

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

BASIC FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED
SEPTEMBER 30, 2012**

(With Independent Auditors' Report)

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

BASIC FINANCIAL STATEMENTS

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SEPTEMBER 30, 2012

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Grapevine Tax Increment Financing District Reinvestment Zone Number Two (the "TIF #2," a component unit of the City of Grapevine, Texas) as of and for the year ended September 30, 2012, which comprise the TIF #2's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the TIF #2's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Grapevine Tax Increment Financing District Reinvestment Zone Number Two as of September 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

January 25, 2013

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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, Texas (the "City"), we offer readers of the Grapevine Tax Increment Financing District Reinvestment Zone Number Two's (the "TIF") financial statements this narrative overview and analysis of the financial activities of the TIF for the fiscal year ended September 30, 2012. The TIF was formed to finance and make public improvements in the area surrounding the Gaylord Texan Resort and Convention Center, under the Tax Increment Financing Act.

FINANCIAL HIGHLIGHTS

- The liabilities of the TIF exceeded its assets at the close of the most recent fiscal year by \$(19,928,717) (net liabilities). This is primarily due to the debt that was previously issued in connection with the public improvement project in the Gaylord Texan Resort and Convention Center area.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

The government-wide financial statements include two funds: (1) the General Fund, which is used to account for principal and interest payments, and (2) the Capital Projects Fund, which is used to account for the cost of public improvements. The government-wide financial statements can be found within this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The TIF uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The TIF does not have any proprietary or fiduciary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 11 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. As of September 30, 2012, the TIF’s liabilities exceeded assets by \$(19,928,717).

The following table reflects the condensed Statement of Net Assets:

**CITY OF GRAPEVINE TAX INCREMENT FINANCING
DISTRICT REINVESTMENT ZONE NUMBER TWO’S NET ASSETS**

	Governmental Activities	
	2012	2011
Current and other assets	\$ <u>230,034</u>	\$ <u>7,991,300</u>
Total assets	<u>230,034</u>	<u>7,991,300</u>
Long-term liabilities outstanding	27,733,946	27,661,723
Other liabilities	<u>169,648</u>	<u>177,126</u>
Total liabilities	<u>27,903,594</u>	<u>27,838,849</u>
Net assets:		
Restricted for capital projects	2,196,855	2,196,856
Unrestricted	<u>(22,125,572)</u>	<u>(22,044,405)</u>
Total net assets	<u>\$(19,928,717)</u>	<u>\$(19,847,549)</u>

Analysis of the TIF’s Operations

Government activities increased the TIF’s net assets by \$2,655,127 with the TIF's liabilities to asset ratio decreasing from 3.48 in FY 2011 to 2.81 in FY 2012. This increase was mainly due to an increase in property tax revenues. The property tax revenue and interest income from investments for TIF #2 was offset by the expenses for an economic development program (“Unwind the Vine”), arbitrage calculation, and legal expenses.

The following table provides a summary of the TIF's operations for the year ended September 30, 2012.

**CITY OF GRAPEVINE TAX INCREMENT FINANCING DISTRICT
REINVESTMENT ZONE NUMBER TWO'S CHANGE IN NET ASSETS**

	2012	2011
Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, Series 2000 due in annual installments of \$730,000 to \$2,475,000 through August 15, 2026; interest at 5.5% to 7%.	\$ 3,695,000	\$ 4,790,000
Combination Tax Increment Reinvestment Zone Revenue Refunding Bonds, Series 2005A due in annual installments of \$140,000 to \$2,595,000 through August 2026.	<u>23,005,000</u>	<u>23,165,000</u>
	<u>\$ 26,700,000</u>	<u>\$ 27,955,000</u>

FINANCIAL ANALYSIS OF THE TIF'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, the TIF governmental funds reported combined ending fund balances of \$7,744,843, an increase of -\$1 in comparison with the prior year. The fund balance is restricted to indicate that it is not available for new spending. The restricted fund balance consists of the following: (1) debt service \$5,547,988 and (2) capital projects \$2,196,855.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. Capital assets of the TIF are recorded as expenditures in the Capital Projects Fund when constructed. Construction in progress and completed assets are transferred to the City.

Long-term Debt. At the end of the current fiscal year, the TIF had total bonded debt outstanding of \$26,700,000, which is backed by the full faith and credit of the City government.

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

	<u>2012</u>	<u>2011</u>
Combination Tax and Tax Increment		
Reinvestment Zone Revenue		
Certificates of Obligation, Series 2000		
due in annual installments of \$730,000		
to \$2,475,000 through August 15, 2026;		
interest at 5.5% to 7%.	\$ 3,695,000	\$ 4,790,000
 Combination Tax Increment Reinvestment		
Zone Revenue Refunding Bonds,		
Series 2005A due in annual installments		
of \$140,000 to \$2,595,000 through		
August 2026.	<u>23,005,000</u>	<u>23,165,000</u>
	<u>\$ 26,700,000</u>	<u>\$ 27,955,000</u>

ECONOMIC FACTORS

The City Council and TIF #2 Board of Directors entered into an agreement in November 2007 with the Gaylord Texas Resort and Convention Center to construct an expansion to the existing resort having a minimum of 2,000 rooms, an expansion of the convention center so the resort will have at least 600,000 square feet of meeting and pre-function space, approximately 750 – 1,100 additional parking spaces, additional swimming pool and other additional amenities.

In May 2009, the City and Gaylord entered into an agreement to extend the required commencement date of the expansion from September 12, 2009 until September 12, 2012 for parcels 5 and 7, as defined in the agreement. In September 2012, the City and the Gaylord Texan Resort and Convention Center entered into a fourth agreement and have agreed to extend the required commencement date of the expansion until March 12, 2013.

REQUESTS FOR INFORMATION

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

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**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

ASSETS

Cash and investments	\$ 8,086,465
Taxes receivable, net	1,136,830
Accrued interest	2,843
Deferred charges	<u>230,034</u>
Total assets	<u>9,456,172</u>

LIABILITIES

Accrued interest payable	169,648
Bonds payable - due in one year	1,325,000
Bonds payable - due in more than one year	<u>25,153,946</u>
Total liabilities	<u>26,648,594</u>

NET ASSETS

Restricted for capital projects	2,149,435
Unrestricted	<u>(19,341,857)</u>
Total net assets	<u><u>\$ (17,192,422)</u></u>

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

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenue	Net (Expense) Revenues and Changes in Net Assets
Governmental activities:			
Intergovernmental	\$ 1,595,555	-	\$(1,595,555)
Interest	<u>1,500,578</u>	<u>-</u>	<u>(1,500,578)</u>
Total governmental activities	<u>\$ 3,096,133</u>	<u>\$ -</u>	<u>\$(3,096,133)</u>
General revenues:			
			5,736,208
			<u>15,052</u>
			<u>5,751,260</u>
			2,655,127
			<u>(19,847,549)</u>
			<u>\$(17,192,422)</u>

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

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	General	Capital Projects	Total
ASSETS			
Cash and investments	\$ 5,937,030	\$ 2,149,435	\$ 8,086,465
Taxes receivable, net	1,136,830	-	1,136,830
Accrued interest	2,843	-	2,843
Total assets	\$ 7,076,703	\$ 2,149,435	\$ 9,226,138
LIABILITIES AND FUND BALANCES			
Liabilities:	-	-	-
Fund balances:			
Restricted for debt service	7,076,703	-	7,076,703
Restricted for capital projects	-	2,149,435	2,149,435
Total fund balances	7,076,703	2,149,435	9,226,138
Total liabilities and fund balances	\$ 7,076,703	\$ 2,149,435	

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

Bond interest is not payable with available financial resources and is therefore not accrued at the fund level	(169,648)
Deferred charges	230,034
Loss on refunding	1,488,189
Bonds payable	(26,700,000)
Premium on issuance	(1,267,135)
Net assets of governmental activities	\$(17,192,422)

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

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

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

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General	Capital Projects	Total
REVENUES			
Taxes			
Property taxes	\$ 5,736,208	-	\$ 5,736,208
Investment income	<u>12,578</u>	\$ 2,474	<u>15,052</u>
Total revenues	<u>5,748,786</u>	<u>2,474</u>	<u>5,751,260</u>
EXPENDITURES			
Intergovernmental	1,548,060	-	1,548,060
Capital outlay	-	47,495	47,495
Debt service:			
Principal	1,255,000	-	1,255,000
Interest and fiscal charges	<u>1,417,011</u>	<u>2,400</u>	<u>1,419,411</u>
Total expenditures	<u>4,220,071</u>	<u>49,895</u>	<u>4,269,966</u>
NET CHANGE IN FUND BALANCES	1,528,715	(47,421)	1,481,294
FUND BALANCE, BEGINNING	<u>5,547,988</u>	<u>2,196,856</u>	<u>7,744,844</u>
FUND BALANCE, ENDING	<u>\$ 7,076,703</u>	<u>\$ 2,149,435</u>	<u>\$ 9,226,138</u>
Net change in fund balances			\$ 1,481,294

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

The repayment of principal of long-term debt consumes the current financial resources of governmental funds, but reduces bond principal at the government-wide level.

1,255,000

Interest expense is accrued in the government-wide financial statements, but not at the fund level.

7,478

Deferred charges - amortization of premium, loss, etc. are reported in the statement of activities but do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

(88,645)

Change in net assets of governmental activities

\$ 2,655,127

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Grapevine Tax Increment Financing District Reinvestment Zone Number Two (the “TIF”) was created on December 28, 1998. The TIF was formed to finance and make public improvements in the area surrounding the Gaylord Texan Resort and Convention Center, under the authority of the Tax Increment Financing Act. The TIF is governed by a six-member board of directors; five members are appointed by the Grapevine City Council, and the governing body of Grapevine/Colleyville Independent School District appoints one member. The termination of the TIF is set as either December 31, 2030, or the date when all project costs are paid and all debt is retired, whichever comes first. The TIF is a blended component unit of the City of Grapevine, Texas.

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

A. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the TIF.

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Government-wide and Fund Financial Statements (Continued)

Separate fund-based financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, which is used to account for principal and interest payments, and the Capital Projects Fund, which is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The government-wide focus is more on the sustainability of the TIF 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. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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

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

Government fund-level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes are recognized in the year in which they are levied. Investment earnings are recorded as earned since they are measurable and available.

C. Budgets and Budgetary Accounting

An overall project budget was included in the plan to create the TIF and approved by all parties involved. Annual budgets are not adopted.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. *Long-term Debt*

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

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.

3. *Fund Balance Classification*

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. *Fund Balance Classification* (Continued)

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the TIF's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

II. CASH AND INVESTMENTS

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

The City invests in State investment pools (TexPool and LOGIC). These approved pooled investments are carried at fair value and may be liquidated as needed. TexPool and LOGIC are public funds investment pools operating as a 2a-7 like pool and in full compliance with the Public Funds Investment Act.

The components of the TIF's cash and investments (at fair value) at September 30, 2012, were as follows:

Investment in City investment pool	\$ <u> -</u>
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(continued)

II. CASH AND INVESTMENTS (Continued)

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

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

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

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

Concentration of Credit Risk. The City's investment policy allows up to 100% to be invested in U. S. Treasury Bills/Notes/Bonds, and U. S. Agencies and Instrumentalities. The City's investment in the securities of U. S. agencies are rated AAA by Standard & Poor's. TexPool and LOGIC are public funds investment pools operating as a 2a-7 like pool and in full compliance with the Public Funds Investment Act. As of September 30, 2012, the City's investments in TexPool were rated AAAM and its investments in LOGIC were rated AAA.

Custodial Credit Risk. State statutes require that all City deposits in financial institutions be fully collateralized by U. S. Government obligations or obligations of the State of Texas or its agencies. The City's deposits were fully collateralized, or have a letter of credit issued by the Federal Home Loan Bank as required by State statutes at September 30, 2012. The bank balances were fully collateralized by government securities.

III. LONG-TERM LIABILITIES

Long-term liabilities are as follows:

	<u>Balance 09/30/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 09/30/12</u>	<u>Due Within One Year</u>
Combination Tax and Tax Increment Reinvestment Zone Revenue Certificates of Obligation, Series 2000 due in annual installments of \$730,000 to \$2,475,000 through August 15, 2026; interest at 5.5% to 7%	\$ 4,790,000	-	\$ 1,095,000	\$ 3,695,000	\$ 1,160,000
Combination Tax Increment Reinvestment Zone Revenue Refunding Bonds, Series 2005A due in annual installments of \$140,000 to \$2,595,000 through August 2026; 3.25% to 5%	<u>23,165,000</u>	<u>-</u>	<u>160,000</u>	<u>23,005,000</u>	<u>165,000</u>
Total debt outstanding	<u>\$ 27,955,000</u>	<u>-</u>	<u>\$ 1,255,000</u>	26,700,000	<u>\$ 1,325,000</u>
Unamortized premium				1,267,135	
Deferred loss on refunding				<u>(1,488,189)</u>	
Total debt outstanding				<u>\$ 26,478,946</u>	

The annual requirements to amortize the long-term debt as of September 30, 2012, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,325,000	\$ 1,351,186
2014	1,400,000	1,280,786
2015	1,485,000	1,205,106
2016	1,565,000	1,124,500
2017	1,650,000	1,046,250
2017-2021	9,635,000	3,904,250
2022-2026	<u>9,640,000</u>	<u>1,235,500</u>
Total	<u>\$ 26,700,000</u>	<u>\$ 11,147,578</u>

IV. APPRAISED VALUES AND TAX RATES

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

	Tax Year 2011 Appraised Value	1998 Base Year Appraised Value	Captured Appraised Value
	<u>Value</u>	<u>Value</u>	<u>Value</u>
City of Grapevine	\$ 264,510,413	\$ 744,886	\$ 263,765,527
Grapevine-Colleyville Independent School District	264,510,413	744,886	263,765,527

The captured appraised value of the TIF is the total appraised value of all real property taxable by the unit and located in the reinvestment zone less the base year appraised value of all real property taxable by the unit and located in the reinvestment zone at the time the TIF was established (1999).

Tax rates for the TIF are as follows (per \$100 valuation):

	<u>Rate</u>
City of Grapevine	0.35
Grapevine-Colleyville Independent School District	1.00

V. PLEDGED REVENUES

The TIF has entered into a local agreement with the Grapevine-Colleyville Independent School District where future ad valorem taxes collected for the zone are pledged to contribute towards the School's middle school debt. The total amount that the TIF has pledged to pay is \$45,016,222 as of September 30, 2012. The amount of the annual payment is negotiated each year with the school and the school bills the City. The City does not have title to the middle school improvements.

VI. BOARD OF DIRECTORS

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

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