

# **CITY OF DEER PARK, TEXAS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2012**



# **CITY OF DEER PARK, TEXAS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2012**

**Prepared by  
Finance Department**

**Donna Todd  
Director of Finance**

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# **INTRODUCTORY SECTION**

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March 1, 2012

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Deer Park, Texas:

Texas law and the City charter require that the City of Deer Park (the “City”) publish a complete set of financial statements presented in conformity with generally accepted accounting principles (“GAAP”) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, I am pleased to submit the Comprehensive Annual Financial Report (“CAFR”) of the City for the fiscal year ended September 30, 2012. This report is published to provide the citizens, City Council, City management and staff, bondholders and other interested parties detailed information concerning the financial condition of the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements. I believe the data, as presented, is accurate in all material respects and that it is reported in a manner that fairly presents the financial position and results of operations of the City as measured by the financial activity of the various funds and account groups. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included.

## **The Report**

In compliance with the Governmental Accounting Standards Board (“GASB”) Statement No. 34, this report includes a Management's Discussion and Analysis (“MD&A”) which provides a narrative introduction, overview, and analysis to accompany the basic financial statements. The MD&A is located immediately following the Independent Auditors' Report. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

## **City Profile**

The City of Deer Park, incorporated in 1948, is located in the center of the highly industrialized ship channel area just east of Houston. The City currently occupies a land area of 15 square miles and serves a population of approximately 32,332. The City is empowered to levy an ad valorem tax on both real and personal property located within its boundaries. Further, the City is empowered to extend its corporate limits by annexation. The City receives annual “in-lieu-of-tax” payments from industries

located within its extraterritorial jurisdiction. This “industrial district” includes the operations of 21 companies that contract with the City. The current contract expires in 2014, and discussions on the contract renewal will begin in early 2013.

The City operates under a home rule, council-manager form of government. Policy-making and legislative authority are vested in a City Council consisting of the mayor and six other members. The City Council is responsible for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. Council members are elected on a non-partisan basis and serve two-year staggered terms. The Mayor and three Council members are elected in odd numbered years and the three remaining Council members are elected in even numbered years. The City Manager is responsible for the execution of City policies and ordinances, oversight of the daily operations of the City, and appointment of department heads.

The City provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; sanitation, water and sewer services; library services; recreational and cultural opportunities; and general administrative services. In fiscal year 2012 following a special election for each, the City added two component units to be funded by sales and use taxes: the Crime Control and Prevention District and the Fire Control, Prevention, and Emergency Medical Services District.

## **Annual Budget**

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager by May of each year. The City Manager uses these requests as the starting point for developing a proposed budget, which is presented to the City Council for review at least 45 days prior to the last regular meeting in September. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police), and appropriations are approved at the departmental level. Department heads may make appropriation transfers within a department with approval of the City Manager. Appropriation transfers outside of the department require approval of the City Council. This report includes a comparison of the actual results to the budget for each individual governmental fund for which an appropriated annual budget has been adopted.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City operates.

**Local economy.** The City enjoys a vibrant economic environment and local indicators point to continued stability. The large refinery and chemical plants, located in the industrial district, are performing at peak capacities and several large expansion projects are underway. There is a high probability that a new \$120 million chemical manufacturing plant will be constructed in the City's industrial district in 2013. In the past two years, ten new corporate headquarters have relocated here from other cities. The City has also welcomed over 1,000 new employees in the past year because of the large number of small and mid-sized businesses that have chosen to locate in Deer Park.

The City is part of the Houston Port Region, which surrounds one of the world's busiest ports and has an employed labor force of approximately 2,300,000. The Port of Houston itself has reported both tonnage and revenue increases of nine percent during the last year. Residential growth continues with the ongoing development of new subdivisions on the east side of the City.

**Accounting and budgetary controls.** The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues recorded when available and measurable, and expenditures recorded when the liability is incurred. Proprietary operations are maintained on a full accrual basis.

During the course of the fiscal year, each department head monitors expenditure controls with overall review exercised by the Director of Finance and the City Manager. Monthly expenditure reports provide information to department heads for decision making and, if necessary, timely corrective action to ensure the integrity of the adopted budget. Changes to approved expenditures are incorporated into the current year budget throughout the year in the form of budget amendments approved by City Council.

Management of the City is responsible for establishing and maintaining an internal control system designed to ensure that the City's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits require estimates and judgments by management. Internal controls are subject to periodic evaluation by management and independent auditors. I believe the City's accounting controls provide reasonable assurance that employees in the normal course of business will detect and/or prevent errors or irregularities that could be material to the financial statements.

**Long-term financial planning.** The City continues to evaluate opportunities to improve operational efficiency and generate cost savings. The City maintains a Capital Improvement Plan ("CIP") for drainage projects and infrastructure needs throughout the City.

In order to remain financially strong and provide a framework for prudent financial management, the following financial controls are monitored annually:

- A multi-year financial forecast is updated projecting revenues and expenditures for all operating funds.
- Rates, fees and charges for services are reviewed and adjusted as necessary to respond to changing financial circumstances.
- Insurance coverage is examined to ensure that policy limits are adequate and in compliance with revenue bond covenants.
- Bonds are issued to finance long-term capital projects debt issuance program.

## **Independent Audit**

The City Charter requires an annual audit of all accounts of the City by an independent certified public accountant. The independent auditors' report prepared Pattillo, Brown, & Hill, LLP is presented as the first component of the financial section of this report.

## **Awards**

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Deer Park for its CAFR for the fiscal year ended September 30, 2011. This was the 25<sup>th</sup> consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe the current CAFR continues to meet the Certificate of Achievement Program's requirements and will be submitting it to the GFOA to determine its eligibility for another certificate.

## **Acknowledgements**

The preparation of this report would not have been possible without the capable and dedicated services of the entire staff of the finance department and the cooperation of all other City departments. I would like to express my appreciation to all members of the finance department and all other City staff who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor, City Council, and the City Manager for their continued interest and support in planning and conducting the financial operations of the City in a responsible and professional manner.

Respectfully submitted,

*Donna Todd*

Donna Todd  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
City of Deer Park  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

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



*Christopher P. Morrell*

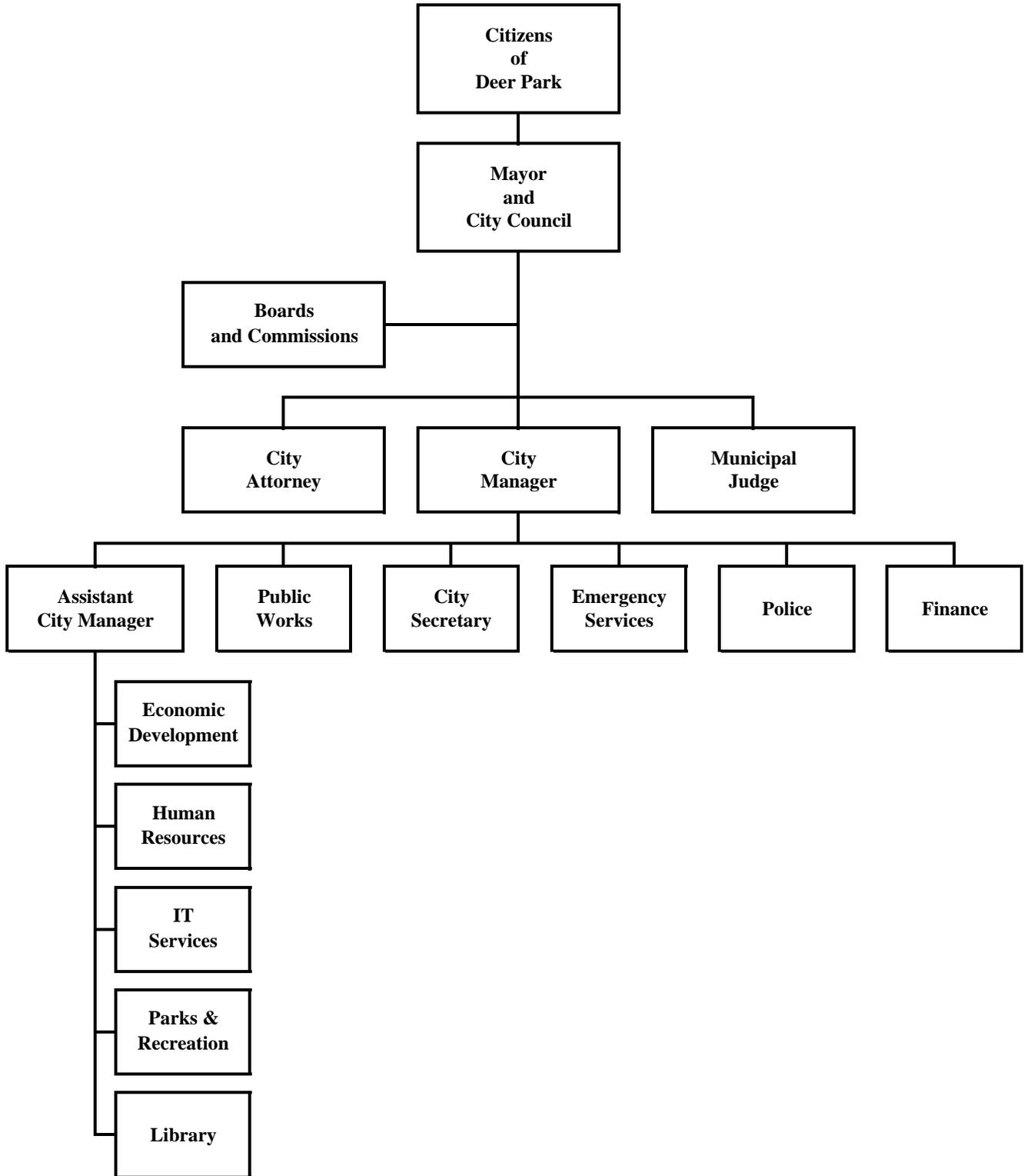
President

*Jeffrey R. Emer*

Executive Director

**CITY OF DEER PARK, TEXAS**

**ORGANIZATIONAL CHART**



**CITY OF DEER PARK, TEXAS**

**PRINCIPAL CITY OFFICIALS**

**SEPTEMBER 30, 2012**

**ELECTED OFFICIALS**

Mayor	Wayne Riddle
Council Member	Chris Richey
Council Member	Thane Harrison
Council Member	Jerry Mouton, Jr
Council Member	Bill Patterson
Council Member	Beckie Stockstill-Cobb
Council Member	Rae Sinor

**CITY OFFICIALS**

City Manager	James Stokes
Assistant City Manager	Gary Jackson
City Secretary	Sandra Watkins
City Attorney	Jim Fox
Director of Finance	Donna Todd
Director of Public Works	Bill Pedersen
Chief of Police	Greg Grigg
Director of Parks and Recreation	Scott Swigert
Director of Human Resources	Bill Philbert
Emergency Services Director	Malcolm Swinney
Director of Library Services	Rebecca Pool

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# **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Deer Park, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Deer Park, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Deer Park, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Deer Park, Texas, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2013, on our consideration of the City of Deer Park, Texas' internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Funding Progress for the Participation in the Texas Municipal Retirement System and the Schedule of Funding Progress – Post Retirement Health Care Plan on pages 10 through 17, 62 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

March 1, 2013

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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## Management's Discussion and Analysis

The purpose of the Management's Discussion and Analysis (MD&A) is to offer readers a narrative overview and analysis of the financial activities of the City of Deer Park, Texas (the "City") for the fiscal year ended September 30, 2012. The analysis is based on currently known facts, decisions, and economic conditions. It includes a comparison to the prior year along with a discussion of the positive and negative aspects of that comparison. This analysis should be read in conjunction with the letter of transmittal located in the introductory section of this report and with the basic financial statements that follow this section.

### FINANCIAL HIGHLIGHTS

- At September 30, 2012, the assets of the City exceeded liabilities by \$73,278,781 (net assets). Of this amount, \$19,049,732 (unrestricted net assets) is available for use to meet the City's ongoing obligations to citizens and creditors. The City's total net assets increased by \$6,623,318. In the business-type activities, the water and sewer fund reported a net income before transfers of \$2,385,117.
- At the close of fiscal year 2012, the City's governmental funds reported combined ending fund balance of \$39,814,323, an increase of \$5,200,651 from fiscal year 2011. This change is the result of increased tax revenue primarily property taxes on new development and reductions in operating costs. The ending fund balance includes an unassigned portion of \$17,011,377, which is available for expenditure within the City's fund designation and fiscal policies.
- As of September 30, 2012, unassigned fund balance for the general fund was \$17,011,377 or 57% of general fund expenditures.
- The City's total outstanding debt increased \$1,287,147 or 2% during the year. The increase was due to the issuance of certificates of obligation.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City's basic financial statements which comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. In addition to the basic financial statements, this report also contains other required supplementary information ("RSI").

**Government-wide financial statements** – The government-wide financial statements report information about the City as a whole using accounting methods in a manner similar to a private-sector business. These statements include all assets and liabilities on the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when the cash is received or paid.

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

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

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

**Fund financial statements** – A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statement presentation focuses on the City's most significant funds rather than the City as a whole.

All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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. This information is 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. This helps readers to better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 18 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance for the general fund, the debt service fund, the CIBF 2007 Fund, the CIBF 2010 fund, and the grants fund which are considered major funds. Data from the other 13 governmental funds, representing special revenue and capital projects funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major, governmental funds is provided in the form of combining statements following the RSI.

During fiscal year 2012, the City added two special purpose districts, the Deer Park Crime Control and Prevention District ("CCPD") and the Deer Park Fire Control, Prevention, and Emergency Medical Services District ("FCPEMSD"). Authority for the CCPD and the FCPEMSD is provided by Texas Local Government Code, Chapters 363 and 344, respectively. The purpose of the CCPD is to enhance the capability of law enforcement and further crime prevention programs in the City. Similarly, the

purpose of the FCPEMSD is to enhance fire control and prevention and emergency medical services programs in the City. Each district is reported in a separate fund, and each was established by a dedicated one-quarter of one percent (0.25%) sales and use tax approved by the voters in May 2011 and effective on October 1, 2011.

**Proprietary Funds** – Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. Services for which the City charges customers a fee are generally reported in proprietary funds. The City maintains a type of proprietary fund referred to as an enterprise fund. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City’s enterprise fund accounts for the operations of the City’s water and sewer system.

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 system, which is also considered a major fund.

**Notes to the Financial Statements** – The notes to the financial statements 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 are the last section of the basic financial statements.

**Required Supplementary Information** – In addition to the MD & A, the basic financial statements and the accompanying notes, this report also presents certain RSI as required by GASB Statement No.34. This includes budgetary comparisons for the general fund and information about the City’s progress in funding its obligation to provide pension benefits to its employees. RSI can be found after the basic financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets serve as a useful indicator of the government’s financial position. At September 30, 2012, the City’s assets exceeded liabilities by \$73,278,781. A condensed Statement of Net Assets at September 30, 2012 and 2011, follows:

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 46,238,626	\$ 38,634,353	\$ 7,871,817	\$ 6,671,415	\$ 54,110,443	45,305,768
Capital assets	<u>57,560,528</u>	<u>55,566,370</u>	<u>23,620,392</u>	<u>23,473,916</u>	<u>81,180,920</u>	<u>79,040,286</u>
Total assets	<u>103,799,154</u>	<u>94,200,723</u>	<u>31,492,209</u>	<u>30,145,331</u>	<u>135,291,363</u>	<u>124,346,054</u>
Long-term liabilities	51,285,219	45,620,522	3,794,376	8,171,926	55,079,595	53,792,448
Other liabilities	<u>5,160,954</u>	<u>2,730,419</u>	<u>1,772,033</u>	<u>1,167,724</u>	<u>6,932,987</u>	<u>3,898,143</u>
Total liabilities	<u>56,446,173</u>	<u>48,350,941</u>	<u>5,566,409</u>	<u>9,339,650</u>	<u>62,012,582</u>	<u>57,690,591</u>
Net assets:						
Invested in capital assets, net of related debt	29,597,630	30,587,182	20,056,649	15,512,082	49,654,280	46,099,264
Restricted	4,574,770	4,102,964	-	-	4,574,770	4,102,964
Unrestricted	<u>13,180,581</u>	<u>11,159,636</u>	<u>5,869,151</u>	<u>5,293,599</u>	<u>19,049,732</u>	<u>16,453,235</u>
Total net assets	<u>\$ 47,352,981</u>	<u>\$ 45,849,782</u>	<u>\$ 25,925,800</u>	<u>\$ 20,805,681</u>	<u>\$ 73,278,782</u>	<u>\$ 66,655,463</u>

The largest portion of the City's net assets (#VALUE!) reflects its investment in capital assets (land, buildings, machinery, equipment and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens, so the assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay that debt must be provided from other sources, since the capital assets cannot be used to liquidate the associated liability.

The remaining portion of the City's net assets includes resources that are subject to external restrictions on how they may be used (restricted net assets) and unrestricted net assets of \$19,049,732 that may be used by the City for any lawful purpose.

Changes in Net Assets for the years ended September 30, 2012 and 2011, are as follows:

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 6,365,589	\$ 5,619,756	\$ 9,873,528	\$ 10,942,116	\$ 16,239,117	\$ 16,561,872
Operating grants and contributions	279,697	398,737	-	-	279,697	398,737
Capital grants and contributions	1,460,218	56,237	-	-	1,460,218	56,237
General revenues:						
Property taxes	13,099,300	12,234,105	-	-	13,099,300	12,234,105
Industrial taxes	12,894,626	12,346,943	-	-	12,894,626	12,346,943
Other taxes	7,481,854	6,608,855	-	-	7,481,854	6,608,855
Investment earnings	47,460	41,978	2,304	2,586	49,764	44,564
Gain on sale of assets	-	60,948	-	-	-	60,948
Other	11,714	83,875	-	-	11,714	83,875
Total revenues	<u>41,640,458</u>	<u>37,451,434</u>	<u>9,875,832</u>	<u>10,944,702</u>	<u>51,516,290</u>	<u>48,396,136</u>
Expenses:						
General government	11,708,476	13,666,778	-	-	11,708,476	13,666,778
Public safety	9,077,372	8,927,783	-	-	9,077,372	8,927,783
Public works	6,053,467	5,592,366	-	-	6,053,467	5,592,366
Parks and recreation	2,436,909	2,154,431	-	-	2,436,909	2,154,431
Community development	6,483,611	6,443,264	-	-	6,483,611	6,443,264
Interest on long-term debt	1,642,422	1,606,938	-	-	1,642,422	1,606,938
Water and sewer	-	-	7,490,715	7,822,999	7,490,715	7,822,999
Total expenses	<u>37,402,257</u>	<u>38,391,560</u>	<u>7,490,715</u>	<u>7,822,999</u>	<u>44,892,972</u>	<u>46,214,559</u>
Increases in net assets before transfers	4,238,201	( 940,126)	2,385,117	3,121,703	6,623,318	2,181,577
Transfers	( 2,735,002)	218,520	2,735,002	( 218,520)	-	-
Change in net assets	1,503,199	( 721,606)	5,120,119	2,903,183	6,623,318	2,181,577
Net assets - beginning	<u>45,849,782</u>	<u>46,571,388</u>	<u>20,805,681</u>	<u>17,902,498</u>	<u>66,655,463</u>	<u>64,473,886</u>
Net assets - ending	<u>\$ 47,352,981</u>	<u>\$ 45,849,782</u>	<u>\$ 25,925,800</u>	<u>\$ 20,805,681</u>	<u>\$ 73,278,781</u>	<u>\$ 66,655,463</u>

**Governmental activities** – Governmental activities increased the net assets of the City by \$1,503,199 during the current fiscal year. Key elements of this increase are as follows:

- Program and general revenues increased during the fiscal year and exceeded expenditures. Continued residential and commercial development resulted in higher ad valorem taxes as well as increased sales tax revenue. Offsetting this net increase was a transfer to the enterprise fund, primarily associated with revenue bonds refunded during the year.

**Business-type activities.** Business-type activities increased the City’s net assets by \$5,120,119.

- The water and sewer operation had a net gain before transfers of \$2,385,117.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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 the City’s net resources available for spending at the end of the fiscal year.

At September 30, 2012, the City’s governmental funds reported combined ending fund balances of \$39,814,323, an increase of \$5,200,651 when compared to the prior year. Approximately 43% or \$17,011,377 of the combined \$39,814,323 is unassigned and is available for spending at the City’s discretion. The remaining fund balance of \$22,802,946 is classified as nonspendable, restricted, committed, or assigned indicating it is not available for new spending.

The General Fund is the primary operating fund of the City. At the end of the fiscal year, unassigned fund balance of the general fund was \$17,011,377. This represents a 57% increase from the \$10,825,327 unassigned fund balance at September 30, 2011. This increase is primarily due to higher tax revenues and reduced expenditures. As a measure of the fund’s liquidity, it is useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 57% of the general fund expenditures.

The Debt Service Fund has a total fund balance of \$1,988,204 all of which is restricted for the payment of future debt service. Principal and interest expenditures increased by \$3,914,335 and the City experienced a net increase in revenues and transfers in the amount of \$4,521,263 contributing to an increase in fund balance of \$253,312 for the year ended September 30, 2012.

**Proprietary funds** – The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

At September 30, 2012, unrestricted net assets amounted to \$5,869,151 for the water and sewer fund, representing a \$5,120,119 increase in net assets for the fund.

**General Fund Budgetary Highlights** – The final general fund budget of \$32,729,488 was 4% higher than the previous year’s final budget.

- \$693,610 increase for general government
- \$2,873 increase for community development
- \$230,436 increase for public works
- \$67,239 increase for parks & recreation
- \$164,792 increase in public safety

Revenues – General Fund revenues exceeded budget by \$2,540,544.

Expenditures – *General Government*: A summary of budgetary expenditures, variances, in summary by object, appears on pages 77 – 84. General Fund expenditures exceeded \$2,782,778 under budget.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** – The City’s investment in capital assets for its governmental and business-type activities, net of accumulated depreciation, was \$81,180,920 at September 30, 2012. This investment in capital assets includes land, buildings and improvements, machinery, equipment, storm drainage, and streets. The City’s investment in capital assets increased 3% percent compared to the previous fiscal year. Changes in Capital Assets for the fiscal year are as follows:

	Balance September 30, 2011	<u>Additions</u>	<u>Retirements</u>	Balance September 30, 2012
Governmental activities				
Land	\$ 22,527,596	\$ -	\$ -	\$ 22,527,596
Construction in progress	471,222	4,419,956	179,430	4,711,748
Building	12,434,393	( 511,634)	-	11,922,759
Improvements	14,206,679	( 1,019,991)	-	13,186,688
Machinery and equipment	<u>5,926,480</u>	<u>( 597,661)</u>	<u>117,082</u>	<u>5,211,737</u>
Total	<u>\$ 55,566,370</u>	<u>\$ 2,290,670</u>	<u>\$ 296,512</u>	<u>\$ 57,560,528</u>
Business-type activities				
Land	\$ 591,397	\$ -	\$ -	\$ 591,397
Construction in progress	374,173	1,109,848	595,871	888,150
Building	3,245,183	( 96,082)	-	3,149,101
Improvements	18,342,992	( 362,309)	-	17,980,683
Machinery and equipment	<u>920,171</u>	<u>90,890</u>	<u>-</u>	<u>1,011,061</u>
Total	<u>\$ 23,473,916</u>	<u>\$ 742,347</u>	<u>\$ 595,871</u>	<u>\$ 23,620,392</u>

Major capital asset events (governmental activities) during the fiscal year included the replacement and/or addition of vehicles and equipment for several departments of the City, primarily public safety. The City also purchased major equipment including a garbage truck, fire truck, and rescue equipment. The City also updated radio equipment for police and dispatch. While the City did continue with construction on streets, business-type capital additions were primarily related to drainage improvements. Additional information on the City's capital assets can be found in the notes to the financial statements.

**Long-term Debt** – At the end of the fiscal year, the City had total bonded debt outstanding of \$44,105,000. Of this amount, \$40,710,000 comprises debt backed by the full faith and credit of the City and \$3,395,000 relates to the maintenance and construction of the water and sewer system infrastructure. Outstanding debt at fiscal year-end for the current and prior year is as follows:

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 40,710,000	\$ 36,675,000	\$ -	\$ -	\$ 40,710,000	\$ 36,675,000
Revenue bonds	-	-	3,395,000	7,745,000	3,395,000	7,745,000
	<u>\$ 40,710,000</u>	<u>\$ 36,675,000</u>	<u>\$ 3,395,000</u>	<u>\$ 7,745,000</u>	<u>\$ 44,105,000</u>	<u>\$ 44,420,000</u>

The City's total debt decreased \$315,000 during the fiscal year.

Standard & Poor's and Moody's underlying ratings of the City's debt are as follows:

	Standard & Poor's	Moody's Investors Service
General Obligation Bonds	AA+	A1
Water and Sewer	AA+	A3

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$154,957,361, which is well above the City's total general obligation debt outstanding.

Additional information on the City's outstanding debt can be found in the notes to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Property values are relatively flat for the 2012 tax year (2013 fiscal year).

For the 2013 fiscal year budget, the total tax rate of \$0.720 per \$100 of assessed value remained unchanged. Increases in projections of total general fund revenues are approximately \$712,370, which represents a 2% increase.

Water and sewer rates will not increase in the 2013 fiscal year.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide all interested parties a general overview of the City's finances. Questions concerning this report or requests for additional information, should be addressed to the City of Deer Park, Director of Finance, 710 E. San Augustine, Deer Park, Texas 77536.

**BASIC  
FINANCIAL STATEMENTS**

**CITY OF DEER PARK, TEXAS**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2012**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 42,647,328	\$ 6,717,559	\$ 49,364,887
Receivables (net of allowances for uncollectibles)			
Accounts	1,878,107	1,005,385	2,883,492
Property taxes	238,788	-	238,788
Inventories	191,878	-	191,878
Deferred charges	658,491	148,873	807,364
Prepaid items	8,280	-	8,280
Due from component unit	30,623	-	30,623
Due from other governments	585,131	-	585,131
Due from primary government	-	-	-
Capital assets:			
Land	22,527,596	591,397	23,118,993
Construction in progress	4,711,748	888,150	5,599,898
Buildings	20,801,395	3,861,540	24,662,935
Utility system	-	42,391,549	42,391,549
Improvements	47,239,455	-	47,239,455
Machinery and equipment	16,037,772	2,819,297	18,857,069
Less: accumulated depreciation	( 53,757,438)	( 26,931,541)	( 80,688,979)
Total capital assets	<u>57,560,528</u>	<u>23,620,392</u>	<u>81,180,920</u>
Total assets	<u>103,799,154</u>	<u>31,492,209</u>	<u>135,291,363</u>
<b>LIABILITIES</b>			
Accounts payable	1,541,364	950,541	2,491,905
Accrued liabilities	1,213,851	162,607	1,376,458
Customer deposits	955	641,830	642,785
Unearned revenue	2,339,553	-	2,339,553
Due to primary government	-	-	-
Due to component unit	794	-	794
Due within one year			
Accrued interest payable	64,437	17,055	81,492
Compensated absences	97,170	10,275	107,445
Bonds and capital leases	3,491,712	624,238	4,115,950
Due in more than one year			
Compensated absences	388,679	47,126	435,805
Net pension obligation	1,252,417	173,232	1,425,649
Net OPEB obligation	6,797,187	-	6,797,187
Bonds and capital leases	<u>39,258,054</u>	<u>2,939,505</u>	<u>42,197,559</u>
Total liabilities	<u>56,446,173</u>	<u>5,566,409</u>	<u>62,012,582</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	29,597,630	20,056,649	49,654,279
Restricted for:			
Community development	259,296	-	259,296
Debt service	2,000,835	-	2,000,835
Grant requirements	1,179,567	-	1,179,567
Public safety	216,059	-	216,059
Tourism and economic development	919,013	-	919,013
Unrestricted	<u>13,180,581</u>	<u>5,869,151</u>	<u>19,049,732</u>
Total net assets	<u>\$ 47,352,981</u>	<u>\$ 25,925,800</u>	<u>\$ 73,278,781</u>

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

Component Units	
Crime Control District	Fire Control District
\$ 457,124	\$ 348,918
194,159	193,623
-	-
-	-
-	-
-	-
794	-
-	-
-	-
-	-
-	21,042
439,883	806,539
( 87,977)	( 65,656)
<u>351,906</u>	<u>761,925</u>
<u>1,003,983</u>	<u>1,304,466</u>
79,212	130,193
14,606	4,632
-	-
-	-
773	29,850
-	-
-	-
45,949	164,032
-	-
-	-
-	-
<u>143,776</u>	<u>336,705</u>
<u>284,316</u>	<u>665,412</u>
-	-
-	-
-	-
719,667	639,054
-	-
<u>-</u>	<u>-</u>
<u>\$ 719,667</u>	<u>\$ 639,054</u>

**CITY OF DEER PARK, TEXAS**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities:				
General government	\$ 11,708,476	\$ 82,593	\$ 12,089	\$ -
Public safety	9,077,372	2,535,052	155,679	-
Public works	6,053,467	535,228	-	1,460,218
Parks and recreation	2,436,909	1,645,362	-	-
Community development	6,483,611	1,567,354	111,929	-
Interest on long-term debt	1,642,422	-	-	-
Total governmental activities	<u>37,402,257</u>	<u>6,365,589</u>	<u>279,697</u>	<u>1,460,218</u>
Business-type activities:				
Water and sewer	<u>7,490,715</u>	<u>9,873,528</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>7,490,715</u>	<u>9,873,528</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 44,892,972</u>	<u>\$ 16,239,117</u>	<u>\$ 279,697</u>	<u>\$ 1,460,218</u>
<b>Component unit</b>				
Crime Control District	\$ 261,693	\$ -	\$ -	\$ -
Fire Control District	<u>338,873</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component unit	<u>\$ 600,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Property taxes, levied for general purposes  
 Property taxes, levied for debt service  
 Industrial district taxes  
 Franchise taxes  
 Sales and use taxes  
 Hotel occupancy taxes  
 Unrestricted investment earnings  
 Miscellaneous  
 Transfers  
 Total general revenues and transfers  
 Change in net assets  
 Net assets - beginning  
 Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Crime Control District	Fire Control District
\$( 11,613,794)	\$ -	\$( 11,613,794)	\$ -	\$ -
( 6,386,641)	-	( 6,386,641)	-	-
( 4,058,021)	-	( 4,058,021)	-	-
( 791,547)	-	( 791,547)	-	-
( 4,804,328)	-	( 4,804,328)	-	-
( 1,642,422)	-	( 1,642,422)	-	-
<u>( 29,296,753)</u>	<u>-</u>	<u>( 29,296,753)</u>	<u>-</u>	<u>-</u>
-	2,382,813	2,382,813	-	-
<u>-</u>	<u>2,382,813</u>	<u>2,382,813</u>	<u>-</u>	<u>-</u>
<u>( 29,296,753)</u>	<u>2,382,813</u>	<u>( 26,913,940)</u>	<u>-</u>	<u>-</u>
			( 261,693)	-
			<u>-</u>	<u>( 338,873)</u>
			<u>( 261,693)</u>	<u>( 338,873)</u>
9,125,573	-	9,125,573		
3,973,727	-	3,973,727	-	-
12,894,626	-	12,894,626	-	-
2,209,371	-	2,209,371	-	-
4,746,096	-	4,746,096	981,140	977,625
526,387	-	526,387	-	-
47,460	2,304	49,764	220	302
11,714	-	11,714	-	-
<u>( 2,735,002)</u>	<u>2,735,002</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>30,799,952</u>	<u>2,737,306</u>	<u>33,537,258</u>	<u>981,360</u>	<u>977,927</u>
1,503,199	5,120,119	6,623,318	719,667	639,054
<u>45,849,782</u>	<u>20,805,681</u>	<u>66,655,463</u>	<u>-</u>	<u>-</u>
<u>\$ 47,352,981</u>	<u>\$ 25,925,800</u>	<u>\$ 73,278,781</u>	<u>\$ 719,667</u>	<u>\$ 639,054</u>

**CITY OF DEER PARK, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2012**

	<u>General</u>	<u>Grants</u>	<u>Debt Service</u>	<u>CIBF 2007</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 18,160,981	\$ 2,670,167	\$ 1,973,635	\$ 5,815,193
Receivables (net of allowances for uncollectibles)				
Accounts	1,708,321	-	-	-
Property taxes	147,151	-	91,637	-
Due from component units	30,623	-	-	-
Due from other governments	-	-	-	-
Inventories	191,878	-	-	-
Prepaid items	<u>5,366</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 20,244,320</u>	<u>\$ 2,670,167</u>	<u>\$ 2,065,272</u>	<u>\$ 5,815,193</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 626,046	\$ 39,758	\$ -	\$ 160,392
Accrued liabilities	1,198,612	-	-	-
Due to component unit	794	-	-	-
Deferred revenue	592,227	2,248,495	77,068	-
Customer deposits	955	-	-	-
Other payables	<u>359,091</u>	<u>64,698</u>	<u>-</u>	<u>136,901</u>
Total liabilities	<u>2,777,725</u>	<u>2,352,951</u>	<u>77,068</u>	<u>297,293</u>
Fund balances:				
Nonspendable	197,244	-	-	-
Restricted	-	317,216	1,988,204	5,517,900
Assigned	257,974	-	-	-
Unassigned	<u>17,011,377</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>17,466,595</u>	<u>317,216</u>	<u>1,988,204</u>	<u>5,517,900</u>
Total liabilities and fund balances	<u>\$ 20,244,320</u>	<u>\$ 2,670,167</u>	<u>\$ 2,065,272</u>	<u>\$ 5,815,193</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of governmental activities

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

<u>CIBF 2010</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,819,411	\$ 9,207,941	\$ 42,647,328
-	169,786	1,878,107
-	-	238,788
-	-	30,623
56,237	528,894	585,131
-	-	191,878
-	2,914	8,280
\$ 4,875,648	\$ 9,909,535	\$ 45,580,135
\$ 3,025	\$ 94,187	\$ 923,408
-	15,239	1,213,851
-	-	794
91,058	-	3,008,848
-	-	955
-	57,266	617,956
94,083	166,692	5,765,812
-	2,914	200,158
4,781,565	6,744,123	19,349,008
-	2,995,806	3,253,780
-	-	17,011,377
4,781,565	9,742,843	39,814,323
\$ 4,875,648	\$ 9,909,535	
		57,560,528
		669,295
		( 50,691,165)
		\$ 47,352,981

**CITY OF DEER PARK, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>General</u>	<u>Grants</u>	<u>Debt Service</u>	<u>CIBF 2007</u>
<b>REVENUES</b>				
Property taxes	\$ 9,173,298	\$ -	\$ 4,001,657	\$ -
Industrial district taxes	12,894,626	-	-	-
Sales taxes	4,746,096	-	-	-
Franchise taxes	2,209,371	-	-	-
Hotel/motel occupancy taxes	-	-	-	-
Fees and fines	1,281,206	-	-	-
Licenses and permits	510,790	-	-	-
Intergovernmental	64,224	1,452,465	-	-
Charges for services	3,889,580	-	-	-
Donations	-	100,000	-	-
Investment earnings	21,323	-	4,822	7,858
Miscellaneous	306,321	2,808	-	-
Total revenues	<u>35,096,835</u>	<u>1,555,273</u>	<u>4,006,479</u>	<u>7,858</u>
<b>EXPENDITURES</b>				
Current:				
General government	10,885,585	-	-	-
Community development	5,521,833	1,385	-	35,795
Public works	4,062,323	-	-	-
Parks and recreation	1,965,054	-	-	-
Public safety	7,511,915	22,924	-	-
Debt service:				
Principal	-	-	6,305,000	-
Interest and other charges	-	-	1,739,457	-
Capital outlay	11,974	1,310,404	-	1,369,199
Total expenditures	<u>29,958,684</u>	<u>1,334,713</u>	<u>8,044,457</u>	<u>1,404,994</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	<u>5,138,151</u>	<u>220,560</u>	<u>( 4,037,978)</u>	<u>( 1,397,136)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Certificates of obligation issued	-	-	-	-
General obligation bonds issued	-	-	3,490,000	-
Premium on issuance of bonds	-	-	150,098	-
Proceeds from sale of capital assets	91,082	-	-	-
Proceeds from insurance recovery	23,252	-	-	-
Transfers in	170,697	-	651,192	-
Transfers out	( 2,505,000)	-	-	( 7,858)
Total other financing sources and uses	<u>( 2,219,969)</u>	<u>-</u>	<u>4,291,290</u>	<u>( 7,858)</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,918,182	220,560	253,312	( 1,404,994)
<b>FUND BALANCES, BEGINNING</b>	<u>14,548,413</u>	<u>96,656</u>	<u>1,734,892</u>	<u>6,922,894</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 17,466,595</u>	<u>\$ 317,216</u>	<u>\$ 1,988,204</u>	<u>\$ 5,517,900</u>

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

<u>CIBF 2010</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 13,174,955
-	-	12,894,626
-	-	4,746,096
-	-	2,209,371
-	526,387	526,387
-	200,435	1,481,641
-	-	510,790
71,179	93,720	1,681,588
-	198,033	4,087,613
-	-	100,000
5,699	7,758	47,460
-	21,836	330,965
<u>76,878</u>	<u>1,048,169</u>	<u>41,791,492</u>
-	50,161	10,935,746
-	381,720	5,940,733
-	236,615	4,298,938
-	-	1,965,054
-	430,807	7,965,646
-	422,393	6,727,393
-	122,558	1,862,015
<u>250,682</u>	<u>2,026,267</u>	<u>4,968,526</u>
<u>250,682</u>	<u>3,670,521</u>	<u>44,664,051</u>
( <u>173,804</u> )	( <u>2,622,352</u> )	( <u>2,872,559</u> )
-	3,390,000	3,390,000
-	-	3,490,000
-	203,780	353,878
-	-	91,082
-	-	23,252
-	2,505,000	3,326,889
( <u>5,699</u> )	( <u>83,334</u> )	( <u>2,601,891</u> )
( <u>5,699</u> )	<u>6,015,446</u>	<u>8,073,210</u>
( <u>179,503</u> )	3,393,094	5,200,651
<u>4,961,068</u>	<u>6,349,749</u>	<u>34,613,672</u>
<u>\$ 4,781,565</u>	<u>\$ 9,742,843</u>	<u>\$ 39,814,323</u>

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**CITY OF DEER PARK, 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, 2012**

Amounts reported for governmental activities in the Statement of Activities  
(pages 20 - 21) are different because:

Net change in fund balances - total governmental funds:	\$ 5,200,651
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 expense.	1,994,158
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	( 151,034)
The issuance of long-term debt (e.g., bonds, leases) 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.	<u>( 5,540,576)</u>
Change in net assets of governmental activities	<u>\$ 1,503,199</u>

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

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# CITY OF DEER PARK, TEXAS

## STATEMENT OF NET ASSETS

### PROPRIETARY FUNDS

SEPTEMBER 30, 2012

	<u>Enterprise Funds</u>
	<u>Water/Sewer</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 6,717,559
Accounts receivable, net of allowances	<u>1,005,385</u>
Total current assets	<u>7,722,944</u>
Non-current assets:	
Deferred charges	148,873
Capital assets:	
Land	591,397
Buildings	3,861,540
Utility system	42,391,549
Machinery and equipment	2,819,297
Construction in progress	888,150
Less: accumulated depreciation:	<u>( 26,931,541)</u>
Total non-current assets	<u>23,769,265</u>
Total assets	<u>31,492,209</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	950,489
Accrued liabilities	162,607
Accrued interest payable	17,055
Customer deposits	641,830
Other payables	52
Compensated absences	10,275
Revenue bonds payable	575,000
Capital leases payable	<u>49,238</u>
Total current liabilities	<u>2,406,546</u>
Non-current liabilities:	
Net pension obligation	173,232
Compensated absences	47,126
Revenue bonds payable	2,820,000
Capital leases payable	<u>119,505</u>
Total non-current liabilities	<u>3,159,863</u>
Total liabilities	<u>5,566,409</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	20,056,649
Unrestricted	<u>5,869,151</u>
Total net assets	<u>\$ 25,925,800</u>

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

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**CITY OF DEER PARK, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Enterprise Funds</u>
	<u>Water/Sewer</u>
<b>OPERATING REVENUES</b>	
Charges for service	\$ 9,873,528
Total operating revenues	9,873,528
<b>OPERATING EXPENSES</b>	
Personnel services	2,720,584
Contractual services	1,238,905
Repairs and maintenance	335,979
Other supplies and expenses	1,561,221
Depreciation	1,384,748
Miscellaneous expenses	34,238
Total operating expenses	7,275,675
<b>OPERATING INCOME</b>	2,597,853
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenues	2,304
Interest expense and fiscal charges	( 215,040)
Total non-operating revenues (expenses)	( 212,736)
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	2,385,117
Transfers out	( 724,998)
Gain from defeasance of bonds	3,460,000
<b>CHANGE IN NET ASSETS</b>	5,120,119
<b>TOTAL NET ASSETS, BEGINNING</b>	20,805,681
<b>TOTAL NET ASSETS, ENDING</b>	\$ 25,925,800

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

**CITY OF DEER PARK, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Enterprise Funds</u>
	<u>Water/Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 10,232,648
Cash paid to suppliers for goods and services	( 2,751,912)
Cash paid to employees for services	<u>( 2,537,359)</u>
Net cash provided by operating activities	<u>4,943,377</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers out	<u>( 724,998)</u>
Net cash used for noncapital financing activities	<u>( 724,998)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	( 1,531,229)
Principal paid on debt	( 938,091)
Interest paid on debt	<u>( 136,978)</u>
Net cash used for capital and related financing activities	<u>( 2,606,298)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	<u>2,304</u>
Net cash provided by investing activities	<u>2,304</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,614,385
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>5,103,174</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 6,717,559</u>

(continued)

**CITY OF DEER PARK, TEXAS**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**(Continued)**

	<u>Enterprise Funds</u>
	<u>Water/Sewer</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,597,853
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	1,384,753
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	328,165
Increase (decrease) in liabilities:	
Accounts payable	643,109
Accrued liabilities	( 51,869)
Other payables	( 10,125)
Compensated absences payable	6,026
Net pension obligation	14,515
Customer deposits	<u>30,950</u>
Net cash provided by operations	<u>\$ 4,943,377</u>

**The notes to the financial statements are an integral part of this statement.**

# CITY OF DEER PARK, TEXAS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

### ORGANIZATION

The City of Deer Park, Texas (the “City”) was incorporated under the laws of the State of Texas in 1948 and adopted a home-rule charter in December 1960. The charter provides for a “mayor council-manager” form of government with the elective body empowered to enact local legislation, adopt budgets, and determine policies. A mayor and six council members are elected to “at large” positions for two-year terms. The city manager is appointed by the elective body and is responsible for the administrative affairs of the City.

The City provides for the following services: police, fire and emergency medical, water and sewer, street maintenance, sanitation, planning, parks and recreation, library, and general and administrative. Additionally the City operates a municipal golf course.

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental entities. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

#### **Reporting Entity**

The City is an independent political subdivision of the State of Texas governed by an elected six-member council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these financial statements present the activities of the City (primary government) and its component units. Component units are legally separate organizations for which the City is financially accountable or other organizations whose nature and significant relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and (i) either the City’s ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the City.

The basic financial statements contain blended and discretely presented component units. Blended component units, although legally separate entities are, in substance, part of the primary government’s operations. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

## CITY OF DEER PARK, TEXAS

### NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

(continued)

#### *Blended Component Units*

##### Deer Park Local Emergency Planning Committee

The Deer Park Local Emergency Planning Committee (the "LEPC") is a joint effort between local industry and the City formed in 1986. As stated in the entity's by-laws, the purpose of the LEPC is to (1) develop, train, and test a hazardous substances emergency response plan for the City, (2) develop procedures for regulated facilities to provide notification of a hazardous release to the LEPC, (3) develop procedures for receiving and processing community right-to-know requests from the public, and (4) provide for public notification of committee activities.

The LEPC and the City have a financial and operational relationship which requires that the LEPC's financial statements be blended into the City's financial statements. The LEPC is governed by a six-member Board of Directors, including an Executive Committee which is composed of the officers and chairs of each LEPC subcommittee. All Board members are appointed by the City's Mayor and approved by the Harris County Judge and the Texas State Emergency Response Commission. The LEPC does not issue separate financial statements.

##### City of Deer Park Senior Citizens Foundation Trust

The City of Deer Park Senior Citizens Foundation Trust (the "Trust") was created on November 1, 1991. The City was named trustee in City Council resolution number 91-07 dated November 5, 1991. As stated in the trust agreement, this fund can only be used to provide for the health, education, and welfare of the citizens of the City of Deer Park who are 55 years of age or older.

The Trust and the City have a financial and operational relationship which requires that the Trust's financial statements be blended into the City's financial statements. The Trust is governed by a seven-member Senior Citizens Commission, which includes three members of the City Council. All members of the commission are appointed by the City Council. The Trust does not issue separate financial statements.

## CITY OF DEER PARK, TEXAS

### NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

(continued)

#### *Discretely Presented Component Units*

##### Crime Control and Prevention District

The Deer Park Crime Control and Prevention District ("CCPD") is reported in the basic financial statements as a discretely presented component unit, which emphasizes that the CCPD is legally separate from the City. The authority for the CCPD is provided by Texas Local Government Code, Chapter 363. It was established to enhance public safety throughout the City and is funded by a dedicated one-fourth of one percent sales and use tax approved by the voters in May 2011 and effective on October 1, 2011. The CCPD will remain in existence for a period of five years from the date it began to levy taxes, but it may be extended upon approval of the voters. In the event of dissolution, net assets of the CCPD shall be conveyed to the City.

The CCPD is governed by a seven-member board of directors appointed by the City Council. The City has the ability to impose its will on the CCPD because it may remove appointed members at will, and it must approve the CCPD budget and any necessary budget amendments. Separate financial statements for the CCPD may be obtained from the finance department of the City.

##### Fire Control, Prevention, and Emergency Medical Services District

The Deer Park Fire Control, Prevention, and Emergency Medical Services District ("FCPEMSD") is reported in the basic financial statements as a discretely presented component unit, which emphasizes that the FCPEMSD is legally separate from the City. The authority for the FCPEMSD is provided by Texas Local Government Code, Chapter 344. It was established to enhance fire control and prevention and emergency medical services programs in the City and is funded by a dedicated one-fourth of one percent sales and use tax approved by the voters in May 2011 and effective on October 1, 2011. The FCPEMSD will remain in existence for a period of five years from the date it began to levy taxes, but it may be extended upon approval of the voters. In the event of dissolution, net assets of the FCPEMSD shall be conveyed to the City.

The FCPEMSD is governed by a seven-member board of directors appointed by the City Council. The City has the ability to impose its will on the FCPEMSD because it may remove appointed members at will, and it must approve the FCPEMSD budget and any necessary budget amendments. Separate financial statements for the FCPEMSD may be obtained from the finance department of the City.

# CITY OF DEER PARK, TEXAS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

(continued)

### **Government-wide Fund Financial Statements**

The government-wide financial report information on all of the activities of the primary government. 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 revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes (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 revenue are reported as *general revenue*.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

Governmental fund 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 revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

## CITY OF DEER PARK, TEXAS

### NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

(continued)

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**Governmental Funds** are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in the proprietary fund type) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. The General Fund accounts for the resources used to finance the basic operations of the City and covers all activities for which a separate fund has not been established.

The **Grants Fund** is used to account for revenues and expenditures associated with grants received by the City.

The **Debt Service Fund** is used to account for the accumulation of resources for the payment of principal and interest on general long-term debt of the City.

The **CIBF 2007 Fund** is used to account for the receipt of bond funds and the expenditure of such funds to construct and/or improve various public buildings, purchase of land for parks and recreation facilities, complete street improvement projects, and sidewalk construction.

The **CIBF 2010 Fund** is used to account for the receipt of bond funds and the expenditure of such funds to construct drainage improvements.

## CITY OF DEER PARK, TEXAS

### NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

(continued)

The City reports the following major proprietary fund:

The *Water and Sewer Fund* accounts for operations of the water and sewer services provided to the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

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 Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

# CITY OF DEER PARK, TEXAS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

(continued)

### **Cash and Investments**

Cash includes amounts in demand deposits as well as balances in investment pools. Investments in a state investment pool (TexPool) and funds invested in interest-bearing checking accounts are stated at cost, which approximate fair value.

For the purpose of presenting the proprietary fund cash flow statement, cash and cash equivalents include cash on hand, demand and time deposits, and investments with a maturity date of three months or less from the date of acquisition.

### **Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

All taxes due the City on real or personal property are payable at the Office of the City Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is October 1, or as soon thereafter as practicable. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest as the City Council may provide by ordinance. All property located within the City limits on the first day of January of each year are charged with a special lien in favor of the City from such date for taxes due thereon.

### **Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

### **Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

**Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of at least two years. All purchased capital assets are valued at cost where historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Improvements, including public domain, and equipment are capitalized and proprietary fund capital assets are depreciated over the remaining useful lives of the related capital assets using the straight-line method, as applicable.

<u>Assets</u>	<u>Estimated Useful Lives</u>
Infrastructure	20 - 40 years
Buildings and improvements	10 - 40 years
Vehicles and equipment	5 - 20 years
Furniture and fixtures	5 - 10 years

**Compensated Absences**

Employees earn vacation based on years of service with the City within certain limits. Only accumulated vacation, earned compensatory time and sick leave for the current year are paid upon termination of employment. Vacation pay is accrued when incurred in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

# CITY OF DEER PARK, TEXAS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

(continued)

### **Long-Term Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as 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 received, are reported as debt service expenditures.

### **Fund Balance Classification**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy 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 not in spendable form or 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 as stipulated by creditors, grantors, contributors, or laws or regulations of other governments, or as imposed by law through constitutional provisions or enabling legislation.

# CITY OF DEER PARK, TEXAS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

(continued)

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council, the City's highest level of decision making authority. 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 formal action as 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 obligations.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or may be delegated to the City Manager by formal action of the City Council.
- **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 assigned fund balance amounts.

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

### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

### **Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

(continued)

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(50,691,165) difference are as follows:

General obligations	\$( 40,710,000)
Premium on bond issuance	( 1,171,378)
Loss on refunding bonds	306,698
Deferred charges - bond costs	740,575
Accrued interest payable	( 64,437)
Compensated absences	( 485,849)
Capital lease obligations	( 1,257,169)
Net OPEB obligations	( 6,797,187)
Net pension obligations	<u>( 1,252,418)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$( 50,691,165)</u></u>

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds.” The details of this \$669,295 difference are as follows:

Property taxes receivable	\$ 190,834
Court fines receivable	134,171
Ambulance receivable	341,215
Grant receivable	<u>3,075</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ 669,295</u></u>

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

(continued)

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities**

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “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 expense.” The details of this \$1,994,158 difference are as follows:

Capital outlay	\$ 4,883,660
Depreciation expense	( 2,889,502)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,994,158</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$(151,034) difference are as follows:

Court fine revenue	\$ 12,229
Ambulance revenue	( 33,846)
Property tax revenue	( 75,655)
Grant revenue	( 53,762)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$( 151,034)</u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$(5,540,576) difference are as follows:

Principal repayments	\$ 3,267,392
Issuance of bonds	( 6,880,000)
Premium on debt issue	( 353,878)
Net pension obligation	( 108,847)
Net OPEB obligation	( 1,696,819)
Premium on bond issuance	223,695
Compensated absences	11,982
Accrued interest	( 4,101)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$( 5,540,576)</u>

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

**III. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**Deposits and Investments**

As of September 30, 2012, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 30,179,295	41

The Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the “Act”), contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers’ acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

The City’s investment pool is a “2a7-like pool,” which means it is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but as a matter of policy operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. The City uses the following external investment pool:

**TexPool**

Under the TexPool Participation Agreement, administrative and investment services to TexPool 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.

TexPool is rated AAAM by Standard & Poor’s. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the Office of the Comptroller of Public Accounts for review. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. At September 30, 2012, the City's \$19,596,545 deposit balance was collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

As of September 30, 2012, the discretely presented component units' \$1,018,384 deposit balance was collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

*Credit Risk.* It is the City's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The City's investment pool is rated AAAM by Standard & Poor's.

**Property Taxes**

Property taxes are levied by October 1 in conformity with Subtitle E. Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. The Harris County Appraisal District ("HCAD") establishes appraised values. Taxes are levied by the City Council based on the appraised values received from the HCAD.

Property tax rates are established in accordance with state law and are levied on real and personal property within the City for use in financing and general and debt service expenditures. For the 2012 fiscal year (2011 tax year), the adjusted tax levy of approximately \$13.0 million, based on an assessed property valuation of approximately \$1.81 billion, resulted in the following property tax rates:

	Tax Rate per \$100 of <u>Assessed Value</u>
General fund	\$ 0.4981
Debt service fund	<u>0.2219</u>
Total tax rate	<u>\$ 0.7200</u>

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

Net property taxes receivable, at September 30, 2012, consisted of the following:

	<u>Delinquent Taxes Receivable</u>
Current year	\$ 154,884
Prior years	<u>418,295</u>
	573,179
Penalties and interest	355,068
Less: allowance for doubtful accounts	<u>( 690,143)</u>
Net property taxes	<u>\$ 238,104</u>

**Industrial District Contracts**

A significant portion of the City's revenue is derived from separate contractual agreements with each industrial company that lies within the City's extraterritorial jurisdiction (known as the "industrial district"). These companies have agreed to pay an amount "in-lieu of taxes" in the unannexed area within the City's extraterritorial jurisdiction. These contracts are executed for a seven-year period at which time they are renegotiated; the current agreements expire in 2014. In the current contract, the companies agree to pay the City at 63% of what the ad valorem taxes would have been had the companies' land, improvements, and inventory been within the corporate limits of the City.

Industrial district contract revenues receivable at year-end consisted of the following:

	<u>Industrial District Payments</u>
Prior years	\$ 10,719
Less: allowance for doubtful accounts	<u>( 10,035)</u>
Net receivables	<u>\$ 684</u>

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

Amounts recorded as receivable as of September 30, 2012, for the City's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>CIBF 2010</u>	<u>Water and Sewer</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>	<u>Crime Control District</u>	<u>Fire Control District</u>
Receivables:								
Taxes	\$ 680,649	\$ 258,317	\$ -	\$ -	\$ -	\$ 938,966	\$ -	\$ -
Intergovernmental	-	-	56,237	-	528,894	585,131	-	-
Accounts	1,781,501	-	-	1,242,623	169,786	3,193,910	194,159	193,623
Ambulance	<u>744,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>744,308</u>	<u>-</u>	<u>-</u>
Gross receivables	3,206,458	258,317	56,237	1,242,623	698,680	5,462,315	194,159	193,623
Less: allowance for uncollectibles	<u>( 1,350,986)</u>	<u>( 166,680)</u>	<u>-</u>	<u>( 237,238)</u>	<u>-</u>	<u>( 1,754,904)</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 1,855,472</u>	<u>\$ 91,637</u>	<u>\$ 56,237</u>	<u>\$ 1,005,385</u>	<u>\$ 698,680</u>	<u>\$ 3,707,411</u>	<u>\$ 194,159</u>	<u>\$ 193,623</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general)	\$ 113,766	\$ -
Delinquent property taxes receivable (debt service)	77,068	-
Court fines	134,771	-
Ambulance	341,215	-
Grants	-	2,339,553
Other	<u>2,475</u>	<u>-</u>
Total governmental funds	<u>\$ 669,295</u>	<u>\$ 2,339,553</u>

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

**Capital Assets**

The summary of capital asset activity for the year ended September 30, 2012, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Government activities:					
Capital assets, not being depreciated:					
Land	\$ 22,527,596	\$ -	\$ -	\$ -	\$ 22,527,596
Construction work in progress	<u>471,222</u>	<u>4,404,956</u>	<u>( 179,430)</u>	<u>15,000</u>	<u>4,711,748</u>
Total capital assets not being depreciated	<u>22,998,818</u>	<u>4,404,956</u>	<u>( 179,430)</u>	<u>15,000</u>	<u>27,239,344</u>
Capital assets, being depreciated:					
Buildings	20,801,395	-	-	-	20,801,395
Improvements	47,017,082	222,373	-	-	47,239,455
Machinery and equipment	<u>16,229,665</u>	<u>537,843</u>	<u>( 729,736)</u>	<u>-</u>	<u>16,037,772</u>
Total capital assets being depreciated	<u>84,048,142</u>	<u>760,216</u>	<u>( 729,736)</u>	<u>-</u>	<u>84,078,622</u>
Less accumulated depreciation:					
Buildings	( 8,367,002)	( 511,634)	-	-	( 8,878,636)
Improvements	( 32,810,403)	( 1,242,364)	-	-	( 34,052,767)
Machinery and equipment	<u>( 10,303,185)</u>	<u>( 1,135,504)</u>	<u>612,654</u>	<u>-</u>	<u>( 10,826,035)</u>
Total accumulated depreciation	<u>( 51,480,590)</u>	<u>( 2,889,502)</u>	<u>612,654</u>	<u>-</u>	<u>( 53,757,438)</u>
Total capital assets, being depreciated, net	<u>32,567,552</u>	<u>( 2,129,286)</u>	<u>( 117,082)</u>	<u>-</u>	<u>30,321,184</u>
Governmental activities capital assets, net	<u>\$ 55,566,370</u>	<u>\$ 2,275,670</u>	<u>\$ ( 296,512)</u>	<u>\$ 15,000</u>	<u>\$ 57,560,528</u>

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 591,397	\$ -	\$ -	\$ 591,397
Construction work in progress	<u>374,173</u>	<u>1,109,848</u>	<u>( 595,871)</u>	<u>888,150</u>
Total capital assets not being depreciated	<u>965,570</u>	<u>1,109,848</u>	<u>( 595,871)</u>	<u>1,479,547</u>
Capital assets, being depreciated:				
Buildings	3,861,540	-	-	3,861,540
Improvements	41,689,796	701,753	-	42,391,549
Machinery and equipment	<u>2,503,803</u>	<u>315,494</u>	<u>-</u>	<u>2,819,297</u>
Total capital assets being depreciated	<u>48,055,139</u>	<u>1,017,247</u>	<u>-</u>	<u>49,072,386</u>
Less accumulated depreciation:				
Buildings	( 616,357)	( 96,082)	-	( 712,439)
Improvements	( 23,346,804)	( 1,064,062)	-	( 24,410,866)
Machinery and equipment	<u>( 1,583,632)</u>	<u>( 224,604)</u>	<u>-</u>	<u>( 1,808,236)</u>
Total accumulated depreciation	<u>( 25,546,793)</u>	<u>( 1,384,748)</u>	<u>-</u>	<u>( 26,931,541)</u>
Total capital assets, being depreciated, net	<u>22,508,346</u>	<u>( 367,501)</u>	<u>-</u>	<u>22,140,845</u>
Business-type activities capital assets, net	<u>\$ 23,473,916</u>	<u>\$ 742,347</u>	<u>\$( 595,871)</u>	<u>\$ 23,620,392</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Discretely presented component units:				
Capital assets, being depreciated:				
Improvements	\$ -	\$ 21,042	\$ -	\$ 21,042
Machinery and equipment	<u>-</u>	<u>1,246,422</u>	<u>-</u>	<u>1,246,422</u>
Total capital assets being depreciated	<u>-</u>	<u>1,267,464</u>	<u>-</u>	<u>1,267,464</u>
Less accumulated depreciation:				
Improvements	-	( 2,104)	-	( 2,104)
Machinery and equipment	<u>-</u>	<u>( 151,529)</u>	<u>-</u>	<u>( 151,529)</u>
Total accumulated depreciation	<u>-</u>	<u>( 153,633)</u>	<u>-</u>	<u>( 153,633)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>1,113,831</u>	<u>-</u>	<u>1,113,831</u>
Discretely presented component units capital assets, net	<u>\$ -</u>	<u>\$ 1,113,831</u>	<u>\$ -</u>	<u>\$ 1,113,831</u>

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

Depreciation was charged to functions of the City as follows:

Governmental activities:	
General	\$ 139,389
Public safety	652,400
Community development	200,315
Parks and recreation	390,760
Public works	<u>1,506,638</u>
Total depreciation expense - governmental activities	\$ <u>2,889,502</u>
Business-type activities:	
Water and sewer	\$ <u>1,384,748</u>
Total depreciation expense - business-type activities	\$ <u>1,384,748</u>
Discretley presented componenet units:	
Crime control district	\$ 87,977
Fire control district	<u>65,656</u>
Total depreciation expense - discretely presented component units:	\$ <u><u>153,633</u></u>

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

**Long-Term Liabilities**

During the year ended September 30, 2012, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Adjustments	Ending Balance	Due Within One Year
Governmental activities:						
General obligation bonds	\$ 26,785,000	\$ 3,490,000	\$ 2,525,000	\$ -	\$ 27,750,000	\$ 2,825,000
Premium on bond issuance	893,451	353,878	75,951	-	1,171,378	75,951
Loss on refunding	( 369,260)	( 82,083)	( 62,562)	-	( 388,781)	( 62,562)
Certificates of obligation	9,890,000	3,390,000	320,000	-	12,960,000	275,000
Capital leases	1,679,561	-	422,392	-	1,257,169	378,323
Net pension obligation	1,143,571	2,245,305	2,136,459	-	1,252,417	-
Net OPEB obligation	5,100,368	1,696,819	-	-	6,797,187	-
Compensated absences	497,831	1,115,958	1,127,940	-	485,849	97,170
Governmental activity long-term liabilities	<u>\$ 45,620,522</u>	<u>\$ 12,209,877</u>	<u>\$ 6,545,180</u>	<u>\$ -</u>	<u>\$ 51,285,219</u>	<u>\$ 3,588,882</u>
Business-type activities:						
Revenue bonds	\$ 7,745,000	\$ -	\$ 4,350,000	\$ -	\$ 3,395,000	\$ 575,000
Capital leases	216,834	-	48,091	-	168,743	49,238
Net pension obligation	158,717	299,429	284,914	-	173,232	-
Compensated absences	51,375	141,804	135,778	-	57,401	10,275
Business-type activity long-term liabilities	<u>\$ 8,171,926</u>	<u>\$ 441,233</u>	<u>\$ 4,818,783</u>	<u>\$ -</u>	<u>\$ 3,794,376</u>	<u>\$ 634,513</u>
Discretely presented component units:						
Capital leases	\$ -	\$ 905,128	\$ 214,666	\$ -	\$ 690,462	\$ 209,981
Discretely presented component units						
long-term liabilities	<u>\$ -</u>	<u>\$ 905,128</u>	<u>\$ 214,666</u>	<u>\$ -</u>	<u>\$ 690,462</u>	<u>\$ 209,981</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund. For governmental activities, the liability for the net pension obligation and net other post employment benefits obligation is fully liquidated by the General Fund.

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

**Certificates of Obligation, General Obligation Bonds and Revenue Bonds**

The following is a summary of certificates of obligation, general obligation bonds and revenue bonds outstanding as of September 30, 2012:

<u>Series</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Debt Outstanding</u>
<b>Governmental activities</b>			
<b>General Obligation Bonds:</b>			
2004 General Obligation and Refunding Bonds	4,670,000	3.25% to 5.00%	1,895,000
2005 General Obligation Bonds	9,000,000	3.50% to 5.50%	7,280,000
2007 General Obligation Bonds	7,465,000	3.88% to 5.00%	7,015,000
2008 General Obligation and Refunding Bonds	4,540,000	3.49%	2,550,000
2010 General Obligation and Refunding Bonds	6,295,000	2.00% to 5.00%	5,620,000
2011 General Obligation and Refunding Bonds	3,490,000	2.00% to 3.00%	<u>3,390,000</u>
			<u>27,750,000</u>
<b>Certificates of Obligation:</b>			
2007 Certificates Obligation	2,300,000	4.25% to 6.00%	2,005,000
2010 Certificates Obligation	7,805,000	2.00% to 4.50%	7,565,000
2011 Certificates Obligation	3,390,000	2.00% to 4.00%	<u>3,390,000</u>
			<u>12,960,000</u>
Total governmental activities			<u>\$ 40,710,000</u>
<b>Business-type activities</b>			
<b>Revenue Bonds:</b>			
2002 Waterworks and Sewer System	\$ 5,000,000	2.80% to 3.80%	\$ 2,750,000
2003 Waterworks and Sewer System Revenue and Refunding Bonds	3,835,000	2.50% to 3.72%	<u>645,000</u>
Total business-type activities			<u>\$ 3,395,000</u>

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012  
(continued)**

Annual debt service requirements to retire outstanding certificates of obligation are as follows:

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 455,000	\$ 516,188	\$ 971,188
2014	465,000	503,488	968,488
2015	480,000	488,988	968,988
2016	515,000	470,688	985,688
2017	530,000	449,838	979,838
2018-2022	3,545,000	1,852,525	5,397,525
2023-2027	4,285,000	1,082,619	5,367,619
2028-2032	<u>2,685,000</u>	<u>235,900</u>	<u>2,920,900</u>
Total	<u>\$ 12,960,000</u>	<u>\$ 5,600,234</u>	<u>\$ 18,560,234</u>

Annual debt service requirements to retire outstanding general obligation bonds are as follows:

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 2,825,000	\$ 980,877	\$ 3,805,877
2014	2,900,000	878,619	3,778,619
2015	2,975,000	776,133	3,751,133
2016	2,550,000	676,238	3,226,238
2017	2,620,000	579,526	3,199,526
2018-2022	8,730,000	1,821,724	10,551,724
2023-2027	<u>5,150,000</u>	<u>427,625</u>	<u>5,577,625</u>
Total	<u>\$ 27,750,000</u>	<u>\$ 6,140,742</u>	<u>\$ 33,890,742</u>

Annual debt service requirements to retire outstanding revenue bonds are as follows:

Fiscal Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2013	\$ 575,000	\$ 106,449	\$ 681,449
2014	570,000	87,653	657,653
2015	250,000	74,313	324,313
2016	250,000	66,500	316,500
2017	250,000	58,375	308,375
2018-2022	1,250,000	161,500	1,411,500
2023	<u>250,000</u>	<u>4,750</u>	<u>254,750</u>
Total	<u>\$ 3,395,000</u>	<u>\$ 559,540</u>	<u>\$ 3,954,540</u>

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

The principal and interest on governmental activities general obligation bonds and certificates of obligation are payable solely from property taxes levied on taxable property within the City. A number of limitations and restrictions are contained in the various bond ordinances. The City has complied with all significant limitations and restrictions.

Current Refunding

The City issued \$3,490,000 of general obligation refunding bonds to provide resources to all future debt service payments of \$3,460,000 of the refunded revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$82,083. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This current refunding was undertaken to reduce total debt service payments over the next 12 years by \$528,786 and resulted in an economic gain of \$459,596.

**Defeasance of Bonds**

In prior years, the City defeased certain certificates of obligation by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On September 30, 2012, no bonds considered defeased were still outstanding.

A schedule of general obligation bonds authorized by Deer Park voters and unissued at year-end follows:

<u>Purpose</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Amount Unissued</u>
Water improvements	03/04/80	\$ 2,200,000	\$ 2,000,000
Sewer system improvements	12/09/86	2,700,000	2,175,000
Waterworks system improvements	12/09/86	2,750,000	2,750,000
Park/recreational facility improvements	09/23/00	<u>6,580,000</u>	<u>1,040,000</u>
		<u>\$ 14,230,000</u>	<u>\$ 7,965,000</u>

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

**Contingent Arbitrage Liabilities**

The City has invested a portion of bond proceeds. Interest earnings on invested proceeds in excess of the interest paid on the bonds must be rebated to the federal government every five years. The City currently has no arbitrage liability at September 30, 2012.

**Capital Leases**

The City has entered into lease agreements as lessee for financing the acquisition of equipment, principally consisting of vehicles, communication equipment and computer systems. These leases qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Approximately \$3.4 million, of equipment has been leased under these agreements as of September 30, 2012. Capital leases bear interest ranging from 1.75% to 4.01% and have maturity dates ranging from 2013 to 2018. The total interest paid in 2012 for capital leases was \$52,399. Annual requirements to satisfy these obligations are as follows:

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 378,323	\$ 34,237	\$ 412,560
2014	286,156	24,231	310,387
2015	282,916	15,501	298,417
2016	144,794	8,570	153,364
2017	<u>164,980</u>	<u>4,795</u>	<u>169,775</u>
Total	<u>\$ 1,257,169</u>	<u>\$ 87,334</u>	<u>\$ 1,344,503</u>

Fiscal Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2013	\$ 49,238	\$ 3,452	\$ 52,690
2014	50,413	2,277	52,690
2015	51,615	1,075	52,690
2016	<u>17,477</u>	<u>86</u>	<u>17,563</u>
Total	<u>\$ 168,743</u>	<u>\$ 6,890</u>	<u>\$ 175,633</u>

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012  
(continued)**

Fiscal Year Ending September 30,	Discretely Presented Units		
	Principal	Interest	Total
2013	\$ 209,981	\$ 13,528	\$ 223,509
2014	213,849	9,646	223,495
2015	217,697	2,812	220,509
2016	<u>48,935</u>	<u>1,037</u>	<u>49,972</u>
Total	\$ <u>690,462</u>	\$ <u>27,023</u>	\$ <u>717,485</u>

**Interfund Receivables, Payables and Transfers**

The following is a summary of interfund transfers for the year ended September 30, 2012:

	General	Transfers In		Total
		Debt Service	Nonmajor Governmental Funds	
Transfers Out:				
General	\$ -	\$ -	\$ 2,505,000	\$ 2,505,000
CIBF Series 2007	-	7,858	-	7,858
CIBF Series 2010	-	5,699	-	5,699
Nonmajor governmental funds	76,000	7,334	-	83,334
Water/Sewer	<u>94,697</u>	<u>630,301</u>	<u>-</u>	<u>724,998</u>
Total Transfers Out	\$ <u>170,697</u>	\$ <u>651,192</u>	\$ <u>2,505,000</u>	\$ <u>3,326,889</u>

Amounts transferred between funds relate to the following activities:

- Transfers to the Debt Service Fund were made to pay debt service and debt service related expenditures in accordance with applicable ordinances and federal regulations.
- Transfers to Nonmajor Governmental Funds include a \$2,500,000 transfer to the Capital Improvements Fund to fund capital projects and a \$5,000 transfer to the LEPC Fund for emergency response programs.
- Transfers to the General Fund were made to move salary expenditures budgeted in nonmajor governmental funds to the General Fund, which actually paid the salaries.

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

**Fund Balance**

As of September 30, 2012, governmental fund balance is composed of the following:

<u>Fund Balance Classification</u>	<u>General</u>	<u>Grants</u>	<u>Debt Service</u>	<u>CIBF 2007</u>	<u>CIBF 2010</u>	<u>Other Governmental</u>	<u>Totals</u>
Nonspendable:							
Inventories	\$ 191,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191,878
Prepaid expenditures	5,366	-	-	-	-	2,914	8,280
Restricted:							
Retirement of long-term debt	-	-	1,988,204	-	-	-	1,988,204
Capital acquisition program and contractual obligations	-	-	-	5,517,900	4,781,565	4,487,404	14,786,869
Tourism activities	-	-	-	-	-	919,013	919,013
Federal and state grants	-	317,216	-	-	-	862,351	1,179,567
Police	-	-	-	-	-	46,488	46,488
Municipal court	-	-	-	-	-	169,571	169,571
Emergency planning	-	-	-	-	-	135,860	135,860
Senior citizens	-	-	-	-	-	123,436	123,436
Assigned:							
Capital improvements	-	-	-	-	-	2,828,268	2,828,268
Municipal court	-	-	-	-	-	167,538	167,538
Special events	255,974	-	-	-	-	-	255,974
Police	2,000	-	-	-	-	-	2,000
Unassigned	<u>17,011,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,011,377</u>
Total governmental fund balance	<u>\$ 17,466,595</u>	<u>\$ 317,216</u>	<u>\$ 1,988,204</u>	<u>\$ 5,517,900</u>	<u>\$ 4,781,565</u>	<u>\$ 9,742,843</u>	<u>\$ 39,814,323</u>

**IV. OTHER INFORMATION**

**Other Postemployment Benefits**

**Plan Description**

The City provides medical benefits to eligible retirees. The City pays a portion of the current monthly contribution rate for individual medical benefits for retirees meeting certain eligibility requirements. All active employees who retire directly from the City and meet the eligibility criteria may participate. There is no City subsidy for dependent coverage, and the cost of elected dependent coverage is paid entirely by the retiree. Medical benefits continue after age 65 with the medical coverage offered as a supplement to Medicare benefits. Dental and life insurance benefits are also made available to retirees, but these benefits are not subsidized by the City and are not included in this valuation.

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The City’s annual other postemployment benefit (“OPEB”) cost (expense) is calculated based on the annual required contribution of the employer (“ARC”), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City’s annual OPEB cost for the current year and the related information is listed below:

Annual Required Contribution (ARC)	\$ 2,064,229
Interest on Net OPEB Obligation	204,015
Adjustment to the ARC	<u>( 289,227)</u>
Annual OPEB Cost	1,979,017
Employer Contributions with Interest	<u>( 282,198)</u>
Increase (Decrease) in Net OPEB Obligation	1,696,819
Net OPEB Obligation/(Asset), beginning of year	<u>5,100,368</u>
 Net OPEB Obligation/(Asset), end of year	 <u>\$ 6,797,187</u>

In addition to the employer contribution, the retirees paid \$138,577 in the form of premiums which funded current medical claims.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the prior three years (4% discount rate, and level percent of pay amortization).

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
09/30/10	\$ 2,195,744	\$ 303,805	13.9%	\$ 3,072,563
09/30/11	2,166,219	138,414	6.4%	5,100,368
09/30/12	1,979,017	282,198	14.3%	6,797,187

**Funding Status and Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/11	\$ -	\$ 22,609,564	\$ 22,609,564	- %	\$ 16,137,707	140.10%

# CITY OF DEER PARK, TEXAS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

(continued)

This is the fourth year of implementation of GASB No. 45; however, only two years of funding progress are available since actuarial valuations are only required to be done once every two years. The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

### Actuarial Methods and Assumptions

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

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Valuation Date	10/01/11
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar, open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.0%
Projected Salary Increases	N/A
Health Care Inflation Rates	7.50% initial 5.50% ultimate

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

**Supplemental Death Benefits Fund**

**Plan Description**

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (“TMRS”) known as the Supplemental Death Benefits Fund (“SDBF”). The City elected, by ordinance to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

**Benefits**

The death benefit for active employees provides a lump sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

**Contributions**

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

Schedule of Contribution Rates

<u>Accounting Year Ending</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
09/30/10	.21%	.21%	100%
09/30/11	.23%	.23%	100%
09/30/12	.16%	.16%	100%

## **CITY OF DEER PARK, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

#### **Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Amounts of compensation deferred by employees under the plan provisions are disbursed monthly by the City to a third party administrator. The third party administrator handles all funds in the plan, makes investment decisions, and disburses funds to employees in accordance with plan provisions.

The market value of plan assets held and administered by the plan's third party administrator was approximately \$5,270,874 at September 30, 2012.

#### **Employee Retirement System**

##### **Plan Description**

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

# CITY OF DEER PARK, TEXAS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

(continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>	<u>Plan Year 2012</u>
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	50% of CPI repeating	50% of CPI repeating	50% of CPI repeating

### Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 2,531,934
Interest on Net Pension Obligation	91,160
Adjustment to the ARC	<u>( 78,361)</u>
Annual Pension Cost	2,544,733
Employer Contributions with Interest	<u>( 2,421,372)</u>
Increase (Decrease) in Net Pension Obligation	123,361
Net Pension Obligation/(Asset), beginning of year	<u>1,302,288</u>
 Net Pension Obligation/(Asset), ending of year	 <u><u>\$ 1,425,649</u></u>

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, follows:

Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	28 years; closed period	27.3 years; closed period	26.3 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions:			
Investment rate of return*	7.5%	7.0%	7.0%
Projected salary increases*	varies by age and service	varies by age and service	varies by age and service
*Includes inflation at	3.0%	3.0%	3.0%
Cost-of-living adjustments	1.5%	1.5%	1.5%

**CITY OF DEER PARK, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

**Funded Status and Fund Progress**

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Actuarial accrued liability (AAL)	\$ 96,281,742
Actuarial value of plan assets	<u>86,464,502</u>
Unfunded (overfunded) actuarial accrued liability (UAAL)	<u>\$ 9,817,240</u>
Funded ratio (actuarial value of plan assets/AAL)	89.8%
Covered payroll (annual payroll of active employees covered by the plan)	15,871,924
UAAL as a percentage of covered payroll	61.9%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**Litigation**

On various occasions, the City can be either a defendant or co-defendant in lawsuits. While the City and legal counsel cannot predict the results of any litigation, it believes it has meritorious defenses to those actions, proceedings and claims. It is the opinion of City management and legal counsel that any ultimate uninsured liability to the City from these lawsuits will not be material.

# **CITY OF DEER PARK, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2012**

**(continued)**

### **Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League ("TML"), an Intergovernmental Risk-Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in TML is limited to payment of premiums. During the year ended September 30, 2012, the City paid premiums to TML for provisions of various liability, property and casualty insurance. The City has various deductible amounts ranging from \$250 to \$25,000 on various policies. At year-end, the City did not have any significant claims. TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified dollar amounts for each insured event.

The City also provides workers' compensation insurance on its employees through TML. Workers' compensation is subject to change when audited by TML. At year-end, September 30, 2012, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

### **Subsequent Event**

On November 15, 2012, the City issued \$4,725,000 of certificates of obligation for various capital projects. The interest rates range from 2.0-3.0% and the certificates mature in 2032. On that same day, the City also issued \$4,510,000 of general obligation refunding bonds to refund \$4,525,000 of the General Obligation Bonds, Series 2005. The interest rates range from 2.0-3.0% and the bonds mature in 2023.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**CITY OF DEER PARK, TEXAS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 27,745,873	\$ 27,745,873	\$ 29,023,391	\$ 1,277,518
License and permits	338,400	338,400	510,790	172,390
Fines and forfeitures	783,450	783,450	1,281,206	497,756
Charges for services	3,544,868	3,544,868	3,889,580	344,712
Investment earnings	20,000	20,000	21,323	1,323
Intergovernmental	50,000	50,000	64,224	14,224
Other	73,700	73,700	306,321	232,621
Total revenues	<u>32,556,291</u>	<u>32,556,291</u>	<u>35,096,835</u>	<u>2,540,544</u>
<b>EXPENDITURES</b>				
Current:				
General government	12,386,420	12,386,420	10,885,585	1,500,835
Community development	5,637,652	5,637,652	5,521,833	115,819
Public works	4,681,881	4,681,881	4,062,323	619,558
Parks and recreation	1,991,497	1,991,497	1,965,054	26,443
Public safety	8,032,038	8,032,038	7,511,915	520,123
Capital outlay	-	-	11,974	( 11,974)
Total expenditures	<u>32,729,488</u>	<u>32,729,488</u>	<u>29,958,684</u>	<u>2,770,804</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 173,197)</u>	<u>( 173,197)</u>	<u>5,138,151</u>	<u>5,311,348</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	7,500	7,500	91,082	83,582
Proceeds from insurance recovery	-	-	23,252	23,252
Transfers in	170,697	170,697	170,697	-
Transfers out	<u>( 3,359,708)</u>	<u>( 3,359,708)</u>	<u>( 2,505,000)</u>	<u>854,708</u>
Total other financing sources and uses	<u>( 3,181,511)</u>	<u>( 3,181,511)</u>	<u>( 2,219,969)</u>	<u>961,542</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 3,354,708)</u>	<u>( 3,354,708)</u>	<u>2,918,182</u>	<u>6,272,890</u>
<b>FUND BALANCE, BEGINNING</b>	<u>14,548,413</u>	<u>14,548,413</u>	<u>14,548,413</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 11,193,705</u>	<u>\$ 11,193,705</u>	<u>\$ 17,466,595</u>	<u>\$ 6,272,890</u>

**CITY OF DEER PARK, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Actuarial Accrued Liability	Annual Covered Payroll	Accrued Liability as a Percentage of Covered Payroll
12/31/2009	\$ 40,944,323	\$ 59,386,292	68.9%	\$ 18,441,969	\$ 15,132,722	121.9%
12/31/2010	81,478,828	92,537,865	88.0%	11,059,037	16,360,210	67.6%
12/31/2011	86,464,502	96,281,742	89.8%	9,817,240	15,871,924	61.9%

Note: Fiscal years 2010 and 2011 include the impact of Senate Bill 350 enacted by the Texas Legislature in June 2011. This legislation provided a restructuring of the Texas Municipal Retirement System funds effective December 31, 2010.

**CITY OF DEER PARK, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**POST-RETIREMENT HEALTH CARE BENEFIT PLAN**

**SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Unfunded (AAL) (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2007	\$ -	\$ 12,921,500	- %	\$ 12,921,500	\$ 12,433,803	103.9%
12/31/2009	-	18,448,370	- %	18,448,370	15,582,634	118.4%
12/31/2011	-	22,609,564	- %	22,609,564	16,137,707	140.1%

# CITY OF DEER PARK, TEXAS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2012

### **Budget**

The City charter requires that an annual appropriations style budget be prepared for the General Fund. The City also prepares annual budgets for the Hotel/Occupancy Tax Fund, Debt Service Fund and the Enterprise Fund. The City employs the following budgetary procedures:

- The City Manager submits to the City Council a proposed operating budget that includes proposed expenditures and resources for financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to the commencement of the fiscal year, the budget is legally enacted through the passage of an ordinance.
- Department heads are authorized to transfer minor budgeted amounts within a department; however, any revisions that alter total expenditures for any department must be approved by the City Manager, and any revisions to the fund level budget (the legal level of compliance) must be approved by City Council.
- All budgets are prepared on the modified accrual basis of accounting.
- Unused appropriations lapse at year-end.

### **Expenditures Over Appropriations**

The City was over appropriations in the following functions:

Capital outlay	\$ 11,794
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These excess expenditures were covered by greater than expected revenues. The City will carefully review future budgets and make appropriate budget amendments.

# **COMBINING STATEMENTS**

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

*Special Revenue Funds* are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

***Hotel/Motel Occupancy Tax Fund*** – This fund is used to account for proceeds from hotel/motel occupancy taxes received during the year. Expenditures from this fund are restricted to tourism activities. An appropriations style budget is adopted for this fund on an annual basis.

***LEPC Fund*** – This fund is used to account for proceeds received for community awareness and emergency response programs. Expenditures of this fund are typically for community awareness, infrastructure and continuing education for those involved in emergency response.

***Police Forfeiture Fund*** – This fund is used to account for the receipt and expenditure of revenues derived from crime seizures that are to be used for law enforcement purposes.

***Senior Citizen Fund*** – This fund is used to account for disbursements made from investment earnings from an initial \$100,000 corpus established as a trust fund to benefit citizens age 55 and older. All disbursements must be approved by the City of Deer Park Senior Citizen's Foundation Trust Committee. Activities are not budgeted and are controlled on an event-by-event basis.

***Municipal Court Fund*** – This fund is used to account for specific revenues derived from fees generated by Municipal Court.

***FEMA Hurricane Ike Fund*** – This fund is used to account for Federal Emergency Management Agency relief funds received by the City under a federal award. Expenditures of this fund relate to housing efforts as a result of Hurricane Ike. Expenditures are controlled by federal regulations. No appropriations style budget is adopted for this fund.

***Totally Texas Scholarship Fund*** – This fund is used to account for disbursements made to Deer Park High School Seniors chosen as Totally Texas Scholarship recipients. All disbursements must be approved by the Totally Texas Trustees. Activities are not budgeted and are controlled based on the money raised each year for the scholarship.

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## CAPITAL PROJECTS FUNDS

*Capital Projects Funds* are used to account for financial resources to be used for the acquisition and construction of major capital facilities and are financed principally through special assessments.

*2011 Certificates of Obligation* – This fund is used to account for the receipt of bond proceeds and the expenditure of such proceeds to repair, renovate, construct and/or improve the equipment of the City's waterworks and sanitary sewer system.

*Capital Projects Fund* – This fund is used to account for the receipt of special assessments and the expenditures of such funds to build the new Police Station.

*1997 Streets Fund* – This fund is used to account for the receipt of special assessments and the expenditures of such funds to improve Battleground Road.

*Streets Fund* – This fund is used to account for the receipt of special assessments and the expenditures of such funds to improve East Boulevard and East X Street.

*Capital Improvements Fund* – This fund is used to account for local funding of various capital projects throughout the City.

*General Obligations Series 2005 Fund* – This fund is used to account for the receipt of bond proceeds and the expenditure of such proceeds to construct and/or improve various public buildings, purchase of land for parks and recreation facilities, street improvement projects and sidewalk construction.

**CITY OF DEER PARK, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

	Special Revenue	
	Hotel/Motel Occupancy Tax	LEPC
<b>ASSETS</b>		
Cash and cash equivalents	\$ 832,828	\$ 140,685
Accounts receivable	142,732	-
Due from other governments	-	-
Prepaid expenses	-	-
Total assets	\$ 975,560	\$ 140,685
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 56,547	\$ 4,825
Accrued liabilities	-	-
Other payables	-	-
Total liabilities	56,547	4,825
Fund balances:		
Nonspendable	-	-
Restricted	919,013	135,860
Assigned	-	-
Total fund balances	919,013	135,860
Total liabilities and fund balances	\$ 975,560	\$ 140,685

Special Revenue				
<u>Police Forfeiture</u>	<u>Senior Citizen</u>	<u>Municipal Court</u>	<u>FEMA Hurricane Ike</u>	<u>Totally Texas Scholarship</u>
\$ 46,488	\$ 123,436	\$ 327,832	\$ 333,457	\$ -
-	-	27,054	-	-
-	-	-	528,894	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 46,488</u>	<u>\$ 123,436</u>	<u>\$ 354,886</u>	<u>\$ 862,351</u>	<u>\$ -</u>
\$ -	\$ -	\$ 2,519	\$ -	\$ -
-	-	15,239	-	-
-	-	19	-	-
<u>-</u>	<u>-</u>	<u>17,777</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
46,488	123,436	169,571	862,351	-
-	-	167,538	-	-
<u>46,488</u>	<u>123,436</u>	<u>337,109</u>	<u>862,351</u>	<u>-</u>
<u>\$ 46,488</u>	<u>\$ 123,436</u>	<u>\$ 354,886</u>	<u>\$ 862,351</u>	<u>\$ -</u>

(continued)

**CITY OF DEER PARK, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

(Continued)

**SEPTEMBER 30, 2012**

	Capital Projects		
	2011 Certificates of Obligation	Capital Projects	1997 Streets
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,577,980	\$ 107,754	\$ 26,975
Accounts receivable	-	-	-
Due from other governments	-	-	-
Prepaid expenses	-	-	-
Total assets	\$ 2,577,980	\$ 107,754	\$ 26,975
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Other payables	49,462	-	-
Total liabilities	49,462	-	-
Fund balances:			
Nonspendable	-	-	-
Restricted	2,528,518	-	26,975
Assigned	-	107,754	-
Total fund balances	2,528,518	107,754	26,975
Total liabilities and fund balances	\$ 2,577,980	\$ 107,754	\$ 26,975

Capital Projects			
Street	Capital Improvements	General Obligation Series 2005	Total Other Governmental Funds
\$ 94,338	\$ 2,664,257	\$ 1,931,911	\$ 9,207,941
-	-	-	169,786
-	-	-	528,894
<u>-</u>	<u>2,914</u>	<u>-</u>	<u>2,914</u>
<u>\$ 94,338</u>	<u>\$ 2,667,171</u>	<u>\$ 1,931,911</u>	<u>\$ 9,909,535</u>
\$ -	\$ 30,296	\$ -	\$ 94,187
-	-	-	15,239
<u>-</u>	<u>7,785</u>	<u>-</u>	<u>57,266</u>
<u>-</u>	<u>38,081</u>	<u>-</u>	<u>166,692</u>
-	2,914	-	2,914
-	-	1,931,911	6,744,123
<u>94,338</u>	<u>2,626,176</u>	<u>-</u>	<u>2,995,806</u>
<u>94,338</u>	<u>2,629,090</u>	<u>1,931,911</u>	<u>9,742,843</u>
<u>\$ 94,338</u>	<u>\$ 2,667,171</u>	<u>\$ 1,931,911</u>	<u>\$ 9,909,535</u>

**CITY OF DEER PARK, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Special Revenue		
	Hotel/Motel Occupancy Tax	LEPC	Police Forfeiture
<b>REVENUES</b>			
Hotel/motel taxes	\$ 526,387	\$ -	\$ -
Fees and fines	-	-	-
Intergovernmental	-	93,720	-
Charges for services	-	-	-
Investment earnings	-	-	38
Miscellaneous	-	-	9,747
Total revenues	526,387	93,720	9,785
<b>EXPENDITURES</b>			
Current:			
General government	-	-	-
Community development	334,397	-	-
Public works	-	-	-
Public safety	-	110,772	5,803
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	78,988	-	-
Total expenditures	413,385	110,772	5,803
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	113,002	( 17,052)	3,982
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term debt	-	-	-
Premium on issuance of bonds	-	-	-
Transfers in	-	5,000	-
Transfers out	( 31,000)	-	-
Total other financing sources and uses	( 31,000)	5,000	-
<b>NET CHANGE IN FUND BALANCES</b>	82,002	( 12,052)	3,982
<b>FUND BALANCES, BEGINNING</b>	837,011	147,912	42,506
<b>FUND BALANCES, ENDING</b>	\$ 919,013	\$ 135,860	\$ 46,488

Special Revenue

<u>Senior Citizen</u>	<u>Municipal Court</u>	<u>FEMA Hurricane Ike</u>	<u>Totally Texas Scholarship</u>
\$ -	\$ -	\$ -	\$ -
-	200,435	-	-
-	-	-	-
-	198,033	-	-
146	-	-	-
-	-	-	12,089
<u>146</u>	<u>398,468</u>	<u>-</u>	<u>12,089</u>
-	22,790	-	27,371
5,256	-	-	-
-	-	-	-
-	239,716	74,516	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>5,256</u>	<u>262,506</u>	<u>74,516</u>	<u>27,371</u>
( 5,110)	<u>135,962</u>	( 74,516)	( 15,282)
-	-	-	-
-	-	-	-
-	-	-	-
-	( 45,000)	-	-
-	( 45,000)	-	-
( 5,110)	90,962	( 74,516)	( 15,282)
<u>128,546</u>	<u>246,147</u>	<u>936,867</u>	<u>15,282</u>
<u>\$ 123,436</u>	<u>\$ 337,109</u>	<u>\$ 862,351</u>	<u>\$ -</u>

(continued)

**CITY OF DEER PARK, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**

**(Continued)**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Capital Projects		
	2011 Certificates of Obligation	Capital Projects	1997 Streets
<b>REVENUES</b>			
Hotel/motel taxes	\$ -	\$ -	\$ -
Fees and fines	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Investment earnings	4,921	122	31
Miscellaneous	-	-	-
Total revenues	4,921	122	31
<b>EXPENDITURES</b>			
Current:			
General government	-	-	-
Community development	-	-	-
Public works	-	-	-
Public safety	-	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	76,014	-	-
Capital outlay	989,248	-	-
Total expenditures	1,065,262	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 1,060,341)	122	31
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term debt	3,390,000	-	-
Premium on issuance of bonds	203,780	-	-
Transfers in	-	-	-
Transfers out	( 4,921)	( 122)	( 31)
Total other financing sources and uses	3,588,859	( 122)	( 31)
<b>NET CHANGE IN FUND BALANCES</b>	2,528,518	-	-
<b>FUND BALANCES, BEGINNING</b>	-	107,754	26,975
<b>FUND BALANCES, ENDING</b>	\$ 2,528,518	\$ 107,754	\$ 26,975

Capital Projects			
Streets	Capital Improvements	General Obligation Series 2005	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 526,387
-	-	-	200,435
-	-	-	93,720
-	-	-	198,033
85	155	2,260	7,758
<u>-</u>	<u>-</u>	<u>-</u>	<u>21,836</u>
<u>85</u>	<u>155</u>	<u>2,260</u>	<u>1,048,169</u>
-	-	-	50,161
-	42,067	-	381,720
-	207,215	29,400	236,615
-	-	-	430,807
-	422,393	-	422,393
-	46,544	-	122,558
-	930,715	27,316	2,026,267
<u>-</u>	<u>1,648,934</u>	<u>56,716</u>	<u>3,670,521</u>
<u>85</u>	<u>( 1,648,779)</u>	<u>( 54,456)</u>	<u>( 2,622,352)</u>
-	-	-	3,390,000
-	-	-	203,780
-	2,500,000	-	2,505,000
<u>-</u>	<u>-</u>	<u>( 2,260)</u>	<u>( 83,334)</u>
<u>-</u>	<u>2,500,000</u>	<u>( 2,260)</u>	<u>6,015,446</u>
85	851,221	( 56,716)	3,393,094
<u>94,253</u>	<u>1,777,869</u>	<u>1,988,627</u>	<u>6,349,749</u>
<u>\$ 94,338</u>	<u>\$ 2,629,090</u>	<u>\$ 1,931,911</u>	<u>\$ 9,742,843</u>

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**BUDGET TO ACTUAL  
COMPARISONS**

**CITY OF DEER PARK, TEXAS**

**GENERAL FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>GENERAL GOVERNMENT</b>			
Mayor and council:			
Personnel services	\$ 15,900	\$ 15,900	\$ -
Services	42,800	50,436	( 7,636)
Supplies	<u>5,200</u>	<u>2,890</u>	<u>2,310</u>
Total mayor and council	<u>63,900</u>	<u>69,226</u>	<u>( 5,326)</u>
 City manager:			
Personnel services	460,705	453,398	7,307
Services	22,700	10,548	12,152
Supplies	15,100	5,036	10,064
Repairs and maintenance	<u>200</u>	<u>-</u>	<u>200</u>
Total City manager	<u>498,705</u>	<u>468,982</u>	<u>29,723</u>
 Boards and commissions:			
Personnel services	7,300	6,650	650
Services	6,400	2,179	4,221
Supplies	<u>1,150</u>	<u>652</u>	<u>498</u>
Total boards and commissions	<u>14,850</u>	<u>9,481</u>	<u>5,369</u>
 Municipal court:			
Personnel services	193,637	223,622	( 29,985)
Services	49,725	14,199	35,526
Supplies	11,750	10,510	1,240
Repairs and maintenance	<u>5,000</u>	<u>5,012</u>	<u>( 12)</u>
Total municipal court	<u>260,112</u>	<u>253,343</u>	<u>6,769</u>
 General government:			
Services	2,649,300	2,122,334	526,966
Supplies	121,000	74,962	46,038
Repairs and maintenance	104,000	91,376	12,624
Other operating expenditures	<u>464,168</u>	<u>297,881</u>	<u>166,287</u>
Total general government	<u>3,338,468</u>	<u>2,586,553</u>	<u>751,915</u>

**(continued)**

**CITY OF DEER PARK, TEXAS**

**GENERAL FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Legal services:			
Services	\$ 139,000	\$ 133,879	\$ 5,121
Total legal services	<u>139,000</u>	<u>133,879</u>	<u>5,121</u>
Human resources:			
Personnel services	181,225	182,619	( 1,394)
Services	32,900	4,017	28,883
Supplies	<u>7,650</u>	<u>2,277</u>	<u>5,373</u>
Total human resources	<u>221,775</u>	<u>188,913</u>	<u>32,862</u>
Information technology services:			
Personnel services	473,292	445,066	28,226
Services	255,189	225,271	29,918
Supplies	29,029	20,875	8,154
Repairs and maintenance	<u>76,300</u>	<u>76,678</u>	<u>( 378)</u>
Total information technology services	<u>833,810</u>	<u>767,890</u>	<u>65,920</u>
Accounting and finance:			
Personnel services	374,056	342,649	31,407
Services	41,368	43,329	( 1,961)
Supplies	17,475	17,442	33
Repairs and maintenance	<u>900</u>	<u>-</u>	<u>900</u>
Total accounting and finance	<u>433,799</u>	<u>403,420</u>	<u>30,379</u>
City secretary:			
Personnel services	239,016	214,475	24,541
Services	71,587	46,941	24,646
Supplies	47,040	12,921	34,119
Repairs and maintenance	<u>17,000</u>	<u>51,120</u>	<u>( 34,120)</u>
Total City secretary	<u>374,643</u>	<u>325,457</u>	<u>49,186</u>

(continued)

**CITY OF DEER PARK, TEXAS**

**GENERAL FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Warehouse:			
Personnel services	\$ 49,032	\$ 48,846	\$ 186
Services	25	-	25
Supplies	1,475	681	794
Repairs and maintenance	<u>15,750</u>	<u>4,448</u>	<u>11,302</u>
Total warehouse	<u>66,282</u>	<u>53,975</u>	<u>12,307</u>
Employee benefits:			
Personnel services	<u>6,141,076</u>	<u>5,624,466</u>	<u>516,610</u>
Total employee benefits	<u>6,141,076</u>	<u>5,624,466</u>	<u>516,610</u>
Total general government	<u>12,386,420</u>	<u>10,885,585</u>	<u>1,500,835</u>
<b>COMMUNITY DEVELOPMENT</b>			
Planning and development:			
Personnel services	1,070,938	1,037,049	33,889
Services	48,955	34,499	14,456
Supplies	81,295	66,573	14,722
Repairs and maintenance	<u>40,120</u>	<u>40,125</u>	<u>( 5)</u>
Total planning and development	<u>1,241,308</u>	<u>1,178,246</u>	<u>63,062</u>
Beautification:			
Supplies	10,000	7,700	2,300
Repairs and maintenance	<u>15,000</u>	<u>4,686</u>	<u>10,314</u>
Total beautification	<u>25,000</u>	<u>12,386</u>	<u>12,614</u>
Park operations:			
Personnel services	935,920	823,460	112,460
Services	47,000	28,192	18,808
Supplies	107,400	112,470	( 5,070)
Repairs and maintenance	<u>146,200</u>	<u>96,768</u>	<u>49,432</u>
Total park operations	<u>1,236,520</u>	<u>1,060,890</u>	<u>175,630</u>

(continued)

**CITY OF DEER PARK, TEXAS**

**GENERAL FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Recreation:			
Personnel services	\$ 933,559	\$ 880,352	\$ 53,207
Services	193,600	309,404	( 115,804)
Supplies	122,650	126,918	( 4,268)
Repairs and maintenance	<u>48,000</u>	<u>43,223</u>	<u>4,777</u>
Total recreation	<u>1,297,809</u>	<u>1,359,897</u>	<u>( 62,088)</u>
 Athletics and aquatics:			
Personnel services	224,292	218,105	6,187
Services	116,400	121,515	( 5,115)
Supplies	79,400	352,985	( 273,585)
Repairs and maintenance	<u>51,000</u>	<u>33,023</u>	<u>17,977</u>
Total athletics and aquatics	<u>471,092</u>	<u>725,628</u>	<u>( 254,536)</u>
 Senior services:			
Personnel services	162,038	146,497	15,541
Services	15,300	10,249	5,051
Supplies	198,117	166,626	31,491
Repairs and maintenance	<u>18,200</u>	<u>13,766</u>	<u>4,434</u>
Total senior services	<u>393,655</u>	<u>337,138</u>	<u>56,517</u>
 After-school program:			
Personnel services	170,000	158,017	11,983
Services	3,400	3,031	369
Supplies	<u>38,500</u>	<u>27,209</u>	<u>11,291</u>
Total after-school program	<u>211,900</u>	<u>188,257</u>	<u>23,643</u>

(continued)

**CITY OF DEER PARK, TEXAS**

**GENERAL FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Library:			
Personnel services	\$ 540,422	\$ 482,461	\$ 57,961
Services	47,035	36,677	10,358
Supplies	159,711	135,198	24,513
Repairs and maintenance	<u>13,200</u>	<u>5,055</u>	<u>8,145</u>
Total library	<u>760,368</u>	<u>659,391</u>	<u>100,977</u>
Total community development	<u>5,637,652</u>	<u>5,521,833</u>	<u>115,819</u>
<b>PUBLIC WORKS</b>			
Building maintenance:			
Personnel services	435,047	399,254	35,793
Services	2,000	-	2,000
Supplies	53,900	52,919	981
Repairs and maintenance	<u>8,400</u>	<u>3,185</u>	<u>5,215</u>
Total building maintenance	<u>499,347</u>	<u>455,358</u>	<u>43,989</u>
Sanitation:			
Personnel services	1,121,762	1,029,242	92,520
Services	752,635	629,488	123,147
Supplies	392,425	392,570	( 145)
Repairs and maintenance	<u>192,800</u>	<u>136,329</u>	<u>56,471</u>
Total sanitation	<u>2,459,622</u>	<u>2,187,629</u>	<u>271,993</u>
Street maintenance:			
Personnel services	518,174	470,305	47,869
Services	3,505	618	2,887
Supplies	98,205	106,375	( 8,170)
Repairs and maintenance	<u>333,580</u>	<u>169,602</u>	<u>163,978</u>
Total street maintenance	<u>953,464</u>	<u>746,900</u>	<u>206,564</u>

(continued)

**CITY OF DEER PARK, TEXAS**

**GENERAL FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Fleet maintenance:</b>			
Personnel services	\$ 414,421	\$ 360,165	\$ 54,256
Services	7,160	1,937	5,223
Supplies	48,860	48,679	181
Repairs and maintenance	<u>7,200</u>	<u>6,352</u>	<u>848</u>
Total fleet maintenance	<u>477,641</u>	<u>417,133</u>	<u>60,508</u>
<b>Humane division:</b>			
Personnel services	138,133	129,179	8,954
Services	2,035	1,557	478
Supplies	21,250	19,709	1,541
Repairs and maintenance	<u>4,400</u>	<u>3,190</u>	<u>1,210</u>
Total humane division	<u>165,818</u>	<u>153,635</u>	<u>12,183</u>
<b>Storm water:</b>			
Personnel services	61,563	62,788	( 1,225)
Services	44,041	29,560	14,481
Supplies	15,385	6,989	8,396
Repairs and maintenance	<u>5,000</u>	<u>2,331</u>	<u>2,669</u>
Total storm water	<u>125,989</u>	<u>101,668</u>	<u>24,321</u>
Total public works	<u>4,681,881</u>	<u>4,062,323</u>	<u>619,558</u>
<b>PUBLIC SAFETY</b>			
<b>Police:</b>			
Personnel services	5,834,952	5,438,423	396,529
Services	135,207	111,379	23,828
Supplies	301,384	300,268	1,116
Repairs and maintenance	<u>138,549</u>	<u>138,062</u>	<u>487</u>
Total police	<u>6,410,092</u>	<u>5,988,132</u>	<u>421,960</u>

(continued)

**CITY OF DEER PARK, TEXAS**

**GENERAL FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Emergency management:			
Services	\$ 23,025	\$ 21,785	\$ 1,240
Supplies	7,050	8,879	( 1,829)
Repairs and maintenance	<u>12,825</u>	<u>13,227</u>	<u>( 402)</u>
Total emergency management	<u>42,900</u>	<u>43,891</u>	<u>( 991)</u>
Fire department:			
Personnel services	910,430	881,354	29,076
Services	218,050	171,330	46,720
Supplies	122,551	116,278	6,273
Repairs and maintenance	<u>83,000</u>	<u>116,239</u>	<u>( 33,239)</u>
Total fire department	<u>1,334,031</u>	<u>1,285,201</u>	<u>48,830</u>
Ambulance:			
Services	101,075	69,650	31,425
Supplies	72,470	56,520	15,950
Repairs and maintenance	<u>12,590</u>	<u>23,396</u>	<u>( 10,806)</u>
Total ambulance	<u>186,135</u>	<u>149,566</u>	<u>36,569</u>
Fire marshal:			
Services	50,580	35,959	14,621
Supplies	6,300	7,629	( 1,329)
Repairs and maintenance	<u>2,000</u>	<u>1,537</u>	<u>463</u>
Total fire marshal	<u>58,880</u>	<u>45,125</u>	<u>13,755</u>
Total public safety	<u>8,032,038</u>	<u>7,511,915</u>	<u>520,123</u>

(continued)

**CITY OF DEER PARK, TEXAS**

**GENERAL FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>PARKS AND RECREATION</b>			
Golf course maintenance:			
Personnel services	\$ -	\$ 151	\$( 151)
Services	439,400	412,041	27,359
Supplies	48,050	43,457	4,593
Repairs and maintenance	<u>200,000</u>	<u>217,352</u>	<u>( 17,352)</u>
Total golf course maintenance	<u>687,450</u>	<u>673,001</u>	<u>14,449</u>
Clubhouse:			
Personnel services	381,784	331,077	50,707
Services	128,350	147,845	( 19,495)
Supplies	23,550	44,760	( 21,210)
Repairs and maintenance	36,100	36,248	( 148)
Other operating expenditures	<u>76,000</u>	<u>104,826</u>	<u>( 28,826)</u>
Total clubhouse	<u>645,784</u>	<u>664,756</u>	<u>( 18,972)</u>
Restaurant:			
Personnel services	260,113	257,603	2,510
Services	35,790	33,163	2,627
Supplies	334,660	320,193	14,467
Repairs and maintenance	2,500	5,278	( 2,778)
Other operating expenditures	<u>25,200</u>	<u>11,060</u>	<u>14,140</u>
Total restaurant	<u>658,263</u>	<u>627,297</u>	<u>30,966</u>
Total parks and recreation	<u>1,991,497</u>	<u>1,965,054</u>	<u>26,443</u>
Total expenditures	<u>32,729,488</u>	<u>29,946,710</u>	<u>2,782,778</u>
<b>SUMMARY BY OBJECT</b>			
Personnel services	22,248,787	20,663,173	1,585,614
Services	5,725,537	4,863,012	862,525
Supplies	2,599,982	2,669,150	( 69,168)
Repairs and maintenance	1,589,814	1,337,608	252,206
Other operating expenditures	<u>565,368</u>	<u>413,767</u>	<u>151,601</u>
Total	<u>\$ 32,729,488</u>	<u>\$ 29,946,710</u>	<u>\$ 2,782,778</u>

**CITY OF DEER PARK, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Taxes:			
Property	\$ 3,823,046	\$ 4,001,657	\$ 178,611
Investment earnings	<u>5,000</u>	<u>4,822</u>	<u>( 178)</u>
Total revenues	<u>3,828,046</u>	<u>4,006,479</u>	<u>178,433</u>
<b>EXPENDITURES</b>			
Debt service:			
Principal	2,745,000	6,305,000	( 3,560,000)
Interest and other charges	<u>1,416,641</u>	<u>1,739,457</u>	<u>( 322,816)</u>
Total expenditures	<u>4,161,641</u>	<u>8,044,457</u>	<u>( 3,882,816)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 333,595)</u>	<u>( 4,037,978)</u>	<u>( 3,704,383)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding bonds issued	-	3,490,000	3,490,000
Premium on issuance of bonds	-	150,098	150,098
Transfers in	<u>228,820</u>	<u>651,192</u>	<u>422,372</u>
Total other financing sources	<u>228,820</u>	<u>4,291,290</u>	<u>4,062,470</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 104,775)	253,312	358,087
<b>FUND BALANCE, BEGINNING</b>	<u>1,734,892</u>	<u>1,734,892</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 1,630,117</u>	<u>\$ 1,988,204</u>	<u>\$ 358,087</u>

**CITY OF DEER PARK, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**HOTEL/MOTEL OCCUPANCY TAX FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Hotel/motel occupancy taxes	\$ 425,993	\$ 526,387	\$ 100,394
Total revenues	<u>425,993</u>	<u>526,387</u>	<u>100,394</u>
<b>EXPENDITURES</b>			
Current:			
Community development	389,307	334,397	54,910
Capital outlay	<u>535,000</u>	<u>78,988</u>	<u>456,012</u>
Total expenditures	<u>924,307</u>	<u>413,385</u>	<u>510,922</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 498,314)</u>	<u>113,002</u>	<u>611,316</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>( 31,000)</u>	<u>( 31,000)</u>	<u>-</u>
Total other financing sources	<u>( 31,000)</u>	<u>( 31,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 529,314)</u>	<u>82,002</u>	<u>611,316</u>
<b>FUND BALANCE, BEGINNING</b>	<u>837,011</u>	<u>837,011</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 307,697</u>	<u>\$ 919,013</u>	<u>\$ 611,316</u>

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# STATISTICAL SECTION

This part of the City's 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.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	87
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.	95
Debt Capacity 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.	100
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	105
Operating Information 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.	107

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

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**CITY OF DEER PARK, TEXAS**

**NET ASSETS BY COMPONENT**

**LAST TEN FISCAL YEARS**

(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities:</b>										
Invested in capital assets, net of related debt	\$ 12,629,534	\$ 17,136,716	\$ 18,087,330	\$ 23,422,416	\$ 23,625,083	\$ 28,350,164	\$ 32,072,611	\$ 29,888,865	\$ 30,587,182	\$ 29,597,630
Restricted	5,104,167	1,912,492	1,888,554	2,448,995	2,850,158	3,460,684	4,788,311	4,491,224	4,102,964	4,574,770
Unrestricted	<u>2,182,807</u>	<u>1,952,988</u>	<u>3,271,660</u>	<u>4,811,771</u>	<u>9,701,580</u>	<u>13,373,367</u>	<u>15,775,137</u>	<u>12,191,299</u>	<u>11,159,636</u>	<u>13,180,581</u>
<b>Total governmental   activities net assets</b>	<u>\$ 19,916,508</u>	<u>\$ 21,002,196</u>	<u>\$ 23,247,544</u>	<u>\$ 30,683,182</u>	<u>\$ 36,176,821</u>	<u>\$ 45,184,215</u>	<u>\$ 52,636,059</u>	<u>\$ 46,571,388</u>	<u>\$ 45,849,782</u>	<u>\$ 47,352,981</u>
<b>Business-type activities:</b>										
Invested in capital assets, net of related debt	\$ 8,319,157	\$ 13,692,529	\$ 15,061,049	\$ 10,654,013	\$ 11,447,994	\$ 11,928,085	\$ 12,218,032	\$ 12,218,032	\$ 15,512,082	\$ 20,056,649
Unrestricted	<u>11,333,992</u>	<u>5,682,234</u>	<u>4,597,501</u>	<u>4,052,406</u>	<u>3,159,901</u>	<u>3,027,361</u>	<u>2,778,534</u>	<u>5,684,466</u>	<u>5,293,599</u>	<u>5,869,151</u>
<b>Total business-type   activities net assets</b>	<u>\$ 19,653,149</u>	<u>\$ 19,374,763</u>	<u>\$ 19,658,550</u>	<u>\$ 14,706,419</u>	<u>\$ 14,607,895</u>	<u>\$ 14,955,446</u>	<u>\$ 14,996,566</u>	<u>\$ 17,902,498</u>	<u>\$ 20,805,681</u>	<u>\$ 25,925,800</u>
<b>Primary government:</b>										
Invested in capital assets, net of related debt	\$ 20,948,691	\$ 30,829,245	\$ 33,148,379	\$ 34,076,429	\$ 35,073,077	\$ 40,278,249	\$ 44,290,643	\$ 42,106,897	\$ 46,099,264	\$ 49,654,279
Restricted	5,104,167	1,912,492	1,888,554	2,448,995	2,850,158	3,460,684	4,788,311	4,491,224	4,102,964	4,574,770
Unrestricted	<u>13,516,799</u>	<u>7,635,222</u>	<u>7,869,161</u>	<u>8,864,177</u>	<u>12,861,481</u>	<u>16,400,728</u>	<u>18,553,671</u>	<u>17,875,765</u>	<u>16,453,235</u>	<u>19,049,732</u>
<b>Total primary   government net assets</b>	<u>\$ 39,569,657</u>	<u>\$ 40,376,959</u>	<u>\$ 42,906,094</u>	<u>\$ 45,389,601</u>	<u>\$ 50,784,716</u>	<u>\$ 60,139,661</u>	<u>\$ 67,632,625</u>	<u>\$ 64,473,886</u>	<u>\$ 66,655,463</u>	<u>\$ 73,278,781</u>

# CITY OF DEER PARK, TEXAS

## CHANGES IN NET ASSETS

### LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
<b>EXPENSES</b>				
Governmental activities:				
General government	\$ 6,923,904	\$ 7,284,490	\$ 7,529,534	\$ 8,373,235
Public safety	5,261,918	5,404,921	5,877,232	6,252,445
Public works	4,163,713	4,357,156	4,507,203	5,259,922
Parks and recreation	-	-	-	2,148,365
Community development	4,582,281	4,710,933	4,602,280	4,933,184
Interest on long-term debt	<u>1,291,022</u>	<u>1,236,950</u>	<u>1,287,617</u>	<u>1,355,043</u>
Total governmental activities expenses	<u>22,222,838</u>	<u>22,994,450</u>	<u>23,803,866</u>	<u>28,322,194</u>
Business-type activities:				
Water and sewer	6,181,061	6,073,686	6,274,817	7,099,200
Golf course	<u>2,392,797</u>	<u>2,171,892</u>	<u>2,162,330</u>	<u>-</u>
Total business-type activities expenses	<u>8,573,858</u>	<u>8,245,578</u>	<u>8,437,147</u>	<u>7,099,200</u>
Total primary government program expenses	<u>\$ 30,796,696</u>	<u>\$ 31,240,028</u>	<u>\$ 32,241,013</u>	<u>\$ 35,421,394</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Charges for services:				
General government	\$ 74,059	\$ 913,865	\$ 993,383	\$ 730,882
Public safety	887,620	831,667	856,307	944,397
Public works	489,025	257,997	238,526	273,095
Parks and recreation	-	-	-	1,649,563
Community development	761,762	195,720	334,666	-
Operating grants and contributions	607,761	426,219	719,134	168,513
Capital grants and contributions	<u>-</u>	<u>15,034</u>	<u>7,478</u>	<u>-</u>
Total governmental activities program revenues	<u>2,820,227</u>	<u>2,640,502</u>	<u>3,149,494</u>	<u>3,766,450</u>
Business-type activities:				
Charges for services:				
Water and sewer	6,500,856	6,524,697	7,204,119	7,396,257
Golf course*	<u>1,519,757</u>	<u>1,358,566</u>	<u>1,100,002</u>	<u>-</u>
Total business-type activities program revenues	<u>8,020,613</u>	<u>7,883,263</u>	<u>8,304,121</u>	<u>7,396,257</u>
Total primary government program revenues	<u>\$ 10,840,840</u>	<u>\$ 10,523,765</u>	<u>\$ 11,453,615</u>	<u>\$ 11,162,707</u>

TABLE 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 8,846,111	\$ 9,470,146	\$ 10,966,814	\$ 14,132,823	\$ 13,666,778	\$ 11,708,476
6,885,057	7,921,413	10,285,816	9,585,147	8,927,783	9,077,372
6,297,724	5,332,621	5,925,540	6,030,222	5,592,366	6,053,467
2,121,981	2,092,772	2,690,654	2,158,444	2,154,431	2,436,909
5,280,164	6,486,732	6,921,903	6,578,378	6,443,264	6,483,611
1,168,616	1,482,204	1,390,366	1,437,830	1,606,938	1,642,422
<u>30,599,653</u>	<u>32,785,888</u>	<u>38,181,093</u>	<u>39,922,844</u>	<u>38,391,560</u>	<u>37,402,257</u>
6,996,091	7,168,771	8,061,221	7,690,164	7,822,999	7,490,715
-	-	-	-	-	-
<u>6,996,091</u>	<u>7,168,771</u>	<u>8,061,221</u>	<u>7,690,164</u>	<u>7,822,999</u>	<u>7,490,715</u>
<u>\$ 37,595,744</u>	<u>\$ 39,954,659</u>	<u>\$ 46,242,314</u>	<u>\$ 47,613,008</u>	<u>\$ 46,214,559</u>	<u>\$ 44,892,972</u>
\$ 726,640	\$ 941,187	\$ 677,102	\$ 40,164	\$ 50,603	\$ 82,593
1,260,784	1,485,861	1,972,693	1,738,943	1,967,043	2,535,052
299,569	340,962	378,650	401,748	502,163	535,228
1,645,628	1,901,120	2,268,422	1,487,907	1,601,366	1,645,362
-	-	-	1,202,284	1,498,581	1,567,354
201,151	732,275	2,884,838	161,293	398,737	279,697
-	-	-	-	56,237	1,460,218
<u>4,133,772</u>	<u>5,401,405</u>	<u>8,181,705</u>	<u>5,032,339</u>	<u>6,074,730</u>	<u>8,105,504</u>
7,126,559	7,497,682	8,084,177	8,041,795	10,942,116	9,873,528
-	-	-	-	-	-
<u>7,126,559</u>	<u>7,497,682</u>	<u>8,084,177</u>	<u>8,041,795</u>	<u>10,942,116</u>	<u>9,873,528</u>
<u>\$ 11,260,331</u>	<u>\$ 12,899,087</u>	<u>\$ 16,265,882</u>	<u>\$ 13,074,134</u>	<u>\$ 17,016,846</u>	<u>\$ 17,979,032</u>

(continued)

**CITY OF DEER PARK, TEXAS**

**CHANGES IN NET ASSETS  
(Continued)  
LAST TEN FISCAL YEARS**

	Fiscal Year			
	2004	2004	2005	2006*
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	\$( 19,402,611)	\$( 20,353,948)	\$( 20,654,372)	\$( 24,555,744)
Business-type activities	<u>( 553,245)</u>	<u>( 362,315)</u>	<u>( 133,026)</u>	<u>297,057</u>
Total primary government net expense	<u>( 19,955,856)</u>	<u>( 20,716,263)</u>	<u>( 20,787,398)</u>	<u>( 24,258,687)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>				
Governmental activities:				
Taxes				
Property	8,268,017	7,664,017	8,320,136	9,062,891
Industrial district	8,245,153	8,877,754	9,450,425	10,975,837
Franchise	1,664,306	1,595,409	1,687,079	1,718,725
Sales and use	2,165,812	2,565,923	2,862,023	3,272,524
Hotel occupancy	63,713	148,389	203,217	240,612
Investment earnings	152,260	460,207	399,782	798,037
Miscellaneous	59,213	128,104	266,466	476,569
Gain on sale of asset	-	-	-	-
Transfers	<u>( 3,499,131)</u>	<u>( 167)</u>	<u>( 289,408)</u>	<u>437,816</u>
Total governmental activities	<u>17,119,343</u>	<u>21,439,636</u>	<u>22,899,720</u>	<u>26,983,011</u>
Business-type activities:				
Investment earnings	156,778	83,762	127,405	196,999
Transfers	<u>3,499,131</u>	<u>167</u>	<u>289,408</u>	<u>( 437,816)</u>
Total business-type activities	<u>3,655,909</u>	<u>83,929</u>	<u>416,813</u>	<u>( 240,817)</u>
Total primary government	<u>20,775,252</u>	<u>21,523,565</u>	<u>23,316,533</u>	<u>26,742,194</u>
<b>CHANGE IN NET ASSETS</b>				
Governmental activities	( 2,283,268)	1,085,688	2,245,348	2,427,267
Business-type activities	<u>3,102,664</u>	<u>( 278,386)</u>	<u>283,787</u>	<u>56,240</u>
Total primary government	<u>\$ 819,396</u>	<u>\$ 807,302</u>	<u>\$ 2,529,135</u>	<u>\$ 2,483,507</u>

\* The City moved the golf course into the General Fund beginning in fiscal year 2006; it was an Enterprise Fund in past reporting years.

**TABLE 2**

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$( 26,465,881)	\$( 27,384,483)	\$( 29,999,388)	\$( 34,890,505)	\$( 32,316,830)	\$( 29,296,753)
<u>130,468</u>	<u>328,911</u>	<u>22,956</u>	<u>351,631</u>	<u>3,119,117</u>	<u>2,382,813</u>
<u>( 26,335,413)</u>	<u>( 27,055,572)</u>	<u>( 29,976,432)</u>	<u>( 34,538,874)</u>	<u>( 29,197,713)</u>	<u>( 26,913,940)</u>
9,757,032	11,292,933	11,807,444	12,000,370	12,234,105	13,099,300
14,428,111	16,185,476	17,988,792	12,986,530	12,346,943	12,894,626
1,668,001	1,839,383	1,748,053	2,063,774	1,932,237	2,209,371
3,715,143	4,109,314	4,564,184	4,069,523	4,221,452	4,746,096
277,471	334,112	404,561	403,983	455,166	526,387
1,084,019	906,857	225,077	65,499	41,978	47,460
616,253	439,524	479,596	222,660	83,875	11,714
-	-	233,525	66,794	60,948	-
<u>413,490</u>	<u>73,914</u>	<u>-</u>	<u>( 2,550,000)</u>	<u>218,520</u>	<u>( 2,735,002)</u>
<u>31,959,520</u>	<u>35,181,513</u>	<u>37,451,232</u>	<u>29,329,133</u>	<u>31,595,224</u>	<u>30,799,952</u>
184,498	92,554	18,164	4,301	2,586	2,304
<u>( 413,490)</u>	<u>( 73,914)</u>	<u>-</u>	<u>2,550,000</u>	<u>( 218,520)</u>	<u>2,735,002</u>
<u>( 228,992)</u>	<u>18,640</u>	<u>18,164</u>	<u>2,554,301</u>	<u>( 215,934)</u>	<u>2,737,306</u>
<u>31,730,528</u>	<u>35,200,153</u>	<u>37,469,396</u>	<u>31,883,434</u>	<u>31,379,290</u>	<u>33,537,258</u>
5,493,639	7,797,030	7,451,844	( 5,561,372)	( 721,606)	1,503,199
<u>( 98,524)</u>	<u>347,551</u>	<u>41,120</u>	<u>2,905,932</u>	<u>2,903,183</u>	<u>5,120,119</u>
<u>\$ 5,395,115</u>	<u>\$ 8,144,581</u>	<u>\$ 7,492,964</u>	<u>\$( 2,655,440)</u>	<u>\$ 2,181,577</u>	<u>\$ 6,623,318</u>

TABLE 3

## CITY OF DEER PARK, TEXAS

FUND BALANCES  
GOVERNMENTAL FUNDSLAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund:										
Reserved	\$ 225,114	\$ 111,410	\$ 121,679	\$ 197,462	\$ 190,484	\$ 271,282	\$ 236,031	\$ 207,006	\$ -	\$ -
Unreserved	1,663,978	1,935,060	2,927,924	4,280,006	9,255,848	11,715,534	16,188,960	15,247,265	-	-
Nonspendable	-	-	-	-	-	-	-	-	196,355	197,244
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	3,526,731	257,974
Unassigned	-	-	-	-	-	-	-	-	10,825,327	17,011,377
Total general fund	<u>\$ 1,889,092</u>	<u>\$ 2,046,470</u>	<u>\$ 3,049,603</u>	<u>\$ 4,477,468</u>	<u>\$ 9,446,332</u>	<u>\$ 11,986,816</u>	<u>\$ 16,424,991</u>	<u>\$ 15,454,271</u>	<u>\$ 14,548,413</u>	<u>\$ 17,466,595</u>
All other governmental funds:										
Unreserved, reported in:										
Special revenue funds	\$ 1,427,165	\$ 496,432	\$ 688,671	\$ 960,021	\$ 1,337,703	\$ 1,339,195	\$ 2,563,441	\$ 2,402,716	\$ -	\$ -
Capital projects funds	2,647,392	559,154	8,859,792	6,979,305	4,359,127	12,099,991	10,392,992	14,657,635	-	-
Debt service funds	1,049,345	1,014,631	1,026,306	1,282,720	1,343,259	2,053,462	2,081,520	2,088,508	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	2,914
Restricted	-	-	-	-	-	-	-	-	17,947,247	19,349,008
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	2,118,012	2,995,806
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 5,123,902</u>	<u>\$ 2,070,217</u>	<u>\$ 10,574,769</u>	<u>\$ 9,222,046</u>	<u>\$ 7,040,089</u>	<u>\$ 15,492,648</u>	<u>\$ 15,037,953</u>	<u>\$ 19,148,859</u>	<u>\$ 20,065,259</u>	<u>\$ 22,347,728</u>

Notes: In 2005, there was an increase in fund balances due to an increase in industrial district revenues and property taxes from continued residential and industrial development.

The City implemented GASB Statement No. 54 in 2011, which changed the fund balance classifications reported in governmental funds. Descriptive information on the new fund balance classifications is included in the notes to the financial statements.

## CITY OF DEER PARK, TEXAS

CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDSLAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004*	2005	2006**	2007	2008	2009	2010	2011	2012
<b>REVENUES</b>										
Taxes	\$ 20,496,612	\$ 20,953,802	\$ 22,517,235	\$ 25,230,868	\$ 29,935,611	\$ 33,749,045	\$ 36,553,195	\$ 31,905,813	\$ 31,189,903	\$ 33,551,435
Licenses and permits	-	388,412	402,108	452,092	384,435	470,155	307,496	314,313	436,015	510,790
Fines and penalties	438,810	565,297	589,176	482,656	786,887	997,669	821,479	877,761	1,092,230	1,481,641
Charges for services	1,266,925	1,254,900	1,310,706	2,657,807	2,746,918	3,048,303	3,852,637	3,379,201	3,709,536	4,087,613
Intergovernmental	601,414	447,270	402,215	160,548	207,765	862,631	2,872,735	148,847	389,558	1,681,588
Donations	-	-	-	-	-	-	-	-	-	100,000
Investment earnings	152,261	92,969	393,802	798,037	1,084,019	906,857	225,077	65,499	41,978	47,460
Other revenues	536,093	440,966	670,749	476,569	616,253	439,524	492,997	525,932	401,843	330,965
Total revenues	<u>23,492,115</u>	<u>24,143,616</u>	<u>26,285,991</u>	<u>30,258,577</u>	<u>35,761,888</u>	<u>40,474,184</u>	<u>45,125,616</u>	<u>37,217,366</u>	<u>37,261,063</u>	<u>41,791,492</u>
<b>EXPENDITURES</b>										
General government	6,859,807	7,202,073	7,355,326	8,203,956	8,679,456	9,318,538	10,596,083	11,430,086	11,016,985	10,935,746
Community development	4,510,591	4,560,205	4,423,327	4,830,599	5,173,478	5,884,062	6,385,331	6,183,270	6,038,050	5,940,733
Public works	3,238,749	3,397,297	3,458,603	4,150,623	5,046,305	4,064,345	4,161,980	4,534,506	4,172,122	4,298,938
Parks and recreation	-	-	-	1,701,193	1,625,298	1,954,878	2,095,437	1,846,217	1,940,202	1,965,054
Public safety	5,161,513	5,080,277	5,479,772	5,914,796	6,459,075	7,413,815	9,112,933	8,845,527	8,216,278	7,965,646
Debt service:										
Principal	1,352,514	2,353,827	1,427,443	1,360,156	2,427,894	2,441,398	2,496,678	2,366,966	2,894,789	6,727,393
Interest	2,306,169	1,236,950	2,502,449	2,388,435	1,185,640	1,640,406	1,409,628	1,527,530	1,694,234	1,862,015
Capital outlay	<u>3,557,476</u>	<u>4,173,239</u>	<u>1,313,948</u>	<u>2,780,356</u>	<u>3,542,429</u>	<u>7,794,339</u>	<u>5,152,641</u>	<u>6,126,024</u>	<u>1,807,005</u>	<u>4,968,526</u>
Total expenditures	<u>26,986,819</u>	<u>28,003,868</u>	<u>25,960,868</u>	<u>31,330,114</u>	<u>34,139,575</u>	<u>40,511,781</u>	<u>41,410,711</u>	<u>42,860,126</u>	<u>37,779,665</u>	<u>44,664,051</u>

(continued)

TABLE 4

**CITY OF DEER PARK, TEXAS**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**(Continued)**  
**LAST TEN FISCAL YEARS**

	Fiscal Year									
	2003	2004*	2005	2006**	2007	2008	2009	2010	2011	2012
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$( 3,494,704)	\$( 3,860,252)	\$ 325,123	\$( 1,071,537)	\$ 1,622,313	\$( 37,597)	\$ 3,714,905	\$( 5,642,760)	\$( 518,602)	\$( 2,872,559)
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds from the issuance of debt	-	964,111	9,349,162	568,307	-	14,305,000	-	7,805,000	-	3,390,000
Proceeds from capital lease	-	-	-	-	751,104	947,434	-	1,005,441	249,676	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	84,469	-	-
Refunding bonds issued	-	-	4,670,000	-	-	-	-	6,295,000	-	3,490,000
Premium on issuance of bonds	-	-	170,439	-	-	261,555	-	650,160	-	353,878
Payments to escrow accounts	-	-	( 4,717,631)	-	-	( 4,557,262)	-	( 4,007,637)	-	-
Proceeds from insurance recovery	-	-	-	-	-	-	268,575	3,812	-	23,252
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	60,948	91,082
Transfers in	824,009	936,351	635,920	1,000,141	835,855	2,921,623	1,728,615	2,092,866	3,822,395	3,326,889
Transfers out	( 4,323,140)	( 936,517)	( 925,328)	( 562,325)	( 422,365)	( 2,847,709)	( 1,728,615)	( 4,642,866)	( 3,603,875)	( 2,601,891)
Total other financing sources (uses)	( 3,499,131)	963,945	9,182,562	1,006,123	1,164,594	11,030,641	268,575	9,286,245	529,144	8,073,210
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$( 6,993,835)</u>	<u>\$( 2,896,307)</u>	<u>\$ 9,507,685</u>	<u>\$( 65,414)</u>	<u>\$ 2,786,907</u>	<u>\$ 10,993,044</u>	<u>\$ 3,983,480</u>	<u>\$ 3,643,485</u>	<u>\$ 10,542</u>	<u>\$ 5,200,651</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<u>15.6%</u>	<u>15.1%</u>	<u>15.9%</u>	<u>13.1%</u>	<u>11.8%</u>	<u>12.5%</u>	<u>10.8%</u>	<u>10.6%</u>	<u>12.8%</u>	<u>21.6%</u>

\* Licenses and permits became a separate line item in fiscal year 2004.

\*\* Parks and recreation became a department of the general fund in fiscal year 2006; it was previously reported as an enterprise fund.

**CITY OF DEER PARK, TEXAS**

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Less: Tax-exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>
2003	\$ 887,070,640	\$ 351,783,020	\$ 30,213,570	\$ 249,038,320	\$ 1,020,028,910	\$ 0.699	\$ 7,130,002
2004	946,883,030	369,251,280	33,952,320	267,884,940	1,082,201,690	0.700	7,575,412
2005	990,263,860	395,216,480	31,934,010	270,600,710	1,146,813,640	0.720	8,257,058
2006	1,058,375,190	576,558,105	26,918,080	432,200,585	1,229,650,790	0.720	8,853,486
2007	1,137,850,873	562,065,036	110,248,289	453,353,254	1,356,810,944	0.720	9,769,039
2008	1,244,699,984	705,981,148	88,869,368	491,174,863	1,548,375,637	0.720	10,916,048
2009	1,319,584,117	732,397,906	150,255,998	529,066,640	1,673,171,381	0.705	11,795,858
2010	1,315,124,845	858,463,574	156,543,513	581,449,244	1,748,682,688	0.705	12,328,213
2011	1,306,933,609	857,667,514	152,160,115	585,462,472	1,731,298,766	0.705	12,205,656
2012	1,318,375,083	905,226,326	189,306,565	605,716,400	1,807,191,574	0.720	13,011,779

Source: Harris County Appraisal District and City of Deer Park Tax Office.

**TABLE 6**

**CITY OF DEER PARK, TEXAS**

**INDUSTRIAL DISTRICT VALUATION, BILLING, COLLECTIONS, AND PERCENTAGE COLLECTED**

**LAST TEN FISCAL YEARS**

<u>Fiscal</u>	<u>*Approximate Taxable Value</u>	<u>Industrial District % Taxable Per Contract</u>	<u>*Approximate Adjusted Taxable Value</u>	<u>Tax Rate</u>	<u>Amount Billed</u>	<u>Amount Collected</u>	<u>% Collected</u>
2003	\$ 2,054,864,943	63%	\$ 1,294,564,914	\$ 0.699	\$ 9,049,009	\$ 9,047,428	99.983%
2004	2,012,016,281	63%	1,267,570,257	0.700	8,872,992	8,872,308	99.992%
2005	2,084,219,757	63%	1,313,058,447	0.720	9,454,021	9,450,425	99.962%
2006	2,419,822,028	63%	1,524,487,878	0.720	10,976,313	10,975,837	99.996%
2007	3,181,290,507	63%	2,004,213,019	0.720	14,430,334	14,428,293	99.986%
2008	3,569,008,272	63%	2,248,475,211	0.720	16,189,022	16,185,295	99.977%
2009	4,050,195,673	63%	2,551,623,274	0.705	17,988,944	17,988,792	99.999%
2010	2,923,906,219	63%	1,842,060,918	0.705	12,986,529	12,986,529	100.000%
2011	2,779,913,092	63%	1,751,345,248	0.705	12,346,984	12,346,943	100.000%
2012	2,842,731,040	63%	1,790,920,555	0.720	12,894,628	12,894,625	100.000%

\* The "Approximate Taxable Value" and "Approximate Adjusted Taxable Value" are based on an average rate which does not take into effect new construction in the Industrial District.

**CITY OF DEER PARK, TEXAS**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN FISCAL YEARS**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City of Deer Park by fund:										
General	\$ 0.554000	\$ 0.554000	\$ 0.554000	\$ 0.540000	\$ 0.540000	\$ 0.511000	\$ 0.511000	\$ 0.511000	\$ 0.498100	\$ 0.498100
Debt service	<u>0.145000</u>	<u>0.146000</u>	<u>0.166000</u>	<u>0.180000</u>	<u>0.180000</u>	<u>0.209000</u>	<u>0.194000</u>	<u>0.194000</u>	<u>0.206900</u>	<u>0.221900</u>
	<u>0.699000</u>	<u>0.700000</u>	<u>0.720000</u>	<u>0.720000</u>	<u>0.720000</u>	<u>0.720000</u>	<u>0.705000</u>	<u>0.705000</u>	<u>0.705000</u>	<u>0.720000</u>
Deer Park I.S.D.	1.803500	1.807100	1.805500	1.805500	1.662300	1.336700	1.317650	1.366700	1.396700	1.396700
Harris County	0.383900	0.388140	0.399860	0.399860	0.402390	0.392390	0.389230	0.392240	0.388050	0.391170
Harris County Department of Education	0.006290	0.006290	0.006290	0.006296	0.006290	0.005850	0.005840	0.006050	0.006581	0.006581
Harris County Flood Control District	0.047600	0.041740	0.033180	0.033220	0.032410	0.031060	0.030860	0.029220	0.029230	0.028090
Harris County Hospital District	0.190210	0.190210	0.190210	0.190210	0.192160	0.192160	0.192160	0.192160	0.192160	0.192160
Harris County Port of Houston Authority	0.018300	0.019890	0.016730	0.014740	0.013020	0.014370	0.017730	0.016360	0.020540	0.018560
San Jacinto Community College District	<u>0.130700</u>	<u>0.139130</u>	<u>0.139130</u>	<u>0.145360</u>	<u>0.145370</u>	<u>0.145370</u>	<u>0.163410</u>	<u>0.170800</u>	<u>0.176277</u>	<u>0.185602</u>
	<u>\$ 3.279500</u>	<u>\$ 3.292500</u>	<u>\$ 3.310900</u>	<u>\$ 3.315186</u>	<u>\$ 3.173940</u>	<u>\$ 2.837900</u>	<u>\$ 2.821880</u>	<u>\$ 2.878530</u>	<u>\$ 2.914538</u>	<u>\$ 2.938863</u>

Source: Harris County Appraisal District.

Note: Tax rates are per \$100 of assessed valuation.

## CITY OF DEER PARK, TEXAS

## PRINCIPAL PROPERTY TAXPAYERS

## CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2012		2003	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Quarter Turn Resources, Inc.	\$ 25,490,458	1.41%	\$ -	- %
Hertz Equipment Rental	21,297,933	1.18%	-	- %
Wal-Mart	19,376,409	1.07%	-	- %
Centerpoint Energy, Inc.	15,328,639	0.85%	12,785,240	1.25%
ITCR Deer Park Ltd Partnership	14,351,886	0.79%	12,540,500	1.23%
Aquilex Hydrochem, Inc.	12,607,783	0.70%	-	- %
Laufen International, Inc.	11,786,082	0.65%	-	- %
GSL Constructors, Ltd.	11,559,338	0.64%	-	- %
Atlas Copco North America LLC Partnership Underwood, LP	11,193,900	0.62%	-	- %
Noltex, LLC	-	- %	21,618,300	2.12%
HydroChem	-	- %	14,910,790	1.46%
Southwestern Bell	-	- %	10,117,170	0.99%
Insigna Management	-	- %	7,112,900	0.70%
Triad Senior Living	-	- %	7,344,030	0.72%
Intergroup Casa Maria	-	- %	7,405,670	0.73%
SSE Manufacturing, Inc.	-	- %	5,819,560	0.57%
Flexitallic Gasket	-	- %	5,406,130	0.53%
Total	\$ <u>153,057,789</u>	<u>8.47%</u>	\$ <u>105,060,290</u>	<u>10.30%</u>
Total	\$ <u>1,807,191,574</u>		\$ <u>1,020,028,910</u>	

Source: Harris County Appraisal District and City of Deer Park Tax Office.

TABLE 9

**CITY OF DEER PARK, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected With the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 7,146,816	\$ 6,966,991	97.48%	\$ 1,651	\$ 6,968,642	97.51%
2004	7,578,875	7,492,634	98.86%	1,831	7,494,465	98.89%
2005	8,247,625	8,116,766	98.41%	1,610	8,118,376	98.43%
2006	8,860,495	8,720,758	98.42%	5,773	8,726,531	98.49%
2007	9,769,039	9,563,436	97.90%	7,647	9,571,083	97.97%
2008	11,172,300	10,973,053	98.22%	11,391	10,984,444	98.32%
2009	11,897,387	11,579,783	97.33%	44,319	11,624,102	97.70%
2010	12,366,491	12,159,307	98.32%	88,372	12,247,679	99.04%
2011	12,228,677	12,036,460	98.43%	116,942	12,153,402	99.38%
2012	13,043,054	12,841,027	98.45%	-	12,841,027	98.45%

Source: Harris County Appraisal District and City of Deer Park Tax Office.

**TABLE 10**

**CITY OF DEER PARK, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Water Revenue Bonds	Capital Leases			
2003	\$ 19,485,000	\$ 3,600,000	\$ 940,065	\$ 22,430,000	\$ 51,312	\$ 46,506,377	N/A	\$ 1,625
2004	17,865,000	3,375,000	470,912	18,500,000	40,043	40,250,955	N/A	1,372
2005	25,535,000	3,150,000	1,074,132	17,270,000	10,645	47,039,777	N/A	1,571
2006	23,875,000	2,925,000	1,149,649	16,045,000	-	43,994,649	N/A	1,469
2007	22,205,000	2,700,000	1,325,293	14,825,000	-	41,055,293	N/A	1,371
2008	30,590,000	2,300,000	1,695,189	13,610,000	-	48,195,189	N/A	1,578
2009	28,725,000	2,230,000	1,130,649	12,400,000	-	44,485,649	N/A	1,428
2010	29,200,000	9,965,000	1,834,124	8,645,000	-	49,644,124	N/A	1,551
2011	26,785,000	9,890,000	1,679,561	7,745,000	216,834	46,316,395	N/A	1,447
2012	27,750,000	12,960,000	1,257,169	3,395,000	168,743	45,530,912	N/A	1,408

N/A - This information is currently not available.

Notes: See Table15 for personal income and population data.

Additional information about the City's outstanding debt is included in the notes to the financial statements.

## CITY OF DEER PARK, TEXAS

## RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

## LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total		
2003	\$ 19,485,000	\$ 1,049,345	\$ 18,435,655	1.81%	\$ 644
2004	17,865,000	1,014,631	16,850,369	1.56%	574
2005	25,535,000	1,026,306	24,508,694	2.14%	818
2006	23,875,000	1,282,720	22,592,280	1.84%	754
2007	24,905,000	1,343,259	23,561,741	1.92%	787
2008	30,590,000	2,053,462	28,536,538	1.84%	934
2009	28,725,000	2,278,722	26,446,278	1.58%	866
2010	29,200,000	2,088,508	27,111,492	1.55%	847
2011	26,785,000	1,734,892	25,050,108	1.45%	783
2012	27,750,000	1,988,204	25,761,796	1.43%	797

## Notes:

Additional information about the City's outstanding debt is included in the notes to the financial statements.

See Table 5 for property value data.

See Table 15 for population data.

## CITY OF DEER PARK, TEXAS

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2012

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes:			
Deer Park Independent School District	\$ 225,555,000	22.46%	\$ 50,659,653
Harris County	2,552,301,629	0.62%	15,824,270
Harris County Department of Education	6,440,715	0.62%	39,932
Harris County Flood Control District	680,090,000	0.62%	4,216,558
Harris County Hospital District	276,394,000	0.62%	1,713,643
Port of Houston Authority of Harris County	745,874,000	0.62%	4,624,419
San Jacinto Community College District	318,240,695	4.20%	<u>13,366,109</u>
Subtotal overlapping debt			90,444,584
City direct debt			<u>27,750,000</u>
Total direct and overlapping debt			<u>\$ 118,194,584</u>

Sources: Texas Municipal Reports and Governmental Units.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Deer Park. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident--and therefore responsible for repaying the debt--of each overlapping government.

**CITY OF DEER PARK, TEXAS**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**

		Legal Debt Margin Calculation for Fiscal Year 2012										
		Assessed value										\$ 1,807,191,574
		Debt limit (10% of assessed value)										180,719,157
		Debt applicable to limit:										
		General obligation bonds										27,750,000
		Less: Amount set aside for repayment of general obligation debt										<u>1,988,204</u>
		Total net debt applicable to limit										<u>25,761,796</u>
		Legal debt margin										<u>\$ 154,957,361</u>
		Fiscal Year										
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Debt limit	\$	102,278,973	\$ 108,201,316	\$ 114,491,670	\$ 132,614,400	\$ 135,681,094	\$ 154,837,564	\$ 168,338,508	\$ 174,868,269	\$ 173,129,877	\$ 180,719,157	
Total net debt applicable to limit		<u>22,035,655</u>	<u>20,225,369</u>	<u>27,670,882</u>	<u>25,517,280</u>	<u>23,561,741</u>	<u>28,536,538</u>	<u>26,643,480</u>	<u>27,118,480</u>	<u>25,050,108</u>	<u>25,761,796</u>	
Legal debt margin	\$	<u>80,243,318</u>	<u>87,975,947</u>	<u>86,820,788</u>	<u>107,097,120</u>	<u>112,119,353</u>	<u>126,301,026</u>	<u>141,695,028</u>	<u>147,749,789</u>	<u>148,079,769</u>	<u>154,957,361</u>	
Total net debt applicable to the limit as a percentage of debt limit.		21.54%	18.69%	24.17%	19.24%	17.37%	18.43%	15.83%	15.51%	14.47%	14.26%	

## CITY OF DEER PARK, TEXAS

## PLEDGED REVENUE COVERAGE

## LAST TEN FISCAL YEARS

Fiscal Year	Water Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2003	\$ 6,657,634	\$ 5,486,421	\$ 1,171,213	\$ 684,034	\$ 694,640	0.850
2004	6,608,459	5,282,749	1,325,710	686,312	790,937	0.897
2005	7,331,524	5,546,425	1,785,099	675,043	728,392	1.272
2006	7,396,257	5,146,645	2,249,612	635,000	734,023	1.643
2007	7,126,559	5,122,467	2,004,092	721,516	643,892	1.468
2008	7,497,682	5,327,121	2,170,561	1,215,000	645,008	1.167
2009	8,084,177	6,197,174	1,887,003	1,210,000	532,804	1.083
2010	8,041,795	5,951,271	2,090,524	1,205,000	426,798	1.281
2011	10,942,116	6,119,717	4,822,399	900,000	327,057	3.930
2012	9,873,528	5,890,927	3,982,601	890,000	296,649	3.356

Notes: Additional information about the City's outstanding debt is included in the notes to the financial statements.  
Operating expenses do not include interest, depreciation, or amortization.

**CITY OF DEER PARK, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

Calendar Year	Population	Per Capita Income	Personal Income	Unemployment Rate	School Enrollment
2003	28,612	N/A	N/A	6.2%	11,422
2004	29,341	N/A	N/A	5.9%	11,761
2005	29,946	N/A	N/A	5.4%	11,970
2006	29,946	N/A	N/A	4.1%	12,276
2007	29,946	N/A	N/A	4.4%	12,096
2008	30,544	N/A	N/A	5.6%	12,206
2009	31,154	N/A	N/A	8.2%	12,352
2010*	32,010	N/A	N/A	8.5%	12,500
2011	32,010	N/A	N/A	8.5%	12,600
2012	32,332	N/A	N/A	6.4%	12,743

Source: City of Deer Park Economic Development Administrator and Deer Park ISD.

N/A - This information is currently not available.

\*2010 is the census population; all other years represent estimates.

TABLE 16

## CITY OF DEER PARK, TEXAS

## PRINCIPAL EMPLOYERS

## CURRENT AND NINE YEARS AGO

Employer	2012		2003*	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Shell	2,500	12.65%	N/A	- %
Deer Park ISD	1,761	8.91%	N/A	- %
Lubrizol	1,293	6.55%	N/A	- %
Dow (Rohm & Haas)	900	4.56%	N/A	- %
Mistras	535	2.71%	N/A	- %
Wal-Mart	425	2.15%	N/A	- %
City of Deer Park	415	2.10%	N/A	- %
Minh Foods, Inc.	400	2.02%	N/A	- %
Siemens Energy	350	1.77%	N/A	- %
Clean Harbors	<u>270</u>	<u>1.37%</u>	N/A	- %
Total	<u>8,849</u>	<u>44.79%</u>		
Estimated total jobs in the City	19,755			

Source: City of Deer Park Economic Development Administrator.

\*The top ten principal employers' information from nine years ago is not available.

TABLE 17

**CITY OF DEER PARK, TEXAS**  
**FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES**  
**BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fulltime Equivalent Employees									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Management services	2.0	2.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finance	6.5	6.5	6.5	7.0	7.0	6.0	6.0	8.0	6.0	6.0
Planning	12.0	13.0	13.0	12.0	13.0	13.0	14.0	14.0	14.0	13.0
Other	20.0	20.0	20.0	20.0	20.0	23.5	29.5	33.5	30.5	30.5
Police										
Officers	53.0	52.0	52.0	55.0	57.0	58.0	61.0	61.0	59.0	59.0
Civilians	25.5	29.5	34.0	32.0	32.0	25.0	26.0	25.0	24.0	25.0
Fire										
Firefighters and officers*	-	-	-	-	-	1.0	1.0	1.0	1.0	1.0
Civilians	5.0	4.5	4.5	4.5	4.5	5.5	9.5	13.5	13.5	13.0
Sanitation	21.0	21.0	21.0	22.0	24.0	23.0	23.0	23.0	23.0	23.0
Other public works										
Engineering	3.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0	4.0
Other	24.5	24.5	26.5	25.5	26.5	26.0	25.0	27.0	27.0	27.0
Golf operations	35.0	35.0	40.0	40.0	25.5	26.0	26.0	26.0	25.0	26.0
Parks and recreation	55.5	55.5	57.5	58.5	58.5	60.5	61.5	73.5	73.5	74.0
Library	10.0	10.0	10.0	10.0	10.0	11.0	12.0	12.5	13.0	13.0
Water	15.0	14.0	14.0	14.0	14.0	14.0	15.0	16.0	16.0	16.0
Wastewater	13.0	13.0	13.0	13.0	12.0	13.0	12.0	12.0	12.0	12.0
<b>Total</b>	<b>301.0</b>	<b>304.5</b>	<b>317.0</b>	<b>319.5</b>	<b>310.0</b>	<b>311.5</b>	<b>328.5</b>	<b>353.0</b>	<b>344.5</b>	<b>344.5</b>

Source: Adopted City Budget .

**TABLE 18**

**CITY OF DEER PARK, TEXAS  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Building permits issued	483	614	704	685	584	598	596	479	422	487
Building inspections conducted	6,762	8,596	9,856	9,590	8,176	8,372	5,979	4,227	3,337	3,677
Police										
Physical arrests	2,077	1,919	1,773	2,682	2,559	2,637	2,596	1,975	2,690	2,843
Parking violations	N/A	43	34	31	19	18	13	6	192	143
Traffic violations	5,832	7,522	7,117	5,497	11,647	10,167	7,990	9,122	15,505	13,338
Fire										
Emergency responses	1,368	1,443	1,613	1,734	1,871	1,992	1,843	1,950	1,887	2,032
Fires extinguished	188	186	228	206	326	418	352	387	580	588
Inspections	650	803	669	702	N/A	N/A	N/A	N/A	N/A	1,353
Sanitation										
Refuse collected (tons per day)*	94	112	99	100	97	111	101	818	75	71
Recyclables collected (tons per day)	1	1	1	2	2	1	1	1	1	2
Streets										
Street resurfacing (miles)**	0	0	0	0	0	0	0	0	1	0
Potholes repaired	32	34	18	14	35	45	50	150	49	62
Parks and recreation										
Community center admissions	208	215	230	250	429	500	510	520	521	N/A
Library										
Volumes in collection	71,053	74,223	77,454	80,353	81,072	82,386	82,159	82,200	80,593	79,897
Total volumes borrowed	180,968	191,332	179,834	168,196	158,973	169,395	174,058	174,100	173,409	165,620
Water										
New connections	455	251	481	337	240	114	125	31	27	34
Water main breaks	81	54	108	79	31	41	14	60	261	73
Average daily consumption (thousands of gallons)	3,518,703	3,532,290	3,739,577	3,676,567	3,661,000	3,900,000	3,900,000	4,199,000	4,646,400	4,501,100
Peak daily consumption (thousands of gallons)	6,175,000	5,606,000	6,638,000	5,517,000	5,279,000	6,086,000	6,961,000	6,566,000	7,722,000	6,350,000
Wastewater										
Average daily sewage treatment (thousands of gallons)	3,263	3,654	2,861	2,828	3,700	3,500	3,650	3,058	2,572	3,129

Source: Various City departments.

N/A - This information is currently not available.

\* 2010 is atypical due to collections associated with Hurricane Ike

\*\* Majority of streets are concrete

TABLE 19

**CITY OF DEER PARK, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	38	40	36	34	37	39	40	40	40	41
<b>Fire</b>										
Stations	2	2	2	2	2	3	3	3	3	3
<b>Sanitation</b>										
Collection trucks	5	5	5	5	6	6	6	6	6	5
<b>Streets</b>										
Streets (miles)	91	93	97	99	105	105	105	105	106	106
Streetlights	2,195	2,195	2,400	2,421	2,541	2,557	2,557	2,557	2,583	2,583
Traffic signals	40	40	40	42	43	43	43	43	43	43
<b>Parks and recreation</b>										
Acreage	270	270	270	270	270	270	270	270	270	270
Parks with play structures	17	17	17	17	17	17	17	17	17	19
Baseball/softball diamonds	18	18	18	18	16	16	16	16	16	24
Soccer/football fields	9	9	9	9	9	9	9	9	9	6
Golf course	1	1	1	1	1	1	1	1	1	1
Community centers	7	7	7	7	7	7	7	7	7	7
<b>Water</b>										
Water lines (miles)	N/A	N/A	N/A	101	103	103	103	132	133	133
Fire hydrants	798	823	848	873	889	889	889	890	895	895
<b>Storage capacity</b>										
three ground wells - 1 M gallons	3	3	3	3	3	3	3	3	3	3
three elevated tanks - .5 M gallons	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
two ground storage tanks - 1 M gallons	2	2	2	2	2	2	2	2	2	2
<b>Wastewater</b>										
Sanitary sewers (miles)	99	103	107	111	114	114	114	123	124	124
Storm sewers (miles)	54	55	59	60	61	62	62	66	67	67
Treatment capacity (millions of gallons)	6	6	6	6	6	6	6	6	6	6

Source: Various City departments.

N/A - This information is currently not available.

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# **COMPLIANCE SECTION**

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

To the Honorable Mayor and  
Members of City Council  
City of Deer Park, Texas

Members of the Council:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Deer Park Texas as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the City of Deer Park, Texas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

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

## Compliance and Other Matters

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

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

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

March 1, 2013



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

To the Honorable Mayor and  
Members of City Council  
City of Deer Park, Texas

**Compliance**

We have audited the compliance of the City of Deer Park, Texas, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

## Internal Control Over Compliance

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

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

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

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City's compliance but not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

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

March 1, 2013

**CITY OF DEER PARK, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U. S. Department of Housing and Urban Development</u></b>			
Passed through the General Land Office:			
Community Development Block Grant	14.218	GLO10-5262-000-5267	\$ 1,229,263
Total Passed through General Land Office			<u>1,229,263</u>
Total U. S. Department of Housing and Urban Development			<u>1,229,263</u>
<b><u>U. S. Department of Transportation</u></b>			
Passed through the Texas Department of Transportation:			
Selective Traffic Enforcement Program	20.600	07418335	<u>28,295</u>
Total Passed through Texas Department of Transportation			<u>28,295</u>
Total U. S. Department of Transportation			<u>28,295</u>
<b><u>U. S. Department of Homeland Security</u></b>			
Passed through Texas Department of Public Safety:			
Hazard Mitigation Grant	97.039	FEMA-1791-DR-TX	213,538
Homeland Security Grant Program	97.067	11-SR-19264-01	<u>9,664</u>
Total Passed through Department of Public Safety			<u>223,202</u>
Total U. S. Department of Homeland Security			<u>223,202</u>
Total Federal Awards			\$ <u>1,480,760</u>

**CITY OF DEER PARK, TEXAS**

**NOTES TO SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

**SEPTEMBER 30, 2012**

**1. BASIS OF ACCOUNTING**

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

**2. REPORTING ENTITY**

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

**3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

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

**CITY OF DEER PARK, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**Summary of Auditor's Results**

Financial Statements:	
Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None
Federal Awards:	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	None
Identification of major programs:	
CFDA Number(s)	Name of Federal Program or Cluster:
#14.218	Community Development Block Grant
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as a low risk auditee?	No

**Findings Related to the Financial Statements Which are Required to be Reported in Acceptance With Generally Accepted Government Auditing Standards**

None

**Findings and Questioned Costs for Federal Awards**

None

**CITY OF DEER PARK, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

None