	21,561
4,095	6,029	6,013	5,480	5,332	5,174
<u>105,029</u>	<u>110,334</u>	<u>120,921</u>	<u>134,513</u>	<u>138,414</u>	<u>142,764</u>
18,807	19,763	19,691	20,498	20,926	22,411
3,156	2,764	2,850	3,256	3,242	3,217
<u>21,963</u>	<u>22,527</u>	<u>22,541</u>	<u>23,754</u>	<u>24,168</u>	<u>25,628</u>
<u>\$ 126,992</u>	<u>\$ 132,861</u>	<u>\$ 143,462</u>	<u>\$ 158,267</u>	<u>\$ 162,582</u>	<u>\$ 168,392</u>
\$ 2,013	\$ 1,992	\$ 1,723	\$ 2,735	\$ 2,155	\$ 1,962
3,971	4,109	3,705	3,789	2,198	1,663
10,012	10,531	4,322	4,526	6,003	6,340
1,486	1,504	1,448	1,495	3,367	3,449
-	-	7,327	7,721	7,840	7,882
526	275	1,381	383	1,079	2,200
108	203	1,609	9,549	8,171	5,007
<u>18,116</u>	<u>18,614</u>	<u>21,515</u>	<u>30,198</u>	<u>30,813</u>	<u>28,503</u>
20,185	23,667	22,434	23,824	24,663	28,267
3,120	3,017	2,214	2,816	3,174	3,131
-	-	4,896	17,981	1,803	4,984
<u>23,305</u>	<u>26,684</u>	<u>29,544</u>	<u>44,621</u>	<u>29,640</u>	<u>36,382</u>
<u>\$ 41,421</u>	<u>\$ 45,298</u>	<u>\$ 51,059</u>	<u>\$ 74,819</u>	<u>\$ 60,453</u>	<u>\$ 64,885</u>

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

	Fiscal Year			
	2009	2010	2011	2012
NET (EXPENSE) REVENUES				
Governmental activities	\$(71,832)	\$(75,311)	\$(83,099)	\$(82,329)
Business-type activities	<u>1,228</u>	<u>572</u>	<u>1,996</u>	<u>2,135</u>
Total primary government net expense	<u>(70,604)</u>	<u>(74,739)</u>	<u>(81,103)</u>	<u>(80,194)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	30,385	33,092	29,559	32,048
Franchise	6,319	6,133	6,401	6,356
Hotel occupancy	10,498	10,725	12,105	12,327
Sales	40,712	42,000	45,572	46,932
Mixed beverage	1,188	1,226	1,223	1,051
Investment earnings	1,213	426	338	286
Gain on sale of capital assets	31	119	33	-
Miscellaneous	36	-	-	170
Transfers	<u>1,867</u>	<u>2,064</u>	<u>1,638</u>	<u>1,677</u>
Total governmental activities	<u>92,249</u>	<u>95,785</u>	<u>96,869</u>	<u>100,847</u>
Business-type activities:				
Investment earnings	401	83	75	68
Gain on disposal of capital assets	-	-	-	-
Miscellaneous	562	-	170	-
Transfers	<u>(1,867)</u>	<u>(2,064)</u>	<u>(1,638)</u>	<u>(1,677)</u>
Total business-type activities	<u>(904)</u>	<u>(1,981)</u>	<u>(1,393)</u>	<u>(1,609)</u>
Total primary government	<u>91,345</u>	<u>93,804</u>	<u>95,476</u>	<u>99,238</u>
CHANGE IN NET POSITION				
Governmental activities	20,417	20,474	13,770	18,518
Business-type activities	<u>324</u>	<u>(1,409)</u>	<u>432</u>	<u>526</u>
Total primary government	<u>\$ 20,741</u>	<u>\$ 19,065</u>	<u>\$ 14,202</u>	<u>\$ 19,044</u>

Source: Comprehensive Annual Financial Reports

TABLE 2

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$(86,913)	\$(91,720)	\$(99,406)	\$(104,316)	\$(107,602)	\$(114,261)
<u>1,342</u>	<u>4,158</u>	<u>7,003</u>	<u>20,868</u>	<u>5,472</u>	<u>10,754</u>
<u>(85,571)</u>	<u>(87,562)</u>	<u>(92,403)</u>	<u>(83,448)</u>	<u>(102,130)</u>	<u>(103,507)</u>
29,979	30,917	30,903	31,617	26,027	28,561
6,618	6,785	6,824	6,818	6,602	7,145
12,772	14,025	18,103	18,965	18,801	19,875
49,047	52,020	54,060	55,884	53,854	56,029
1,159	1,567	1,648	1,710	1,733	1,793
159	120	266	887	1,523	2,737
-	262	1,490	4,144	1,605	262
6	23	11	204	579	331
<u>1,471</u>	<u>1,661</u>	<u>1,424</u>	<u>(2,164)</u>	<u>3,199</u>	<u>3,020</u>
<u>101,211</u>	<u>107,380</u>	<u>114,729</u>	<u>118,065</u>	<u>113,923</u>	<u>119,753</u>
152	20	43	148	306	580
-	-	-	3	-	-
-	-	-	-	-	-
<u>(1,471)</u>	<u>(1,661)</u>	<u>(1,424)</u>	<u>2,164</u>	<u>(3,199)</u>	<u>(3,020)</u>
<u>(1,319)</u>	<u>(1,641)</u>	<u>(1,381)</u>	<u>2,315</u>	<u>(2,893)</u>	<u>(2,440)</u>
<u>99,892</u>	<u>105,739</u>	<u>113,348</u>	<u>120,380</u>	<u>111,030</u>	<u>117,313</u>
14,298	15,658	15,323	13,748	6,323	5,492
<u>23</u>	<u>2,517</u>	<u>5,629</u>	<u>23,182</u>	<u>2,578</u>	<u>8,314</u>
<u>\$ 14,321</u>	<u>\$ 18,175</u>	<u>\$ 20,952</u>	<u>\$ 36,930</u>	<u>\$ 8,901</u>	<u>\$ 13,806</u>

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

	Fiscal Year			
	2009	2010	2011	2012
General fund				
Reserved**	\$ 632	\$ 714	\$ -	\$ -
Unreserved	8,105	7,468	-	-
Nonspendable*	-	-	657	653
Assigned	-	-	-	-
Unassigned	-	-	8,938	11,742
Total general fund	<u>\$ 8,737</u>	<u>\$ 8,182</u>	<u>\$ 9,595</u>	<u>\$ 12,395</u>
All other governmental funds				
Reserved for:				
Prepayments	\$ 583	\$ 118	\$ -	\$ -
Debt service	31,784	40,700	-	-
Capital projects	20,566	16,861	-	-
Unreserved, reported in:				
Special revenue	9,238	11,347	-	-
Capital projects	18,631	20,426	-	-
Nonspendable:				
Inventories	-	-	15	18
Prepaid items	-	-	42	14
Notes receivable	-	-	-	-
Property held for sale	-	-	-	-
Restricted for:				
Debt service	-	-	26,713	28,858
Capital projects	-	-	19,863	17,655
Court security and technology	-	-	-	-
Economic development	-	-	28,985	35,493
Public safety	-	-	836	1,078
Records preservation	-	-	-	-
Tourism	-	-	4,605	5,954
Transportation	-	-	345	369
Culture and recreation	-	-	264	152
Committed for:				
Stormwater drainage operations	-	-	3,005	3,179
Public arts	-	-	453	600
Assigned for:				
Economic development	-	-	-	-
Capital projects	-	-	9,322	10,627
Tourism	-	-	841	635
Culture and recreation	-	-	-	-
Public safety	-	-	-	-
Unassigned	-	-	(1,822)	(1,777)
Total all other governmental funds	<u>\$ 80,802</u>	<u>\$ 89,452</u>	<u>\$ 93,467</u>	<u>\$ 102,855</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					
2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
659	600	553	779	943	1,303
-	-	-	-	-	1,401
<u>11,303</u>	<u>12,318</u>	<u>13,402</u>	<u>12,753</u>	<u>11,452</u>	<u>12,852</u>
<u>\$ 11,962</u>	<u>\$ 12,918</u>	<u>\$ 13,955</u>	<u>\$ 13,532</u>	<u>\$ 12,395</u>	<u>\$ 15,556</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
18	15	23	17	482	8
4	23	122	305	171	412
-	-	-	-	500	-
-	-	-	-	-	146
29,051	28,234	25,720	18,682	10,923	10,321
90,741	68,131	48,216	22,143	55,024	78,573
-	-	-	-	305	357
41,198	40,137	46,996	56,461	15,604	8,517
1,088	1,288	1,818	1,310	473	602
-	-	-	-	19	7
5,268	6,544	-	-	10,777	13,123
412	459	461	465	-	9
41	48	38	49	160	219
2,024	990	613	923	1,196	1,516
697	841	954	1,084	1,046	1,116
-	1,717	1,384	3,269	9,806	4,696
8,043	13,382	16,034	25,033	19,313	19,188
677	732	910	1,270	1	542
-	-	12,801	19,140	12,914	3,597
-	-	-	-	2	3
(841)	(1,123)	(1,477)	(3,769)	(5,076)	(3,106)
<u>\$ 178,421</u>	<u>\$ 161,418</u>	<u>\$ 154,613</u>	<u>\$ 146,382</u>	<u>\$ 133,640</u>	<u>\$ 139,846</u>

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

	Fiscal Year			
	2009	2010	2011	2012
REVENUES				
Taxes:				
Property	\$ 29,454	\$ 34,225	\$ 29,930	\$ 32,147
Hotel occupancy	10,498	10,725	12,105	12,326
Sales	40,712	42,000	45,572	46,932
Mixed beverage	1,188	1,226	1,223	1,051
Franchise	6,319	6,133	6,401	6,356
Licenses and permits	1,087	1,117	1,044	1,542
Intergovernmental	3,000	4,525	1,505	1,012
Charges for services	12,893	13,296	14,582	13,572
Fines and forfeitures	2,208	2,126	1,712	2,017
Contributions	556	8	73	194
Interest and miscellaneous	2,108	2,407	1,741	1,192
Total revenues	<u>110,023</u>	<u>117,788</u>	<u>115,888</u>	<u>118,341</u>
EXPENDITURES				
General government	15,435	16,367	17,681	13,979
Public safety	21,582	22,275	24,297	25,539
Culture and recreation	21,714	22,677	23,495	24,832
Public works	4,922	5,049	5,821	6,061
Operations	13,485	13,819	-	-
Transportation	-	-	7,901	7,789
Economic development	-	-	3,405	4,543
Tourism	-	-	-	-
Capital outlay	18,695	15,051	13,076	9,446
Debt service:				
Principal	11,880	12,096	12,328	11,164
Interest and fiscal charges	5,304	5,547	5,029	4,564
Payment to refunded bond escrow agent	-	-	-	-
Bond issuance costs	-	-	-	-
Other	2,535	1,050	30	25
Total expenditures	<u>115,552</u>	<u>113,931</u>	<u>113,063</u>	<u>107,942</u>

TABLE 4

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 28,326	\$ 33,470	\$ 30,931	\$ 31,650	\$ 25,991	\$ 28,350
12,772	14,025	18,103	18,965	18,801	19,875
49,047	52,020	54,060	55,884	53,854	56,029
1,159	1,567	1,648	1,710	1,733	1,793
6,618	6,785	6,824	6,662	6,602	7,064
1,248	1,337	1,527	1,745	1,883	1,604
1,175	430	974	1,356	1,939	2,270
13,286	13,755	14,681	15,568	17,308	17,973
2,258	2,413	2,100	1,967	1,968	1,736
162	169	304	253	370	318
731	872	872	2,861	2,630	4,429
<u>116,782</u>	<u>126,843</u>	<u>132,024</u>	<u>138,621</u>	<u>133,079</u>	<u>141,441</u>
13,714	15,611	17,878	19,768	18,543	17,018
25,674	27,215	28,672	27,803	30,441	32,240
26,202	27,707	12,931	14,731	16,686	18,451
7,037	8,335	8,077	7,938	10,526	11,367
-	-	-	-	-	-
8,620	11,275	9,223	9,600	9,078	9,467
3,609	1,405	10,036	15,976	9,757	16,639
-	-	16,179	17,702	19,735	20,335
17,011	53,121	24,476	33,576	32,596	30,029
11,462	12,664	14,477	16,099	13,018	12,059
3,864	6,695	6,405	6,234	5,850	5,974
-	-	22,812	1	-	17,025
-	-	358	73	127	392
394	269	21	10	120	47
<u>117,587</u>	<u>164,297</u>	<u>171,545</u>	<u>169,511</u>	<u>166,477</u>	<u>191,043</u>

CITY OF GRAPEVINE, TEXAS

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

(Continued)

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2009	2010	2011	2012
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ <u>(5,529)</u>	\$ <u> 3,857</u>	\$ <u> 2,825</u>	\$ <u> 10,399</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	45,825	8,565	809	-
Premium on issuance of debt	2,184	344	-	-
Payment to refunded bond escrow agent	(34,944)	(6,954)	-	-
Sale of capital assets	32	219	155	112
Insurance recoveries	-	-	-	-
Transfers in	17,415	14,510	17,593	15,244
Transfers out	(15,548)	(12,446)	(15,955)	(13,568)
Total other financing sources (uses)	<u>14,964</u>	<u>4,238</u>	<u>2,602</u>	<u>1,788</u>
NET CHANGE IN FUND BALANCES	\$ <u><u> 9,435</u></u>	\$ <u><u> 8,095</u></u>	\$ <u><u> 5,427</u></u>	\$ <u><u> 12,187</u></u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>20.4%</u>	<u>17.8%</u>	<u>16.8%</u>	<u>15.7%</u>

Source: Comprehensive Annual Financial Reports

TABLE 4

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>\$ (805)</u>	<u>\$ (37,454)</u>	<u>\$ (39,521)</u>	<u>\$ (30,890)</u>	<u>\$ (33,398)</u>	<u>\$ (49,602)</u>
78,640	19,500	35,065	3,070	10,900	51,740
3,455	-	3,757	192	590	1,265
(7,834)	-	(13,643)	-	(1,391)	-
204	250	6,110	13,856	5,406	311
-	-	800	540	649	66
19,768	18,507	17,248	21,735	56,144	46,963
<u>(18,297)</u>	<u>(16,846)</u>	<u>(15,585)</u>	<u>(17,764)</u>	<u>(52,781)</u>	<u>(43,943)</u>
<u>75,936</u>	<u>21,411</u>	<u>33,752</u>	<u>21,629</u>	<u>19,517</u>	<u>56,402</u>
<u>\$ 75,131</u>	<u>\$ (16,043)</u>	<u>\$ (5,769)</u>	<u>\$ (9,261)</u>	<u>\$ (13,881)</u>	<u>\$ 6,800</u>
<u>14.7%</u>	<u>17.5%</u>	<u>30.2%</u>	<u>16.5%</u>	<u>14.1%</u>	<u>22.6%</u>

TABLE 5

CITY OF GRAPEVINE, TEXAS

TAXABLE SALES BY CATEGORY

LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (1)
Agriculture/forestry/fishing/hunting	\$ 107	\$ -	\$ -	\$ -	\$ -	\$ 414	\$ 514	\$ 91	\$ 253	\$ -
Construction	27,636	19,347	23,201	32,162	38,720	46,112	49,895	53,763	44,852	49,387
Manufacturing	173,395	158,571	149,783	157,519	157,403	164,251	164,726	161,142	160,782	121,588
Wholesale trade	200,208	216,540	236,878	245,838	266,052	276,437	285,962	299,679	300,261	241,898
Retail trade	774,650	774,638	816,452	849,825	897,364	930,931	921,231	931,679	939,436	717,329
Transportation/warehousing	7,794	10,239	13,817	11,810	13,751	12,539	13,467	12,455	12,587	6,505
Information	28,136	29,311	36,209	42,137	49,559	58,753	68,853	68,143	42,752	31,843
Finance/insurance	1,379	964	1,049	993	804	808	808	885	1,190	1,479
Professional/scientific/technical	23,165	15,745	15,485	18,966	20,321	28,112	26,370	31,957	31,074	27,285
Real estate/rental/leasing	25,870	34,389	37,831	36,597	46,875	52,312	61,550	63,637	66,687	50,563
Management of companies/enterprises	938	15	1	-	-	-	-	-	-	-
Admin/support/waste mgmt/remediation svcs	35,470	37,065	54,218	47,264	47,117	60,296	76,038	55,143	54,579	36,676
Educational services	104	344	531	2,762	1,931	1,079	645	634	383	251
Health care/social assistance	1,903	1,930	2,465	2,999	2,961	2,028	1,735	1,784	1,574	1,151
Arts/entertainment/recreation	23,115	25,623	25,657	24,811	24,592	27,313	16,310	22,103	26,622	20,941
Accommodation/food service	402,661	413,133	453,507	477,342	472,830	522,296	572,882	586,562	593,030	461,146
Other services (except public administration)	21,970	24,736	24,868	24,250	33,721	38,588	47,645	49,898	38,372	27,876
Unclassified	9,849	-	17,457	-	-	-	8	-	-	-
Total	\$ 1,758,350	\$ 1,762,590	\$ 1,909,409	\$ 1,975,275	\$ 2,073,999	\$ 2,222,269	\$ 2,308,639	\$ 2,339,555	\$ 2,314,434	\$ 1,795,918
City direct sales tax rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Source: Texas Comptroller

(1) Only three quarters of information were available for the fiscal year.

CITY OF GRAPEVINE, TEXAS

DIRECT AND OVERLAPPING SALES TAX RATES

LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rate	State of Texas
2009	2.00%	6.25%
2010	2.00%	6.25%
2011	2.00%	6.25%
2012	2.00%	6.25%
2013	2.00%	6.25%
2014	2.00%	6.25%
2015	2.00%	6.25%
2016	2.00%	6.25%
2017	2.00%	6.25%
2018	2.00%	6.25%

Source: City Budget Office and Texas Comptroller

CITY OF GRAPEVINE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

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

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property Property	Personal Property			
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
2017	9,369,452	2,705,089	4,462,148	7,612,393	0.2893
2018	9,911,677	3,033,390	4,586,943	8,358,123	0.2893

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	
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
2017	0.1265	0.1628	0.2893	0.1447	1.3967	0.2279	0.2540	2.3126
2018	0.1347	0.1545	0.2893	0.1401	1.3967	0.2244	0.2440	2.2945

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 2018		Taxpayer	FY 2009	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
American Airlines Inc/Envoy Air Inc	\$ 502,587	7.31%	American Airlines Inc	\$ 326,664	5.49%
Opryland Hotel	292,757	4.26%	Gaylord Texan Resort and Convention Center	326,372	5.48%
Grapevine Mills, Ltd. Partnership	286,045	4.16%	Grapevine Mills, Ltd. Partnership	218,045	3.66%
Mesa Airlines	142,075	2.07%	CAE Simuflite/Simuflite Training Unit	158,400	2.66%
Great Wolf Lodge	108,099	1.57%	Great Wolf Lodge	106,360	1.90%
Fund Riverwalk LLC	99,650	1.45%	A & B Properties, Inc., etal	62,261	1.10%
CAE Simuflite	72,848	1.06%	Verde Riverwalk Apts II, LP	55,578	0.93%
Silver Oaks LP	70,900	1.03%	GTE Southwest, Inc /GTE Realty	52,104	0.88%
Spirit Airlines Inc	69,873	1.02%	Oncor Electric Deleverly	51,676	0.87%
925 Main LP	59,700	0.87%	Irearc Media Corp.	51,467	0.86%
Total	\$ 1,704,534	24.80%	Total	\$ 1,408,927	23.83%

Source: Grapevine/Colleyville ISD Tax Assessor
Grapevine CAFR (2009)

TABLE 10

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
2009	\$ 22,250	\$ -	\$ 22,250	\$ 21,936	98.59%	\$ 286	\$ 22,222	99.87%
2010	22,208	-	22,208	21,958	98.87%	215	22,173	99.84%
2011	21,114	-	21,114	20,954	99.24%	136	21,090	99.89%
2012	21,321	(1)	21,320	21,211	99.49%	92	21,303	99.92%
2013	21,467	(45)	21,422	21,364	99.73%	42	21,406	99.93%
2014	21,847	(34)	21,813	21,804	99.96%	(2)	21,802	99.95%
2015	22,020	(25)	21,995	21,952	99.80%	9	21,961	99.84%
2016	22,574	38	22,612	22,498	99.50%	62	22,560	99.77%
2017	21,669	372	22,041	21,905	99.38%	(3)	21,902	99.37%
2018	23,387	790	24,177	24,023	99.36%		24,023	99.36%

Source: Grapevine/Colleyville ISD Tax Assessor

CITY OF GRAPEVINE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

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

Fiscal Year	Governmental Activities					Business-type Activities			Total Primary Government Debt	Percentage of Personal Income	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Revenue Bonds	Tax Notes	Water and Sewer Obligations	General Obligation Bonds	Certificates of Obligation			
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	49,569	1,225	-	3,605	790	9,923	-	105,467	6.16%	2,201
2013	102,690	44,459	1,200	-	6,297	-	10,962	-	165,608	8.89%	3,380
2014	100,952	41,325	1,130	19,500	4,514	-	9,556	-	176,977	9.26%	3,612
2015	93,376	13,618	4,317	39,030	3,107	-	7,579	10,097	171,124	8.32%	3,492
2016	88,200	14,065	4,224	36,855	2,529	-	2,551	8,902	157,326	7.16%	3,147
2017	80,718	21,286	3,692	34,630	1,934	-	2,388	8,902	153,550	6.82%	3,011
2018	73,200	51,470	5,645	34,153	1,209	-	1,892	8,901	176,470	7.85%	3,394

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

* See Table 17 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
	General Obligation Bonds	Certificates of Obligation	Contractual Obligations	Tax Notes	Total	General Obligation Bonds	Certificates of Obligation				
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	49,569	1,225	-	91,149	9,895	-	28,858	72,186	1.22%	1,504
2013	102,690	44,459	1,200	4,015	152,364	10,845	-	29,051	134,158	2.15%	2,738
2014	100,952	41,325	1,130	3,488	146,895	9,556	-	20,985	135,466	2.10%	2,765
2015	93,376	13,618	4,317	2,935	114,246	7,579	10,097	19,603	112,319	1.70%	2,292
2016	88,200	14,065	4,224	2,373	108,862	2,551	8,902	17,938	102,377	1.49%	2,048
2017	80,718	21,286	3,692	1,796	107,492	2,388	8,902	16,087	102,694	1.35%	2,014
2018	73,200	51,470	5,645	1,209	131,524	1,892	8,901	9,829	132,488	1.59%	2,548

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, 2018

(Unaudited)

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes:			
Carroll Independent School District	\$ 254,924,999	5.86%	\$ 14,938,605
Coppell Independent School District	322,504,968	1.90%	6,127,594
Dallas County	172,265,000	0.08%	137,812
Dallas County Community College District	228,350,000	0.08%	182,680
Dallas County Hospital District	687,775,000	0.09%	618,998
Dallas County Schools	36,600,000	0.08%	29,280
Denton County	612,630,000	less than .01%	-
Grapevine-Colleyville Independent School District	415,917,406	55.66%	231,499,628
Northwest Independent School District	870,670,379	0.08%	696,536
Tarrant County	294,500,000	4.78%	14,077,100
Tarrant County Hospital District	19,300,000	4.78%	<u>922,540</u>
Subtotal overlapping debt			269,230,773
Total direct - City of Grapevine	\$ 176,470,157	100.00%	<u>176,470,157</u>
Direct and Overlapping Debt			<u>\$ 445,700,930</u>
Total Direct and Overlapping Debt % of A.V.:		5.36%	
Total Direct and Overlapping Debt per Capita:		\$ 7,983	

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
2017	4,290	1,861	2,429	1,593	1.52
2018	4,256	1,918	2,338	1,593	1.47

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 Reports

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		
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	
2017	4,697	1,410	3,287	2,282	1.44	
2018	4,818	1,410	3,408	2,281	1.49	

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
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%
2017	51	2,252	44	39	14	3.4%
2018	52	2,249	44	39	14	2.3%

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) ESRI, 2018

CITY OF GRAPEVINE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

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

2018			2009		
Employer	Employees	Percentage of of Total City Employment	Employer	Employees	Percentage of of Total City Employment
DFW International Airport	14.3	27.00%	DFW International Airport	16.2	33.00%
Game Stop Corporation	2.9	5.00%	Gaylord Texan Resort and Convention Center	1.8	4.00%
Gaylord Texan Resort and Co	2.0	4.00%	Grapevine/Colleyville ISD	1.6	3.00%
Grapevine/Colleyville ISD	1.9	4.00%	United Parcel Service	1.2	2.00%
City of Grapevine	0.7	1.00%	Baylor Medical Center	1.0	2.00%
Baylor Scott-White Medical Center	0.7	1.00%	Game Stop	0.6	1.00%
Cotton Patch Café Inc	0.7	1.00%	City of Grapevine	0.6	1.00%
Great Wolf Lodge Grapevine	0.6	1.00%	DFW Hilton Hotel	0.4	1.00%
Kubota Tractor Corp	0.5	1.00%	SimuFlite Training Int'l.	0.3	1.00%
Pavestone Co	<u>0.4</u>	<u>1.00%</u>	Apollo Paper/John Harland	<u>0.2</u>	<u>1.00%</u>
	<u>24.5</u>	<u>46.28%</u>		<u>23.9</u>	<u>49.00%</u>

Sources: City of Grapevine Economic Development Department, Infogroup, Inc.

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TABLE 19

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government and administration	60	59	59	57	58	61	63	63	63	62
Public safety	237	236	237	237	240	241	245	246	258	261
Development services	15	15	15	15	15	16	19	19	19	19
Culture and recreational	174	175	169	169	172	175	206	207	209	220
Water and sewer	51	60	59	59	59	60	59	59	59	59
Golf course	29	28	26	26	26	26	26	25	25	25
Public works	<u>67</u>	<u>67</u>	<u>65</u>	<u>65</u>	<u>66</u>	<u>66</u>	<u>66</u>	<u>66</u>	<u>67</u>	<u>68</u>
Total	<u>633</u>	<u>640</u>	<u>630</u>	<u>628</u>	<u>636</u>	<u>645</u>	<u>684</u>	<u>685</u>	<u>700</u>	<u>714</u>

Source: Human Resources Department - City of Grapevine

TABLE 20

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government:										
City Secretary:										
Ordinances prepared	67	78	67	68	61	74	72	90	84	88
Resolutions prepared	44	41	70	97	114	89	92	106	106	100
Fiscal Services:										
Invoices processed	24,090	23,760	21,605	18,567	18,719	17,410	17,556	19,098	18,944	17,075
Ratio of ACH/checks	-	-	0.02	1.06	27.48	47.50	49.60	53.60	58.80	57.10
Public safety:										
Police:										
Calls for service	52,111	65,361	66,686	67,634	58,680	44,266	53,372	52,613	47,751	43,402
Traffic citations	26,068	25,533	18,995	23,817	21,447	24,441	19,138	14,566	13,269	11,705
Criminal offenses	3,796	3,552	3,346	1,366	3,219	2,948	2,743	2,812	2,740	2,570
Fire:										
Fire runs	4,844	4,595	5,079	5,135	5,156	5,101	5,588	5,905	6,161	6,026
Ambulance runs	3,980	3,015	3,343	3,026	3,541	3,614	3,715	4,893	4,432	4,047
Municipal Court:										
Cases filed	29,205	28,929	21,828	25,860	23,855	24,298	19,012	16,398	15,578	14,088
Cultural and recreational:										
Parks & Recreation:										
Recreation center membership-family	5,077	5,161	4,937	4,658	4,677	2,731	9,856	11,512	12,126	12,273
Recreation center membership-individual	3,128	2,969	2,923	2,861	2,852	2,502	5,227	4,660	5,687	4,748
Athletic league registrants- youth	4,100	5,984	4,750	7,014	6,126	6,250	5,324	6,860	1,450	1,500
Athletic league registrants- adult	9,025	10,944	9,500	10,536	9,588	9,248	7,720	7,370	5,746	5,092
Public swim attendance	34,231	33,039	31,744	38,274	48,680	46,120	75,245	101,774	106,359	98,192
% Campground occupancy rate	55.00	68.00	57.00	61.00	63.00	61.00	53.00	13.83	70.99	71.65
Total acres maintained	1,522	1,662	1,662	1,662	1,662	1,662	1,677	1,677	1,677	1,740
Library:										
Volumes	191,437	197,509	205,194	186,817	197,377	204,206	252,227	259,203	234,546	230,284
Annual circulation	347,215	341,726	330,975	316,236	303,622	293,434	301,522	307,662	345,429	342,303
Public works:										
Development services:										
Permits issued	3,718	3,812	4,121	3,982	3,877	4,500	4,139	4,340	4,369	4,501
Streets:										
Square yard of overlay completed	96,121	101,100	99,000	92,604	53,167	75,555	82,202	98,693	79,238	66,432
Linear feet of gutter wedge milled	15,345	16,278	17,500	15,123	72,713	45,792	43,359	50,034	48,404	37,540
Linear feet of curb and gutter replaced	3,533	1,847	1,600	4,015	3,969	944	300	3,926	1,605	3,812
Number of blocks crack sealed	168	193	210	205	257	174	133	179	149	174
Square feet of concrete rehab	39,512	43,340	4,000	39,002	47,813	96,068	15,706	28,735	49,069	27,112

TABLE 20

CITY OF GRAPEVINE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Whole Numbers)

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Tourism:										
Convention and visitor bureau:										
Nash farm attendance	-	-	-	7,158	8,468	13,500	14,588	11,566	14,868	11,759
Main street days attendance	94,955	110,148	160,990	150,292	139,770	148,260	154,032	178,672	169,560	168,480
Grapefest attendance	264,283	266,129	243,180	262,322	262,910	266,170	263,832	260,151	268,180	260,001
Water and sewer:										
Number of water connections	14,120	14,343	14,384	14,460	14,517	14,476	14,564	14,665	14,732	14,788
Average daily consumption MG (water)	10.37	10.23	11.98	10.74	10.40	9.35	9.40	9.30	9.21	9.45
System capacity - MG (Water)	26	27	27	27	27	27	27	27	27	27
Number of sewer connections	13,107	13,130	13,081	13,103	13,315	13,387	13,452	13,570	13,632	13,696
Number of refuse customers	11,955	11,865	11,895	11,911	11,964	12,110	12,175	12,272	12,318	12,394
Sewer system capacity (MGD)	8	8	8	8	8	8	8	8	8	8
Lake Enterprise:										
Numbers of golfers, annually	62,882	56,053	65,052	67,555	71,706	68,368	48,689	55,913	64,424	64,382

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	30	30	32	32	35	35	35	35	35	35
Motorcycle Units	10	10	10	8	8	8	8	8	8	8
Fire:										
Stations	5	5	5	5	5	5	5	5	5	5
Fire engines/trucks	8	8	9	9	10	10	10	10	10	10
EMS trucks	4	4	4	4	5	5	5	5	5	5
Public works:										
Streets - paved (miles)	180	208	208	208	208	208	208	208	208	211
Traffic signals	74	74	75	75	75	75	75	75	75	76
Parks and recreation:										
Acreage*	1,522	1,662	1,662	1,662	1,662	1,522	1,677	1,677	1,677	1,556
Playgrounds	35	35	35	35	36	37	37	37	38	32
Swimming pools	2	2	2	2	2	2	3	3	3	3
Splash parks	-	-	-	2	2	2	2	2	2	3
Tennis courts	8	8	8	8	8	8	8	8	8	8
Recreation centers	1	1	1	1	1	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1
Golf Courses	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	280	280	280	280	290	292	293	295	299	300
Wastewater:										
Sanitary sewers (miles)	220	220	221	221	224	225	226	228	226	226

Source: City departments

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

**INTERNAL CONTROL AND
COMPLIANCE SECTION**

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**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, 2018, 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 14, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies as item 2018-001.

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*.

The City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Waco, Texas
March 14, 2019

CITY OF GRAPEVINE, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

SEPTEMBER 30, 2018

Item 2018-001

<u>Criteria:</u>	To perform their job responsibilities, system administrators must be given control over computer systems. An organization should have proper controls in place to ensure that only appropriate employees have administrator rights and privileges. Administrator user accounts should be reviewed annually, user accounts should be protected with strong passwords and their actions on computer systems should be monitored for questionable activities.
<u>Condition:</u>	<p>The City currently uses almost 200 separate on-site and cloud-based systems. Generally, the administrators for these systems also work in the respective departments where the software is used. The administrator user accounts are the owner's primary accounts that are used within the system.</p> <p>Because this administrative responsibility is being maintained at the department level, requirements like mandatory password changes, locking individual system access to terminated employees and monitoring general system access on an ongoing basis is not always being done.</p>
<u>Effect:</u>	Segregation of duties is ineffective. Without sufficient segregation of duties, the risk significantly increases that errors, including misappropriation of assets, could occur and not be detected on a timely basis.
<u>Recommendation:</u>	Management should consider a formal evaluation of the risks associated with this lack of duties segregation. Consideration should be given to identifying and implementing controls that could help mitigate the risks associated with a lack of segregation of duties, such as granting administrative-level application access only to users who do not participate in the related control activities.
<u>Management's Response:</u>	The City acknowledged that there were control deficiencies in this area prior to our annual audit and we have already started reviewing systems access controls within the City. In addition to these procedures, we will also perform an evaluation to determine the resources that will be necessary to ensure that proper segregation of duties is maintained and appropriate control procedures are in place regarding systems administration.

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