

CITY OF DEER PARK, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2009**

CITY OF DEER PARK, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2009**

**Prepared by
Finance Department**

**Keith Nelson, CMA, CGFO
Director of Finance**

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CITY OF DEER PARK, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

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February 11, 2010

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 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, we hereby issue the comprehensive annual financial report of the City of Deer Park for the fiscal year ended September 30, 2009.

This report consists of management's representations concerning the finances of the City of Deer Park, Texas. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Deer Park has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Deer Park's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Deer Park's comprehensive framework of internal controls has been designated to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Deer Park's financial statements have been audited by Pattillo, Brown, & Hill, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Deer Park for the fiscal year ended September 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Deer Park's financial statements for the fiscal year ended September 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City of Deer Park's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

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 of Deer Park currently occupies a land area of 15 square miles and serves a population of approximately 31,840. The City of Deer Park is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered to extend its corporate limits by annexation. Additionally, the City of Deer Park 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 of Deer Park on a periodic basis. The current contract period is 2008 through 2014.

The City of Deer Park 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, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The Council is elected on a non-partisan basis. Council members serve two-year staggered terms, with three Council members and the Mayor elected in odd numbered years and the three remaining Council members elected in even numbered years. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The City of Deer Park 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; and recreational and cultural events. There are no legally separate component units for which the City of Deer Park is financially accountable.

The annual budget serves as the foundation for the City of Deer Park's financial planning and control. All departments of the City of Deer Park are required to submit requests for appropriation to the City manager usually in late April or early May of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review at least 45 days prior to the last regular Council meeting in September of each year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Appropriations are approved at the departmental level. Department heads may make appropriation transfers within a department with approval of the City Manager. Appropriations outside of the department require approval of the City Council. Budget to actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 61 of the combining and individual fund statements and schedules. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented on page 69.

Factors Affecting Financial Condition

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

Local economy. The City of Deer Park currently enjoys a favorable economic environment and local indicators point to continued stability. The large refinery and chemical plants, located in the industrial district, have experienced some of their highest profits over this past year and continue to perform well. Additionally, several related companies are building within the City limits. The City is experiencing retail and commercial growth with the addition of a various new businesses the last fiscal year and into this year. A large new business park was approved by City Council and construction began during the year.

The region (which includes the City of Deer Park and the surrounding area within Harris County) has an employed labor force of approximately 2,300,000, with a grow rate of 2.2 percent this year and a projected 24.52 percent over the next 10 years. Residential growth continues with the development of new subdivisions on the east side of the City.

Long-term financial planning. The City is preparing a Capital Improvement Plan (CIP) for drainage projects and infrastructure needed to service areas throughout the City. The results of this CIP will necessitate the funding through the issuance of debt in 2010 in combination with funds from the City's CIP fund.

Cash management policies and practices. Cash temporarily idle during the year was invested in sweep arrangements with the City's depository bank and with TexPool, the statewide public funds investment pool. The average yield on the investments was .0473 percent. The weighted average maturity of the statewide pool at September 30, 2009, was 39 days.

Pension and other postemployment benefits. The City of Deer Park participates in the Texas Municipal Retirement System for its fulltime employees. A more detailed definition of this plan can be found in Note IV, pages 52 – 54 of the notes to the financial statements.

The City of Deer Park also provides post-retirement health care benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 64 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP does not yet require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City of Deer Park's pension arrangements and post-employment benefits can be found in Notes IV. pages 49 – 51 of the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Deer Park for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2008. This was the 22nd consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and accounting department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to the City Manager, Ron Crabtree, the mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Deer Park's finances.

Respectfully submitted,

H. Keith Nelson

H. Keith Nelson, CMA, CGFO
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, 2008

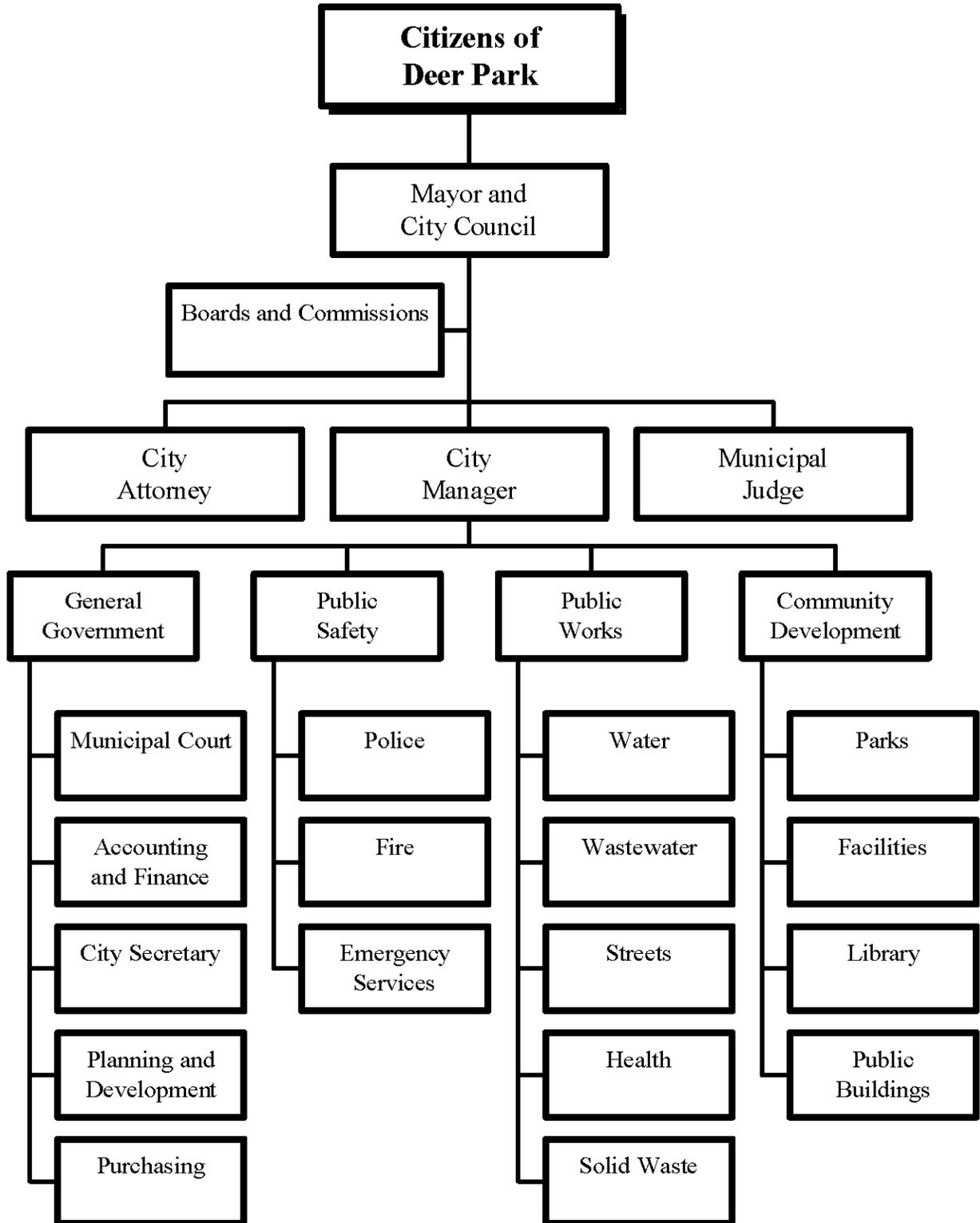
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF DEER PARK, TEXAS
ORGANIZATIONAL CHART



CITY OF DEER PARK, TEXAS

PRINCIPAL CITY OFFICIALS

SEPTEMBER 30, 2009

ELECTED OFFICIALS

Mayor	Wayne Riddle
Council Member	Chris Richey
Council Member	Thane Harrison
Council Member	Charles Garrison
Council Member	Bill Patterson
Council Member	Beckie Stockstill-Cobb
Council Member	Jeff Pound

CITY OFFICIALS

City Manager	Ronald V. Crabtree
Assistant City Manager	Gary Jackson
City Secretary	Sandra Watkins
City Attorney	Jim Fox
Director of Finance	Keith Nelson, CMA, CGFO
Director of Public Works	Bill Peterson
Chief of Police	Greg Grigg
Director of Parks and Recreation	Paul Wilson
Director of Human Resources	Bill Philbert
Emergency Services Director	Sam Pipkin
Director of Library Services	Rebecca Pool
Golf Professional	Vacant

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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, 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, 2009, 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, each major fund, and the aggregate remaining fund information of the City of Deer Park, Texas, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2010, 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.

The Management's Discussion and Analysis on pages 10 – 18, and budgetary comparison information on pages 55 – 56 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Deer Park, Texas' basic financial statements. The introductory section, combining nonmajor fund statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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-13, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements of the City of Deer Park, Texas. The combining nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

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

February 11, 2010

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis

As management of the City of Deer Park, we offer readers of the City of Deer Park, Texas' financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2009. This analysis should be read in conjunction with the basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Deer Park exceeded its liabilities as of September 30, 2009, by \$67,632,625 (net assets). Of this amount, \$18,276,310 (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 \$7,492,964. In the business-type activities, the Water and Sewer Fund had a net income before transfers of \$41,120.
- At the close of the current fiscal year, the City of Deer Park's governmental funds reported combined ending fund balance of \$31,462,944, an increase of \$3,983,480 from fiscal year 2008. The major reason was due to the increases in tax revenues from new development, and a marked increase in revenues for the City's industrial district's Payment-in-lieu-of-Taxes (PILOT). The ending fund balance includes an unreserved portion of \$16,188,960. This amount is available for expenditure within the City's fund designation and fiscal policies.
- As of September 30, 2009, unreserved, undesignated fund balance for the General Fund was \$16,188,960 or 39% of General Fund expenditures.
- The City's total outstanding debt decreased \$2,114,827 or 4% during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements – The government-wide financial statements, which begin on page 19 of this report, are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

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

The *Statement of Activities* presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the 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 and Community Development. The business-type activities of the City of Deer Park include the Water and Sewer System.

The government-wide financial statements can be found on pages 19 – 21 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. However, unlike the government-wide statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Deer Park maintains 16 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund, the Debt Service Fund, and the CIBF 2007 Fund that are considered to be major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements beginning on page 57 of the City's Comprehensive Annual Financial Report.

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 of Deer Park uses an Enterprise Fund to account for its 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 considered to be a major fund for the City of Deer Park.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 31 – 54 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Deer Park’s progress in funding its obligation to provide pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the government’s financial position. In the case of the City of Deer Park, assets exceeded liabilities by \$67,632,625 as of September 30, 2009. A schedule of net assets at September 30, 2009 and 2008, (in 000s) follows:

CITY OF DEER PARK’S NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 34,421	\$ 31,078	\$ 4,104	\$ 4,271	\$ 38,525	\$ 35,349
Capital assets	53,820	51,742	24,618	25,239	78,438	76,981
Total assets	<u>88,241</u>	<u>82,820</u>	<u>28,722</u>	<u>29,510</u>	<u>116,963</u>	<u>112,330</u>
Long-term liabilities	34,055	35,190	12,699	13,706	46,754	48,896
Other liabilities	1,550	2,446	1,027	848	2,577	3,294
Total liabilities	<u>35,605</u>	<u>37,636</u>	<u>13,726</u>	<u>14,554</u>	<u>49,331</u>	<u>52,190</u>
Net assets:						
Invested in capital assets,						
net of related debt	32,417	28,350	12,495	11,928	44,912	40,278
Restricted	4,788	3,461	-	-	4,788	3,461
Unrestricted	<u>15,431</u>	<u>13,373</u>	<u>2,501</u>	<u>3,028</u>	<u>17,932</u>	<u>16,401</u>
Total net assets	\$ <u>52,636</u>	\$ <u>45,184</u>	\$ <u>14,996</u>	\$ <u>14,956</u>	\$ <u>67,632</u>	\$ <u>60,140</u>

By far, the largest portion of the City’s net assets (66%) reflects its investment in capital assets (land, building, machinery, equipment and infrastructure), less any related debt used to acquire those assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portions 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 \$17,931,771 that may be used by the City for any lawful purpose.

Changes in net assets for the years ended September 30, 2009 and 2008, (000s) follows:

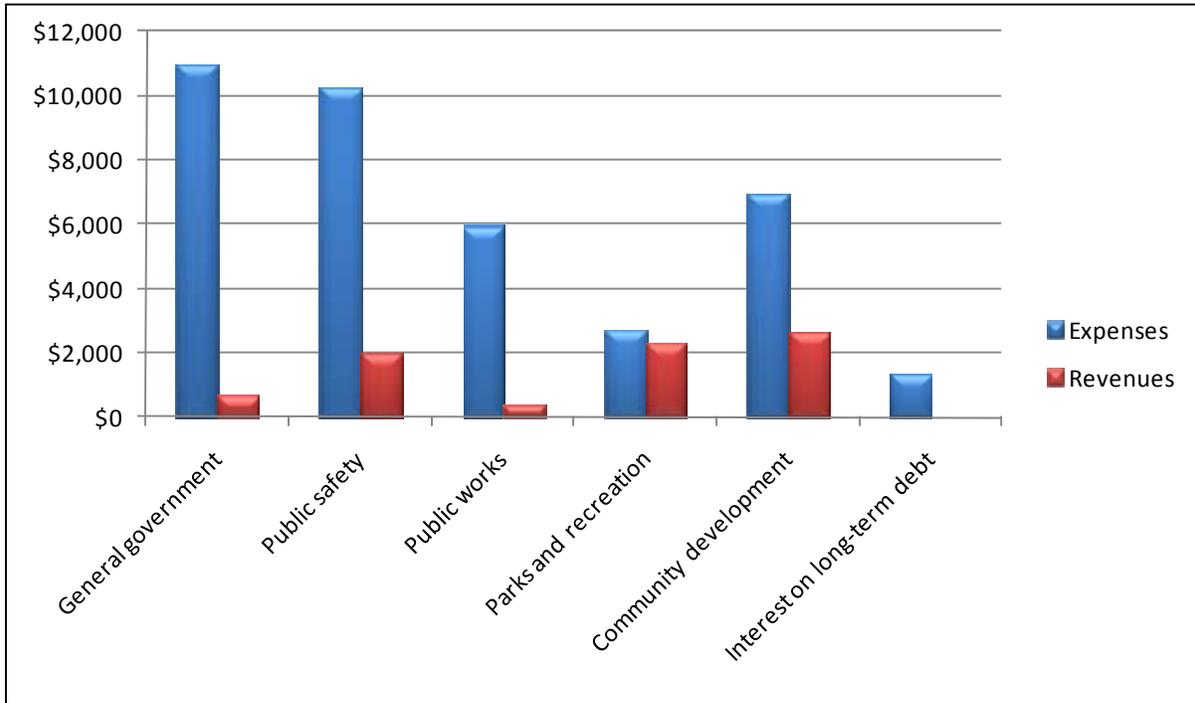
CITY OF DEER PARK'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 5,297	\$ 4,669	\$ 8,084	\$ 7,498	\$ 13,381	\$ 12,167
Operating grants and contributions	2,885	732	-	-	2,885	732
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	11,807	11,293	-	-	11,807	11,293
Industrial taxes	17,989	16,185	-	-	17,989	16,185
Other taxes	6,717	6,283	-	-	6,717	6,283
Investment earnings	225	907	18	93	243	1,000
Other	713	440	-	-	713	440
Total revenues	<u>45,633</u>	<u>40,509</u>	<u>8,102</u>	<u>7,591</u>	<u>53,735</u>	<u>48,100</u>
Expenses:						
General government	10,967	9,470	-	-	10,967	9,470
Public safety	10,286	7,920	-	-	10,286	7,920
Public works	5,926	5,333	-	-	5,926	5,333
Parks and recreation	2,691	2,093	-	-	2,691	2,093
Community development	6,922	6,487	-	-	6,922	6,487
Interest on long-term debt	1,389	1,482	-	-	1,389	1,482
Water and sewer	-	-	8,062	7,170	8,062	7,170
Total expenses	<u>38,181</u>	<u>32,785</u>	<u>8,062</u>	<u>7,170</u>	<u>46,243</u>	<u>39,955</u>
Increases in net assets before transfers	7,452	7,724	40	421	7,492	8,145
Transfers	-	73	-	(73)	-	-
Change in net assets	7,452	7,797	40	348	7,492	8,145
Net assets - beginning	45,184	36,177	14,956	14,608	60,140	50,785
Prior period adjustment	-	1,210	-	-	-	1,210
Net assets - ending	<u>\$ 52,636</u>	<u>\$ 45,184</u>	<u>\$ 14,996</u>	<u>\$ 14,956</u>	<u>\$ 67,632</u>	<u>\$ 60,140</u>

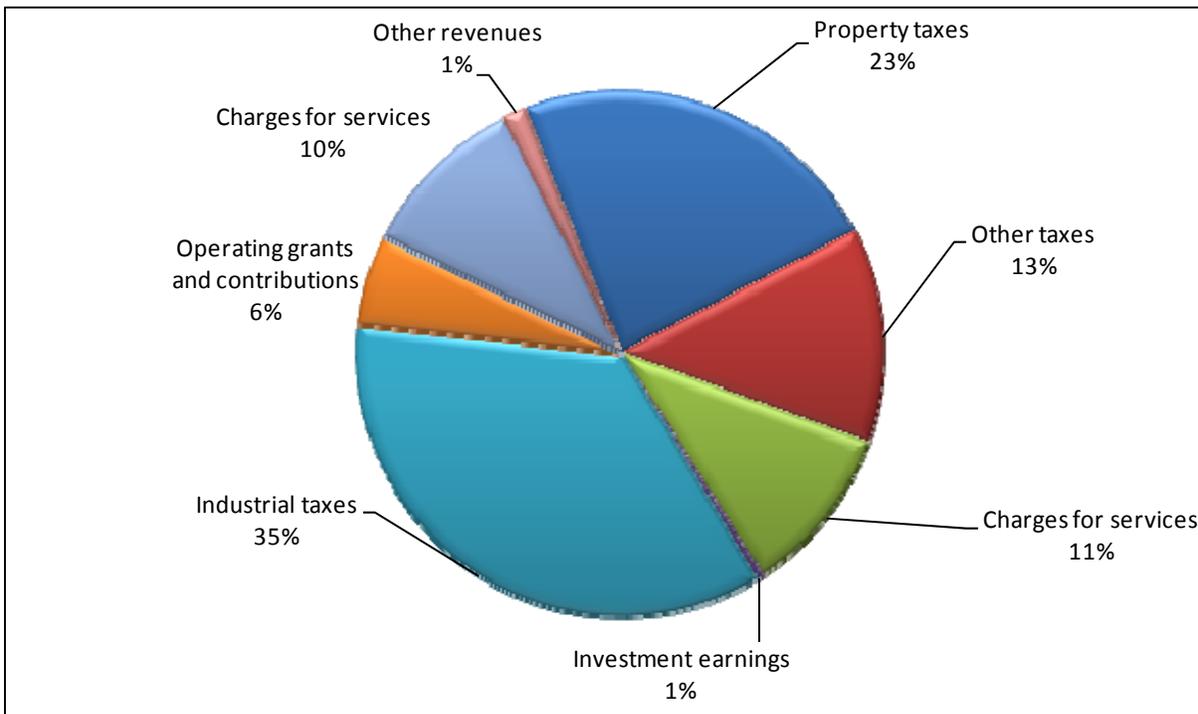
Governmental activities – Governmental activities increased the net assets of the City by \$7,451,844 during the current fiscal year. Key elements of this increase are as follows:

- Revenues exceeded expenses by \$5,810,572 due primarily to continued growth in sales taxes and increased growth in industrial taxes. Net assets will continue to increase due to planned growth by the oil and chemical companies located within the City’s industrial district. The “in-lieu of tax” contracts with these companies were due to expire December 31, 2008; however, the existing contracts were extended through December 31, 2009. During this year, negotiations with all the companies in the industrial district resulted in a new seven-year contract. In addition, residential and commercial development continues, resulting in increases to net assets derived from additions to the property tax base.

Expense and Program Revenues – Governmental Activities



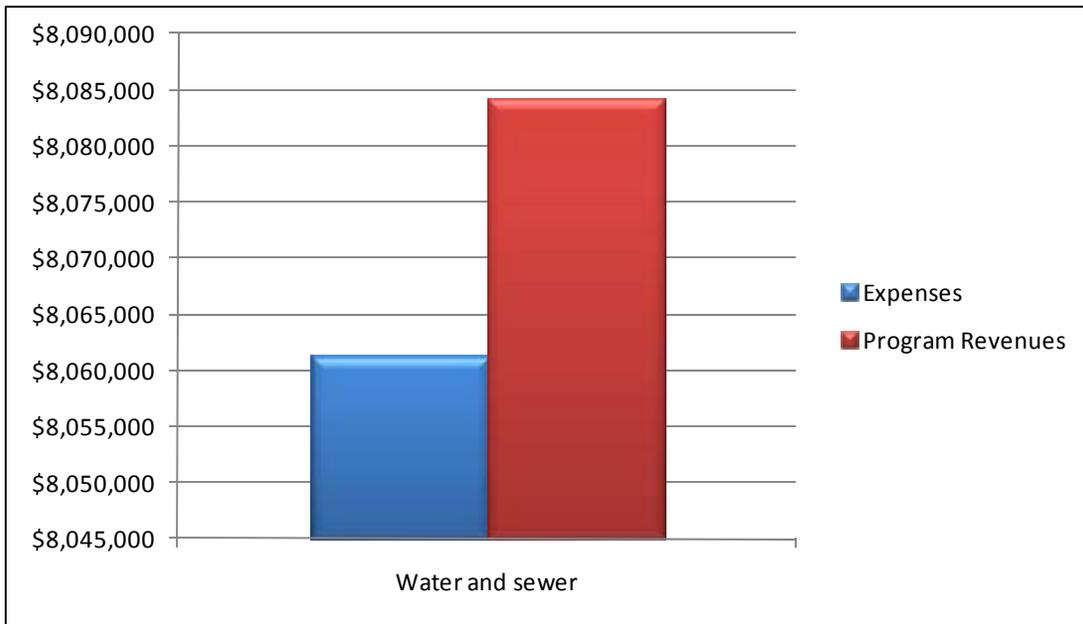
Revenues by Source – Governmental Activities



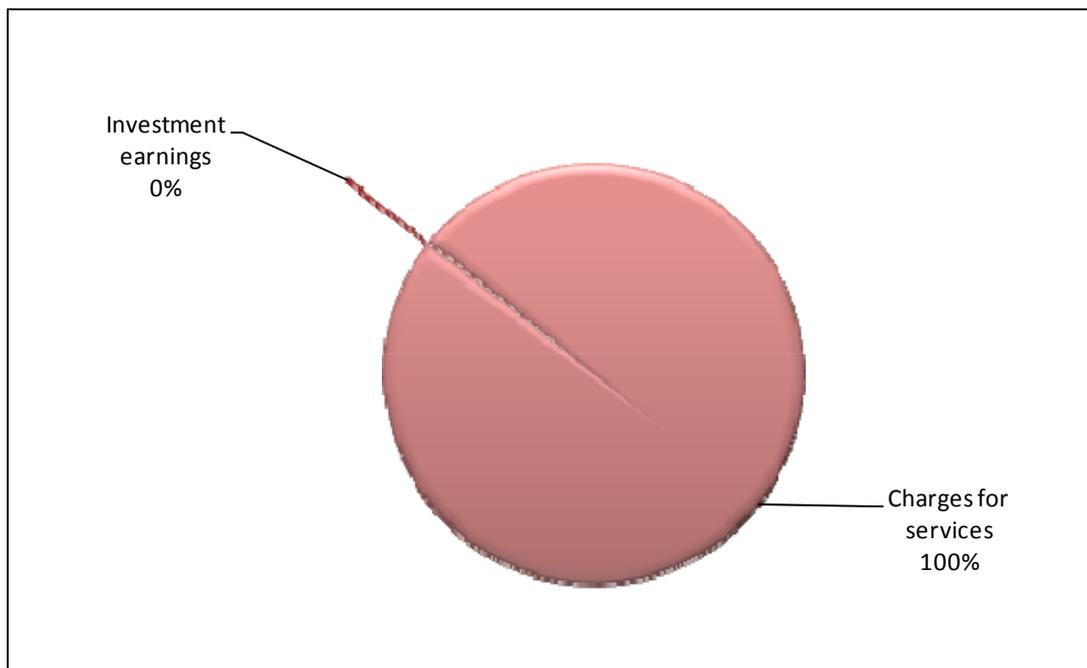
Business-type activities. Business-type activities decreased the City of Deer Park’s net assets by \$41,120. Key elements of the decrease are as follows:

- The Water and Sewer operation had a net gain prior to transfers of \$41,120.

Expense and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Deer Park uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the City of Deer Park'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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Deer Park's governmental funds reported combined ending fund balances of \$31,462,944, an increase of \$3,983,480 when compared to the prior year. Approximately 99% of the combined \$31,462,944 amount (\$31,226,913) is unreserved. These fund balances are available for spending at the government's discretion. The remainder of the fund balance (\$236,031) is reserved to indicate that it is not available for new spending.

The General Fund is the primary operating fund of the City of Deer Park. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$16,188,960. This represents a 38% increase over the General Fund Balance of \$11,986,816 at September 30, 2008. The major reason for this increase is due to significant increases in the City of Deer Park's Industrial District appraised values and growth in the District. Additionally, there was an 11 percent increase in Sales Tax revenue. Property Taxes increased approximately 8 percent from fiscal year 2008. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 50 percent of the General Fund expenditures.

The Debt Service Fund has a total fund balance of \$2,081,520 all of which is reserved for the payment of future debt service. Principal and interest expenditures increased by \$99,121 and the City experienced a net decrease in revenues and transfers in the amount of \$600,286 to arrive at an increase in fund balance of \$28,058 for the year ended September 30, 2009.

Proprietary funds – The City's proprietary fund statements beginning on page 27 of this report provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, unrestricted net assets amounted to \$2,778,534 for the Water and Sewer Fund. The total increase in net assets for the Water and Sewer Fund was \$41,120. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Deer Park's business-type activities.

General Fund Budgetary Highlights – The final budget was \$3,899,070 (14% increase) more than the previous year's final budget.

- \$1,290,347 increase for general government
- \$1,220,608 increase for community development
- \$1,065,577 increase for public works
- \$1,190,002 increase for public safety
- (\$869,464) decrease in transfer out – CIBF

This increase was funded through revenues generated by taxes on new construction within the City and from increases in industrial district revenues. Refer to the General Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual on page 55 of this report for a detailed presentation of the actual General Fund operations compared to both the original and final budget for fiscal year 2009. The reasons for any major variances in the General Fund budget include:

Revenues – a material decrease occurred in 2009 investment earnings due to historically low interest rates on the City investments. Interest rates on investments remained at or below .5 percent throughout the year. General Fund revenues exceed budget by \$2,973,577. The major contributor to the increase was increases in property taxes and the industrial district “in-lieu of” taxes.

Expenditures – *General Government*: A summary of budgetary expenditures, variances, in summary by object, appears on pages 61 – 68. General Fund expenditures were \$1,480,367 under budget (page 55).

Parks and Recreation was over budget by \$134,477 due to expended programs over the year in the Recreation Department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City of Deer Park’s investment in capital assets for its governmental and business-type activities as of September 30, 2009, amounted to \$78,438,208 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment, storm drainage, and streets. The total increase in the City of Deer Park’s investment in capital assets for the current fiscal year was 2 percent.

CITY OF DEER PARK’S CAPITAL ASSETS AT YEAR-END

	<u>Balance September 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2009</u>
Governmental activities				
Land	\$ 18,457	\$ 1,064	\$ -	\$ 19,521
Construction in progress	1,067	601	1,033	635
Building	13,351	107	-	13,458
Improvements	13,928	119	-	14,047
Machinery and equipment	<u>4,939</u>	<u>1,255</u>	<u>35</u>	<u>6,159</u>
Total	<u>\$ 51,742</u>	<u>\$ 3,146</u>	<u>\$ 1,068</u>	<u>\$ 53,820</u>
Business-type activities				
Land	\$ 591	\$ -	\$ -	\$ 591
Construction in progress	1	85	-	86
Building	3,533	(96)	-	3,437
Improvements	20,412	(732)	-	19,680
Machinery and equipment	<u>702</u>	<u>122</u>	<u>-</u>	<u>824</u>
Total	<u>\$ 25,239</u>	<u>\$ (621)</u>	<u>\$ -</u>	<u>\$ 24,618</u>

Major capital asset events (governmental activities) during the current fiscal year included replacement of many police, fire, and sanitation vehicles and the purchase of large equipment. The City made a major purchase of computers and computer equipment at the beginning of the budget year. The City continues to make significant improvements at the City owned Golf Course. The major increase in business-type fixed assets was the completion of construction of several street and drainage projects.

Additional information on the City of Deer Park’s capital assets can be found in Note III on pages 43 – 44 of this report.

Long-term Debt – At the end of the current fiscal year, the City of Deer Park had total bonded debt outstanding of \$43,355,000. Of this amount, \$30,955,000 comprises debt backed by the full faith and credit of the government and \$12,400,000 is related to the maintenance and construction of the Water and Sewer Fund infrastructure.

**OUTSTANDING DEBT AT YEAR-END
GENERAL OBLIGATIONS AND REVENUE BONDS PAYABLE**

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 30,955	\$ 32,890	\$ -	\$ -	\$ 30,955	\$ 32,890
Revenue bonds	-	-	12,400	13,610	12,400	13,610
	<u>\$ 30,955</u>	<u>\$ 32,890</u>	<u>\$ 12,400</u>	<u>\$ 13,610</u>	<u>\$ 43,355</u>	<u>\$ 46,500</u>

The City’s total debt decreased \$3,145,000 during the current fiscal year.

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

	Standard & Poor's	Moody's Investors Service
General Obligation Bonds	A+	A1
Water and Sewer	A	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 of Deer Park is \$141,695,028.

Additional information on the City of Deer Park’s outstanding debt can be found in pages 45 – 49 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Property values, the basis for 75 percent of governmental fund revenues, increased significantly for the 2009 tax year (2010 fiscal year).

For the 2010 fiscal year budget, the total tax rate was kept at \$0.705 per \$100 of assessed value. Increases in projections of total revenues are approximately \$2,953,200, or an 11% increase.

Water and sewer rates will increase by 6% to finance debt payments and additional infrastructure rehabilitation.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City’s finances. If you have questions about this report or need any additional information, contact the Office of the Director of Finance, 710 E. San Augustine, Deer Park, Texas 77536, 281-478-7225.

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**BASIC
FINANCIAL STATEMENTS**

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CITY OF DEER PARK, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 30,844,464	\$ 3,079,273	\$ 33,923,737
Receivables (net of allowances for uncollectibles)			
Accounts	1,470,310	-	1,470,310
Property taxes	707,699	-	707,699
Other	212,043	743,015	955,058
Inventories	234,926	-	234,926
Deferred charges	344,539	277,361	621,900
Prepaid items	1,105	-	1,105
Internal balances	(4,353)	4,353	-
Due from other governments	610,424	-	610,424
Capital assets:			
Land	19,521,079	591,397	20,112,476
Construction in progress	634,747	85,750	720,497
Buildings	20,801,395	3,861,540	24,662,935
Utility system	-	40,960,369	40,960,369
Improvements	44,349,377	-	44,349,377
Machinery and equipment	14,574,262	2,030,093	16,604,355
Less: accumulated depreciation	(46,060,684)	(22,911,117)	(68,971,801)
Total capital assets	53,820,176	24,618,032	78,438,208
Total assets	88,241,333	28,722,034	116,963,367
LIABILITIES			
Accounts payable	1,026,021	376,686	1,402,707
Accrued liabilities	524,009	72,065	596,074
Customer deposits	50	578,192	578,242
Due within one year			
Accrued interest payable	53,912	45,949	99,861
Compensated absences	102,447	28,544	130,991
Bonds and capital leases	2,344,463	1,205,000	3,549,463
Due in more than one year			
Compensated absences	409,788	28,544	438,332
Net pension obligation	318,051	45,303	363,354
Net OPEB obligation	1,030,439	150,185	1,180,624
Bonds and capital leases	29,796,094	11,195,000	40,991,094
Total liabilities	35,605,274	13,725,468	49,330,742
NET ASSETS			
Invested in capital assets, net of related debt	32,072,611	12,495,393	44,568,004
Restricted for:			
Public safety	456,744	-	456,744
Tourism and economic development	729,781	-	729,781
Community development	145,548	-	145,548
Grant requirements	1,231,368	-	1,231,368
Debt service	2,224,870	-	2,224,870
Unrestricted	15,775,137	2,501,173	18,276,310
Total net assets	\$ 52,636,059	\$ 14,996,566	\$ 67,632,625

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

CITY OF DEER PARK, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities:			
General government	\$ 10,966,814	\$ 677,102	\$ -
Public safety	10,285,816	1,972,693	217,608
Public works	5,925,540	378,650	-
Parks and recreation	2,690,654	2,268,422	400
Community development	6,921,903	-	2,666,830
Interest on long-term debt	1,390,366	-	-
Total governmental activities	38,181,093	5,296,867	2,884,838
Business-type activities:			
Water and sewer	8,061,221	8,084,177	-
Total business-type activities	8,061,221	8,084,177	-
Total primary government	\$ 46,242,314	\$ 13,381,044	\$ 2,884,838

General revenues:

Taxes:

 Property, levied for general purposes

 Property, levied for debt service

 Industrial district

 Franchise

 Sales and use

 Hotel occupancy

Unrestricted investment earnings

Gain on sale of asset

Miscellaneous

 Total general revenues

 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		
Governmental Activities	Business-type Activities	Total
\$(10,289,712)	\$ -	\$(10,289,712)
(8,095,515)	-	(8,095,515)
(5,546,890)	-	(5,546,890)
(421,832)	-	(421,832)
(4,255,073)	-	(4,255,073)
(1,390,366)	-	(1,390,366)
<u>(29,999,388)</u>	<u>-</u>	<u>(29,999,388)</u>
-	22,956	22,956
-	22,956	22,956
<u>(29,999,388)</u>	<u>22,956</u>	<u>(29,976,432)</u>
8,567,574	-	8,567,574
3,239,870	-	3,239,870
17,988,792	-	17,988,792
1,748,053	-	1,748,053
4,564,184	-	4,564,184
404,561	-	404,561
225,077	18,164	243,241
233,525	-	233,525
479,596	-	479,596
<u>37,451,232</u>	<u>18,164</u>	<u>37,469,396</u>
7,451,844	41,120	7,492,964
<u>45,184,215</u>	<u>14,955,446</u>	<u>60,139,661</u>
<u>\$ 52,636,059</u>	<u>\$ 14,996,566</u>	<u>\$ 67,632,625</u>

CITY OF DEER PARK, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>CIBF 2007</u>
ASSETS			
Cash and cash equivalents	\$ 16,373,422	\$ 2,065,314	\$ 7,425,445
Receivables (net of allowances for uncollectibles)			
Accounts	1,470,310	-	-
Property taxes	494,231	213,468	-
Other	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Inventories	234,926	-	-
Prepaid items	<u>1,105</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 18,573,994</u>	<u>\$ 2,278,782</u>	<u>\$ 7,425,445</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	560,789	-	-
Accrued liabilities	516,302	-	-
Due to other funds	4,384	-	-
Deferred revenue	866,332	197,262	-
Customer deposits	50	-	-
Other payables	<u>201,146</u>	<u>-</u>	<u>5,643</u>
Total liabilities	<u>2,149,003</u>	<u>197,262</u>	<u>5,643</u>
Fund balances:			
Reserved for:			
Inventories	234,926	-	-
Prepaid expenses	1,105	-	-
Unreserved	16,188,960	-	-
Unreserved, reported in:			
Special revenue funds	-	-	-
Capital projects funds	-	-	7,419,802
Debt service funds	<u>-</u>	<u>2,081,520</u>	<u>-</u>
Total fund balances	<u>16,424,991</u>	<u>2,081,520</u>	<u>7,419,802</u>
Total liabilities and fund balances	<u>\$ 18,573,994</u>	<u>\$ 2,278,782</u>	<u>\$ 7,425,445</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>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,980,283	\$ 30,844,464
-	1,470,310
-	707,699
212,043	212,043
31	31
610,424	610,424
-	234,926
-	<u>1,105</u>
<u>\$ 5,802,781</u>	<u>\$ 34,081,002</u>
193,838	754,627
7,707	524,009
-	4,384
-	1,063,594
-	50
<u>64,605</u>	<u>271,394</u>
<u>266,150</u>	<u>2,618,058</u>
-	234,926
-	1,105
-	16,188,960
2,563,441	2,563,441
2,973,190	10,392,992
-	2,081,520
<u>5,536,631</u>	<u>31,462,944</u>
<u>\$ 5,802,781</u>	
	53,820,176
	1,063,594
	<u>(33,710,655)</u>
	<u>\$ 52,636,059</u>

CITY OF DEER PARK, TEXAS

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

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>CIBF 2007</u>
REVENUES			
Property taxes	\$ 8,632,368	\$ 3,215,237	\$ -
Industrial district taxes	17,988,792	-	-
Sales taxes	4,564,184	-	-
Franchise taxes	1,748,053	-	-
Hotel/motel taxes	-	-	-
Fees and fines	695,671	-	-
Licenses and permits	307,496	-	-
Intergovernmental	70,000	-	-
Charges for services	3,724,262	-	-
Investment earnings	110,449	16,211	65,474
Miscellaneous	132,302	-	-
Total revenues	<u>37,973,577</u>	<u>3,231,448</u>	<u>65,474</u>
EXPENDITURES			
Current:			
General government	10,595,235	-	-
Community development	5,564,724	-	4,812
Public works	4,136,980	-	-
Parks and recreation	2,095,437	-	-
Public safety	7,444,980	-	-
Debt service:			
Principal	544,969	1,935,000	-
Interest and other charges	52,689	1,356,033	-
Capital outlay	1,727,991	-	591,324
Total expenditures	<u>32,163,005</u>	<u>3,291,033</u>	<u>596,136</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,810,572</u>	<u>(59,585)</u>	<u>(530,662)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from insurance recovery	268,575	-	-
Transfers in	-	87,643	-
Transfers out	<u>(1,640,972)</u>	<u>-</u>	<u>(65,474)</u>
Total other financing sources and uses	<u>(1,372,397)</u>	<u>87,643</u>	<u>(65,474)</u>
NET CHANGE IN FUND BALANCES	4,438,175	28,058	(596,136)
FUND BALANCES, BEGINNING	<u>11,986,816</u>	<u>2,053,462</u>	<u>8,015,938</u>
FUND BALANCES, ENDING	<u>\$ 16,424,991</u>	<u>\$ 2,081,520</u>	<u>\$ 7,419,802</u>

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 11,847,605
-	17,988,792
-	4,564,184
-	1,748,053
404,561	404,561
125,808	821,479
-	307,496
2,802,735	2,872,735
128,375	3,852,637
32,943	225,077
<u>360,695</u>	<u>492,997</u>
<u>3,855,117</u>	<u>45,125,616</u>
848	10,596,083
815,795	6,385,331
25,000	4,161,980
-	2,095,437
1,667,953	9,112,933
16,709	2,496,678
906	1,409,628
<u>2,833,326</u>	<u>5,152,641</u>
<u>5,360,537</u>	<u>41,410,711</u>
(<u>1,505,420</u>)	<u>3,714,905</u>
-	268,575
1,640,972	1,728,615
(<u>22,169</u>)	(<u>1,728,615</u>)
<u>1,618,803</u>	<u>268,575</u>
113,383	3,983,480
<u>5,423,248</u>	<u>27,479,464</u>
\$ <u>5,536,631</u>	\$ <u>31,462,944</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, 2009

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

Net change in fund balances - total governmental funds:	\$ 3,983,480
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.	2,078,671
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	273,796
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>1,115,897</u>
Change in net assets of governmental activities	<u>\$ 7,451,844</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, 2009

	<u>Enterprise Funds</u>
	<u>Water/Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,079,273
Due from other funds	4,353
Other receivables	<u>743,015</u>
Total current assets	<u>3,826,641</u>
Non-current assets:	
Deferred charges	277,361
Capital assets:	
Land	591,397
Buildings	3,861,540
Utility system	40,960,369
Machinery and equipment	2,030,093
Construction in progress	85,750
Less accumulated depreciation	<u>(22,911,117)</u>
Total non-current assets	<u>24,895,393</u>
Total assets	<u>28,722,034</u>
LIABILITIES	
Current liabilities:	
Accounts payable	376,686
Accrued liabilities	72,065
Accrued interest payable	45,949
Customer deposits	578,192
Compensated absences	28,544
Revenue bonds payable	<u>1,205,000</u>
Total current liabilities	<u>2,306,436</u>
Non-current liabilities:	
Compensated absences	28,544
Net pension obligation	45,303
Net OPEB obligation	150,185
Revenue bonds payable	<u>11,195,000</u>
Total non-current liabilities	<u>11,419,032</u>
Total liabilities	<u>13,725,468</u>
NET ASSETS	
Invested in capital assets, net of related debt	12,218,032
Unrestricted	<u>2,778,534</u>
Total net assets	<u>\$ 14,996,566</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, 2009

	<u>Enterprise Funds</u>
	<u>Water/Sewer</u>
OPERATING REVENUES	
Charges for service	\$ 8,084,177
Total operating revenues	8,084,177
OPERATING EXPENSES	
Personnel services	3,018,818
Contractual services	1,248,762
Repairs and maintenance	467,523
Other supplies and expenses	1,462,071
Depreciation	1,299,461
Total operating expenses	7,496,635
OPERATING INCOME	587,542
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenues	18,164
Interest expense and fiscal charges	(579,808)
Total non-operating revenues (expenses)	(546,422)
CHANGE IN NET ASSETS	41,120
TOTAL NET ASSETS, BEGINNING	14,955,446
TOTAL NET ASSETS, ENDING	\$ 14,996,566

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, 2009

	<u>Enterprise Funds</u>
	<u>Water/Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 8,081,386
Cash paid to suppliers for goods and services	(2,809,007)
Cash paid to employees for services	(3,005,927)
Net cash provided by operating activities	2,266,452
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash paid for miscellaneous items	15,222
Net cash provided for noncapital financing activities	15,222
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on debt	(1,210,000)
Interest paid on debt	(556,955)
Net cash used for capital and related financing activities	(2,445,059)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	18,164
Net cash provided by investing activities	18,164
NET DECREASE IN CASH AND CASH EQUIVALENTS	(145,221)
CASH AND CASH EQUIVALENTS, BEGINNING	3,224,494
CASH AND CASH EQUIVALENTS, ENDING	\$ 3,079,273

(continued)

CITY OF DEER PARK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Enterprise Funds</u>
	<u>Water/Sewer</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 587,542
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	1,299,461
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	1,959
Due from other funds	112
Other assets	21,335
Increase (decrease) in liabilities:	
Accounts payable	172,429
Accrued liabilities	(18,061)
Due to other funds	(2,343)
Compensated absences payable	(15,967)
Net pension obligation	45,303
Net OPEB obligation	150,185
Customer deposits	24,497
Net cash provided by operations	\$ 2,266,452

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

CITY OF DEER PARK, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

ORGANIZATION

The City of Deer Park, Texas was incorporated in 1948 and adopted a home-rule charter in December 1960. The charter provides for a “Mayor-Council” form of City government with a City Manager. A mayor and six council members are elected by voters of the City at-large for two-year terms.

The City provides the following services: general administrative, police and fire protection, community development (planning, parks and recreation, and library), public works (building and street maintenance and sanitation), principal and interest on general obligation debt, water and sewer, and operates a municipal golf course.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Deer Park (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 basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the City’s financial reporting entity. Based on these considerations, no other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additional prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the 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 instead 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.

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.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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 *Debt Service Fund* is used to account for the accumulation of resources and 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 expenditures of such funds to construct/improve various public buildings, purchase of land for parks and recreation facilities, street improvement projects and sidewalk construction.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* accounts for operations of the water and sewer service 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 Governmental Accounting Standards Board. 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.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 demand and time deposits and investments with a maturity date within three months of the date acquired by the City.

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 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 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."

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 and an estimated useful life in excess of one year. 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 asset lives 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>
Water and sewer system	3 - 5
Heavy equipment	20 - 50
Buildings and improvements	35
Furniture and fixtures	5 - 50
Automobiles, trucks and equipment	5 - 20
Public domain infrastructure	40

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.

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.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations (Continued)

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 Equity

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

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 the enabling legislations 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.

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 \$(33,710,655) difference are as follows:

General obligations	\$(30,955,000)
Premium on bond issuance	(350,052)
Loss on refunding bonds	295,144
Deferred charges - bond costs	344,539
Accrued interest payable	(53,912)
Compensated absences	(512,235)
Capital lease obligations	(1,130,649)
Net OPEB obligations	(1,030,439)
Net pension obligations	<u>(318,051)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$(33,710,655)</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 \$1,063,594 difference are as follows:

Property taxes receivable	\$ 648,122
Court fines receivable	113,434
Ambulance receivable	<u>302,038</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ 1,063,594</u></u>

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II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(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 \$2,078,671 difference are as follows:

Capital outlay	\$ 5,143,094
Depreciation expense	(3,029,373)
Loss on sale of assets	<u>(35,050)</u>
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>\$ 2,078,671</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 \$273,796 difference are as follows:

Property taxes	\$(40,161)
Court fines receivable	11,919
Ambulance receivable	<u>302,038</u>
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>\$ 273,796</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 \$1,115,897 difference are as follows:

Principal repayments	\$ 2,499,540
Net pension obligation	(318,051)
Net OPEB obligation	(1,030,439)
Premium on bond issuance	(34,290)
Compensated absences	(51,553)
Accrued interest	<u>50,690</u>
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>\$ 1,115,897</u>

III. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Deposits and Investments

As of September 30, 2009, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 30,664,956	43

The Public Funds Investment Act (Government Code Chapter 2256) 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. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Regulatory oversight for the operations of this external investment pool is found in the Public Funds Investment Act of the State of Texas. Required oversight for pools includes compliance with investment guidelines, annual independent audits and the establishment of oversight boards.

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III. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Deposits and Investments (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. As of September 30, 2009, \$3,297,447 of the City's \$3,547,447 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$250,000 was 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 Investors Service.

Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E. Texas Property Tax Code. Taxes are due on 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 Central Appraisal District ("CAD") establishes appraised values. Taxes are levied by the City Council based on the appraised values received from the CAD.

Property tax rates, established in accordance with state law, are levied on real and personal property within the City for use in financing and general and debt service expenditures for the 2009 fiscal year (2008 tax year), resulting in an adjusted tax levy of approximately \$11.75 million based on an assessed property valuation of approximately \$1.68 billion were as follows:

	Tax Rate per \$100 of <u>Assessed Value</u>
General Fund	\$ 0.5110
Debt Service Fund	<u>0.1940</u>
Total Tax Rate	<u>\$ 0.7050</u>

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III. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Property Taxes (Continued)

Net property taxes receivable, at September 30, 2009, consisted of the following:

	<u>Delinquent Taxes Receivable</u>
Current year	\$ 241,050
Prior years	<u>975,068</u>
	1,216,118
Penalties and interest	242,289
Less: allowance for doubtful accounts	<u>(754,061)</u>
Net property taxes	<u>\$ 704,346</u>

Industrial District Contracts

A significant portion of the City's revenue is derived from contractual agreements with 21 separate industrial companies that lie within the City's extraterritorial jurisdiction. In 2000, the City and the industries located in the Industrial Zone agreed to new contracts extending to 2006. These new contracts call for each industry to annually render to the City a written description of its land, improvements, and tangible personal property as of the immediately preceding January 1. It was the opinion of the legal council for Harris County Appraisal District that the value of land and improvements that were not physically located within the corporate area of the City could not be included on the City's tax roll. In the negotiations for renewal of the Industrial District contracts, the City agreed to continue the annexation of just the 50-foot wide strip around the perimeter of each plant. As a result, only a very small amount of the value of these industries will be included in the City's tax roll in the future. The companies agreed to pay an amount "in-lieu" of taxes in the unannexed area of an amount equal to the sum of 63% of the amount of ad valorem taxes which would be payable to the City if all of the companies' land and improvements which existed on January 1, 2001, 2002, 2003, 2004, 2005 and 2006 had been within the corporate limits of the City. New construction payments will be made on percentages of new value as described in the contract at 25% the first year, 35% the second year, 45% the third year, 55% the fourth year, and 63% for the fifth year of operations.

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

	<u>Industrial District Payments</u>
Current year	\$ 10,676
Less: allowance for doubtful accounts	<u>(9,992)</u>
Net receivables	<u>\$ 684</u>

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III. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Receivables

Amounts recorded as receivable as of September 30, 2009, 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>Water and Sewer</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 1,084,049	\$ 390,266	\$ -	\$ 85,215	\$ 1,559,530
Intergovernmental	86,426	-	-	-	86,426
Accounts	1,432,231	-	-	126,828	1,559,059
Ambulance	2,981,133	-	-	-	2,981,133
Other	-	-	984,844	-	984,844
Gross receivables	5,583,839	390,266	984,844	212,043	7,170,992
Less: allowance for uncollectibles	<u>3,619,298</u>	<u>176,798</u>	<u>241,829</u>	<u>-</u>	<u>4,037,925</u>
Net total receivables	<u>\$ 1,964,541</u>	<u>\$ 213,468</u>	<u>\$ 743,015</u>	<u>\$ 212,043</u>	<u>\$ 3,133,067</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)	\$ 450,860	\$ -
Delinquent property taxes receivable (debt service)	197,262	-
Court fines	113,434	-
Ambulance	<u>302,038</u>	<u>-</u>
Total governmental funds	<u>\$ 1,063,594</u>	<u>\$ -</u>

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III. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Capital Assets

A summary of capital asset activity for the year ended September 30, 2009, follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 18,457,245	\$ 1,063,834	\$ -	\$ 19,521,079
Construction work in progress	1,066,977	600,553	1,032,783	634,747
Total capital assets not being depreciated	<u>19,524,222</u>	<u>1,664,387</u>	<u>1,032,783</u>	<u>20,155,826</u>
Capital assets, being depreciated:				
Buildings	20,179,419	621,976	-	20,801,395
Improvements	42,940,829	1,408,548	-	44,349,377
Machinery and equipment	12,574,647	2,480,966	481,351	14,574,262
Total capital assets being depreciated	<u>75,694,895</u>	<u>4,511,490</u>	<u>481,351</u>	<u>79,725,034</u>
Less accumulated depreciation:				
Buildings	(6,828,586)	(513,406)	-	(7,341,992)
Improvements	(29,013,239)	(1,289,527)	-	(30,302,766)
Machinery and equipment	(7,635,787)	(1,226,439)	(446,300)	(8,415,926)
Total accumulated depreciation	<u>(43,477,612)</u>	<u>(3,029,372)</u>	<u>(446,300)</u>	<u>(46,060,684)</u>
Total capital assets, being depreciated, net	<u>32,217,283</u>	<u>1,482,118</u>	<u>35,051</u>	<u>33,664,350</u>
Governmental activities capital assets, net	<u>\$ 51,741,505</u>	<u>\$ 3,146,505</u>	<u>\$ 1,067,834</u>	<u>\$ 53,820,176</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 591,397	\$ -	\$ -	\$ 591,397
Construction work in progress	750	85,000	-	85,750
Total capital assets not being depreciated	<u>592,147</u>	<u>85,000</u>	<u>-</u>	<u>677,147</u>
Capital assets, being depreciated:				
Buildings	3,861,540	-	-	3,861,540
Improvements	40,667,398	292,971	-	40,960,369
Machinery and equipment	1,799,476	300,133	69,516	2,169,125
Total capital assets being depreciated	<u>46,328,414</u>	<u>593,104</u>	<u>69,516</u>	<u>46,991,034</u>
Less accumulated depreciation:				
Buildings	(328,094)	(96,088)	-	(424,182)
Improvements	(20,255,247)	(1,024,606)	-	(21,279,853)
Machinery and equipment	(1,097,831)	(178,767)	(69,516)	(1,346,114)
Total accumulated depreciation	<u>(21,681,172)</u>	<u>(1,299,461)</u>	<u>(69,516)</u>	<u>(23,050,149)</u>
Total capital assets, being depreciated, net	<u>24,647,242</u>	<u>(706,357)</u>	<u>-</u>	<u>23,940,885</u>
Business-type activities capital assets, net	<u>\$ 25,239,389</u>	<u>\$ (621,357)</u>	<u>\$ -</u>	<u>\$ 24,618,032</u>

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III. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Capital Assets (Continued)

Depreciation was charged to functions of the City as follows:

Governmental activities:		
General		\$ 143,849
Public safety		652,596
Community development		200,356
Parks and recreation		562,744
Public works		<u>1,469,828</u>
	Total depreciation expense - governmental activities	<u>\$ 3,029,373</u>
Business-type activities:		
Water and sewer		<u>\$ 1,299,461</u>
	Total depreciation expense - business-type activities	<u>\$ 1,299,461</u>

Long-term Debt

During the year ended September 30, 2009, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 30,590,000	\$ -	\$ 1,865,000	\$ 28,725,000	\$ 1,995,000
Premium on bond issuance	380,862	-	30,810	350,052	30,810
Loss on refunding	(341,103)	-	45,959	(295,144)	45,959
Certificates of obligation	2,300,000	-	70,000	2,230,000	70,000
Capital leases	1,695,189	-	564,540	1,130,649	279,463
Net pension obligation	-	318,051	-	318,051	-
Net OPEB obligation	-	1,030,439	-	1,030,439	-
Compensated absences	<u>460,682</u>	<u>868,763</u>	<u>817,210</u>	<u>512,235</u>	<u>102,447</u>
Governmental activity long-term liabilities	<u>\$ 35,085,630</u>	<u>\$ 2,217,253</u>	<u>\$ 3,301,601</u>	<u>\$ 34,001,282</u>	<u>\$ 2,523,679</u>
Business-type activities					
Revenue bonds	\$ 13,610,000	\$ -	\$ 1,210,000	\$ 12,400,000	\$ 1,205,000
Net pension obligation	-	45,303	-	45,303	-
Net OPEB obligation	-	150,185	-	150,185	-
Compensated absences	<u>73,055</u>	<u>116,765</u>	<u>132,732</u>	<u>57,088</u>	<u>28,544</u>
Business-type activity long-term liabilities	<u>\$ 13,683,055</u>	<u>\$ 312,253</u>	<u>\$ 1,342,732</u>	<u>\$ 12,652,576</u>	<u>\$ 1,233,544</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

(continued)

III. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (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, 2009:

Series	Original Issue	Interest Rate	Debt Outstanding
Governmental activities			
General Obligation Bonds			
2001 General Obligation Bonds	\$ 8,435,000	4.793%	\$ 5,100,000
2004 General Obligation and Refunding Bonds	4,670,000	3.00% to 5.00%	3,600,000
2005 General Obligation Bonds	9,000,000	3.5% to 5.5%	8,540,000
2007 General Obligation Bonds	7,465,000	3.85% to 5.00%	7,435,000
2007 General Obligation and Refunding Bonds	4,540,000	3.49%	<u>4,050,000</u>
			28,725,000
Certificates of Obligation			
2007 Certificates Obligation	2,300,000	4.25% to 6.00%	<u>2,230,000</u>
Total governmental activities			<u>\$ 30,955,000</u>
Business-type activities			
Revenue Bonds			
1997 Waterworks and Sewer System	\$ 4,120,000	5.00% to 6.75%	\$ 1,200,000
2000 Waterworks and Sewer System	4,180,000	4.30% to 5.10%	1,650,000
2002 Waterworks and Sewer System	5,000,000	.70% to 3.80%	3,500,000
2002A Waterworks and Sewer System	6,250,000	4.25% to 5.125%	4,390,000
2003 Waterworks and Sewer System Revenue and Refunding Bonds	3,835,000	2.50% to 3.72%	<u>1,660,000</u>
Total business-type activities			<u>\$ 12,400,000</u>

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

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2010	\$ 70,000	\$ 104,662	\$ 174,662
2011	75,000	100,312	175,312
2012	80,000	95,662	175,662
2013	85,000	90,712	175,712
0174	90,000	85,462	175,462
2015-2019	500,000	345,530	845,530
2020-2024	655,000	215,583	870,583
2025-2027	<u>675,000</u>	<u>43,882</u>	<u>718,882</u>
Total	<u>\$ 2,230,000</u>	<u>\$ 1,081,805</u>	<u>\$ 3,311,805</u>

(continued)

III. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Certificates of Obligation, General Obligation Bonds and Revenue Bonds (Continued)

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

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2010	\$ 1,995,000	\$ 1,146,972	\$ 3,141,972
2011	2,075,000	1,063,685	3,138,685
2012	2,090,000	973,378	3,063,378
2013	2,160,000	966,502	3,126,502
2014	2,260,000	775,957	3,035,957
2015-2019	9,060,000	2,612,416	11,672,416
2020-2024	6,915,000	1,113,008	8,028,008
2025-2027	<u>2,170,000</u>	<u>140,464</u>	<u>2,310,464</u>
Total	<u>\$ 28,725,000</u>	<u>\$ 8,792,382</u>	<u>\$ 37,517,382</u>

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

Fiscal Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2010	\$ 1,205,000	\$ 488,598	\$ 1,693,598
2011	1,200,000	443,756	1,643,756
2012	1,190,000	398,436	1,588,436
2013	1,185,000	352,676	1,537,676
2014-2017	1,180,000	306,225	1,486,225
2018-2022	4,010,000	965,578	4,975,578
2023-2027	<u>2,430,000</u>	<u>206,775</u>	<u>2,636,775</u>
Total	<u>\$ 12,400,000</u>	<u>\$ 3,162,044</u>	<u>\$ 15,562,044</u>

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 of Deer Park, Texas. A number of limitations and restrictions are contained in the various bond ordinances. The City has complied with all significant limitations and restrictions.

(continued)

III. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Certificates of Obligation, General Obligation Bonds and Revenue Bonds (Continued)

Defeasance of Bonds

In prior years, the City defeased certain certificates of obligation bonds 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, 2009, there were no bonds considered defeased and 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>
Road and Bridge improvements	12/10/55	\$ 1,650,000	\$ 365,000
Water improvements	12/07/76	1,000,000	580,000
Drainage improvements	03/04/80	10,000,000	1,155,000
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	6,580,000	1,040,000
Drainage improvements	09/23/00	2,250,000	-
Streets, sidewalks and related drainage improvements	09/23/00	3,700,000	-
Renovation, construction, furnishing and equipment of City Hall	09/23/00	1,510,000	-
Renovation, construction, furnishing and equipment of Library	09/23/00	<u>1,750,000</u>	<u>-</u>
		<u>\$ 36,090,000</u>	<u>\$ 10,065,000</u>

Contingent Arbitrage Liabilities

The City has invested a portion of bond proceeds. Any excess of interest revenue earned on invested proceeds over interest paid on the bonds must be rebated to the federal government every five years.

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 \$2.08 million of equipment has been leased under these agreements as of September 30, 2009. Capital leases bear interest ranging from 3.07% to 4.46% and have maturity dates ranging from 2010 to 2018. The total interest paid in 2009 for capital leases was \$53,595. Annual requirements to satisfy these obligations are as follows:

(continued)

III. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Capital Leases (Continued)

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2010	\$ 279,462	\$ 36,829	\$ 316,291
2011	155,274	28,941	184,215
2012	131,648	22,971	154,619
2013	94,239	18,945	113,184
2014	97,727	15,457	113,184
2015-2018	<u>372,299</u>	<u>24,754</u>	<u>397,053</u>
Total	\$ <u>1,130,649</u>	\$ <u>147,897</u>	\$ <u>1,278,546</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2009, is as follows:

Receivable Fund	Payable Fund	Amount
Water and sewer	General	\$ 4,353
Nonmajor governmental	General	<u>31</u>
Total		\$ <u>4,384</u>

Amounts booked as interfund receivables are considered temporary loans and will be repaid during the following fiscal year.

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The following is a summary of interfund transfers for the year ended September 30, 2009:

	Transfers In		Total
	Debt Service	Nonmajor Governmental Funds	
Transfers Out:			
CIBF Series 2007	\$ 65,474	\$ -	\$ 65,474
General	-	1,640,972	1,640,972
Nonmajor governmental funds	<u>22,169</u>	<u>-</u>	<u>22,169</u>
Total Transfers Out	\$ <u>87,643</u>	\$ <u>1,640,972</u>	\$ <u>1,728,615</u>

(continued)

III. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Interfund Receivables, Payables and Transfers (Continued)

Amounts transferred between funds relate to the following activities:

- Transfers in the Debt Service Fund were made to pay debt service and debt service related expenditures in accordance with applicable ordinances and federal regulations.

IV. OTHER INFORMATION

Other Postemployment Benefits

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution (ARC)	\$ 1,448,648
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost	1,448,648
Employer Contributions with Interest	(268,024)
Increase (Decrease) in Net Pension Obligation	1,180,624
Net Pension Obligation/(Asset), beginning of year	-
Net Pension Obligation/(Asset), ending of year	<u>\$ 1,180,624</u>

In addition to the employer contribution, the retirees paid \$126,397 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
09/30/07	N/A	N/A	N/A	N/A
09/30/08	N/A	N/A	N/A	N/A
09/30/09	\$ 1,448,648	\$ 268,024	18.5%	\$ 1,180,624

(continued)

IV. OTHER INFORMATION (Continued)

Other Postemployment Benefits (Continued)

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
01/01/09	\$ -	\$ 12,921,500	\$ 12,921,500	- %	\$ 12,433,803	103.92%

This is the first year of implementing GASB 45. The two previous years of funding status as funding progress are not available. The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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	09/30/2009
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	4.5%
Projected Salary Increases	N/A
Health Care Inflation Rate	10% initial 5% ultimate

(continued)

IV. OTHER INFORMATION (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>
09/30/07	.04%	.04%	100%
09/30/08	.04%	.04%	100%
09/30/09	.05%	.05%	100%

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 and 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 \$4,401,251 at September 30, 2009.

(continued)

IV. OTHER INFORMATION (Continued)

Employee Retirement System

Plan Description

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

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

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

	<u>Plan Year 2008</u>	<u>Plan Year 2009</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	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.

(continued)

IV. OTHER INFORMATION (Continued)

Employee Retirement System (Continued)

Contributions (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:

Year	Annual Required Contribution (a)	Interest on Net Pension Obligation (b)	Adjustment to the ARC (c)	Annual Pension Cost (APC) (d)	Actual Contribution Made (e)	Percentage of APC (f)	Net Pension Obligation/ (Asset) (g)
	(a)+(b)+(c)			(e) / (d)	(a) - (e)		
09/30/07	\$ 1,907,472	\$ -	\$ -	\$ 1,907,472	\$ 1,907,472	100.0%	\$ -
09/30/08	1,914,322	-	-	1,914,322	1,914,322	100.0%	-
09/30/09	2,732,854	-	-	2,732,854	2,369,500	86.7%	363,354

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial cost method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Remaining amortization period	25 years - open	30 years - closed	29 years - closed
Asset valuation method	Amortized cost	Amortized cost	Amortized cost
Actuarial Assumptions:			
Investment rate of return	7%	7%	7.5%
Projected salary increases	varies by age and service	varies by age and service	varies by age and service
Inflation	3.0%	3.0%	3.0%
Cost-of-living adjustments	N/A	1.5%	1.5%

Required Supplementary Information

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

Actual Valuation Date	12/31/08	12/31/07	12/31/06
Actuarial value of assets	\$ 41,676,831	\$ 40,862,738	\$ 41,100,840
Actuarial accrued liability	59,251,277	56,801,494	51,492,636
Percent funded	70.3%	71.9%	79.8%
Unfunded (overfunded) actuarial accrued liability (UAAL)	17,574,446	15,938,756	10,391,796
Annual covered payroll	14,552,429	12,961,828	12,245,034
UAAL as a percentage of covered payroll	120.8%	123.0%	84.9%

(continued)

IV. OTHER INFORMATION (Continued)

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.

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, 2009, the City paid premiums to TML for provisions of various liability, property and casualty insurance. The City has various deductible amounts ranging from \$500 to \$5,000 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, 2009, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

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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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 29,917,100	\$ 29,917,100	\$ 32,933,397	\$ 3,016,297
License and permits	290,500	290,500	307,496	16,996
Fines and forfeitures	819,000	819,000	695,671	(123,329)
Charges for services	3,527,000	3,527,000	3,724,262	197,262
Investment earnings	500,000	500,000	110,449	(389,551)
Intergovernmental	70,000	70,000	70,000	-
Other	105,184	105,184	132,302	27,118
Total revenues	<u>35,228,784</u>	<u>35,228,784</u>	<u>37,973,577</u>	<u>2,744,793</u>
EXPENDITURES				
Current:				
General government	11,120,578	11,120,578	10,595,235	525,343
Community development	5,820,083	5,820,083	5,564,724	255,359
Public works	4,696,970	4,696,970	4,136,980	559,990
Parks and recreation	1,960,960	1,960,960	2,095,437	(134,477)
Public safety	7,721,947	7,721,947	7,444,980	276,967
Debt service:				
Principal retirement	537,571	537,571	544,969	(7,398)
Interest and other charges	52,689	52,689	52,689	-
Capital outlay	1,732,574	1,732,574	1,727,991	4,583
Total expenditures	<u>33,643,372</u>	<u>33,643,372</u>	<u>32,163,005</u>	<u>1,480,367</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,585,412</u>	<u>1,585,412</u>	<u>5,810,572</u>	<u>4,225,160</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance recovery	-	-	268,575	268,575
Transfers out	(1,640,972)	(1,640,972)	(1,640,972)	-
Total other financing sources and uses	<u>(1,640,972)</u>	<u>(1,640,972)</u>	<u>(1,372,397)</u>	<u>268,575</u>
NET CHANGE IN FUND BALANCE	(55,560)	(55,560)	4,438,175	4,493,735
FUND BALANCE, BEGINNING	<u>11,986,816</u>	<u>11,986,816</u>	<u>11,986,816</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 11,931,256</u>	<u>\$ 11,931,256</u>	<u>\$ 16,424,991</u>	<u>\$ 4,493,735</u>

CITY OF DEER PARK, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2009

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:

Parks and recreation	\$ 134,477
Debt service	7,398

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 are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Hotel/Occupancy Tax Fund – This fund is used to account for proceeds from hotel 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.

Grants Fund – This fund is used primarily to account for proceeds generated by special events special event activities of the City’s Parks Department and related expenditures. Activities are not budgeted and are controlled on an event-by-event 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 for police 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.

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.

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 at various capital projects throughout the City.

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

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CITY OF DEER PARK, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	Special Revenue				
	Hotel Occupancy Tax	Grants	LEPC	Police Forfeiture	Senior Citizen
ASSETS					
Cash and cash equivalents	\$ 669,945	212,140	\$ 150,233	\$ 64,035	\$ 140,696
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Other receivables	<u>85,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 755,160</u>	<u>\$ 212,140</u>	<u>\$ 150,233</u>	<u>\$ 64,035</u>	<u>\$ 140,696</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 25,379	\$ 9,606	\$ 7,597	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Other payables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>25,379</u>	<u>9,606</u>	<u>7,597</u>	<u>-</u>	<u>-</u>
Fund balances:					
Reserved for:					
Special revenue funds	729,781	202,534	142,636	64,035	140,696
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>729,781</u>	<u>202,534</u>	<u>142,636</u>	<u>64,035</u>	<u>140,696</u>
Total liabilities and fund balances	<u>\$ 755,160</u>	<u>\$ 212,140</u>	<u>\$ 150,233</u>	<u>\$ 64,035</u>	<u>\$ 140,696</u>

Special Revenue			Capital Projects						
Municipal Court	FEMA Hurricane Ike	Totally Texas Scholarship	Capital Projects	1997 Streets	Streets	Capital Improvements Fund	General Obligation Series 2005	Total Governmental Funds	
\$ 133,150	\$ 418,410	\$ 4,852	\$ 107,754	\$ 26,975	\$ 94,013	\$ 332,886	\$ 2,625,194	\$ 4,980,283	
31	-	-	-	-	-	-	-	31	
-	610,424	-	-	-	-	-	-	610,424	
<u>126,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,043</u>	
<u>\$ 260,009</u>	<u>\$ 1,028,834</u>	<u>\$ 4,852</u>	<u>\$ 107,754</u>	<u>\$ 26,975</u>	<u>\$ 94,013</u>	<u>\$ 332,886</u>	<u>\$ 2,625,194</u>	<u>\$ 5,802,781</u>	
\$ 2,229	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,836	\$ 13,191	\$ 193,838	
7,707	-	-	-	-	-	-	-	7,707	
-	-	-	-	-	-	49,713	14,892	64,605	
<u>9,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,549</u>	<u>28,083</u>	<u>266,150</u>	
250,073	1,028,834	4,852	-	-	-	-	-	2,563,441	
-	-	-	107,754	26,975	94,013	147,337	2,597,111	2,973,190	
<u>250,073</u>	<u>1,028,834</u>	<u>4,852</u>	<u>107,754</u>	<u>26,975</u>	<u>94,013</u>	<u>147,337</u>	<u>2,597,111</u>	<u>5,536,631</u>	
<u>\$ 260,009</u>	<u>\$ 1,028,834</u>	<u>\$ 4,852</u>	<u>\$ 107,754</u>	<u>\$ 26,975</u>	<u>\$ 94,013</u>	<u>\$ 332,886</u>	<u>\$ 2,625,194</u>	<u>\$ 5,802,781</u>	

CITY OF DEER PARK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Special Revenue				
	Hotel Occupancy Tax	Grants	LEPC	Police Forfeiture	Senior Citizen
REVENUES					
Hotel/motel taxes	\$ 404,561	\$ -	\$ -	\$ -	\$ -
Fees and fines	-	-	-	-	-
Intergovernmental	-	252,675	127,631	-	-
Charges for services	-	400	-	-	-
Investment earnings	-	-	-	645	1,165
Miscellaneous	-	341,636	-	17,359	-
Total revenues	<u>404,561</u>	<u>594,711</u>	<u>127,631</u>	<u>18,004</u>	<u>1,165</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Community development	257,084	296,659	81,305	13,515	5,476
Public works	-	-	-	-	-
Public safety	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Capital outlay	-	219,283	-	40,000	-
Total expenditures	<u>257,084</u>	<u>515,942</u>	<u>81,305</u>	<u>53,515</u>	<u>5,476</u>
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	<u>147,477</u>	<u>78,769</u>	<u>46,326</u>	<u>(35,511)</u>	<u>(4,311)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	147,477	78,769	46,326	(35,511)	(4,311)
FUND BALANCES, BEGINNING	<u>582,304</u>	<u>123,765</u>	<u>96,310</u>	<u>99,546</u>	<u>145,007</u>
FUND BALANCES, ENDING	<u>\$ 729,781</u>	<u>\$ 202,534</u>	<u>\$ 142,636</u>	<u>\$ 64,035</u>	<u>\$ 140,696</u>

Special Revenue			Capital Projects					Total Other
Municipal Court	FEMA Hurricane Ike	Totally Texas Scholarship	Capital Projects	1997 Streets	Streets	Capital Improvements Fund	General Obligation Series 2005	Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 404,561
125,808	-	-	-	-	-	-	-	125,808
-	2,422,429	-	-	-	-	-	-	2,802,735
123,975	-	4,000	-	-	-	-	-	128,375
-	-	-	882	218	232	8,732	21,069	32,943
-	-	1,700	-	-	-	-	-	360,695
<u>249,783</u>	<u>2,422,429</u>	<u>5,700</u>	<u>882</u>	<u>218</u>	<u>232</u>	<u>8,732</u>	<u>21,069</u>	<u>3,855,117</u>
-	-	848	-	-	-	-	-	848
-	-	-	-	-	-	161,756	-	815,795
-	-	-	-	-	-	-	25,000	25,000
274,358	1,393,595	-	-	-	-	-	-	1,667,953
16,709	-	-	-	-	-	-	-	16,709
-	-	-	-	-	-	2,342,165	231,878	2,833,326
<u>291,973</u>	<u>1,393,595</u>	<u>848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,503,921</u>	<u>256,878</u>	<u>5,360,537</u>
(42,190)	1,028,834	4,852	882	218	232	(2,495,189)	(235,809)	(1,505,420)
-	-	-	-	-	-	1,640,972	-	1,640,972
-	-	-	(880)	(220)	-	-	(21,069)	(22,169)
-	-	-	(880)	(220)	-	1,640,972	(21,069)	1,618,803
(42,190)	1,028,834	4,852	2	(2)	232	(854,217)	(256,878)	113,383
<u>292,263</u>	<u>-</u>	<u>-</u>	<u>107,752</u>	<u>26,977</u>	<u>93,781</u>	<u>1,001,554</u>	<u>2,853,989</u>	<u>5,423,248</u>
<u>\$ 250,073</u>	<u>\$ 1,028,834</u>	<u>\$ 4,852</u>	<u>\$ 107,754</u>	<u>\$ 26,975</u>	<u>\$ 94,013</u>	<u>\$ 147,337</u>	<u>\$ 2,597,111</u>	<u>\$ 5,536,631</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, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
GENERAL GOVERNMENT			
Mayor and council:			
Services	\$ 72,725	\$ 61,348	\$ 11,377
Supplies	<u>5,200</u>	<u>2,446</u>	<u>2,754</u>
Total mayor and council	<u>77,925</u>	<u>63,794</u>	<u>14,131</u>
 City manager:			
Personnel services	440,165	434,145	6,020
Services	20,050	16,036	4,014
Supplies	13,500	8,717	4,783
Repairs and maintenance	<u>1,350</u>	<u>-</u>	<u>1,350</u>
Total City manager	<u>475,065</u>	<u>458,898</u>	<u>16,167</u>
 Boards and commissions:			
Services	15,500	11,431	4,069
Supplies	<u>1,750</u>	<u>1,230</u>	<u>520</u>
Total boards and commissions	<u>17,250</u>	<u>12,661</u>	<u>4,589</u>
 Municipal court:			
Personnel services	213,000	194,677	18,323
Services	49,725	40,220	9,505
Supplies	11,750	8,173	3,577
Repairs and maintenance	<u>5,000</u>	<u>4,611</u>	<u>389</u>
Total municipal court	<u>279,475</u>	<u>247,681</u>	<u>31,794</u>
 General government:			
Services	2,375,578	2,634,093	(258,515)
Supplies	133,000	170,076	(37,076)
Repairs and maintenance	85,000	80,207	4,793
Other operating expenditures	200,000	-	200,000
Capital outlay	<u>-</u>	<u>221,426</u>	<u>(221,426)</u>
Total general government	<u>2,793,578</u>	<u>3,105,802</u>	<u>(312,224)</u>

(continued)

CITY OF DEER PARK, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
GENERAL GOVERNMENT (Continued)			
Legal services:			
Services	\$ 133,500	\$ 97,357	\$ 36,143
Supplies	750	-	750
Total legal services	<u>134,250</u>	<u>97,357</u>	<u>36,893</u>
 Personnel:			
Personnel services	156,860	156,908	(48)
Services	34,435	12,718	21,717
Supplies	<u>6,550</u>	<u>6,151</u>	<u>399</u>
Total personnel	<u>197,845</u>	<u>175,777</u>	<u>22,068</u>
 Information technology services			
Personnel services	370,000	338,965	31,035
Services	498,957	322,094	176,863
Supplies	33,373	44,857	(11,484)
Repairs and maintenance	157,695	125,257	32,438
Capital outlay	<u>43,000</u>	<u>60,791</u>	<u>(17,791)</u>
Total information technology services	<u>1,103,025</u>	<u>891,964</u>	<u>211,061</u>
 Accounting and finance:			
Personnel services	347,000	347,107	(107)
Services	47,188	43,093	4,095
Supplies	19,975	17,287	2,688
Repairs and maintenance	<u>1,880</u>	<u>-</u>	<u>1,880</u>
Total accounting and finance	<u>416,043</u>	<u>407,487</u>	<u>8,556</u>
 City secretary:			
Personnel services	204,800	204,883	(83)
Services	46,210	36,482	9,728
Supplies	13,790	9,808	3,982
Repairs and maintenance	<u>11,350</u>	<u>15,768</u>	<u>(4,418)</u>
Total City secretary	<u>276,150</u>	<u>266,941</u>	<u>9,209</u>

(continued)

CITY OF DEER PARK, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
GENERAL GOVERNMENT (Continued)			
Warehouse:			
Personnel services	\$ 45,468	\$ 44,974	\$ 494
Services	25	-	25
Supplies	9,419	7,660	1,759
Repairs and maintenance	<u>1,000</u>	<u>668</u>	<u>332</u>
Total warehouse	<u>55,912</u>	<u>53,302</u>	<u>2,610</u>
Employee benefits			
Personnel services	<u>5,338,500</u>	<u>5,095,788</u>	<u>242,712</u>
Total employee benefits	<u>5,338,500</u>	<u>5,095,788</u>	<u>242,712</u>
Total general government	<u>11,165,018</u>	<u>10,877,452</u>	<u>287,566</u>
COMMUNITY DEVELOPMENT			
Planning and development:			
Personnel services	927,100	908,133	18,967
Services	401,628	345,043	56,585
Supplies	57,225	15,639	41,586
Repairs and maintenance	33,450	35,118	(1,668)
Capital outlay	<u>168,000</u>	<u>148,792</u>	<u>19,208</u>
Total planning and development	<u>1,587,403</u>	<u>1,452,725</u>	<u>134,678</u>
Beautification:			
Services	-	1,588	(1,588)
Supplies	-	2,734	(2,734)
Repairs and maintenance	<u>113,000</u>	<u>61,522</u>	<u>51,478</u>
Total beautification	<u>113,000</u>	<u>65,844</u>	<u>47,156</u>
Park operations:			
Personnel services	900,890	906,454	(5,564)
Services	44,500	57,296	(12,796)
Supplies	126,400	104,880	21,520
Repairs and maintenance	240,500	205,733	34,767
Capital outlay	<u>170,000</u>	<u>145,207</u>	<u>24,793</u>
Total park operations	<u>1,482,290</u>	<u>1,419,570</u>	<u>62,720</u>

(continued)

CITY OF DEER PARK, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
COMMUNITY DEVELOPMENT (Continued)			
Recreation:			
Personnel services	\$ 868,875	\$ 875,118	\$(6,243)
Services	174,700	204,189	(29,489)
Supplies	154,000	148,759	5,241
Repairs and maintenance	69,500	73,926	(4,426)
Capital outlay	<u>29,000</u>	<u>27,760</u>	<u>1,240</u>
Total recreation	<u>1,296,075</u>	<u>1,329,752</u>	<u>(33,677)</u>
Athletics and aquatics:			
Personnel services	196,580	203,657	(7,077)
Services	110,550	96,864	13,686
Supplies	64,700	85,491	(20,791)
Repairs and maintenance	82,200	61,872	20,328
Capital outlay	<u>16,000</u>	<u>14,155</u>	<u>1,845</u>
Total athletics and aquatics	<u>470,030</u>	<u>462,039</u>	<u>7,991</u>
Senior services:			
Personnel services	151,685	132,344	19,341
Services	21,800	19,505	2,295
Supplies	163,300	149,054	14,246
Repairs and maintenance	12,700	12,492	208
Capital outlay	<u>22,000</u>	<u>22,155</u>	<u>(155)</u>
Total senior services	<u>371,485</u>	<u>335,550</u>	<u>35,935</u>
After-school program:			
Services	142,900	159,004	(16,104)
Supplies	<u>30,500</u>	<u>26,361</u>	<u>4,139</u>
Total after-school program	<u>173,400</u>	<u>185,365</u>	<u>(11,965)</u>

(continued)

CITY OF DEER PARK, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
COMMUNITY DEVELOPMENT (Continued)			
Library:			
Personnel services	\$ 523,400	\$ 490,869	\$ 32,531
Services	43,335	39,104	4,231
Supplies	151,465	133,080	18,385
Repairs and maintenance	<u>13,200</u>	<u>8,895</u>	<u>4,305</u>
Total library	<u>731,400</u>	<u>671,948</u>	<u>59,452</u>
Total community development	<u>6,225,083</u>	<u>5,922,793</u>	<u>302,290</u>
PUBLIC WORKS			
Building maintenance:			
Personnel services	478,170	463,850	14,320
Services	2,000	1,173	827
Supplies	54,700	59,774	(5,074)
Repairs and maintenance	<u>8,400</u>	<u>6,403</u>	<u>1,997</u>
Total building maintenance	<u>543,270</u>	<u>531,200</u>	<u>12,070</u>
Sanitation:			
Personnel services	1,085,700	1,042,860	42,840
Services	758,635	692,523	66,112
Supplies	443,525	376,664	66,861
Repairs and maintenance	158,800	185,101	(26,301)
Capital outlay	<u>511,500</u>	<u>454,521</u>	<u>56,979</u>
Total sanitation	<u>2,958,160</u>	<u>2,751,669</u>	<u>206,491</u>
Street maintenance:			
Personnel services	531,060	502,945	28,115
Services	5,435	4,964	471
Supplies	85,900	83,287	2,613
Repairs and maintenance	240,080	92,891	147,189
Capital outlay	<u>364,500</u>	<u>321,913</u>	<u>42,587</u>
Total street maintenance	<u>1,226,975</u>	<u>1,006,000</u>	<u>220,975</u>

(continued)

CITY OF DEER PARK, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
PUBLIC WORKS (Continued)			
Fleet maintenance:			
Personnel services	\$ 394,645	\$ 387,031	\$ 7,614
Services	6,410	4,457	1,953
Supplies	43,325	39,973	3,352
Repairs and maintenance	206,100	9,291	196,809
Capital outlay	<u>49,000</u>	<u>47,549</u>	<u>1,451</u>
Total fleet maintenance	<u>699,480</u>	<u>488,301</u>	<u>211,179</u>
 Humane division:			
Personnel services	163,520	153,010	10,510
Services	2,015	2,085	(70)
Supplies	21,400	17,635	3,765
Repairs and maintenance	7,150	11,063	(3,913)
Capital outlay	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Total humane division	<u>201,085</u>	<u>183,793</u>	<u>17,292</u>
 Total public works	<u>5,628,970</u>	<u>4,960,963</u>	<u>668,007</u>
 PUBLIC SAFETY			
Police:			
Personnel services	5,652,000	5,328,684	323,316
Services	112,038	124,677	(12,639)
Supplies	486,946	384,765	102,181
Repairs and maintenance	151,417	220,012	(68,595)
Capital outlay	<u>111,454</u>	<u>110,758</u>	<u>696</u>
Total police	<u>6,513,855</u>	<u>6,168,896</u>	<u>344,959</u>
 Emergency management:			
Services	30,465	28,384	2,081
Supplies	5,175	6,148	(973)
Repairs and maintenance	11,730	11,404	326
Capital outlay	<u>6,295</u>	<u>6,995</u>	<u>(700)</u>
Total emergency management	<u>53,665</u>	<u>52,931</u>	<u>734</u>

(continued)

CITY OF DEER PARK, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
PUBLIC SAFETY (Continued)			
Fire department:			
Personnel services	\$ 573,460	\$ 580,200	\$(6,740)
Services	151,950	155,422	(3,472)
Supplies	178,751	227,491	(48,740)
Repairs and maintenance	91,900	117,163	(25,263)
Capital outlay	<u>115,000</u>	<u>40,807</u>	<u>74,193</u>
Total fire department	<u>1,111,061</u>	<u>1,121,083</u>	<u>(10,022)</u>
 Ambulance:			
Services	117,480	86,273	31,207
Supplies	75,700	88,139	(12,439)
Repairs and maintenance	23,555	19,194	4,361
Capital outlay	<u>72,275</u>	<u>78,425</u>	<u>(6,150)</u>
Total ambulance	<u>289,010</u>	<u>272,031</u>	<u>16,979</u>
 Fire marshal:			
Services	51,900	41,673	10,227
Supplies	5,930	23,853	(17,923)
Repairs and maintenance	1,550	1,498	52
Capital outlay	<u>47,550</u>	<u>26,737</u>	<u>20,813</u>
Total fire marshal	<u>106,930</u>	<u>93,761</u>	<u>13,169</u>
 Total public safety	<u>8,074,521</u>	<u>7,708,702</u>	<u>365,819</u>
 PARKS AND RECREATION			
Golf course maintenance:			
Services	419,400	410,692	8,708
Supplies	41,000	33,162	7,838
Repairs and maintenance	<u>171,000</u>	<u>174,337</u>	<u>(3,337)</u>
Total golf course maintenance	<u>631,400</u>	<u>618,191</u>	<u>13,209</u>

(continued)

CITY OF DEER PARK, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
PARKS AND RECREATION (Continued)			
Clubhouse:			
Personnel services	\$ 415,745	\$ 441,430	\$(25,685)
Services	129,850	144,070	(14,220)
Supplies	21,600	20,115	1,485
Repairs and maintenance	35,350	67,120	(31,770)
Other	<u>130,000</u>	<u>160,760</u>	<u>(30,760)</u>
Total clubhouse	<u>732,545</u>	<u>833,495</u>	<u>(100,950)</u>
Restaurant:			
Personnel services	223,165	234,077	(10,912)
Services	29,650	65,724	(36,074)
Supplies	341,700	342,690	(990)
Repairs and maintenance	<u>2,500</u>	<u>1,260</u>	<u>1,240</u>
Total restaurant	<u>597,015</u>	<u>643,751</u>	<u>(46,736)</u>
Total parks and recreation	<u>1,960,960</u>	<u>2,095,437</u>	<u>(134,477)</u>
DEBT SERVICE			
Principal	537,571	544,969	(7,398)
Interest	<u>52,689</u>	<u>52,689</u>	<u>-</u>
Total debt service	<u>590,260</u>	<u>597,658</u>	<u>(7,398)</u>
Total expenditures	<u>33,644,812</u>	<u>32,163,005</u>	<u>1,481,807</u>
SUMMARY BY OBJECT			
Personnel services	20,201,788	19,468,109	733,679
Services	6,050,534	5,959,582	90,952
Supplies	2,802,299	2,646,099	156,200
Repairs and maintenance	1,937,357	1,602,806	334,551
Other operating expenditures	330,000	160,760	169,240
Debt service	590,260	597,658	(7,398)
Capital outlay	<u>1,732,574</u>	<u>1,727,991</u>	<u>4,583</u>
Total	<u>\$ 33,644,812</u>	<u>\$ 32,163,005</u>	<u>\$ 1,481,807</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, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Taxes:			
Property	\$ 3,109,684	\$ 3,215,237	\$ 105,553
Investment earnings	<u>50,000</u>	<u>16,211</u>	<u>(33,789)</u>
Total revenues	<u>3,159,684</u>	<u>3,231,448</u>	<u>71,764</u>
EXPENDITURES			
Debt service:			
Principal	1,935,000	1,935,000	-
Interest and other charges	<u>1,354,053</u>	<u>1,356,033</u>	<u>(1,980)</u>
Total expenditures	<u>3,289,053</u>	<u>3,291,033</u>	<u>(1,980)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(129,369)</u>	<u>(59,585)</u>	<u>69,784</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>129,369</u>	<u>87,643</u>	<u>(41,726)</u>
Total other financing sources	<u>129,369</u>	<u>87,643</u>	<u>(41,726)</u>
NET CHANGE IN FUND BALANCE	-	28,058	28,058
FUND BALANCE, BEGINNING	<u>2,053,462</u>	<u>2,053,462</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 2,053,462</u>	<u>\$ 2,081,520</u>	<u>\$ 28,058</u>

CITY OF DEER PARK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HOTEL OCCUPANCY TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Hotel/motel taxes	\$ <u>300,000</u>	\$ <u>404,561</u>	\$ <u>104,561</u>
Total revenues	<u>300,000</u>	<u>404,561</u>	<u>104,561</u>
EXPENDITURES			
Current:			
Community development	<u>300,000</u>	<u>257,084</u>	<u>42,916</u>
Total expenditures	<u>300,000</u>	<u>257,084</u>	<u>42,916</u>
NET CHANGE IN FUND BALANCE	-	147,477	147,477
FUND BALANCE, BEGINNING	<u>582,304</u>	<u>582,304</u>	-
FUND BALANCE, ENDING	<u>\$ 582,304</u>	<u>\$ 729,781</u>	<u>\$ 147,477</u>

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STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	71
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	77
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	81
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	87
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	89

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

Note: The City's largest own source revenue is tax revenue from the industrial district. However, the prior year information required is presently unavailable. The City is working diligently to gather the required information. The City is showing the relevant statistical data for their second largest own source revenue, which is property taxes.

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TABLE 1

CITY OF DEER PARK, TEXAS

NET ASSETS BY COMPONENT

**LAST SIX FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Governmental activities:						
Invested in capital assets, net of related debt	\$ 17,136,716	\$ 18,087,330	\$ 23,422,416	\$ 23,625,083	\$ 28,350,164	\$ 32,072,611
Restricted	1,912,492	1,888,554	2,448,995	2,850,158	3,460,684	4,788,311
Unrestricted	<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>
Total governmental activities net assets	<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>
Business-type activities:						
Invested in capital assets, net of related debt	\$ 13,692,529	\$ 15,061,049	\$ 10,654,013	\$ 11,447,994	\$ 11,928,085	\$ 12,495,393
Unrestricted	<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>2,501,173</u>
Total business-type activities net assets	<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>
Primary government:						
Invested in capital assets, net of related debt	\$ 30,829,245	\$ 33,148,379	\$ 34,076,429	\$ 35,073,077	\$ 40,278,249	\$ 44,568,004
Restricted	1,912,492	1,888,554	2,448,995	2,850,158	3,460,684	4,788,311
Unrestricted	<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>18,276,310</u>
Total primary government net assets	<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>

Note:

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

TABLE 2

CITY OF DEER PARK, TEXAS

CHANGES IN NET ASSETS

LAST SIX FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year					
	2004	2005	2006*	2007	2008	2009
EXPENSES						
Governmental activities						
General government	\$ 7,284,490	\$ 7,529,534	\$ 8,373,235	\$ 8,846,111	\$ 9,470,146	\$ 10,966,814
Public safety	5,404,921	5,877,232	6,252,445	6,885,057	7,921,413	10,285,816
Public works	4,357,156	4,507,203	5,259,922	6,297,724	5,332,621	5,925,540
Parks and recreation	-	-	2,148,365	2,121,981	2,092,772	2,690,654
Community development	4,710,933	4,602,280	4,933,184	5,280,164	6,486,732	6,921,903
Interest on long-term debt	1,236,950	1,287,617	1,355,043	1,168,616	1,482,204	1,390,366
Total governmental activities expenses	<u>22,994,450</u>	<u>23,803,866</u>	<u>28,322,194</u>	<u>30,599,653</u>	<u>32,785,888</u>	<u>38,181,093</u>
Business-type activities:						
Water and sewer	6,073,686	6,274,817	7,099,200	6,996,091	7,168,771	8,061,221
Golf course	2,171,892	2,162,330	-	-	-	-
Total business-type activities expenses	<u>8,245,578</u>	<u>8,437,147</u>	<u>7,099,200</u>	<u>6,996,091</u>	<u>7,168,771</u>	<u>8,061,221</u>
Total primary government program expenses	<u>\$ 31,240,028</u>	<u>\$ 32,241,013</u>	<u>\$ 35,421,394</u>	<u>\$ 37,595,744</u>	<u>\$ 39,954,659</u>	<u>\$ 46,242,314</u>
PROGRAM REVENUES						
Governmental activities:						
Charges for services:						
General government	\$ 913,865	\$ 993,383	\$ 730,882	\$ 726,640	\$ 941,187	\$ 677,102
Public safety	831,667	856,307	944,397	1,260,784	1,485,861	1,972,693
Public works	257,997	238,526	273,095	299,569	340,962	378,650
Parks and recreation	-	-	1,649,563	1,645,628	1,901,120	2,268,422
Community development	195,720	334,666	-	-	-	-
Operating grants and contributions	426,219	719,134	168,513	201,151	732,275	2,884,838
Capital grants and contributions	15,034	7,478	-	-	-	-
Total governmental activities program revenues	<u>2,640,502</u>	<u>3,149,494</u>	<u>3,766,450</u>	<u>4,133,772</u>	<u>5,401,405</u>	<u>8,181,705</u>
Business-type activities:						
Charges for services:						
Water and sewer	6,524,697	7,204,119	7,396,257	7,126,559	7,497,682	8,084,177
Golf course	1,358,566	1,100,002	-	-	-	-
Total business-type activities program revenues	<u>7,883,263</u>	<u>8,304,121</u>	<u>7,396,257</u>	<u>7,126,559</u>	<u>7,497,682</u>	<u>8,084,177</u>
Total primary government program revenues	<u>\$ 10,523,765</u>	<u>\$ 11,453,615</u>	<u>\$ 11,162,707</u>	<u>\$ 11,260,331</u>	<u>\$ 12,899,087</u>	<u>\$ 16,265,882</u>

(continued)

TABLE 2

CITY OF DEER PARK, TEXAS
CHANGES IN NET ASSETS
(Continued)
LAST SIX FISCAL YEARS

	Fiscal Year					
	2004	2005	2006*	2007	2008	2009
NET (EXPENSE) REVENUES						
Governmental activities	\$(20,353,948)	\$(20,654,372)	\$(24,555,744)	\$(26,465,881)	\$(27,384,483)	\$(29,999,388)
Business-type activities	(362,315)	(133,026)	297,057	130,468	328,911	22,956
Total primary government net expense	(20,716,263)	(20,787,398)	(24,258,687)	(26,335,413)	(27,055,572)	(29,976,432)
GENERAL REVENUES AND OTHER						
CHANGES IN NET ASSETS						
Governmental activities:						
Taxes						
Property	7,664,017	8,320,136	9,062,891	9,757,032	11,292,933	11,807,444
Industrial district	8,877,754	9,450,425	10,975,837	14,428,111	16,185,476	17,988,792
Franchise	1,595,409	1,687,079	1,718,725	1,668,001	1,839,383	1,748,053
Sales and use	2,565,923	2,862,023	3,272,524	3,715,143	4,109,314	4,564,184
Hotel occupancy	148,389	203,217	240,612	277,471	334,112	404,561
Investment earnings	460,207	399,782	798,037	1,084,019	906,857	225,077
Miscellaneous	128,104	266,466	476,569	616,253	439,524	479,596
Gain on sale of asset	-	-	-	-	-	233,525
Transfers	(167)	(289,408)	437,816	413,490	73,914	-
Total governmental activities	21,439,636	22,899,720	26,983,011	31,959,520	35,181,513	37,451,232
Business-type activities:						
Investment earnings	83,762	127,405	196,999	184,498	92,554	18,164
Transfers	167	289,408	(437,816)	(413,490)	(73,914)	-
Total business-type activities	83,929	416,813	(240,817)	(228,992)	18,640	18,164
Total primary government	21,523,565	23,316,533	26,742,194	31,730,528	35,200,153	37,469,396
CHANGE IN NET ASSETS						
Governmental activities	1,085,688	2,245,348	2,427,267	5,493,639	7,797,030	7,451,844
Business-type activities	(278,386)	283,787	56,240	(98,524)	347,551	41,120
Total primary government	\$ 807,302	\$ 2,529,135	\$ 2,483,507	\$ 5,395,115	\$ 8,144,581	\$ 7,492,964

Notes:

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

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

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CITY OF DEER PARK, TEXAS

**FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General fund										
Reserved	\$ 2,499,185	\$ 2,967,945	\$ 3,445,575	\$ 225,114	\$ 111,410	\$ 121,679	\$ 197,462	\$ 190,484	\$ 271,282	\$ 236,031
Unreserved	<u>1,222,759</u>	<u>1,854,641</u>	<u>1,926,763</u>	<u>1,663,978</u>	<u>1,935,060</u>	<u>2,927,924</u>	<u>4,280,006</u>	<u>9,255,848</u>	<u>11,715,534</u>	<u>16,188,960</u>
Total general fund	<u>\$ 3,721,944</u>	<u>\$ 4,822,586</u>	<u>\$ 5,372,338</u>	<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>
All other governmental funds										
Unreserved, reported in:										
Special revenue funds	50,054	240,328	433,992	1,427,165	496,432	688,671	960,021	1,337,703	1,339,195	2,563,441
Capital projects funds	409,677	7,884,056	6,855,104	2,647,392	559,154	8,859,792	6,979,305	4,359,127	12,099,991	10,392,992
Debt service funds	<u>1,043,433</u>	<u>1,267,159</u>	<u>1,345,395</u>	<u>1,049,345</u>	<u>1,014,631</u>	<u>1,026,306</u>	<u>1,282,720</u>	<u>1,343,259</u>	<u>2,053,462</u>	<u>2,081,520</u>
Total all other governmental funds	<u>\$ 1,503,164</u>	<u>\$ 9,391,543</u>	<u>\$ 8,634,491</u>	<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>

Note: The substantial increase in reserved fund balance in 2002, 2003, and 2005 is explained in Management's Discussion and Analysis.

CITY OF DEER PARK, TEXAS

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

	Fiscal Year									
	2000 *	2001	2002	2003**	2004***	2005	2006****	2007	2008	2009
REVENUES										
Taxes	\$ 16,296,367	\$ 18,382,646	20,648,402	\$ 20,496,612	\$ 20,953,802	\$ 22,517,235	\$ 25,230,868	\$ 29,935,611	\$ 33,749,045	\$ 36,553,195
Licenses and permits	-	-	-	-	388,412	402,108	452,092	384,435	470,155	307,496
Fines and penalties	454,331	491,005	365,844	438,810	565,297	589,176	482,656	786,887	997,669	821,479
Charges for services	1,409,553	1,156,136	1,270,640	1,266,925	1,254,900	1,310,706	2,657,807	2,746,918	3,048,303	3,852,637
Special assessments	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	601,414	447,270	402,215	160,548	207,765	862,631	2,872,735
Investment earnings	304,332	400,695	257,206	152,261	92,969	393,802	798,037	1,084,019	906,857	225,077
Other revenues	284,667	575,887	1,445,543	536,093	440,966	670,749	476,569	616,253	439,524	492,997
Total revenues	18,749,250	21,006,369	23,987,635	23,492,115	24,143,616	26,285,991	30,258,577	35,761,888	40,474,184	45,125,616
EXPENDITURES										
General government	5,455,974	5,712,762	6,458,463	6,859,807	7,202,073	7,355,326	8,203,956	8,679,456	9,318,538	10,596,083
Community development	3,273,346	3,562,908	3,764,389	4,510,591	4,560,205	4,423,327	4,830,599	5,173,478	5,884,062	6,385,331
Public works	2,703,056	3,866,372	3,033,972	3,238,749	3,397,297	3,458,603	4,150,623	5,046,305	4,064,345	4,161,980
Parks and recreation	-	-	-	-	-	-	1,701,193	1,625,298	1,954,878	2,095,437
Public safety	4,514,135	4,265,740	4,502,061	5,161,513	5,080,277	5,479,772	5,914,796	6,459,075	7,413,815	9,112,933
Debt service										
Principal	1,199,051	2,702,957	1,878,196	1,352,514	2,353,827	1,427,443	1,360,156	2,427,894	2,441,398	2,496,678
Interest	1,674,681	349,373	1,812,421	2,306,169	1,236,950	2,502,449	2,388,435	1,185,640	1,640,406	1,409,628
Capital outlay	818,197	888,673	3,280,554	3,557,476	4,173,239	1,313,948	2,780,356	3,542,429	7,794,339	5,152,641
Total expenditures	19,638,440	21,348,785	24,730,056	26,986,819	28,003,868	25,960,868	31,330,114	34,139,575	40,511,781	41,410,711

(continued)

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

	Fiscal Year									
	2000 *	2001	2002	2003**	2004***	2005	2006****	2007	2008	2009
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$(889,190)	\$(342,416)	\$(742,421)	\$(3,494,704)	\$(3,860,252)	\$ 325,123	\$(1,071,537)	\$ 1,622,313	\$(37,597)	\$ 3,714,905
OTHER FINANCING SOURCES (USES)										
Proceeds from long-term debt, net									14,305,000	-
Proceeds from the issuance of debt	751,571	8,435,844	-	-	964,111	9,349,162	568,307	-	-	-
Proceeds from capital leases	-	-	-	-	-	-	-	751,104	947,434	-
Refunding bonds issued	-	-	-	-	-	4,670,000	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	170,439	-	-	261,555	-
Payments to escrow account	-	-	-	-	-	(4,717,631)	-	-	(4,557,262)	-
Proceeds from insurance recovery	-	-	-	-	-	-	-	-	-	268,575
Transfers in	830,414	803,570	678,979	824,009	936,351	635,920	1,000,141	835,855	2,921,623	1,728,615
Transfers out	(246,284)	(243,998)	(143,858)	(4,323,140)	(936,517)	(925,328)	(562,325)	(422,365)	(2,847,709)	(1,728,615)
Total other financing sources (uses)	<u>1,335,701</u>	<u>8,995,416</u>	<u>535,121</u>	<u>(3,499,131)</u>	<u>963,945</u>	<u>9,182,562</u>	<u>1,006,123</u>	<u>1,164,594</u>	<u>11,030,641</u>	<u>268,575</u>
NET CHANGE IN FUND BALANCES	<u>\$ 446,511</u>	<u>\$ 8,653,000</u>	<u>\$(207,300)</u>	<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>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>15.3%</u>	<u>14.9%</u>	<u>17.2%</u>	<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>

Notes:
 * Special assessments were discontinued after fiscal year 1999.
 ** Intergovernmental revenue became a separate revenue line in fiscal year 2003.
 *** Licenses and permits became a separate line item in FY 2004.
 **** Parks and recreation became a department of the general fund in fiscal year 2006. It was previously reported as an enterprise fund.

TABLE 5

CITY OF DEER PARK, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2000	\$ 699,979,220	\$ 354,580,800	\$ 798,569,480	\$ 227,111,280	\$ 1,626,018,220	\$ 0.70	\$ 11,382,128
2001	766,459,630	399,279,750	837,070,270	239,226,520	1,763,583,130	0.70	12,345,082
2002	842,528,540	328,631,100	18,760,660	221,287,360	968,632,940	0.70	6,780,431
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	0.70	7,575,412
2005	990,263,860	395,216,480	31,934,010	270,600,710	1,146,813,640	0.72	8,257,058
2006	1,058,375,190	576,558,105	26,918,080	432,200,585	1,229,650,790	0.72	8,853,486
2007	1,137,850,873	562,065,036	110,248,289	453,353,254	1,356,810,944	0.72	9,769,039
2008	1,244,699,984	705,981,148	88,869,368	491,174,863	1,548,375,637	0.72	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

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

Notes: Harris County Appraisal District reappraises property every odd year. Tax rates are per \$100 of value. Assessed values are multiplied by the tax rate, divided by 100 which equals the tax levy.

During fiscal year 2002, the City entered into contractual agreements with 21 separate companies that lie within the City's extraterritorial jurisdiction. These companies now remit payments in lieu of taxes or industrial district revenues.

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

Fiscal Year	City Direct Rates			Overlapping Rates			
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Deer Park Independent School District	La Porte Independent School District	Harris County	San Jacinto Community College District
2000	0.5540	0.1460	0.7000	1.6250	1.6100	0.64802	0.12600
2001	0.5540	0.1460	0.7000	1.6900	1.6300	0.64630	0.13070
2002	0.5540	0.1460	0.7000	1.6898	1.6300	0.64627	0.13070
2003	0.5540	0.1450	0.6990	1.8035	1.6800	0.64627	0.13070
2004	0.5540	0.1460	0.7000	1.8071	1.6800	0.64627	0.13913
2005	0.5540	0.1660	0.7200	1.8055	1.7340	0.64627	0.13913
2006	0.5400	0.1800	0.7200	1.8055	1.7335	0.64627	0.14536
2007	0.5400	0.1800	0.7200	1.6623	1.6350	0.64627	0.14537
2008	0.5110	0.2090	0.7200	1.3367	1.3250	0.63582	0.16341
2009	0.5110	0.1940	0.7050	1.3177	1.3250	0.63582	0.16341

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

Notes: The City's basic property tax rate may be increased only by a majority vote of the City's residents. Rates for debt service are set based on each year's requirements.

Overlapping rates are those of local and county governments that apply to property owners within the City of Deer Park, Texas. All overlapping rates apply to all City of Deer Park property owners.

During fiscal year 2002, the City entered into contractual agreements with 21 separate industrial companies that lie within the City's extraterritorial jurisdiction. These companies now remit payments in lieu of taxes or industrial district revenues.

TABLE 7

CITY OF DEER PARK, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2009		2000	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Wal-Mart	\$ 18,854,445	1.3%	\$ -	- %
Laufen International, Inc.	18,788,920	1.3%	-	- %
HydriChem Industrial	17,835,153	1.3%	-	- %
Centerpoint Energy	17,600,659	1.2%	-	- %
ITCR Deer Park, LTD Partnership	14,843,941	1.1%	-	- %
GSL Construction, LTD	14,684,373	1.0%	-	- %
Insignia Management	13,367,179	0.9%	-	- %
Catalyst Distillation Technologies	10,551,838	0.7%	-	- %
Quarter Turn Resources, Inc.	10,166,702	0.7%	-	- %
Shell Oil & Chemical	9,591,029	0.7%	-	- %
Rohm & Haas	-	- %	486,724,700	30.1%
Occidental Corporation	-	- %	201,895,680	12.5%
Lubrizol Corporation	-	- %	74,867,170	4.6%
Laidlaw Environmental	-	- %	44,648,450	2.8%
HydroChem	-	- %	15,026,220	0.9%
Southwestern Bell	-	- %	13,590,880	0.8%
Houston Lightling & Power	-	- %	11,110,310	0.7%
Pal-Tank	-	- %	10,993,571	0.7%
Intercontinental Terminals	-	- %	5,066,030	0.3%
Total	\$ 146,284,239	10.2%	\$ 863,923,011	53.4%

Note: During fiscal year 2002, the City entered into contractual agreements with 21 separate industrial companies that lie within the City's extraterritorial jurisdiction. These companies now remit payments in lieu of taxes or industrial district revenues.

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

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
2000	\$ 12,930,865	\$ 12,786,300	98.88%	\$ 106,333	\$ 12,892,633	99.70%
2001	14,705,403	14,229,879	96.77%	174,651	14,404,530	97.95%
2002	6,775,917	6,686,068	98.67%	98,481	6,784,549	100.13%
2003	7,146,816	6,966,991	97.48%	216,387	7,183,378	100.51%
2004	7,578,875	7,492,634	98.86%	195,489	7,688,123	101.44%
2005	8,247,625	8,116,766	98.41%	118,603	8,235,369	99.85%
2006	8,860,495	8,720,758	98.42%	-	8,720,758	98.42%
2007	9,769,039	9,563,436	97.90%	-	9,563,436	97.90%
2008	11,172,300	10,973,053	98.22%	-	10,973,053	98.22%
2009	11,897,387	11,579,783	97.33%	-	11,879,783	97.33%

Note: During fiscal year 2002, the City entered into contractual agreements with 21 separate industrial companies that lie within the City's extraterritorial jurisdiction. These companies now remit payments in lieu of taxes or industrial district revenues.

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

TABLE 9

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	Per Capita
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Water Revenue Bonds	Capital Leases		
2000	\$ 15,390,000	\$ 4,275,000	\$ 1,034,895	\$ 10,240,000	\$ -	\$ 30,939,895	\$ 924
2001	22,660,000	4,050,000	759,545	9,605,000	187,246	37,261,791	1,112
2002	21,080,000	3,825,000	1,264,355	8,970,000	140,389	35,279,744	1,053
2003	19,485,000	3,600,000	940,065	22,430,000	51,312	46,506,377	1,625
2004	17,865,000	3,375,000	470,912	18,500,000	40,043	40,250,955	1,372
2005	25,535,000	3,150,000	1,074,132	17,270,000	10,645	47,039,777	1,571
2006	23,875,000	2,925,000	1,149,649	16,045,000	-	43,994,649	1,469
2007	22,205,000	2,700,000	1,325,293	14,825,000	-	41,055,293	1,371
2008	30,590,000	2,300,000	1,695,189	13,610,000	-	48,195,189	1,578
2009	28,725,000	2,230,000	1,130,649	12,400,000	-	44,485,649	1,397

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

See Table14 for and personal income and population data.

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		
2000	\$ 15,390,000	\$ 1,043,433	\$ 14,346,567	0.88%	\$ 428
2001	22,660,000	1,267,159	21,392,841	1.21%	639
2002	21,080,000	1,345,395	19,734,605	2.04%	589
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	1.90%	866

Notes:

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

See Table 5 for property value data.

Population data can be found in Table 14.

During fiscal year 2002, the City entered into contractual agreements with 21 separate industrial companies that lie within the City's extraterritorial jurisdiction. These companies now remit payments in lieu of taxes or industrial district revenues.

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CITY OF DEER PARK, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2009

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
Deer Park Independent School District	\$ 171,420,000	21.82%	\$ 37,403,844
Harris County	2,359,661,221	0.62%	14,629,900
Harris County Department of Education	28,611,198	0.62%	177,389
Harris County Flood Control District	530,155,834	0.62%	3,286,966
Harris County Hospital District	303,009,000	0.62%	1,878,656
LaPorte Independent School District	185,029,777	5.23%	9,677,057
Port of Houston	541,542,734	0.62%	3,357,565
San Jacinto Community College District	281,785,000	4.20%	11,834,970
Subtotal overlapping debt			82,246,347
City direct debt	28,725,000		<u>28,725,000</u>
Total direct and overlapping debt			<u>\$ 110,971,347</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Harris County Appraisal District and Assessment Debt outstanding data provided by each governmental unit.

Notes: 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

	Fiscal Year				
	2000	2001	2002	2003	2004
Debt limit	\$ 161,638,897	\$ 176,418,728	\$ 96,792,709	\$ 102,278,973	\$ 108,201,316
Total net debt applicable to limit	<u>18,621,567</u>	<u>25,442,841</u>	<u>23,559,605</u>	<u>22,035,655</u>	<u>20,225,369</u>
Legal debt margin	<u>\$ 143,017,330</u>	<u>\$ 150,975,887</u>	<u>\$ 73,233,104</u>	<u>\$ 80,243,318</u>	<u>\$ 87,975,947</u>
Total net debt applicable to the limit as a percentage of debt limit.	11.52%	14.42%	24.34%	21.54%	18.69%

Note:

Under state finance law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed property value.

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 1,683,385,077
Debt limit (10% of assessed value)	168,338,508
Debt applicable to limit:	
General obligation bonds	28,725,000
Less: Amount set aside for repayment of general obligation debt	<u>2,081,520</u>
Total net debt applicable to limit	<u>26,643,480</u>
Legal debt margin	<u>\$ 141,695,028</u>

Fiscal Year				
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 114,491,670	\$ 132,614,400	\$ 135,681,094	\$ 154,837,564	\$ 168,338,508
<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>\$ 86,820,788</u>	<u>\$ 107,097,120</u>	<u>\$ 112,119,353</u>	<u>\$ 126,301,026</u>	<u>\$ 141,695,028</u>
24.17%	19.24%	17.37%	18.43%	15.83%

CITY OF DEER PARK, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

Fiscal Year	Water Revenue Bonds					Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2000	\$ 6,940,976	\$ 4,865,727	\$ 2,075,249	\$ 635,000	\$ 525,843	1.788
2001	6,213,147	5,665,961	547,186	635,000	472,882	0.494
2002	6,213,147	4,795,303	1,417,844	681,857	428,431	1.277
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

Notes: Details regarding the City's outstanding debt can be found in the note to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

CITY OF DEER PARK, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2000	33,500	N/A	N/A	3.5%
2001	33,500	N/A	N/A	5.3%
2002	33,500	N/A	N/A	6.1%
2003	28,612	N/A	N/A	6.2%
2004	29,341	N/A	N/A	5.9%
2005	29,946	N/A	N/A	5.4%
2006	29,946	N/A	N/A	4.1%
2007	29,946	N/A	\$ 29,129	4.4%
2008	30,544	\$ 61,082	29,129	5.6%
2009	31,154	66,334	31,840	8.2%

Note: The information for personal income and per capita personal income is not available for years 1999 through 2006.

CITY OF DEER PARK, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

Employer	2009		2000	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Shell	2,000	11.28%	N/A	- %
Deer Park ISD	1,246	7.03%	N/A	- %
Dow (Rohm & Haas)	979	5.52%	N/A	- %
Lubrival	832	4.69%	N/A	- %
Wal-Mart	430	2.43%	N/A	- %
City of Deer Park	408	2.30%	N/A	- %
Minh Foods	360	2.03%	N/A	- %
Clean Harbors	269	1.52%	N/A	- %
Oxy Vinyls	267	1.51%	N/A	- %
International Terminals	212	1.20%	N/A	- %
Total	7,003	39.50%		
Estimated total jobs in the City	17,728			

Note: The top ten principal employers' information from nine years ago is not available.

Source: Texas Workforce Commission

CITY OF DEER PARK, TEXAS

**FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Fulltime Equivalent Employees as of June 30,									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government										
Management services	2	2	2	2	2	2	2	4	2	2
Finance	5	6	6	6	6	6	7	7	11	6
Planning	9	10	10	10	11	10	11	11	10	10
Other	19	15	14	14	14	15	15	13	10	21
Police										
Officers	54	53	53	54	52	52	56	57	51	61
Civilians	15	16	16	16	21	24	22	22	25	24
Fire										
Firefighters and officers*	-	-	-	-	-	-	-	-	-	4
Civilians	5	5	5	5	5	5	5	5	6	6
Refuse collection	20	22	22	21	21	23	21	24	20	20
Other public works										
Engineering	3	3	4	4	4	4	5	6	5	5
Other	20	20	20	21	21	30	27	34	23	25
Golf operations	16	16	17	17	17	17	17	8	7	6
Parks and recreation	40	41	42	41	41	42	46	51	48	48
Library	9	9	9	9	9	9	9	9	10	11
Water	23	23	22	24	23	23	25	26	17	15
Wastewater	14	14	14	13	13	13	15	13	11	12
Total	254	255	256	257	260	275	283	290	256	276

Source: City Budget

Notes: A fulltime employee is scheduled to work 2080 hours per year (including vacation and sick leave). Fulltime equivalent employment is calculated by dividing total labor hours by 52.

* The City has an all volunteer fire department.

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

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government ^f										
Building permits issued	N/A	N/A	N/A	483	614	704	685	584	598	596
Building inspections conducted	N/A	N/A	N/A	6,762	8,596	9,856	9,590	8,176	8,372	5,979
Police ^b										
Physical arrests	1,364	1,653	1,743	2,077	1,919	1,773	2,682	2,559	2,637	2,596
Parking violations	N/A	N/A	N/A	N/A	43	34	31	19	18	13
Traffic violations	6,319	5,080	4,678	5,832	7,522	7,117	5,497	11,647	10,167	7,990
Fire ^a										
Emergency responses	1,126	1,309	1,251	1,368	1,443	1,613	1,734	1,871	1,992	1,843
Fires extinguished	191	250	208	188	186	228	206	326	418	352
Inspections	N/A	N/A	N/A	650	803	669	702	-	-	-
Refuse collector ^c										
Refuse collected (tons per day)	N/A	N/A	91	94	112	99	100	97	111	101
Recyclables collected (tons per day)	N/A	1	1	1	1	1	2	2	1	1
Street resurfacing (miles ^d)	0	0	0	0	0	0	0	0	0	0
Potholes repaired	27	49	29	32	34	18	14	35	45	50
Parks and recreation										
Community center admissions	202	183	194	208	215	230	250	429	500	510
Library										
Volumes in collector	67,551	68,551	70,541	71,053	74,223	77,454	80,353	81,072	82,386	82,159
Total volumes borrowec	161,950	185,591	181,486	180,968	191,332	179,834	168,196	158,973	169,395	174,058
Water										
New connections	242	35	192	455	251	481	337	240	114	125
Water main breaks	202	118	69	81	54	108	79	31	41	14
Average daily consumption (thousands of gallons)	3,545,250	3,482,000	3,400,937	3,518,703	3,532,290	3,739,577	3,676,567	3,661,000	3,900,000	3,900,000
Peak daily consumption (thousands of gallons)	5,808,000	5,370,000	5,391,000	6,175,000	5,606,000	6,638,000	5,517,000	5,279,000	6,086,000	6,961,000
Wastewater										
Average daily sewage treatment (thousands of gallons)	2,931	3,863	3,585	3,263	3,654	2,861	2,828	3,700	3,500	3,650

Source: Various City departments

Notes:

N/A - This information is currently not available.

a - Data not available until 2003.

b - N/A until new software in 2003

c - Ton per day/residential and commercial - Hurricane Katrina

d - Majority of streets are concrete.

TABLE 18

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

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	29	35	40	38	40	36	34	37	39	40
Fire										
Stations	2	2	2	2	2	2	2	2	3	3
Refuse collection										
Collection trucks	5	5	5	5	5	5	5	6	6	6
Other public works										
Streets (miles)	N/A	N/A	N/A	91	93	97	99	105	105	105
Streetlights	N/A	N/A	2,195	2195	2195	2,400	2,421	2,541	2,557	2,557
Traffic signals	N/A	N/A	40	40	40	40	42	43	43	43
Parks and recreation										
Acreage	270	270	270	270	270	270	270	270	270	270
Playgrounds	17	17	17	17	17	17	17	17	17	17
Baseball/softball diamonds	18	18	18	18	18	18	18	16	16	16
Soccer/football fields	9	9	9	9	9	9	9	9	9	9
Community centers	6	6	6	7	7	7	7	7	7	7
Water										
Water lines (miles)	N/A	N/A	N/A	N/A	N/A	N/A	101	103	103	103
Fire hydrants	770	770	773	798	823	848	873	889	889	889
Storage capacity										
(three ground wells - 1 M gallons per)	3	3	3	3	3	3	3	3	3	3
(three elevated tanks - 5 M gallons per)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
(two tanks - 1 M gallons per)	2	2	2	2	2	2	2	2	2	2
Wastewater										
Sanitary sewers (miles)	N/A	N/A	N/A	99	103	107	111	114	114	114
Storm sewers (miles)	N/A	N/A	N/A	54	55	59	60	61	62	62
Treatment capacity (millionx of gallons)	6	6	6	6	6	6	6	6	6	6

Source: Various City departments

Line items with "N/A" - data not available due to record retention

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