

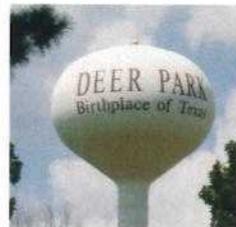
City of Deer Park, Texas ★ Birthplace of Texas®

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Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2013

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of the

CITY OF DEER PARK, TEXAS

**For the Year Ended
September 30, 2013**

**Prepared by
Finance Department**

**Donna Todd
Director of Finance**

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CITY OF DEER PARK, TEXAS

TABLE OF CONTENTS

September 30, 2013

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	3
Certificate of Achievement for Excellence in Financial Reporting	7
Organizational Chart	8
Principal Officials	9
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	13
Management's Discussion and Analysis (Required Supplementary Information)	19
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements	
Statement of Net Position	30
Statement of Activities	32
Governmental Funds Financial Statements	
Balance Sheet – Governmental Funds	34
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	37
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	41
Proprietary Funds Financial Statements	
Statement of Net Position	43
Statement of Revenues, Expenses, and Changes in Fund Net Position	45
Statement of Cash Flows	46
Fiduciary Fund Financial Statements	
Statement of Net Position	48
Statement of Changes in Net Position	49
Notes to Financial Statements	51
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	79
Schedule of Funding Progress – Texas Municipal Retirement System	81
Schedule of Funding Progress – Post Employment Healthcare Benefits	83

CITY OF DEER PARK, TEXAS

TABLE OF CONTENTS (Continued)

September 30, 2013

<u>COMBINING STATEMENTS AND SCHEDULES</u>	<u>Page</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance-- Budget and Actual -- Debt Service Fund	87
Combining Balance Sheet -- Nonmajor Governmental Funds	90
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -- Nonmajor Governmental Funds	94
Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual: Nonmajor Special Revenue Fund: Hotel/Motel Occupancy Tax Fund	99
 <u>STATISTICAL SECTION</u>	
Net Position by Component	102
Changes in Net Position	104
Fund Balances, Governmental Funds	108
Changes in Fund Balance, Governmental Funds	110
Assessed Value and Actual Value of Taxable Property	112
Industrial District Valuation, Billing, Collections and Percentage Collected	114
Property Tax Rates -- Direct and Overlapping Governments	116
Principal Property Taxpayers	119
Property Tax Levies and Collections	120
Ratios of Outstanding Debt by Type	122
Ratios of General Bonded Debt Outstanding	124
Direct and Overlapping Governmental Activities Debt	127
Legal Debt Margin Information	128
Pledged-Revenue Coverage	130
Demographic and Economic Statistics	132
Principal Employers	133
Full-Time Equivalent City Government Employees by Function	135
Operating Indicators by Function	136
Capital Asset Statistics by Function	138

INTRODUCTORY SECTION

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DONNA TODD
Director of Finance

710 E. San Augustine • P. O. Box 700 • Deer Park, Texas 77536 • (281) 478-7225 • Fax: (281) 478-4029
E-Mail: dtodd@deerparktx.org

March 10, 2014

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

Texas law and the City charter require that the City of Deer Park (the “City”) publishes a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City for the fiscal year ended September 30, 2013. This report is published to provide the citizens, City Council, City management and staff, bondholders and other interested parties with detailed information concerning the financial condition of the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework designed to protect the City’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements. I believe the data, as presented, is accurate in all material respects and that it is reported in a manner that fairly presents the financial position and results of operations of the City as measured by the financial activity of the various funds and account groups. All disclosures necessary to enable the reader to gain the maximum understanding of the City’s financial activities have been included.

The Report

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

City Profile

The City, incorporated in 1948, is located in the center of the highly industrialized ship channel area just east of Houston. The City currently occupies a land area of 15 square miles and serves a population of approximately 33,196. The City is empowered to levy an ad valorem tax on both real and personal property located within its boundaries. Further, the City is empowered to extend its corporate limits by annexation. The City receives annual “in-lieu-of-tax” payments from industries located within its extraterritorial jurisdiction. This “industrial district” includes the operations of 21 companies that contract with the City. The current contract expires at the end of 2014, and preliminary discussions on the contract renewal began in 2013 and will be completed prior to December 31, 2014.

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

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

Annual Budget

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

Factors Affecting Financial Condition

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

Local economy. The City enjoys a vibrant economic environment and local indicators point to continued stability. The large refinery and chemical plants, located in the industrial district, are performing at peak capacities and several large expansion projects are planned or underway. There were 91 new store-front businesses and over 100 home-based businesses that opened in 2013. The City welcomed over 900 new employees in the past year because of the large number of small and mid-sized businesses that have chosen to expand or relocate to Deer Park.

The City is part of the Houston Port Region, which surrounds one of the world's busiest ports and has an employed labor force of approximately 2,300,000. The City sits adjacent to the Port of Houston, a 25-mile long complex of diversified public and private facilities located just a few hours sailing time from the Gulf of Mexico. For 17 consecutive years, the Port has ranked first in the U.S. in foreign waterborne tonnage. The Port has been first in U.S. imports for 21 consecutive years and second in total tonnage in the U.S. for the same period. For the last four years, the Port has been first in U.S. export tonnage.

Residential growth continues with the development of new subdivisions continuing on the City's east side.

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

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

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

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

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

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

Independent Audit

The City Charter requires an annual audit of all accounts of the City by an independent certified public accountant. The independent auditors' report, prepared by Belt Harris Pechacek, LLLP, is presented as the first component of the financial section of this report.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Deer Park for its CAFR for the fiscal year ended September 30, 2012. This was the 26th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

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

Acknowledgements

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

Respectfully submitted,

Donna Todd

Donna Todd
Director of Finance

CITY OF DEER PARK, TEXAS

*CERTIFICATE OF ACHIEVEMENT FOR
EXCELLENCE IN FINANCIAL REPORTING*



Government Finance Officers Association

**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, 2012

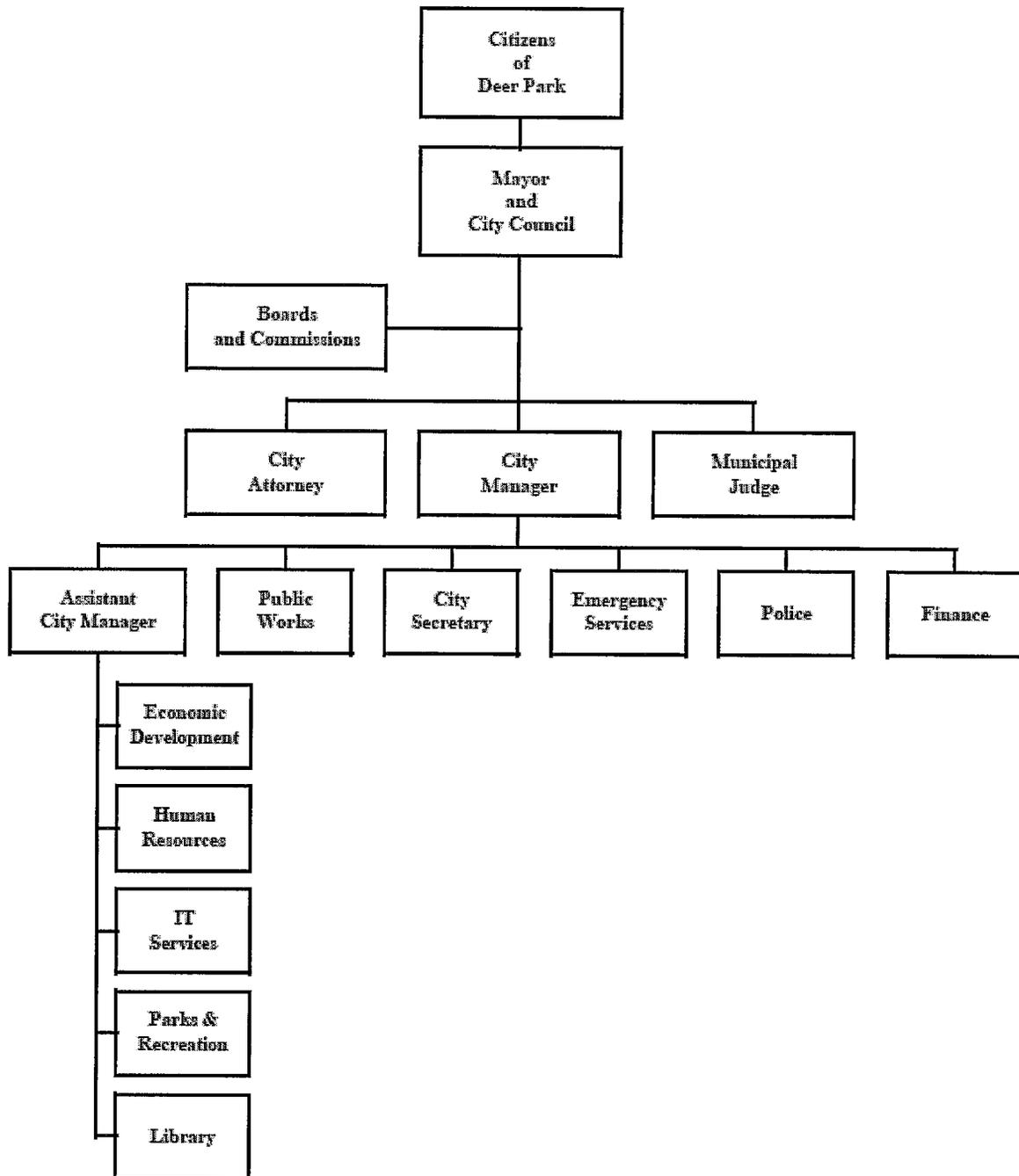
A handwritten signature in black ink, appearing to read 'Jeffrey R. Egan'. The signature is written in a cursive, flowing style.

Executive Director/CEO

CITY OF DEER PARK, TEXAS

ORGANIZATIONAL CHART

September 30, 2013



CITY OF DEER PARK, TEXAS

PRINCIPAL OFFICIALS

September 30, 2013

City Officials	Elective Position
Jerry Mouton, Jr.	Mayor
Sherry Garrison	Council Member
Thane Harrison	Council Member
Chris Richey	Council Member
Bill Patterson	Council Member
Beckie Stockstill-Cobb	Council Member
Rae A. Sinor	Council Member

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

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Deer Park, Texas (the "City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and schedules, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 10, 2014

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2013

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here including general government, public safety, public works, parks and recreation, and community development. Interest payments on the City's tax-supported debt are also reported here. Sales tax, property tax, franchise taxes, municipal court fines and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water and sewer services, as well as storm water utility services.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The three categories of City funds are governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City'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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, grants fund, and CIBF 2007 fund, which are considered to be major funds. The debt service fund did not meet the technical criteria but the City has elected to present as major due to its significance. The City adopts an annual appropriated budget for its general fund, debt service fund, and the hotel/motel occupancy tax fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2013

Proprietary Funds

The City maintains one type of proprietary fund, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, wastewater collection/treatment, and storm water utility operations. The proprietary fund financial statements provide separate information for the water and sewer fund, and the storm water utility fund. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains one fiduciary fund, the senior citizens trust fund. The City's fiduciary activities are reported in a separate statement of net position and statement of changes in net position.

Notes to Financial Statements

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

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and schedules of funding progress for the Texas Municipal Retirement System and other postemployment benefits for healthcare. The RSI can be found after the notes to financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities by \$83,637,405 as of September 30, 2013. This compares with \$72,490,199 from the prior fiscal year. The largest portion of the City's net position, 62 percent, reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure), less any outstanding debt used to acquire those assets. 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 assets themselves cannot be used to liquidate these liabilities.

CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2013

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 48,207,504	\$ 42,684,411	\$ 14,368,505	\$ 10,300,925	\$ 62,576,009	\$ 52,985,336
Capital assets, net	58,067,328	55,686,329	26,322,600	25,572,112	84,389,928	81,258,441
Total Assets	106,274,832	98,370,740	40,691,105	35,873,037	146,965,937	134,243,777
Deferred charge on refunding	531,217	259,004	116,876	-	648,093	259,004
Total Deferred Outflows of Resources	531,217	259,004	116,876	-	648,093	259,004
Long-term liabilities	41,055,171	41,951,474	16,775,717	13,128,121	57,830,888	55,079,595
Other liabilities	4,784,668	5,111,492	1,361,069	1,821,495	6,145,737	6,932,987
Total Liabilities	45,839,839	47,062,966	18,136,786	14,949,616	63,976,625	62,012,582
Net Position:						
Net investment in capital assets	35,765,964	22,138,086	16,499,908	12,674,625	52,265,872	34,812,711
Restricted	16,249,861	13,908,515	984,962	-	17,234,823	13,908,515
Unrestricted	8,950,385	15,520,177	5,186,325	8,248,796	14,136,710	23,768,973
Total Net Position	\$ 60,966,210	\$ 51,566,778	\$ 22,671,195	\$ 20,923,421	\$ 83,637,405	\$ 72,490,199

A portion of the City's net position, \$17,234,823 or 21 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$14,136,710 or 17 percent, may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by \$11,147,206 during the current fiscal year, an increase of 15 percent in comparison to the prior year net position. The increase was primarily due to a decrease in expenses across all functions and an increase in capital grants and contributions and industrial district tax revenues. Governmental activities had an increase in net position of \$9,399,432 while business-type activities had an increase in net position of \$1,747,774.

CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2013

Statement of Activities:

The following table provides a summary of the City's changes in net position:

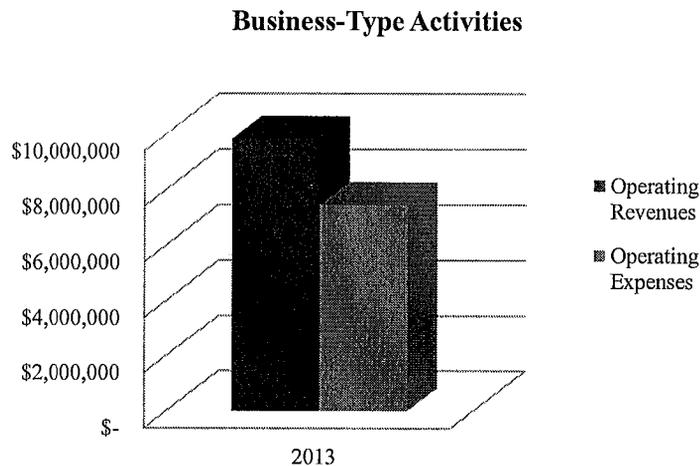
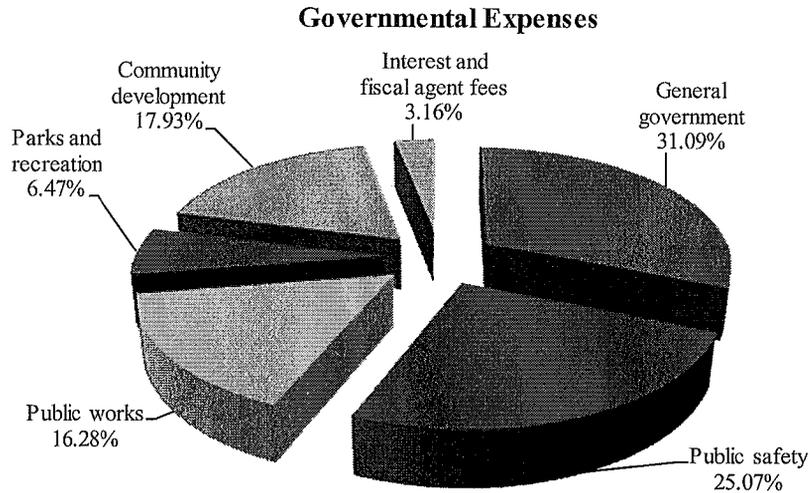
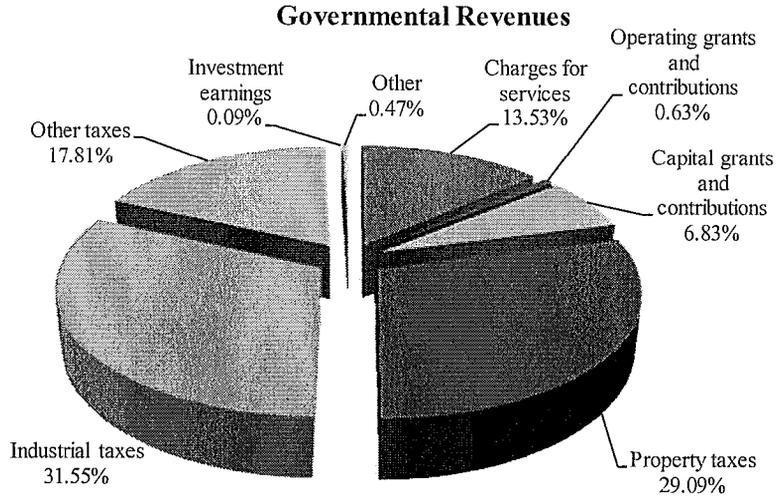
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 6,048,564	\$ 6,365,589	\$ 9,816,969	\$ 9,873,528	\$ 15,865,533	\$ 16,239,117
Operating grants and contributions	281,356	279,697	-	-	281,356	279,697
Capital grants and contributions	3,053,828	1,524,916	-	-	3,053,828	1,524,916
General revenues:						
Property taxes	13,002,159	13,099,300	-	-	13,002,159	13,099,300
Industrial taxes	14,106,107	12,894,626	-	-	14,106,107	12,894,626
Other taxes	7,960,115	7,481,854	-	-	7,960,115	7,481,854
Investment earnings	40,416	42,539	12,647	7,225	53,063	49,764
Other	210,969	11,714	-	-	210,969	11,714
Total Revenues	<u>44,703,514</u>	<u>41,700,235</u>	<u>9,829,616</u>	<u>9,880,753</u>	<u>54,533,130</u>	<u>51,580,988</u>
Expenses						
General government	11,004,030	11,708,476	-	-	11,004,030	11,708,476
Public safety	8,875,081	9,077,372	-	-	8,875,081	9,077,372
Public works	5,763,687	6,053,467	-	-	5,763,687	6,053,467
Parks and recreation	2,289,706	2,436,909	-	-	2,289,706	2,436,909
Community development	6,348,454	6,483,611	-	-	6,348,454	6,483,611
Interest on long-term debt	1,120,112	1,642,422	-	-	1,120,112	1,642,422
Water and sewer	-	-	7,879,276	7,490,715	7,879,276	7,490,715
Storm water utility	-	-	105,578	-	105,578	-
Total Expenses	<u>35,401,070</u>	<u>37,402,257</u>	<u>7,984,854</u>	<u>7,490,715</u>	<u>43,385,924</u>	<u>44,892,972</u>
Increase in Net Position Before Transfers	9,302,444	4,297,978	1,844,762	2,390,038	11,147,206	6,688,016
Transfers	96,988	(4,589,816)	(96,988)	4,589,816	-	-
Change in Net Position	9,399,432	(291,838)	1,747,774	6,979,854	11,147,206	6,688,016
Beginning net position	<u>51,566,778</u>	<u>51,858,616</u>	<u>20,923,421</u>	<u>13,943,567</u>	<u>72,490,199</u>	<u>65,802,183</u>
Ending Net Position	<u>\$ 60,966,210</u>	<u>\$ 51,566,778</u>	<u>\$ 22,671,195</u>	<u>\$ 20,923,421</u>	<u>\$ 83,637,405</u>	<u>\$ 72,490,199</u>

CITY OF DEER PARK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2013

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.



CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2013

For the year ended September 30, 2013, revenues from governmental activities totaled \$44,703,514, an increase of \$3,003,279 compared to the prior year. This increase is primarily due to significant increases in capital grants and contributions and industrial district tax revenues.

For the year ended September 30, 2013, expenses for governmental activities totaled \$35,401,070, a decrease of \$2,001,187 from last year. This is due to a decrease in expenses across all functions, the largest of which was in the general government function. A decrease in expenses related to salaries and wages, contingency, contracted labor, and the City no longer operating a municipal golf course were the main factors in the overall decrease of expenses.

Operating revenues for business-type activities decreased by a total of \$51,137 compared to the prior year. This was primarily due to a decrease in charges for services related to a decrease in customer water usage. Operating expenses for business-type activities increased by \$494,139. This increase is primarily due to expenses related to the new storm water utility fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$42,698,762. Of this, \$151,122 is nonspendable, \$16,249,861 is restricted, \$2,139,061 is assigned, and \$24,158,718 is unassigned.

There was an increase in the combined fund balance of \$5,471,695 compared to the prior year. This is largely attributable to an increase in industrial district tax revenues and intergovernmental revenues and a decrease in expenditures across most functions, the largest of which was related to debt service payments.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$24,158,718, while total fund balance reached \$24,630,056. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 82.42 percent of total general fund expenditures, while total fund balance represents 84.03 percent of the total general fund expenditures. The general fund demonstrated an overall increase of \$7,163,461 primarily due to a decrease in transfers to other funds and an increase in industrial district tax revenues.

The debt service fund has a total fund balance of \$2,321,730, all of which is restricted for the payment of debt service. The City experienced a net increase in revenues of \$73,843 before a transfer in of \$148,463. This resulted in an increase in fund balance of \$333,526 for the year ended September 30, 2013.

The grants fund has a total fund balance of \$515,650, all of which is restricted for federal and state grants. The fund demonstrated an overall increase of \$133,736 primarily due to an increase in intergovernmental revenues.

The CIBF 2007 fund has a total fund balance of \$5,339,441, all of which is restricted for capital projects. The fund demonstrated an overall decrease of \$178,459 due to capital outlay expenditures.

CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2013

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There had been a planned increase in budgeted fund balance in the amount of \$462,488 in the general fund. However, the net change in fund balance increased by \$7,163,461, resulting in a positive variance of \$6,700,973 from actual over budgeted as amended.

Actual general fund revenues were greater than the amended budgeted revenues by \$2,788,871 during the fiscal year. The largest positive variances were from industrial district tax revenues, sales tax revenues, and fees and fines revenue.

Actual expenditures were less than budgeted amounts in total by \$3,678,773 for the fiscal year. There were positive budget variances across all functions, the largest of which was in the general government function. A decrease in expenditures related to salaries and wages, contingency, contracted labor, and the City no longer operating a municipal golf course were the main factors in the overall positive variance.

CAPITAL ASSETS

At the end of the fiscal year, the City's governmental and business-type activities had invested \$84,389,928 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$3,131,487.

Major capital asset events during the year included the following:

- Turnkey replacement – accelerator clarifiers for \$1,596,900
- Sewer line replacement – South Park Plaza for \$1,055,697
- Generators – waste water treatment plant for \$577,464
- Generators – community center for \$501,000
- Patrick's Bayou detention facility for \$3,664,030
- Public library expansion for \$1,631,964

More detailed information about the City's capital assets is presented in note III.C. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$44,930,000. Of this amount, \$24,880,000 was general obligation debt, \$2,820,000 was revenue bond debt, and certificates of obligation accounted for \$17,230,000.

During the year, the City had a net increase in long-term debt of \$2,362,512 as the result of two new bond issuances.

State statutes limit the amount of general obligation debt a governmental entity may issue to ten percent of its total assessed valuation. The current debt limitation for the City is \$181,418,098, which is well above the City's total general obligation debt outstanding.

CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2013

More detailed information about the City's long-term liabilities is presented in note III.D. to the financial statements.

Current underlying ratings on debt issues are as follows:

	<u>Moody's Investors Service</u>	<u>Standard and Poor's</u>
General Obligation Bonds	A1	AA+
Water and Sewer	A3	AA+

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Property values are relatively flat for the 2013 tax year (2014 fiscal year).

For the 2014 fiscal year budget, the total tax rate of \$0.720 per \$100 of assessed value remained unchanged. Projected total general fund revenues are expected to decrease approximately \$898,506 compared to the 2013 fiscal year actual revenues. This represents a 2.49 percent decrease.

Water and sewer rates will not increase in the 2014 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

CITY OF DEER PARK, TEXAS

STATEMENT OF NET POSITION

September 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Crime Control District
Assets				
Cash and cash equivalents	\$ 43,982,205	\$ 12,097,890	\$ 56,080,095	\$ 922,002
Restricted cash and cash equivalents	-	1,328,320	1,328,320	-
Receivables, net of allowances	2,174,210	942,295	3,116,505	209,427
Due from component units	3,505	-	3,505	-
Due from other governments	1,896,462	-	1,896,462	-
Inventories	147,609	-	147,609	-
Prepaid items	3,513	-	3,513	-
Capital assets:				
Non-depreciable capital assets	26,941,244	906,883	27,848,127	-
Depreciable capital assets, net	31,126,084	25,415,717	56,541,801	491,655
Total Assets	106,274,832	40,691,105	146,965,937	1,623,084
Deferred Outflow of Resources				
Deferred charge on refunding	531,217	116,876	648,093	-
Liabilities				
Accounts payable	1,575,688	497,721	2,073,409	-
Accrued liabilities	1,249,088	175,561	1,424,649	12,525
Customer deposits	3,955	670,667	674,622	-
Due to primary government	-	-	-	5
Other payables	279,352	65	279,417	-
Accrued interest payable	46,124	17,055	63,179	-
Unearned revenue	1,630,461	-	1,630,461	-
Noncurrent liabilities:				
Due within one year	3,966,846	1,384,923	5,351,769	46,923
Due in more than one year	37,088,325	15,390,794	52,479,119	96,852
Total Liabilities	45,839,839	18,136,786	63,976,625	156,305
Net Position				
Net investment in capital assets	35,765,964	16,499,908	52,265,872	347,880
Restricted for:				
Debt service	2,321,730	984,962	3,306,692	-
Grants	1,378,001	-	1,378,001	-
Enabling legislation	1,306,573	-	1,306,573	-
Special projects	130,934	-	130,934	1,118,899
Capital projects	11,112,623	-	11,112,623	-
Unrestricted	8,950,385	5,186,325	14,136,710	-
Total Net Position	\$ 60,966,210	\$ 22,671,195	\$ 83,637,405	\$ 1,466,779

See Notes to Financial Statements.

<u>Component Unit</u>
<u>Fire Control District</u>
\$ 632,202
-
209,099
-
-
-
-
858,892
<u>1,700,193</u>
<u>-</u>
13,128
5,297
-
3,500
-
-
-
169,793
<u>164,065</u>
<u>355,783</u>
525,034
-
-
819,376
-
-
<u>\$ 1,344,410</u>

CITY OF DEER PARK, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 11,004,030	\$ -	\$ -	\$ -
Public safety	8,875,081	1,706,127	-	-
Public works	5,763,687	-	-	3,053,828
Parks and recreation	2,289,706	-	-	-
Community development	6,348,454	4,342,437	281,356	-
Interest on long-term debt	1,120,112	-	-	-
Total Governmental Activities	35,401,070	6,048,564	281,356	3,053,828
Business-Type Activities				
Water and sewer	7,879,276	9,529,392	-	-
Storm water utility	105,578	287,577	-	-
Total Business-Type Activities	7,984,854	9,816,969	-	-
Total Primary Government	\$ 43,385,924	\$ 15,865,533	\$ 281,356	\$ 3,053,828
Component Units				
Crime Control District	\$ 428,874	\$ -	\$ -	\$ -
Fire Control District	467,117	-	-	-
Total Component Units	\$ 895,991	\$ -	\$ -	\$ -

General Revenues:

- Property taxes
- Industrial district taxes
- Franchise taxes
- Sales and use taxes
- Hotel occupancy taxes
- Investment earnings
- Miscellaneous
- Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net Revenue (Expense) and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Crime Control District	Fire Control District
\$ (11,004,030)	\$ -	\$ (11,004,030)	\$ -	\$ -
(7,168,954)	-	(7,168,954)	-	-
(2,709,859)	-	(2,709,859)	-	-
(2,289,706)	-	(2,289,706)	-	-
(1,724,661)	-	(1,724,661)	-	-
(1,120,112)	-	(1,120,112)	-	-
<u>(26,017,322)</u>	<u>-</u>	<u>(26,017,322)</u>	<u>-</u>	<u>-</u>
-	1,650,116	1,650,116	-	-
-	181,999	181,999	-	-
<u>-</u>	<u>1,832,115</u>	<u>1,832,115</u>	<u>-</u>	<u>-</u>
\$ (26,017,322)	\$ 1,832,115	\$ (24,185,207)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (428,874)	\$ -
-	-	-	-	(467,117)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (428,874)</u>	<u>\$ (467,117)</u>
\$ 13,002,159	\$ -	\$ 13,002,159	\$ -	\$ -
14,106,107	-	14,106,107	-	-
2,315,334	-	2,315,334	-	-
5,037,072	-	5,037,072	1,174,987	1,171,843
607,709	-	607,709	-	-
40,416	12,647	53,063	999	630
210,969	-	210,969	-	-
96,988	(96,988)	-	-	-
<u>35,416,754</u>	<u>(84,341)</u>	<u>35,332,413</u>	<u>1,175,986</u>	<u>1,172,473</u>
9,399,432	1,747,774	11,147,206	747,112	705,356
<u>51,566,778</u>	<u>20,923,421</u>	<u>72,490,199</u>	<u>719,667</u>	<u>639,054</u>
<u>\$ 60,966,210</u>	<u>\$ 22,671,195</u>	<u>\$ 83,637,405</u>	<u>\$ 1,466,779</u>	<u>\$ 1,344,410</u>

CITY OF DEER PARK, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2013

	General	Debt Service	Grants	CIBF 2007
<u>Assets</u>				
Cash and cash equivalents	\$ 25,531,603	\$ 2,317,692	\$ 3,700,137	\$ 5,344,936
Receivables, net	1,928,807	69,499	1,350	-
Due from other funds	-	-	-	-
Due from component units	3,505	-	-	-
Due from other governments	-	-	1,367,568	-
Inventories	147,609	-	-	-
Prepaid items	3,513	-	-	-
Total Assets	\$ 27,615,037	\$ 2,387,191	\$ 5,069,055	\$ 5,344,936
<u>Liabilities</u>				
Accounts payable	\$ 758,597	\$ 10,531	\$ -	\$ 5,495
Accrued liabilities	1,225,849	-	-	-
Due to other funds	-	-	2,924,911	-
Customer deposits	3,955	-	-	-
Other payables	279,345	-	-	-
Unearned revenue	1,967	-	1,628,494	-
Total Liabilities	2,269,713	10,531	4,553,405	5,495
<u>Deferred Inflow of Resources</u>				
Unavailable revenue - court fines and warrants	146,752	-	-	-
Unavailable revenue - ambulance	422,497	-	-	-
Unavailable revenue - property taxes	146,019	54,930	-	-
Total Deferred Inflow of Resources	715,268	54,930	-	-
<u>Fund Balances</u>				
Nonspendable				
Inventories	147,609	-	-	-
Prepaid items	3,513	-	-	-
Restricted for:				
Debt service	-	2,321,730	-	-
Grants	-	-	515,650	-
Enabling legislation	-	-	-	-
Special projects	-	-	-	-
Capital projects	-	-	-	5,339,441
Assigned				
Police	50,119	-	-	-
City secretary	26,070	-	-	-
Special events	244,027	-	-	-
Capital projects	-	-	-	-
Unassigned	24,158,718	-	-	-
Total Fund Balances	24,630,056	2,321,730	515,650	5,339,441
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 27,615,037	\$ 2,387,191	\$ 5,069,055	\$ 5,344,936

See Notes to Financial Statements.

Nonmajor Governmental	Total Governmental Funds
\$ 7,087,837	\$ 43,982,205
174,554	2,174,210
2,924,911	2,924,911
-	3,505
528,894	1,896,462
-	147,609
-	3,513
<u>\$ 10,716,196</u>	<u>\$ 51,132,415</u>
\$ 801,065	\$ 1,575,688
23,239	1,249,088
-	2,924,911
-	3,955
7	279,352
-	1,630,461
<u>824,311</u>	<u>7,663,455</u>
-	146,752
-	422,497
-	200,949
<u>-</u>	<u>770,198</u>
-	147,609
-	3,513
-	2,321,730
862,351	1,378,001
1,306,573	1,306,573
130,934	130,934
5,773,182	11,112,623
-	50,119
-	26,070
-	244,027
1,818,845	1,818,845
-	24,158,718
<u>9,891,885</u>	<u>42,698,762</u>
<u>\$ 10,716,196</u>	<u>\$ 51,132,415</u>

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CITY OF DEER PARK, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2013

Total fund balances for governmental funds \$ 42,698,762

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

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

Capital assets, non-depreciable	26,941,244	
Capital assets, net depreciable	31,126,084	
	58,067,328	58,067,328

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 770,198

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

Accrued interest	(46,124)	
Deferred charge on refunding	531,217	
Non-current liabilities due in one year	(3,966,846)	
Non-current liabilities due in more than one year	(37,088,325)	
	(40,570,078)	(40,570,078)

\$ 60,966,210

See Notes to Financial Statements.

CITY OF DEER PARK, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2013

	General	Debt Service	Grants	CIBF 2007
Revenues				
Property taxes	\$ 9,038,844	\$ 3,955,675	\$ -	\$ -
Industrial district taxes	14,106,107	-	-	-
Sales taxes	5,037,072	-	-	-
Franchise taxes	2,315,334	-	-	-
Hotel/motel occupancy taxes	-	-	-	-
Fees and fines	1,483,813	-	-	-
Licenses and permits	565,191	-	-	-
Intergovernmental	10,187	-	3,053,828	-
Charges for services	3,432,559	-	-	-
Donations	-	-	150,202	-
Investment earnings	22,592	5,744	-	5,488
Miscellaneous	43,333	-	-	-
Total Revenues	36,055,032	3,961,419	3,204,030	5,488
Expenditures				
Current:				
General government	10,525,130	-	-	-
Community development	5,438,339	-	10,900	14,449
Public works	3,861,760	-	-	-
Parks and recreation	1,528,443	-	-	-
Public safety	7,529,978	-	5,401	-
Capital outlay	421,695	-	3,053,993	164,010
Debt service:				
Principal	5,673	2,627,409	-	-
Interest and other charges	275	1,260,167	-	-
Total Expenditures	29,311,293	3,887,576	3,070,294	178,459
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,743,739	73,843	133,736	(172,971)
Other Financing Sources (Uses)				
Transfers in	191,393	148,463	-	-
Transfers (out)	(5,000)	-	-	(5,488)
Proceeds from sale of capital assets	126,362	-	-	-
Proceeds from insurance recovery	2,500	-	-	-
Debt issued	-	4,510,000	-	-
Premium on debt issued	-	316,894	-	-
Payment to refunded bond escrow agent	-	(4,715,674)	-	-
Capital lease	104,467	-	-	-
Total Other Financing Sources (Uses)	419,722	259,683	-	(5,488)
Net Change in Fund Balances	7,163,461	333,526	133,736	(178,459)
Beginning fund balances	17,466,595	1,988,204	381,914	5,517,900
Ending Fund Balances	\$ 24,630,056	\$ 2,321,730	\$ 515,650	\$ 5,339,441

See Notes to Financial Statements.

<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 12,994,519
-	14,106,107
-	5,037,072
-	2,315,334
607,709	607,709
210,333	1,694,146
-	565,191
120,967	3,184,982
263,405	3,695,964
-	150,202
6,592	40,416
38,774	82,107
1,247,780	44,473,749
51,263	10,576,393
362,981	5,826,669
89,983	3,951,743
-	1,528,443
463,975	7,999,354
1,838,295	5,477,993
381,831	3,014,913
34,486	1,294,928
3,222,814	39,670,436
(1,975,034)	4,803,313
5,000	344,856
(119,363)	(129,851)
-	126,362
-	2,500
-	4,510,000
-	316,894
-	(4,715,674)
108,828	213,295
(5,535)	668,382
(1,980,569)	5,471,695
11,872,454	37,227,067
\$ 9,891,885	\$ 42,698,762

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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, 2013

Net changes in fund balances - total governmental funds \$ 5,471,695

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset expenditures	5,412,138
Depreciation expense	(2,926,174)
Disposals, net	(104,965)

The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Principal payments	3,014,913
Amortization of deferred amounts	156,503
Compensated absences	6,875
Bonds issued	(4,510,000)
Capital lease activity	(213,295)
Premium on bonds issued	(316,894)
Net pension obligation	(13,637)
Net OPEB obligation	(1,412,617)
Payment to refunded bond escrow agent	4,715,674
Accrued interest	18,313

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

100,903

Change in Net Position of Governmental Activities \$ 9,399,432

See Notes to Financial Statements.

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CITY OF DEER PARK, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2013

	Business-Type Activities		
	Water and Sewer	Storm Water Utility	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 11,913,666	\$ 184,224	\$ 12,097,890
Accounts receivable, net	920,702	21,593	942,295
Total Current Assets	12,834,368	205,817	13,040,185
Restricted cash and cash equivalents:			
Current portion of bonds payable	657,653	-	657,653
Customer deposits	670,667	-	670,667
Total Restricted Cash and Cash Equivalents	1,328,320	-	1,328,320
Noncurrent assets:			
Capital assets:			
Land	591,397	-	591,397
Buildings	3,861,540	-	3,861,540
Utility system	45,811,823	-	45,811,823
Machinery and equipment	4,246,954	-	4,246,954
Construction in progress	315,486	-	315,486
Less: accumulated depreciation	(28,504,600)	-	(28,504,600)
Total Noncurrent Assets	26,322,600	-	26,322,600
Total Assets	\$ 40,485,288	\$ 205,817	\$ 40,691,105
Deferred Outflows of Resources			
Deferred charge on refunding	\$ 116,876	\$ -	\$ 116,876
Liabilities			
Current liabilities:			
Accounts payable	\$ 478,078	\$ 19,643	\$ 497,721
Accrued liabilities	175,561	-	175,561
Accrued interest payable	17,055	-	17,055
Customer deposits	670,667	-	670,667
Other payables	65	-	65
Compensated absences	43,882	-	43,882
Bonds payable - current	1,290,628	-	1,290,628
Capital leases payable	50,413	-	50,413
Total Current Liabilities	2,726,349	19,643	2,745,992
Noncurrent liabilities:			
Net pension obligation	167,385	4,175	171,560
Compensated absences	4,876	-	4,876
Bonds payable, net of deferred charges	15,145,265	-	15,145,265
Capital leases payable	69,093	-	69,093
Total Noncurrent Liabilities	15,386,619	4,175	15,390,794
Total Liabilities	18,112,968	23,818	18,136,786
Net Position			
Net investment in capital assets	16,499,908	-	16,499,908
Restricted for:			
Debt service	984,962	-	984,962
Unrestricted	5,004,326	181,999	5,186,325
Total Net Position	\$ 22,489,196	\$ 181,999	\$ 22,671,195

See Notes to Financial Statements.

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CITY OF DEER PARK, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2013

	Business-Type Activities		
	Water and Sewer	Storm Water Utility	Total
<u>Operating Revenues</u>			
Charges for services	\$ 9,529,392	\$ 287,577	\$ 9,816,969
Total Operating Revenues	9,529,392	287,577	9,816,969
<u>Operating Expenses</u>			
Personnel services	2,658,085	74,368	2,732,453
Contractual services	1,170,368	28,542	1,198,910
Repairs and maintenance	246,732	105	246,837
Other supplies and expenses	1,677,357	2,563	1,679,920
Depreciation	1,579,100	-	1,579,100
Total Operating Expenses	7,331,642	105,578	7,437,220
Operating Income	2,197,750	181,999	2,379,749
<u>Nonoperating Revenues (Expenses)</u>			
Investment earnings	12,647	-	12,647
Interest and fiscal agent fees	(547,634)	-	(547,634)
Total Nonoperating (Expenses)	(534,987)	-	(534,987)
Income Before Transfers and Contributions	1,662,763	181,999	1,844,762
Capital contributions	118,017	-	118,017
Transfers (out)	(215,005)	-	(215,005)
Total Transfers and Contributions	(96,988)	-	(96,988)
Change in Net Position	1,565,775	181,999	1,747,774
Beginning net position	20,923,421	-	20,923,421
Ending Net Position	\$ 22,489,196	\$ 181,999	\$ 22,671,195

See Notes to Financial Statements.

CITY OF DEER PARK, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2013

	Business-Type Activities		
	Water and Sewer	Storm Water Utility	Total
<u>Cash Flows from Operating Activities</u>			
Receipts from customers and users	\$ 9,642,912	\$ 265,984	\$ 9,908,896
Payments to suppliers for goods and services	(3,603,363)	(11,567)	(3,614,930)
Payments to employees for services	(2,672,575)	(70,193)	(2,742,768)
Net Cash Provided by Operating Activities	3,366,974	184,224	3,551,198
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfer to other funds	(215,005)	-	(215,005)
Net Cash (Used) by Noncapital Financing Activities	(215,005)	-	(215,005)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition and construction of capital assets	(2,211,570)	-	(2,211,570)
Proceeds from debt issuance	4,930,308	-	4,930,308
Principal paid on capital debt	(1,402,173)	-	(1,402,173)
Interest paid on capital debt	(534,734)	-	(534,734)
Net Cash Provided by Capital and Related Financing Activities	781,831	-	781,831
<u>Cash Flows from Investing Activities</u>			
Earnings on investments	12,647	-	12,647
Net Cash Provided by Investing Activities	12,647	-	12,647
Net Increase in Cash and Cash Equivalents	3,946,447	184,224	4,130,671
Beginning cash and cash equivalents	9,295,539	-	9,295,539
Ending Cash and Cash Equivalents	\$ 13,241,986	\$ 184,224	\$ 13,426,210
Ending Cash and Cash Equivalents			
Unrestricted cash and cash equivalents	\$ 11,913,666	\$ 184,224	\$ 12,097,890
Restricted cash and cash equivalents	1,328,320	-	1,328,320
	\$ 13,241,986	\$ 184,224	\$ 13,426,210

See Notes to Financial Statements.

CITY OF DEER PARK, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2013

	Business-Type Activities		
	Water and Sewer	Storm Water Utility	Total
Reconciliation of Operating Income to Net			
Cash Provided by Operating Activities			
Operating income	\$ 2,197,750	\$ 181,999	\$ 2,379,749
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,579,100	-	1,579,100
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in Assets:			
Accounts receivable	84,683	(21,593)	63,090
Increase (Decrease) in Liabilities:			
Accounts payable	(521,873)	19,643	(502,230)
Accrued liabilities	12,954	-	12,954
Other payables	13	-	13
Compensated absences payable	(8,643)	-	(8,643)
Net pension obligation	(5,847)	4,175	(1,672)
Customer deposits	28,837	-	28,837
Net Cash Provided by Operating Activities	\$ 3,366,974	\$ 184,224	\$ 3,551,198
Noncash investing, capital and financing activities:			
Capital contribution	\$ 118,017	\$ -	\$ 118,017

See Notes to Financial Statements.

CITY OF DEER PARK, TEXAS

STATEMENT OF NET POSITION

FIDUCIARY FUND

September 30, 2013

	<u>Senior Citizens Trust</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 115,862
Total Assets	<u><u>\$ 115,862</u></u>
<u>Net Position</u>	
Restricted	\$ 115,862
Total Net Position	<u><u>\$ 115,862</u></u>

See Notes to Financial Statements.

CITY OF DEER PARK, TEXAS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND

For the Year Ended September 30, 2013

	<u>Senior Citizens Trust</u>
<u>Additions</u>	
Investment earnings	\$ 116
Donations	<u>1,412</u>
Total Additions	<u>1,528</u>
<u>Deductions</u>	
Benefits	<u>9,102</u>
Total Deductions	<u>9,102</u>
Change in Net Position	<u>(7,574)</u>
Beginning net position	<u>123,436</u>
Ending Net Position	<u><u>\$ 115,862</u></u>

See Notes to Financial Statements.

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CITY OF DEER PARK, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

Blended Component Unit

Deer Park Local Emergency Planning Committee

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

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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

Discretely Presented Component Units

Deer Park Crime Control and Prevention District

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

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

Deer Park Fire Control, Prevention, and Emergency Medical Services District

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

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

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component units. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, parks and recreation, and community development. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a nonmajor fund for reporting purposes, but the City has elected to present it as major due to its significance.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes. The grants fund is considered a major fund for reporting purposes. The remaining special revenue funds are considered nonmajor funds for reporting purposes.

The *capital projects funds* are used to account for the expenditures of resources accumulated from the sale of long-term debt and related interest earnings for capital improvement projects. The CIBF 2007 fund is considered a major fund for reporting purposes. The remaining capital projects funds are considered nonmajor funds for reporting purposes.

The City reports the following enterprise funds:

The *enterprise funds* are used to account for the operations that provide water and wastewater collection, wastewater treatment operations, and storm water utility operations. These services are financed and operated in a manner similar to private business enterprises where the intent of

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water and sewer fund is considered a major fund for reporting purposes. The storm water utility fund is considered a nonmajor fund for reporting purposes, but the City has elected to present it as major.

Additionally, the City reports the following fund type:

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City maintains one fiduciary fund, the senior citizens trust 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.

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The 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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City maintains pooled cash accounts. Each fund whose monies are deposited in the pooled cash and investment accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end.

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

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

2. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for “money market investments” and “2a7-like pools.” Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940, such as TexPool and TexSTAR, are reported using the pools’ share price.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. government
- Direct obligations of the State of Texas
- Statewide investment pools
- Certificates of deposit that meet certain criteria

3. 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.

4. Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. The City defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of at least two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Infrastructure	20 to 40 years
Buildings and Improvements	10 to 40 years
Vehicles and Equipment	5 to 20 years
Furniture and Fixtures	5 to 10 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to the future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

6. Compensated Absences

Employees earn vacation based on years of service with the City within certain limits. Only accumulated vacation, earned compensatory time and accrued but unused 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 Position. 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.

7. 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 Position. Bond premiums and discounts 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.

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.

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Nonspendable fund balance represents amounts that cannot be spent because they are either in nonspendable form (such as inventory or prepaid insurance) or are legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance represents amounts that are constrained by external parties, constitutional provision, or by enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

By resolution, the Council has also authorized the City Manager as the official authorized to assign fund balance to a specific purpose as approved by the City's fund balance policy. Assignments of fund balance by the City Manager do not require formal action by the City Council.

The City has established a target level of unassigned fund balance to alleviate revenue shortfalls and/or unanticipated expenditures to ensure the orderly and continued provision of services. The City shall strive to maintain an unassigned fund balance in the general fund equal to at least 25% of normal recurring operating costs, based on the current year's budgeted operating expenditures. Should unassigned fund balance fall below the goal or have a deficiency, the City will seek to reduce expenditures prior to increasing revenues to replenish fund balance within a reasonable timeframe.

11. 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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

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

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except the capital projects funds, which adopt a project length budget. The original budget is adopted by the City Council prior to the beginning of the fiscal year. The legal level of control as defined by the charter in the approved budget is the department level in the general fund and all others are the fund level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2013.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2013, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
External investment pools	\$ 32,861,945	0.00
Total Fair Value	<u>\$ 32,861,945</u>	
Portfolio weighted average maturity		0.00

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The City’s investment policy limits investments in public fund investment pools rated as to investment quality not less than ‘AAA’ or ‘AAA-m’, or at an equivalent rating by at least one nationally recognized rating service. As of September 30, 2013, the City’s investments in TexPool and TexSTAR were rated ‘AAAm’ by Standard & Poor’s.

Custodial credit risk – deposits. 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. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2013, market values of pledged securities were \$31,261,331 and bank balances were \$24,825,698.

As of September 30, 2013, the discretely presented component units’ bank balances of \$1,563,603 were collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed as delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor’s rates TexPool ‘AAAm’. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

TexSTAR

The Texas Short Term Asset Reserve Fund ("TexSTAR") is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation and safety of principal, liquidity and yield. J.P. Morgan Investment Management Inc. provides investment management services, fund accounting, transfer agency and custodial services. First Southwest Company provides administrative, marketing and participant services. Together these firms serve as co-administrators for the pool under an agreement with the TexSTAR Board of Directors.

TexSTAR is rated AAAM by Standard & Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The pool seeks to maintain a net asset value of \$1.00 per unit as required by the Act. Interest is accrued daily and credited to each account at the end of the month. Interest is reinvested unless the City provides specific instructions for its withdrawal or transfer.

TexPool and TexSTAR operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool and TexSTAR use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the positions in TexPool and TexSTAR are the same as the values of TexPool and TexSTAR shares.

B. Receivables

Amounts recorded as receivable as of September 30, 2013 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>Grants</u>	<u>Nonmajor Governmental</u>
Taxes	\$ 715,613	\$ 277,995	\$ -	\$ -
Accounts	1,781,097	-	1,350	174,554
Ambulance	754,805	-	-	-
Less allowance	(1,322,708)	(208,496)	-	-
Total	<u>\$ 1,928,807</u>	<u>\$ 69,499</u>	<u>\$ 1,350</u>	<u>\$ 174,554</u>

	<u>Water and Sewer</u>	<u>Storm Water Utility</u>
Accounts	\$ 1,319,641	\$ 29,624
Less allowance	(398,939)	(8,031)
Total	<u>\$ 920,702</u>	<u>\$ 21,593</u>

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

C. Capital Assets

The following is a summary of changes in capital assets for governmental activities for the year ended:

	Primary Government			Ending Balance
	Beginning Balance	Increases	(Decreases)	
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 22,527,596	\$ 148,898	\$ -	\$ 22,676,494
Construction in progress	2,929,535	4,427,428	(3,092,213)	4,264,750
Total capital assets not being depreciated	<u>25,457,131</u>	<u>4,576,326</u>	<u>(3,092,213)</u>	<u>26,941,244</u>
Other capital assets:				
Buildings	20,801,395	2,134,467	-	22,935,862
Improvements	47,239,455	498,991	-	47,738,446
Machinery and equipment	15,884,462	1,294,567	(505,647)	16,673,382
Total other capital assets	<u>83,925,312</u>	<u>3,928,025</u>	<u>(505,647)</u>	<u>87,347,690</u>
Less accumulated depreciation for:				
Buildings	(8,878,636)	(563,962)		(9,442,598)
Improvements	(34,052,767)	(1,257,027)		(35,309,794)
Machinery and equipment	(10,764,711)	(1,105,185)	400,682	(11,469,214)
Total accumulated depreciation	<u>(53,696,114)</u>	<u>(2,926,174)</u>	<u>400,682</u>	<u>(56,221,606)</u>
Other capital assets, net	30,229,198	1,001,851	(104,965)	31,126,084
Governmental Activities Capital Assets, Net	<u>\$ 55,686,329</u>	<u>\$ 5,578,177</u>	<u>\$ (3,197,178)</u>	<u>58,067,328</u>
			Less associated debt	(31,100,338)
			Plus deferred charge on refunding	531,217
			Plus unspent bond proceeds	<u>8,267,757</u>
			Net Investment in Capital Assets	<u>\$ 35,765,964</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 144,469
Public safety	629,923
Public works	1,460,790
Parks and recreation	450,355
Community development	<u>240,637</u>
Total Governmental Activities Depreciation Expense	<u>\$ 2,926,174</u>

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

Commitments

Construction in progress and remaining commitments under related construction contracts for governmental fund projects at year-end are as follows:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Contract</u>
Gateway Project - City Monuments	\$ 97,500	\$ 11,065	\$ 86,435
Patrick's Bayou Detention Facility	5,756,995	3,868,385	1,888,610
Deer Park Gardens Drainage Improvement Project	75,750	38,862	36,888
Total	<u>\$ 5,930,245</u>	<u>\$ 3,918,312</u>	<u>\$ 2,011,933</u>

The following is a summary of changes in capital assets for business-type activities for the year ended:

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 591,397	\$ -	\$ -	\$ 591,397
Construction in progress	2,747,884	1,808,709	(4,241,107)	315,486
Total capital assets not being depreciated	<u>3,339,281</u>	<u>1,808,709</u>	<u>(4,241,107)</u>	<u>906,883</u>
Other capital assets:				
Buildings	3,861,540	-	-	3,861,540
Improvements	42,391,549	3,420,274	-	45,811,823
Machinery and equipment	2,972,607	1,341,712	(67,365)	4,246,954
Total other capital assets	<u>49,225,696</u>	<u>4,761,986</u>	<u>(67,365)</u>	<u>53,920,317</u>
Less accumulated depreciation for:				
Buildings	(712,439)	(96,088)	-	(808,527)
Improvements	(24,410,866)	(1,146,500)	-	(25,557,366)
Machinery and equipment	(1,869,560)	(336,512)	67,365	(2,138,707)
Total accumulated depreciation	<u>(26,992,865)</u>	<u>(1,579,100)</u>	<u>67,365</u>	<u>(28,504,600)</u>
Other capital assets, net	<u>22,232,831</u>	<u>3,182,886</u>	<u>-</u>	<u>25,415,717</u>
Business-Type Activities Capital Assets, Net	<u>\$ 25,572,112</u>	<u>\$ 4,991,595</u>	<u>\$ (4,241,107)</u>	<u>26,322,600</u>
			Less associated debt	(16,555,399)
			Plus deferred charge on refunding	116,876
			Plus unspent bond proceeds	6,615,831
			Net Investment in Capital Assets	<u>\$ 16,499,908</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	<u>\$ 1,579,100</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 1,579,100</u>

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

Commitments

Construction in progress and remaining commitments under related construction contracts for business-type activities projects at year-end are as follows:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Contract</u>
Waste Water Treatment Plant - Expansion	\$ 1,052,000	\$ 118,750	\$ 933,250
2012 Water Line Improvement	256,456	81,461	174,995
Total	<u>\$ 1,308,456</u>	<u>\$ 200,211</u>	<u>\$ 1,108,245</u>

The following is a summary of changes in capital assets for the component units for the year ended:

	<u>Component Units</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
Discretely presented component units:				
Capital assets, being depreciated:				
Improvements	\$ 21,042	\$ -	\$ -	\$ 21,042
Machinery and equipment	1,246,422	481,305	-	1,727,727
Total capital assets, being depreciated	<u>1,267,464</u>	<u>481,305</u>	<u>-</u>	<u>1,748,769</u>
Less accumulated depreciation for:				
Improvements	(2,104)	(2,104)	-	(4,208)
Machinery and equipment	(151,529)	(242,485)	-	(394,014)
Total accumulated depreciation	<u>(153,633)</u>	<u>(244,589)</u>	<u>-</u>	<u>(398,222)</u>
Capital assets, being depreciated, net	<u>1,113,831</u>	<u>236,716</u>	<u>-</u>	<u>1,350,547</u>
Discretely Presented Component Units Capital Assets, Net	<u>\$ 1,113,831</u>	<u>\$ 236,716</u>	<u>\$ -</u>	<u>1,350,547</u>
			Less associated debt	<u>(477,633)</u>
			Net Investment in Capital Assets	<u>\$ 872,914</u>

Depreciation was charged to component units as follows:

Crime control district	\$ 144,908
Fire control district	99,681
Total Component Units Depreciation Expense	<u>\$ 244,589</u>

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

D. Long-Term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 22,122,561	\$ 4,510,000	\$ 6,741,409	\$ 19,891,152 *	\$ 2,294,372
Certificates of obligation	9,570,000	-	360,000	9,210,000 *	370,000
Capital leases	1,257,169	213,295	387,504	1,082,960 *	341,733
Premium on bond issuance	725,296	316,894	125,964	916,226 *	-
Compensated absences	485,849	1,060,615	1,067,490	478,974	960,741
Net pension obligation	1,252,417	13,638	-	1,266,055	-
Net OPEB obligation	6,797,187	1,886,939	474,322	8,209,804	-
Total Governmental Activities	<u>\$ 42,210,479</u>	<u>\$ 8,001,381</u>	<u>\$ 9,156,689</u>	<u>\$ 41,055,171</u>	<u>\$ 3,966,846</u>
				<u>Long-term debt due in more than one year</u>	<u>\$ 37,088,325</u>
Business-Type Activities:					
General obligation bonds	\$ 5,627,439	\$ -	\$ 638,591	\$ 4,988,848 **	\$ 625,628
Certificates of obligation	3,390,000	4,725,000	95,000	8,020,000 **	95,000
Revenue bonds	3,395,000	-	575,000	2,820,000 **	570,000
Capital leases	168,743	-	49,237	119,506 **	50,413
Premium on bond issuance	446,082	205,308	44,345	607,045 **	-
Net pension obligation	173,232	-	1,672	171,560	-
Compensated absences	57,401	134,215	142,858	48,758	43,882
Total Business-Type Activities	<u>\$ 13,257,897</u>	<u>\$ 5,064,523</u>	<u>\$ 1,546,703</u>	<u>\$ 16,775,717</u>	<u>\$ 1,384,923</u>
				<u>Long-term debt due in more than one year</u>	<u>\$ 15,390,794</u>
Discretely Presented Component Units:					
Capital leases	\$ 690,462	\$ -	\$ 212,829	\$ 477,633 ***	\$ 216,716
Total Discretely Presented Component Units	<u>\$ 690,462</u>	<u>\$ -</u>	<u>\$ 212,829</u>	<u>\$ 477,633</u>	<u>\$ 216,716</u>
				<u>Long-term debt due in more than one year</u>	<u>\$ 260,917</u>
				<u>*Debt associated with governmental activity capital assets</u>	<u>\$ 31,100,338</u>
				<u>**Debt associated with business-type activity capital assets</u>	<u>\$ 16,555,399</u>
				<u>***Debt associated with discretely presented component units capital assets</u>	<u>\$ 477,633</u>

Long-term liabilities of the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. For the governmental activities, compensated absences are generally liquidated by the general fund. For governmental activities, the liability for the net pension obligation and net other post-employment benefits obligation is fully liquidated by the general fund.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
<u>Governmental Activities</u>		
General Obligation Bonds		
2004 General Obligation Refunding Bonds	3.25-5.00%	\$ 1,285,000
2005 General Obligation Bonds	3.50-5.50%	2,295,000
2007 General Obligation Bonds	3.88-5.00%	6,835,000
2008 General Obligation Refunding Bonds	3.49%	2,065,000
2010 General Obligation Refunding Bonds	2.00-5.00%	2,931,152
2012 General Obligation Refunding Bonds	2.00-3.00%	4,480,000
Total General Obligation Bonds		19,891,152
Certificates of Obligation		
2007 Certificates of Obligation	4.25-6.00%	1,920,000
2010 Certificates of Obligation	2.00-4.50%	7,290,000
Total Certificates of Obligation		9,210,000
Capital Leases		
VOIP Telephone Communication System	1.60%	98,795
VOIP Telephone Communication System	2.90%	141,442
100' Pierce Velocity Platform	3.64%	469,145
2010 Pierce Velocity Pumper Truck	2.60%	268,258
2013 Freightliner 26 Cubic Yard Trash Truck	1.38%	105,320
Total Capital Leases		1,082,960
Total Governmental Activities Long-Term Debt		\$ 30,184,112
<u>Business-Type Activities</u>		
General Obligation Bonds		
2010 General Obligation Refunding Bonds	2.00-5.00%	\$ 1,938,848
2011 General Obligation Refunding Bonds	2.00-3.00%	3,050,000
Total General Obligation Bonds		4,988,848
Certificates of Obligation		
2011 Certificates of Obligation	2.00-4.00%	3,295,000
2012 Certificates of Obligation	2.00-3.00%	4,725,000
Total Certificates of Obligation		8,020,000
Revenue Bonds		
2002 Waterworks and Sewer System	2.80-3.80%	2,500,000
2003 Waterworks and Sewer System Revenue Refunding Bonds	2.50-3.72%	320,000
Total Revenue Bonds		2,820,000
Capital Leases		
2009 Vactor Combination Sewer Cleaner	2.36%	119,506
Total Capital Leases		119,506
Total Business-Type Activities Long-Term Debt		\$ 15,948,354

The City is not obligated in any manner for special assessment debt.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

Annual debt service requirements for governmental activities are as follows:

Year Ending Sep 30	Governmental Activities					Total
	General Obligation Bonds		Certificates of Obligation			
	Principal	Interest	Principal	Interest		
2014	\$ 2,294,372	\$ 671,261	\$ 370,000	\$ 391,938	\$ 3,727,571	
2015	2,385,344	582,150	380,000	379,388	3,726,882	
2016	1,969,325	498,189	415,000	363,088	3,245,602	
2017	2,046,315	422,815	430,000	344,238	3,243,368	
2018	1,238,024	367,369	505,000	323,406	2,433,799	
2019-2023	6,407,772	1,231,816	2,830,000	1,264,688	11,734,276	
2024-2028	3,550,000	255,825	3,220,000	617,675	7,643,500	
2029-2030	-	-	1,060,000	53,750	1,113,750	
Total	\$ 19,891,152	\$ 4,029,425	\$ 9,210,000	\$ 3,738,171	\$ 36,868,748	

The annual debt service requirements for business-type activities are as follows:

Year Ending Sep 30	Business-Type Activities						Total
	General Obligation Bonds		Certificates of Obligation		Revenue Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 625,628	\$ 141,433	\$ 95,000	\$ 232,003	\$ 570,000	\$ 87,653	\$ 1,751,717
2015	609,656	127,657	100,000	230,053	250,000	74,313	1,391,679
2016	600,675	111,324	220,000	226,853	250,000	66,500	1,475,352
2017	588,685	93,837	255,000	222,103	250,000	58,375	1,468,000
2018	521,976	76,468	305,000	216,115	250,000	50,000	1,419,559
2019-2023	2,042,228	141,033	2,005,000	940,725	1,250,000	116,250	6,495,236
2024-2028	-	-	2,655,000	589,924	-	-	3,244,924
2029-2032	-	-	2,385,000	159,638	-	-	2,544,638
Total	\$ 4,988,848	\$ 691,752	\$ 8,020,000	\$ 2,817,414	\$ 2,820,000	\$ 453,091	\$ 19,791,105

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

Advance Refunding

The City issued \$4,510,000 of general obligation refunding bonds, series 2012 to provide resources for all future debt service payments of \$4,525,000 of the general obligation bonds, series 2005. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$241,674. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$485,421 and resulted in an economic gain of \$436,902. At September 30, 2013, \$4,525,000 of general obligation bonds, series 2005 was considered defeased relating to the 2012 refunding.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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 \$2.33 million of equipment has been leased under these agreements as of September 30, 2013. Capital leases bear interest ranging from 1.38 percent to 3.64 percent and have maturity dates ranging from 2015 to 2018. Annual requirements to satisfy these obligations are as follows:

Year Ending Sep 30	Governmental Activities		
	Capital Leases		
	Principal	Interest	Total
2014	\$ 341,733	\$ 26,879	\$ 368,612
2015	339,341	17,302	356,643
2016	196,129	9,513	205,642
2017	131,099	4,622	135,721
2018	74,658	715	75,373
Total	\$ 1,082,960	\$ 59,031	\$ 1,141,991

Year Ending Sep 30	Business-Type Activities		
	Capital Leases		
	Principal	Interest	Total
2014	\$ 50,413	\$ 2,277	\$ 52,690
2015	51,615	1,075	52,690
2016	17,478	86	17,564
Total	\$ 119,506	\$ 3,438	\$ 122,944

Year Ending Sep 30	Discretely Presented Component Units		
	Capital Leases		
	Principal	Interest	Total
2014	\$ 216,716	\$ 7,536	\$ 224,252
2015	212,143	3,546	215,689
2016	48,774	1,038	49,812
Total	\$ 477,633	\$ 12,120	\$ 489,753

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

E. Interfund Receivables, Payables, and Transfers

Interfund loans between the primary government funds during the year were as follows:

Due To	Due From	Amounts
Nonmajor governmental fund	Grants fund	\$ 2,924,911

Amounts recorded as “due to/due from” are considered to be temporary loans and will be repaid during the following year.

Transfers between the primary government funds during the year were as follows:

Transfer Out	Transfer In	Amounts
Water and Sewer Fund	General Fund	\$ 78,393
Nonmajor Governmental Funds	General Fund	113,000
Water and Sewer Fund	Debt Service Fund	136,612
CIBF 2007	Debt Service Fund	5,488
Nonmajor Governmental Funds	Debt Service Fund	6,363
General Fund	Nonmajor Governmental Funds	5,000
		\$ 344,856

Amounts transferred between funds relate to the following activities:

- Transfers to the debt service fund were made to pay debt service and debt service related expenditures in accordance with applicable ordinances and federal regulations.
- Transfers to nonmajor governmental funds include a \$5,000 transfer to the LEPC Fund for emergency response programs.
- Transfers to the general fund were made to move salary expenditures budgeted in nonmajor governmental funds to the general fund, which actually paid the salaries.

F. Fund Equity

As of September 30, 2013, \$1,306,573 of the City’s total fund balance is restricted by enabling legislation.

Change in Beginning Fund Balance/Net Position

In the fiscal year ending September 30, 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In accordance with this statement, beginning net position of the governmental and business-type activities has been reduced to remove previously capitalized bond issuance costs. In addition, beginning fund balances for the 2011 certificates of obligation fund and grants fund have been restated to recognize prior year expenditures and grant revenues, respectively. Governmental activities and the water and sewer fund have been restated to recognize prior year capital contributions from governmental funds to the water and sewer fund.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

	2011		Senior	Governmental
	<u>Certificates of Obligation</u>	<u>Grants</u>	<u>Citizen</u>	<u>Activities</u>
Beginning fund balance/net position	\$ 2,528,518	317,216	\$ 123,436	\$ 47,352,981
Restatement - grants receivable	-	64,698	-	64,698
Restatement - fund reclassification	(2,528,518)	-	(123,436)	(2,651,954)
Restatement - bond issuance costs	-	-	-	(658,491)
Restatement - debt service activity reclassification	-	-	-	9,333,745
Restatement - capital assets reclassification	-	-	-	(1,874,201)
Beginning fund balance/net position - restated	<u>\$ -</u>	<u>381,914</u>	<u>\$ -</u>	<u>\$ 51,566,778</u>

	<u>Water and Sewer</u>	<u>Business-Type Activities</u>
Beginning fund balance/net position	\$ 25,925,800	\$ 25,925,800
Restatement - fund reclassification	2,528,518	2,528,518
Restatement - bond issuance costs	(148,873)	(148,873)
Restatement - debt service activity reclassification	(9,333,745)	(9,333,745)
Restatement - capital assets reclassification	1,951,721	1,951,721
Beginning fund balance/net position - restated	<u>\$ 20,923,421</u>	<u>\$ 20,923,421</u>

IV. OTHER INFORMATION

A. 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; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

C. Pension Plans

Texas Municipal Retirement System

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and Required Supplementary Information for TMRS. The report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the system. This report may be obtained from the 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>2013</u>	<u>2012</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs 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	50% of CPI

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 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 remainder of the plan's 30-year amortization period. 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.

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.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

The annual pension cost and the net pension obligation (asset) are as follows:

Annual required contribution (ARC)	\$	2,339,705
Interest on Net Pension Obligation (NPO)		99,795
Adjustment to the ARC		(87,678)
Annual Pension Cost (APC)		2,351,822
Contributions made		(2,339,856)
Increase in NPO		11,966
NPO-beginning of year		1,425,649
NPO-end of year		\$ 1,437,615

Three-year trend information for the annual pension cost (APC) is as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 3,073,390	\$ 2,631,798	85.63%	\$ 1,302,288
2012	\$ 2,544,733	\$ 2,421,372	95.15%	\$ 1,425,649
2013	\$ 2,351,822	\$ 2,339,856	99.49%	\$ 1,437,615

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarial Valuation Date	12/31/2012	12/31/2011	12/31/2010
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period	25.4 years- Closed period	26.3 years- Closed period	27.3 years- Closed period
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	1.5%	1.5%	1.5%

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

Funded Status and Funding Progress

The funded status as of December 31, 2012, the most recent valuation date, is as follows:

	<u>2013</u>
Actuarial Valuation Date	12/31/2012
Actuarial Value of Assets	\$ 90,818,295
Actuarial Accrued Liability	\$ 99,799,290
Percentage Funded	91.0%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 8,980,995
Annual Covered Payroll	\$ 15,915,705
UAAL as a Percentage of Covered Payroll	56.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability benefits.

D. Other Post Employment Benefits

Healthcare Plan

Plan Description

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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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

Annual required contribution	\$ 1,999,227
Interest on prior year net OPEB obligation	268,841
Amortization of prior year net OPEB obligation	<u>(381,129)</u>
Annual OPEB cost (expense)	1,886,939
Contributions made	<u>(474,322)</u>
Increase in net OPEB obligation	1,412,617
Net OPEB obligation-beginning of year	<u>6,797,187</u>
Net OPEB obligation-end of year	<u><u>\$ 8,209,804</u></u>

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 (four percent discount rate, and level percent of pay amortization) are as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost (APC)</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 2,166,219	\$ 138,414	6.39%	\$ 5,100,368
2012	\$ 1,979,017	\$ 282,198	14.26%	\$ 6,797,187
2013	\$ 1,886,939	\$ 474,322	25.14%	\$ 8,209,804

Funded Status and Funding Progress

As of October 1, 2012, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$22,090,299 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$22,090,299. The annual covered payroll as of September 30, 2013 was \$15,454,909 and the UAAL as a percentage of this number was 142.93 percent.

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

Actuarial Methods and Assumptions

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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

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.

The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar
Amortization Period	30 year, open amortization
Asset Valuation Method	Market value
Investment Rate of Return	4.0%
Projected salary increases	N/A
Healthcare Cost Trend Rate	7.50% initial, 5.50% ultimate

TMRS - Supplemental Death Benefits Plan

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the 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.

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 post employment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. For the year ended September 30, 2013, the City offered the supplemental death benefit to both active and retired employees.

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 ensure 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.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2013

The City's contribution rates to the TMRS SDBF, for the retiree portion, for the years ended September 30, 2013, 2012, and 2011 are shown below. Annual SDBF costs were \$5,872 for 2013.

	2013	2012	2011
Annual Req. Contrib. (Rate)	0.04%	0.03%	0.04%
Actual Contribution Made	0.04%	0.03%	0.04%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "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. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan's trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use than intended under the Plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under 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.

E. Industrial District Contracts

A significant portion of the City's revenue is derived from separate contractual agreements with each industrial company that lies within the City's extraterritorial jurisdiction (known as the "industrial district"). These companies have agreed to pay an amount "in-lieu of taxes" in the unannexed area within the City's extraterritorial jurisdiction. These contracts are executed for a seven-year period at which time they are renegotiated; the current agreements expire in 2014. In the current contract, the companies agree to pay the City at 63 percent of what the ad valorem taxes would have been had the companies' land, improvements, and inventory been within the corporate limits of the City. During the fiscal year, the City received revenues of \$14,106,107 related to these contracts.

F. Operating Lease

The City entered into a lease agreement with a tenant to operate the City's municipal golf course. The lease became effective May 29, 2013 and extends through May 31, 2023. The term of the lease may be extended for four, five year extensions upon the mutual agreement of the City and the tenant. The City receives monthly rent payments based upon an annual minimum rent amount plus a percentage of gross revenues.

G. Subsequent Events

On November 1, 2014, the City issued certificates of obligation, series 2013 in the amount of \$6,925,000. The interest rate will range from 2.00 to 3.35 percent. The certificates have a final maturity date of March 15, 2033. The proceeds will be used for various capital projects of the City's waterworks and sanitary sewer system.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF DEER PARK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2013

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 8,854,675	\$ 8,854,675	\$ 9,038,844	\$ 184,169
Industrial district taxes	12,766,000	12,766,000	14,106,107	1,340,107
Sales taxes	4,365,000	4,365,000	5,037,072	672,072
Franchise taxes	2,050,000	2,050,000	2,315,334	265,334
Fees and fines	939,500	939,500	1,483,813	544,313
Licenses and permits	288,300	288,300	565,191	276,891
Intergovernmental	-	-	10,187	10,187
Charges for services	3,915,443	3,915,443	3,432,559	(482,884)
Investment earnings	16,200	16,200	22,592	6,392
Miscellaneous	71,043	71,043	43,333	(27,710)
Total Revenues	33,266,161	33,266,161	36,055,032	2,788,871
Expenditures				
Current:				
General government	12,259,467	12,280,467	10,525,130	1,755,337
Community development	5,921,651	5,933,628	5,438,339	495,289
Public works	4,275,312	4,275,312	3,861,760	413,552
Parks and recreation	2,163,570	2,163,570	1,528,443	635,127
Public safety	7,925,060	7,925,060	7,529,978	395,082
Debt service:				
Principal	5,673	5,673	5,673	-
Interest and other charges	275	275	275	-
Capital outlay	406,081	406,081	421,695	(15,614)
Total Expenditures	32,957,089	32,990,066	29,311,293	3,678,773
Excess of Revenues Over Expenditures	309,072	276,095	6,743,739	6,467,644
Other Financing Sources (Uses)				
Transfers in	181,393	181,393	191,393	10,000
Transfers (out)	(5,000)	(5,000)	(5,000)	-
Proceeds from sale of capital assets	10,000	10,000	126,362	116,362
Proceeds from insurance recovery	-	-	2,500	2,500
Capital lease	-	-	104,467	104,467
Total Other Financing Sources	186,393	186,393	419,722	233,329
Net Change in Fund Balance	\$ 495,465	\$ 462,488	7,163,461	\$ 6,700,973
Beginning fund balance			17,466,595	
Ending Fund Balance			\$ 24,630,056	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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CITY OF DEER PARK, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2013

Fiscal Year	2013	2012	2011
Actuarial Valuation Date	12/31/2012	12/31/2011	12/31/2010
Actuarial Value of Assets	\$ 90,818,295	\$ 86,464,502	\$ 81,478,828
Actuarial Accrued Liability	\$ 99,799,290	\$ 96,281,742	\$ 92,537,865
Percentage Funded	91.0%	89.8%	88.0%
Unfunded Actuarial			
Accrued Liability (UAAL)	\$ 8,980,995	\$ 9,817,240	\$ 11,059,037
Annual Covered Payroll	\$ 15,915,705	\$ 15,871,924	\$ 16,360,210
UAAL % of Covered Payroll	56.4%	61.9%	67.6%
Net Pension Obligation (NPO)			
at the Beginning of Period	\$ 1,425,649	\$ 1,302,288	\$ 860,696
Annual Pension Cost (APC)	2,351,822	2,544,733	3,073,390
Contributions Made	2,339,856	2,421,372	2,631,798
NPO at the End of Period	\$ 1,437,615	\$ 1,425,649	\$ 1,302,288

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CITY OF DEER PARK, TEXAS
SCHEDULE OF FUNDING PROGRESS
POST EMPLOYMENT HEALTHCARE BENEFITS
For the Year Ended September 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/09	\$ -	\$ 18,448,370	\$ 18,448,370	0.0%	\$ 15,582,634	118.4%
10/01/11	\$ -	\$ 22,609,564	\$ 22,609,564	0.0%	\$ 15,924,257	142.0%
10/01/12	\$ -	\$ 22,090,299	\$ 22,090,299	0.0%	\$ 15,454,909	142.9%

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***COMBINING STATEMENTS
AND SCHEDULES***

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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, 2013

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 3,845,589	\$ 3,845,589	\$ 3,955,675	\$ 110,086
Investment earnings	4,000	4,000	5,744	1,744
Total Revenues	3,849,589	3,849,589	3,961,419	111,830
Expenditures				
Debt service:				
Principal	3,280,000	3,280,000	2,627,409	652,591
Interest and other charges	1,587,065	1,698,286	1,260,167	438,119
Total Expenditures	4,867,065	4,978,286	3,887,576	1,090,710
(Deficiency) of Revenues (Under) Expenditures	(1,017,476)	(1,128,697)	73,843	1,202,540
Other Financing Sources (Uses)				
Transfers in	1,248,061	1,248,061	148,463	(1,099,598)
Debt issued	-	4,510,000	4,510,000	-
Premium on bonds issued	-	316,895	316,894	(1)
Payment to refunded bond escrow agent	-	(4,715,674)	(4,715,674)	-
Total Other Financing Sources	1,248,061	1,359,282	259,683	(1,099,599)
Net Change in Fund Balance	\$ 230,585	\$ 230,585	333,526	\$ 102,941
Beginning fund balance			1,988,204	
Ending Fund Balance			\$ 2,321,730	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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CITY OF DEER PARK, TEXAS

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2013

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Hotel/Motel Occupancy Tax Fund

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

Local Emergency Planning Committee Fund

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

Police Forfeiture Fund

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

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 as a result of Hurricane Ike. Expenditures of the fund relate to housing efforts and are controlled by federal regulations. No appropriations style budget is adopted for this fund.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets.

Capital Projects Fund

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

1997 Streets Fund

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

Streets Fund

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

Capital Improvements Fund

This fund is used to account for local funding of various capital projects throughout the City.

General Obligations Series 2005 Fund

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

Capital Improvements Bond Fund 2010

This fund is used to account for the receipt of bond proceeds and the expenditure of such proceeds to construct drainage improvements.

CITY OF DEER PARK, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)
September 30, 2013

	<u>Special Revenue Funds</u>			
	<u>Hotel/Motel Occupancy Tax</u>	<u>LEPC</u>	<u>Police Forfeiture</u>	<u>Municipal Court</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 759,530	\$ 137,046	\$ 56,752	\$ 354,805
Accounts receivable	150,267	-	-	23,695
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total Assets	\$ 909,797	\$ 137,046	\$ 56,752	\$ 378,500
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 15,019	\$ 6,112	\$ -	\$ 211
Accrued liabilities	-	-	-	23,239
Other payables	-	-	-	7
Total Liabilities	15,019	6,112	-	23,457
Fund balances:				
Restricted				
Grants	-	-	-	-
Enabling legislation	894,778	-	56,752	355,043
Special projects	-	130,934	-	-
Capital projects	-	-	-	-
Assigned				
Capital projects	-	-	-	-
Total Fund Balances	894,778	130,934	56,752	355,043
Total Liabilities and Fund Balances	\$ 909,797	\$ 137,046	\$ 56,752	\$ 378,500

Special Revenue Fund	Capital Projects Funds				
FEMA Hurricane Ike	Capital Projects	1997 Streets	Streets	Capital Improvements	General Obligation Series 2005
\$ 333,457	\$ 107,754	\$ 26,975	\$ 94,408	\$ 1,722,957	\$ 1,853,106
-	-	-	-	592	-
-	-	-	-	-	-
528,894	-	-	-	-	-
<u>\$ 862,351</u>	<u>\$ 107,754</u>	<u>\$ 26,975</u>	<u>\$ 94,408</u>	<u>\$ 1,723,549</u>	<u>\$ 1,853,106</u>
\$ -	\$ -	\$ -	\$ -	\$ 12,458	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	12,458	-
862,351	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	26,975	94,408	-	1,853,106
-	107,754	-	-	1,711,091	-
<u>862,351</u>	<u>107,754</u>	<u>26,975</u>	<u>94,408</u>	<u>1,711,091</u>	<u>1,853,106</u>
<u>\$ 862,351</u>	<u>\$ 107,754</u>	<u>\$ 26,975</u>	<u>\$ 94,408</u>	<u>\$ 1,723,549</u>	<u>\$ 1,853,106</u>

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CITY OF DEER PARK, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
September 30, 2013

	Capital Projects Fund CIBF 2010	Total Nonmajor Governmental Funds
<u>Assets</u>		
Cash and cash equivalents	\$ 1,641,047	\$ 7,087,837
Accounts receivable	-	174,554
Due from other funds	2,924,911	2,924,911
Due from other governments	-	528,894
	Total Assets	\$ 10,716,196
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	\$ 767,265	\$ 801,065
Accrued liabilities	-	23,239
Other payables	-	7
	Total Liabilities	824,311
Fund balances:		
Restricted		
Grants	-	862,351
Enabling legislation	-	1,306,573
Special projects	-	130,934
Capital projects	3,798,693	5,773,182
Assigned		
Capital projects	-	1,818,845
	Total Fund Balances	9,891,885
	Total Liabilities and Fund Balances	\$ 10,716,196

CITY OF DEER PARK, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)
For the Year Ended September 30, 2013

	<u>Special Revenue Funds</u>			
	<u>Hotel/Motel Occupancy Tax</u>	<u>LEPC</u>	<u>Police Forfeiture</u>	<u>Municipal Court</u>
<u>Revenues</u>				
Hotel/motel taxes	\$ 607,709	\$ -	\$ -	\$ -
Fees and fines	-	-	-	210,333
Intergovernmental	-	120,967	-	-
Charges for services	-	-	-	263,405
Investment earnings	-	-	31	-
Miscellaneous	-	-	20,774	-
Total Revenues	607,709	120,967	20,805	473,738
<u>Expenditures</u>				
Current:				
General government	-	-	-	51,263
Community development	362,981	-	-	-
Public works	-	-	-	-
Public safety	-	130,893	10,541	322,541
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	237,963	-	-	-
Total Expenditures	600,944	130,893	10,541	373,804
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,765	(9,926)	10,264	99,934
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	5,000	-	-
Transfers (out)	(31,000)	-	-	(82,000)
Capital lease	-	-	-	-
Total Other Financing Sources (Uses)	(31,000)	5,000	-	(82,000)
Net Change in Fund Balances	(24,235)	(4,926)	10,264	17,934
Beginning fund balances	919,013	135,860	46,488	337,109
Ending Fund Balances	\$ 894,778	\$ 130,934	\$ 56,752	\$ 355,043

Special Revenue Fund	Capital Projects Funds				
FEMA Hurricane Ike	Capital Projects	1997 Streets	Streets	Capital Improvements	General Obligation Series 2005
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	102	26	70	130	1,826
-	-	-	-	18,000	-
-	102	26	70	18,130	1,826
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	11,179	78,804
-	-	-	-	-	-
-	-	-	-	381,831	-
-	-	-	-	34,486	-
-	-	-	-	617,461	-
-	-	-	-	1,044,957	78,804
-	102	26	70	(1,026,827)	(76,978)
-	-	-	-	-	-
-	(102)	(26)	-	-	(1,827)
-	-	-	-	108,828	-
-	(102)	(26)	-	108,828	(1,827)
-	-	-	70	(917,999)	(78,805)
862,351	107,754	26,975	94,338	2,629,090	1,931,911
<u>\$ 862,351</u>	<u>\$ 107,754</u>	<u>\$ 26,975</u>	<u>\$ 94,408</u>	<u>\$ 1,711,091</u>	<u>\$ 1,853,106</u>

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CITY OF DEER PARK, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
For the Year Ended September 30, 2013

	Capital Projects Fund CIBF 2010	Total Nonmajor Governmental Funds
<u>Revenues</u>		
Hotel/motel taxes	\$ -	\$ 607,709
Fees and fines	-	210,333
Intergovernmental	-	120,967
Charges for services	-	263,405
Investment earnings	4,407	6,592
Miscellaneous	-	38,774
	4,407	1,247,780
Total Revenues	4,407	1,247,780
<u>Expenditures</u>		
Current:		
General government	-	51,263
Community development	-	362,981
Public works	-	89,983
Public safety	-	463,975
Debt service:		
Principal	-	381,831
Interest and other charges	-	34,486
Capital outlay	982,871	1,838,295
	982,871	3,222,814
Total Expenditures	982,871	3,222,814
Excess (Deficiency) of Revenues Over (Under) Expenditures	(978,464)	(1,975,034)
<u>Other Financing Sources (Uses)</u>		
Transfers in	-	5,000
Transfers (out)	(4,408)	(119,363)
Capital lease	-	108,828
	(4,408)	(5,335)
Total Other Financing Sources (Uses)	(4,408)	(5,335)
Net Change in Fund Balances	(982,872)	(1,980,569)
Beginning fund balances	4,781,565	11,872,454
Ending Fund Balances	\$ 3,798,693	\$ 9,891,885

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CITY OF DEER PARK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2013

	<u>Hotel/Motel Occupancy Tax</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	
Revenues				
Hotel/motel occupancy taxes	\$ 1,024,296	\$ 1,024,296	\$ 607,709	\$ (416,587)
Total Revenues	<u>1,024,296</u>	<u>1,024,296</u>	<u>607,709</u>	<u>(416,587)</u>
Expenditures				
Current:				
Community development	457,750	468,750	362,981	105,769
Capital outlay	<u>535,546</u>	<u>535,546</u>	<u>237,963</u>	<u>297,583</u>
Total Expenditures	<u>993,296</u>	<u>1,004,296</u>	<u>600,944</u>	<u>403,352</u>
Excess of Revenues Over Expenditures	<u>31,000</u>	<u>20,000</u>	<u>6,765</u>	<u>(13,235)</u>
Other Financing (Uses)				
Transfers out	<u>(31,000)</u>	<u>(31,000)</u>	<u>(31,000)</u>	<u>-</u>
Total Other Financing (Uses)	<u>(31,000)</u>	<u>(31,000)</u>	<u>(31,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (11,000)</u>	<u>(24,235)</u>	<u>\$ (13,235)</u>
Beginning fund balance			<u>919,013</u>	
Ending Fund Balance			<u>\$ 894,778</u>	

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STATISTICAL SECTION

This part of the City’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and Required Supplementary Information says about the City’s overall financial health.

Contents	Page
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Financial Trends	102
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These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.

Revenue Capacity	112
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These schedules contain information to help the reader assess the City’s most significant local revenue source, property tax.

Debt Capacity	122
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These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.

Demographic and Economic Information	132
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.

Operating Information	135
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These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.

CITY OF DEER PARK, TEXAS

NET POSITION BY COMPONENT

Last Ten Years
(accrual basis of accounting)

	Year			
	2004	2005	2006	2007
Governmental Activities				
Net investment in capital assets	\$ 17,136,716	\$ 18,087,330	\$ 23,422,416	\$ 23,625,083
Restricted	1,912,492	1,888,554	2,448,995	2,850,158
Unrestricted	1,952,988	3,271,660	4,811,771	9,701,580
Total Governmental Activities Net Position	\$ 21,002,196	\$ 23,247,544	\$ 30,683,182	\$ 36,176,821
 Business-Type Activities				
Net investment in capital assets	\$ 13,692,529	\$ 15,061,049	\$ 10,654,013	\$ 11,447,994
Restricted	-	-	-	-
Unrestricted	5,682,234	4,597,501	4,052,406	3,159,901
Total Business-Type Activities Net Position	\$ 19,374,763	\$ 19,658,550	\$ 14,706,419	\$ 14,607,895
 Primary Government				
Net investment in capital assets	\$ 30,829,245	\$ 33,148,379	\$ 34,076,429	\$ 35,073,077
Restricted	1,912,492	1,888,554	2,448,995	2,850,158
Unrestricted	7,635,222	7,869,161	8,864,177	12,861,481
Total Primary Government Net Position	\$ 40,376,959	\$ 42,906,094	\$ 45,389,601	\$ 50,784,716

Notes:

* During the year ended September 30, 2013, the City restated the financial statements to recognize a fund as part of an enterprise fund (previously recognized as a capital projects fund). The City also restated the financial statements to recognize certain capital assets and bonds within an enterprise fund (previously recognized under governmental activities).

Year					
2008	2009	2010	2011	2012	2013*
\$ 28,350,164	\$ 32,072,611	\$ 29,888,865	\$ 30,587,182	\$ 29,597,630	\$ 35,765,964
3,460,684	4,788,311	4,491,224	4,102,964	4,574,770	16,249,861
13,373,367	15,775,137	12,191,299	11,159,636	13,180,581	8,950,385
<u>\$ 45,184,215</u>	<u>\$ 52,636,059</u>	<u>\$ 46,571,388</u>	<u>\$ 45,849,782</u>	<u>\$ 47,352,981</u>	<u>\$ 60,966,210</u>
\$ 11,928,085	\$ 12,218,032	\$ 12,218,032	\$ 15,512,082	\$ 20,056,649	\$ 16,499,908
-	-	-	-	-	984,962
3,027,361	2,778,534	5,684,466	5,293,599	5,869,151	5,186,325
<u>\$ 14,955,446</u>	<u>\$ 14,996,566</u>	<u>\$ 17,902,498</u>	<u>\$ 20,805,681</u>	<u>\$ 25,925,800</u>	<u>\$ 22,671,195</u>
\$ 40,278,249	\$ 44,290,643	\$ 42,106,897	\$ 46,099,264	\$ 49,654,279	\$ 52,265,872
3,460,684	4,788,311	4,491,224	4,102,964	4,574,770	17,234,823
16,400,728	18,553,671	17,875,765	16,453,235	19,049,732	14,136,710
<u>\$ 60,139,661</u>	<u>\$ 67,632,625</u>	<u>\$ 64,473,886</u>	<u>\$ 66,655,463</u>	<u>\$ 73,278,781</u>	<u>\$ 83,637,405</u>

CITY OF DEER PARK, TEXAS

CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

	Year			
	2004	2005	2006*	2007
Expenses				
Governmental activities				
General government	\$ 7,284,490	\$ 7,529,534	\$ 8,373,235	\$ 8,846,111
Public safety	5,404,921	5,877,232	6,252,445	6,885,057
Public works	4,357,156	4,507,203	5,259,922	6,297,724
Parks and recreation	-	-	2,148,365	2,121,981
Community development	4,710,933	4,602,280	4,933,184	5,280,164
Interest on long-term debt	1,236,950	1,287,617	1,355,043	1,168,616
Total Governmental Activities Expenses	<u>22,994,450</u>	<u>23,803,866</u>	<u>28,322,194</u>	<u>30,599,653</u>
Business-type activities				
Water and sewer	6,073,686	6,274,817	7,099,200	6,996,091
Storm water utility	-	-	-	-
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>
Total Expenses	<u>\$ 31,240,028</u>	<u>\$ 32,241,013</u>	<u>\$ 35,421,394</u>	<u>\$ 37,595,744</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 913,865	\$ 993,383	\$ 730,882	\$ 726,640
Public safety	831,667	856,307	944,397	1,260,784
Public works	257,997	238,526	273,095	299,569
Parks and recreation	-	-	1,649,563	1,645,628
Community development	195,720	334,666	-	-
Operating grants and contributions	426,219	719,134	168,513	201,151
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>
Business-type activities				
Charges for services				
Water and sewer	6,524,697	7,204,119	7,396,257	7,126,559
Storm water utility	-	-	-	-
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>
Total Program Revenues	<u>\$ 10,523,765</u>	<u>\$ 11,453,615</u>	<u>\$ 11,162,707</u>	<u>\$ 11,260,331</u>
Net (Expense)/Revenue				
Governmental activities	\$ (20,353,948)	\$ (20,654,372)	\$ (24,555,744)	\$ (26,465,881)
Business-type activities	(362,315)	(133,026)	297,057	130,468
Total Net Expense	<u>\$ (20,716,263)</u>	<u>\$ (20,787,398)</u>	<u>\$ (24,258,687)</u>	<u>\$ (26,335,413)</u>

		Year					
		2008	2009	2010	2011	2012	2013**
\$	9,470,146	\$ 10,966,814	\$ 14,132,823	\$ 13,666,778	\$ 11,708,476	\$ 11,004,030	
	7,921,413	10,285,816	9,585,147	8,927,783	9,077,372	8,875,081	
	5,332,621	5,925,540	6,030,222	5,592,366	6,053,467	5,763,687	
	2,092,772	2,690,654	2,158,444	2,154,431	2,436,909	2,289,706	
	6,486,732	6,921,903	6,578,378	6,443,264	6,483,611	6,348,454	
	1,482,204	1,390,366	1,437,830	1,606,938	1,642,422	1,120,112	
	<u>32,785,888</u>	<u>38,181,093</u>	<u>39,922,844</u>	<u>38,391,560</u>	<u>37,402,257</u>	<u>35,401,070</u>	
	7,168,771	8,061,221	7,690,164	7,822,999	7,490,715	7,879,276	
	-	-	-	-	-	105,578	
	-	-	-	-	-	-	
	<u>7,168,771</u>	<u>8,061,221</u>	<u>7,690,164</u>	<u>7,822,999</u>	<u>7,490,715</u>	<u>7,984,854</u>	
\$	<u>\$ 39,954,659</u>	<u>\$ 46,242,314</u>	<u>\$ 47,613,008</u>	<u>\$ 46,214,559</u>	<u>\$ 44,892,972</u>	<u>\$ 43,385,924</u>	
\$	941,187	\$ 677,102	\$ 40,164	\$ 50,603	\$ 82,593	\$ -	
	1,485,861	1,972,693	1,738,943	1,967,043	2,535,052	1,706,127	
	340,962	378,650	401,748	502,163	535,228	-	
	1,901,120	2,268,422	1,487,907	1,601,366	1,645,362	-	
	-	-	1,202,284	1,498,581	1,567,354	4,342,437	
	732,275	2,884,838	161,293	398,737	279,697	281,356	
	-	-	-	56,237	1,460,218	3,053,828	
	<u>5,401,405</u>	<u>8,181,705</u>	<u>5,032,339</u>	<u>6,074,730</u>	<u>8,105,504</u>	<u>9,383,748</u>	
	7,497,682	8,084,177	8,041,795	10,942,116	9,873,528	9,816,969	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	<u>7,497,682</u>	<u>8,084,177</u>	<u>8,041,795</u>	<u>10,942,116</u>	<u>9,873,528</u>	<u>9,816,969</u>	
\$	<u>\$ 12,899,087</u>	<u>\$ 16,265,882</u>	<u>\$ 13,074,134</u>	<u>\$ 17,016,846</u>	<u>\$ 17,979,032</u>	<u>\$ 19,200,717</u>	
\$	(27,384,483)	\$ (29,999,388)	\$ (34,890,505)	\$ (32,316,830)	\$ (29,296,753)	\$ (26,017,322)	
	328,911	22,956	351,631	3,119,117	2,382,813	1,832,115	
\$	<u>\$ (27,055,572)</u>	<u>\$ (29,976,432)</u>	<u>\$ (34,538,874)</u>	<u>\$ (29,197,713)</u>	<u>\$ (26,913,940)</u>	<u>\$ (24,185,207)</u>	

CITY OF DEER PARK, TEXAS

CHANGES IN NET POSITION (Continued)

Last Ten Years

(accrual basis of accounting)

	Year			
	2004	2005	2006*	2007
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property	\$ 7,664,017	\$ 8,320,136	\$ 9,062,891	\$ 9,757,032
Industrial district	8,877,754	9,450,425	10,975,837	14,428,111
Franchise	1,595,409	1,687,079	1,718,725	1,668,001
Sales and use	2,565,923	2,862,023	3,272,524	3,715,143
Hotel occupancy	148,389	203,217	240,612	277,471
Investment earnings	460,207	399,782	798,037	1,084,019
Miscellaneous	128,104	266,466	476,569	616,253
Gain on sale of asset	-	-	-	-
Transfers	(167)	(289,408)	437,816	413,490
Total Governmental Activities	<u>21,439,636</u>	<u>22,899,720</u>	<u>26,983,011</u>	<u>31,959,520</u>
Business-type activities				
Investment earnings	83,762	127,405	196,999	184,498
Transfers	167	289,408	(437,816)	(413,490)
Total Business-Type Activities	<u>83,929</u>	<u>416,813</u>	<u>(240,817)</u>	<u>(228,992)</u>
Total Primary Government	<u>\$ 21,523,565</u>	<u>\$ 23,316,533</u>	<u>\$ 26,742,194</u>	<u>\$ 31,730,528</u>
Change in Net Position				
Governmental activities	\$ 1,085,688	\$ 2,245,348	\$ 2,427,267	\$ 5,493,639
Business-type activities	(278,386)	283,787	56,240	(98,524)
Total Change in Net Position	<u>\$ 807,302</u>	<u>\$ 2,529,135</u>	<u>\$ 2,483,507</u>	<u>\$ 5,395,115</u>

Notes:

* The City moved the golf course into the general fund beginning in fiscal year 2006; it was previously reported as an enterprise fund.

** During the year ended September 30, 2013, the City restated the financial statements to recognize a fund as part of an enterprise fund (previously recognized as a capital projects fund). The City also restated the financial statements to recognize certain capital assets and bonds within an enterprise fund (previously recognized under governmental activities).

Year					
2008	2009	2010	2011	2012	2013**
\$ 11,292,933	\$ 11,807,444	\$ 12,000,370	\$ 12,234,105	\$ 13,099,300	\$ 13,002,159
16,185,476	17,988,792	12,986,530	12,346,943	12,894,626	14,106,107
1,839,383	1,748,053	2,063,774	1,932,237	2,209,371	2,315,334
4,109,314	4,564,184	4,069,523	4,221,452	4,746,096	5,037,072
334,112	404,561	403,983	455,166	526,387	607,709
906,857	225,077	65,499	41,978	47,460	40,416
439,524	479,596	222,660	83,875	11,714	210,969
-	233,525	66,794	60,948	-	-
73,914	-	(2,550,000)	218,520	(2,735,002)	96,988
<u>35,181,513</u>	<u>37,451,232</u>	<u>29,329,133</u>	<u>31,595,224</u>	<u>30,799,952</u>	<u>35,416,754</u>
92,554	18,164	4,301	2,586	2,304	12,647
(73,914)	-	2,550,000	(218,520)	2,735,002	(96,988)
<u>18,640</u>	<u>18,164</u>	<u>2,554,301</u>	<u>(215,934)</u>	<u>2,737,306</u>	<u>(84,341)</u>
<u>\$ 35,200,153</u>	<u>\$ 37,469,396</u>	<u>\$ 31,883,434</u>	<u>\$ 31,379,290</u>	<u>\$ 33,537,258</u>	<u>\$ 35,332,413</u>
\$ 7,797,030	\$ 7,451,844	\$ (5,561,372)	\$ (721,606)	\$ 1,503,199	\$ 9,399,432
347,551	41,120	2,905,932	2,903,183	5,120,119	1,747,774
<u>\$ 8,144,581</u>	<u>\$ 7,492,964</u>	<u>\$ (2,655,440)</u>	<u>\$ 2,181,577</u>	<u>\$ 6,623,318</u>	<u>\$ 11,147,206</u>

CITY OF DEER PARK, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

	Year			
	2004	2005	2006	2007
General Fund				
Reserved	\$ 111,410	\$ 121,679	\$ 197,462	\$ 190,484
Unreserved	1,935,060	2,927,924	4,280,006	9,255,848
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 2,046,470</u>	<u>\$ 3,049,603</u>	<u>\$ 4,477,468</u>	<u>\$ 9,446,332</u>
All Other Governmental Funds				
Unreserved, reported in:				
Special revenue funds	\$ 496,432	\$ 688,671	\$ 960,021	\$ 1,337,703
Capital projects funds	559,154	8,859,792	6,979,305	4,359,127
Debt service funds	1,014,631	1,026,306	1,282,720	1,343,259
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 2,070,217</u>	<u>\$ 10,574,769</u>	<u>\$ 9,222,046</u>	<u>\$ 7,040,089</u>

Notes:

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

** During the year ended September 30, 2013, the City restated the financial statements to recognize a fund as part of an enterprise fund (previously recognized as a capital projects fund). The City also restated the financial statements to recognize certain capital assets and bonds within an enterprise fund (previously recognized under governmental activities).

Year					
2008	2009	2010	2011*	2012	2013**
\$ 271,282	\$ 236,031	\$ 207,006	\$ -	\$ -	\$ -
11,715,534	16,188,960	15,247,265	-	-	-
-	-	-	196,355	197,244	151,122
-	-	-	-	-	-
-	-	-	3,526,731	257,974	320,216
-	-	-	10,825,327	17,011,377	24,158,718
<u>\$ 11,986,816</u>	<u>\$ 16,424,991</u>	<u>\$ 15,454,271</u>	<u>\$ 14,548,413</u>	<u>\$ 17,466,595</u>	<u>\$ 24,630,056</u>
\$ 1,339,195	\$ 2,563,441	\$ 2,402,716	\$ -	\$ -	\$ -
12,099,991	10,392,992	14,657,635	-	-	-
2,053,462	2,081,520	2,088,508	-	-	-
-	-	-	-	2,914	-
-	-	-	17,947,247	19,349,008	16,249,861
-	-	-	2,118,012	2,995,806	1,818,845
-	-	-	-	-	-
<u>\$ 15,492,648</u>	<u>\$ 15,037,953</u>	<u>\$ 19,148,859</u>	<u>\$ 20,065,259</u>	<u>\$ 22,347,728</u>	<u>\$ 18,068,706</u>

CITY OF DEER PARK, TEXAS
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
 Last Ten Years

	Year			
	2004	2005	2006*	2007
Revenues				
Taxes	\$ 20,953,802	\$ 22,517,235	\$ 25,230,868	\$ 29,935,611
Licenses and permits	388,412	402,108	452,092	384,435
Fines and fees	565,297	589,176	482,656	786,887
Charges for services	1,254,900	1,310,706	2,657,807	2,746,918
Intergovernmental	447,270	402,215	160,548	207,765
Donations	-	-	-	-
Investment earnings	92,969	393,802	798,037	1,084,019
Other revenues	440,966	670,749	476,569	616,253
Total Revenues	<u>24,143,616</u>	<u>26,285,991</u>	<u>30,258,577</u>	<u>35,761,888</u>
Expenditures				
General government	7,202,073	7,355,326	8,203,956	8,679,456
Community development	4,560,205	4,423,327	4,830,599	5,173,478
Public works	3,397,297	3,458,603	4,150,623	5,046,305
Parks and recreation	-	-	1,701,193	1,625,298
Public safety	5,080,277	5,479,772	5,914,796	6,459,075
Debt service				
Principal	2,353,827	1,427,443	1,360,156	2,427,894
Interest	1,236,950	2,502,449	2,388,435	1,185,640
Capital outlay	4,173,239	1,313,948	2,780,356	3,542,429
Total Expenditures	<u>28,003,868</u>	<u>25,960,868</u>	<u>31,330,114</u>	<u>34,139,575</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,860,252)	325,123	(1,071,537)	1,622,313
Other Financing Sources (Uses)				
Proceeds from issuance of debt	964,111	9,349,162	568,307	-
Proceeds from capital lease	-	-	-	751,104
Proceeds from sale of capital assets	-	-	-	-
Refunding bonds issued	-	4,670,000	-	-
Premium on issuance of bonds	-	170,439	-	-
Payments to escrow account	-	(4,717,631)	-	-
Proceeds from insurance recovery	-	-	-	-
Transfers in	936,351	635,920	1,000,141	835,855
Transfers out	(936,517)	(925,328)	(562,325)	(422,365)
Total Other Financing Sources	<u>963,945</u>	<u>9,182,562</u>	<u>1,006,123</u>	<u>1,164,594</u>
Net Change in Fund Balances	<u>\$ (2,896,307)</u>	<u>\$ 9,507,685</u>	<u>\$ (65,414)</u>	<u>\$ 2,786,907</u>

Debt service as a percentage of noncapital expenditures

	15.07%	15.94%	13.13%	11.81%
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Notes:

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

** During the year ended September 30, 2013, the City restated the financial statements to recognize a fund as part of an enterprise fund (previously recognized as a capital projects fund). The City also restated the financial statements to recognize certain capital assets and bonds within an enterprise fund (previously recognized under governmental activities).

		Year									
		2008	2009	2010	2011	2012	2013**				
\$	33,749,045	\$	36,553,195	\$	31,905,813	\$	31,189,903	\$	33,551,435	\$	35,060,741
	470,155		307,496		314,313		436,015		510,790		565,191
	997,669		821,479		877,761		1,092,230		1,481,641		1,694,146
	3,048,303		3,852,637		3,379,201		3,709,536		4,087,613		3,695,964
	862,631		2,872,735		148,847		389,558		1,681,588		3,184,982
	-		-		-		-		100,000		150,202
	906,857		225,077		65,499		41,978		47,460		40,416
	439,524		492,997		525,932		401,843		330,965		82,107
	<u>40,474,184</u>		<u>45,125,616</u>		<u>37,217,366</u>		<u>37,261,063</u>		<u>41,791,492</u>		<u>44,473,749</u>
	9,318,538		10,596,083		11,430,086		11,016,985		10,935,746		10,576,393
	5,884,062		6,385,331		6,183,270		6,038,050		5,940,733		5,826,669
	4,064,345		4,161,980		4,534,506		4,172,122		4,298,938		3,951,743
	1,954,878		2,095,437		1,846,217		1,940,202		1,965,054		1,528,443
	7,413,815		9,112,933		8,845,527		8,216,278		7,965,646		7,999,354
	2,441,398		2,496,678		2,366,966		2,894,789		6,727,393		3,014,913
	1,640,406		1,409,628		1,527,530		1,694,234		1,862,015		1,294,928
	7,794,339		5,152,641		6,126,024		1,807,005		4,968,526		5,477,993
	<u>40,511,781</u>		<u>41,410,711</u>		<u>42,860,126</u>		<u>37,779,665</u>		<u>44,664,051</u>		<u>39,670,436</u>
	(37,597)		3,714,905		(5,642,760)		(518,602)		(2,872,559)		4,803,313
	14,305,000		-		7,805,000		-		3,390,000		-
	947,434		-		1,005,441		249,676		-		213,295
	-		-		84,469		60,948		91,082		126,362
	-		-		6,295,000		-		3,490,000		4,510,000
	261,555		-		650,160		-		353,878		316,894
	(4,557,262)		-		(4,007,637)		-		-		(4,715,674)
	-		268,575		3,812		-		23,252		2,500
	2,921,623		1,728,615		2,092,866		3,822,395		3,326,889		344,856
	(2,847,709)		(1,728,615)		(4,642,866)		(3,603,875)		(2,601,891)		(129,851)
	<u>11,030,641</u>		<u>268,575</u>		<u>9,286,245</u>		<u>529,144</u>		<u>8,073,210</u>		<u>668,382</u>
\$	<u>10,993,044</u>	\$	<u>3,983,480</u>	\$	<u>3,643,485</u>	\$	<u>10,542</u>	\$	<u>5,200,651</u>	\$	<u>5,471,695</u>
	12.48%		10.77%		10.60%		12.76%		21.64%		12.60%

CITY OF DEER PARK, TEXAS
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Years

	Year			
	2004	2005	2006	2007
Residential Property	\$ 946,883,030	\$ 990,263,860	\$ 1,058,375,190	\$ 1,137,850,873
Commercial Property	369,251,280	395,216,480	576,558,105	562,065,036
Industrial Property	33,952,320	31,934,010	26,918,080	110,248,289
Less: Tax Exempt Property	<u>(267,884,940)</u>	<u>(270,600,710)</u>	<u>(432,200,585)</u>	<u>(453,353,254)</u>
Total Taxable Assessed Value	<u>\$ 1,082,201,690</u>	<u>\$ 1,146,813,640</u>	<u>\$ 1,229,650,790</u>	<u>\$ 1,356,810,944</u>
Total Direct Tax Rate	\$ 0.70000	\$ 0.72000	\$ 0.72000	\$ 0.72000

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

Year					
2008	2009	2010	2011	2012	2013
\$ 1,244,699,984	\$ 1,319,584,117	\$ 1,315,124,845	\$ 1,306,933,609	\$ 1,318,375,083	\$ 1,313,329,562
705,981,148	732,397,906	858,463,574	857,667,514	905,226,326	934,825,965
88,869,368	150,255,998	156,543,513	152,160,115	189,306,565	192,957,836
<u>(491,174,863)</u>	<u>(529,066,640)</u>	<u>(581,449,244)</u>	<u>(585,462,472)</u>	<u>(605,716,400)</u>	<u>(626,932,382)</u>
<u>\$ 1,548,375,637</u>	<u>\$ 1,673,171,381</u>	<u>\$ 1,748,682,688</u>	<u>\$ 1,731,298,766</u>	<u>\$ 1,807,191,574</u>	<u>\$ 1,814,180,981</u>
\$ 0.72000	\$ 0.70500	\$ 0.70500	\$ 0.70500	\$ 0.72000	\$ 0.72000

CITY OF DEER PARK, TEXAS
INDUSTRIAL DISTRICT VALUATION, BILLING, COLLECTIONS,
AND PERCENTAGE COLLECTED
Last Ten Years

	Year			
	2004	2005	2006	2007
Approximate Taxable Value*	\$ 2,012,016,281	\$ 2,084,219,757	\$ 2,419,822,028	\$ 3,181,290,507
Industrial District % Taxable Per Contract	63%	63%	63%	63%
Approximate Adjusted Taxable Value *	\$ 1,267,570,257	\$ 1,313,058,447	\$ 1,524,487,878	\$ 2,004,213,019
Tax Rate	\$ 0.700	\$ 0.720	\$ 0.720	\$ 0.720
Amount Billed	\$ 8,872,992	\$ 9,454,021	\$ 10,976,313	\$ 14,430,334
Amount Collected	\$ 8,872,308	\$ 9,450,425	\$ 10,975,837	\$ 14,428,293
% Collected	99.992%	99.962%	99.996%	99.986%

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

Year						
2008	2009	2010	2011	2012	2013	
\$ 3,569,008,272	\$ 4,050,195,673	\$ 2,923,906,219	\$ 2,779,913,092	\$ 2,842,731,040	\$ 3,109,962,743	
63%	63%	63%	63%	63%	63%	
\$ 2,248,475,211	\$ 2,551,623,274	\$ 1,842,060,918	\$ 1,751,345,248	\$ 1,790,920,555	\$ 1,959,276,528	
\$ 0.720	\$ 0.705	\$ 0.705	\$ 0.705	\$ 0.720	\$ 0.720	
\$ 16,189,022	\$ 17,988,944	\$ 12,986,529	\$ 12,346,984	\$ 12,894,628	\$ 14,106,791	
\$ 16,185,295	\$ 17,988,792	\$ 12,986,529	\$ 12,346,943	\$ 12,894,625	\$ 14,106,107	
99.977%	99.999%	100.000%	100.000%	100.000%	99.995%	

CITY OF DEER PARK, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Years

	Year			
	2004	2005	2006	2007
City of Deer Park by fund:				
General	\$ 0.554000	\$ 0.554000	\$ 0.540000	\$ 0.540000
Debt service	0.146000	0.166000	0.180000	0.180000
Total Direct Rates	<u>\$ 0.700000</u>	<u>\$ 0.720000</u>	<u>\$ 0.720000</u>	<u>\$ 0.720000</u>
Deer Park I.S.D.	\$ 1.807100	\$ 1.805500	\$ 1.805500	\$ 1.662300
Harris County	0.388140	0.399860	0.399860	0.402390
Harris County Department of Education	0.006290	0.006290	0.006290	0.006290
Harris County Flood Control District	0.041740	0.033180	0.033220	0.032410
Harris County Hospital District	0.190210	0.190210	0.190210	0.192160
Harris County Port of Houston Authority	0.019890	0.016730	0.014740	0.013020
San Jacinto Community College District	0.139130	0.139130	0.145360	0.145370
Total Direct and Overlapping Rates (1)	<u>\$ 3.292500</u>	<u>\$ 3.310900</u>	<u>\$ 3.315180</u>	<u>\$ 3.173940</u>

Source: Harris County Appraisal District.

Note:

Tax rates are per \$100 of assessed valuation.

Year					
2008	2009	2010	2011	2012	2013
\$ 0.511000	\$ 0.511000	\$ 0.511000	\$ 0.498100	\$ 0.498100	\$ 0.498100
0.209000	0.194000	0.194000	0.206900	0.221900	0.221900
<u>\$ 0.720000</u>	<u>\$ 0.705000</u>	<u>\$ 0.705000</u>	<u>\$ 0.705000</u>	<u>\$ 0.720000</u>	<u>\$ 0.720000</u>
\$ 1.336700	\$ 1.317650	\$ 1.366700	\$ 1.396700	\$ 1.396700	\$ 1.526700
0.392390	0.389230	0.392240	0.388050	0.391170	0.400210
0.005850	0.005840	0.006050	0.006581	0.006581	0.006617
0.031060	0.030860	0.029220	0.029230	0.028090	0.028090
0.192160	0.192160	0.192160	0.192160	0.192160	0.182160
0.014370	0.017730	0.016360	0.020540	0.018560	0.019520
0.145370	0.163410	0.170800	0.176277	0.185602	0.185602
<u>\$ 2.837900</u>	<u>\$ 2.821880</u>	<u>\$ 2.878530</u>	<u>\$ 2.914538</u>	<u>\$ 2.938863</u>	<u>\$ 3.068899</u>

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CITY OF DEER PARK, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2013			2004		
	Taxable Assessed	Rank	% of Taxable Assessed Value	Taxable Assessed	Rank	% of Taxable Assessed Value
	Value		Value	Value		Value
Wal-Mart	\$ 19,094,359	1	1.05%	\$ -	N/A	-
Septon Co. of America	16,615,898	2	0.92%	-	N/A	-
Centerpoint Energy, Inc.	16,315,889	3	0.90%	12,785,240	3	1.18%
ITCR Deer Park Ltd Partnership	15,532,823	4	0.86%	12,540,500	4	1.16%
Aquilex Hydrochem, Inc.	14,687,523	5	0.81%	-	N/A	-
Laufen International, Inc.	13,138,011	6	0.72%	-	N/A	-
Songwon International Americas Ltd	12,076,240	7	0.67%	-	N/A	-
GSL Constructors, Ltd.	11,514,308	8	0.63%	-	N/A	-
Dresser Inc.	11,170,420	9	0.61%	-	N/A	-
Quarter Turn Resources, Inc.	10,493,176	10	0.58%	-	N/A	-
Noltex, LLC	-	N/A	-	21,618,300	1	2.00%
HydroChem	-	N/A	-	15,157,630	2	1.40%
Southwestern Bell	-	N/A	-	10,117,170	5	0.93%
Hertz Equipment Rental	-	N/A	-	8,579,820	6	0.79%
Intergroup Casa Maria	-	N/A	-	7,405,670	7	0.68%
Triad Senior Living	-	N/A	-	7,344,030	8	0.68%
Insignia Management	-	N/A	-	7,112,900	9	0.66%
SSE Manufacturing, Inc.	-	N/A	-	5,819,560	10	0.54%
Subtotal	\$ 140,638,647		7.75%	\$ 108,480,820		10.02%
Other Taxpayers	1,673,542,334		92.25%	973,720,870		89.98%
Total	\$ 1,814,180,981		100.00%	\$ 1,082,201,690		100.00%

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

CITY OF DEER PARK, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years

	Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Tax levy	\$ 7,578,875	\$ 8,247,625	\$ 8,860,495	\$ 9,769,039
Current tax collected	\$ 7,492,634	\$ 8,116,766	\$ 8,720,758	\$ 9,563,436
Percent of current tax collections	98.86%	98.41%	98.42%	97.90%
Delinquent tax collections	<u>\$ 1,831</u>	<u>\$ 1,610</u>	<u>\$ 5,773</u>	<u>\$ 7,647</u>
Total tax collections	<u>\$ 7,494,465</u>	<u>\$ 8,118,376</u>	<u>\$ 8,726,531</u>	<u>\$ 9,571,083</u>
Total collections as a percentage of current levy	98.89%	98.43%	98.49%	97.97%

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

Year					
2008	2009	2010	2011	2012	2013
\$ 11,172,300	\$ 11,897,387	\$ 12,366,491	\$ 12,228,677	\$ 13,043,054	\$ 13,019,648
\$ 10,973,053	\$ 11,579,783	\$ 12,159,307	\$ 12,036,460	\$ 12,841,027	\$ 12,836,742
98.22%	97.33%	98.32%	98.43%	98.45%	98.60%
\$ 11,391	\$ 44,319	\$ 88,372	\$ 116,942	\$ 63,699	\$ -
<u>\$ 10,984,444</u>	<u>\$ 11,624,102</u>	<u>\$ 12,247,679</u>	<u>\$ 12,153,402</u>	<u>\$ 12,904,726</u>	<u>\$ 12,836,742</u>
98.32%	97.70%	99.04%	99.38%	98.94%	98.60%

CITY OF DEER PARK, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	Year			
	2004	2005	2006	2007
Governmental Activities:				
General obligation bonds	\$ 17,865,000	\$ 25,535,000	\$ 23,875,000	\$ 22,205,000
Certificates of obligation	3,375,000	3,150,000	2,925,000	2,700,000
Capital leases	470,912	1,074,132	1,149,649	1,325,293
Business-Type Activities:				
General obligation bonds	-	-	-	-
Certificates of obligation	-	-	-	-
Water revenue bonds	18,500,000	17,270,000	16,045,000	14,825,000
Capital leases	40,043	10,645	-	-
Total Primary Government	\$ 40,250,955	\$ 47,039,777	\$ 43,994,649	\$ 41,055,293
Debt as a Percentage Of Personal Income	N/A	N/A	N/A	N/A
Debt Per Capita	\$ 1,372	\$ 1,571	\$ 1,469	\$ 1,371

N/A - This information is currently not available.

Notes:

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

* During the year ended September 30, 2013, the City restated the financial statements to recognize a fund as part of an enterprise fund (previously recognized as a capital projects fund). The City also restated the financial statements to recognize certain capital assets and bonds within an enterprise fund (previously recognized under governmental activities).

Year					
2008	2009	2010	2011	2012	2013*
\$ 30,590,000	\$ 28,725,000	\$ 29,200,000	\$ 26,785,000	\$ 27,750,000	\$ 19,891,152
2,300,000	2,230,000	9,965,000	9,890,000	12,960,000	9,210,000
1,695,189	1,130,649	1,834,124	1,679,561	1,257,169	1,082,960
-	-	-	-	-	4,988,848
-	-	-	-	-	8,020,000
13,610,000	12,400,000	8,645,000	7,745,000	3,395,000	2,820,000
-	-	-	216,834	168,743	119,506
<u>\$ 48,195,189</u>	<u>\$ 44,485,649</u>	<u>\$ 49,644,124</u>	<u>\$ 46,316,395</u>	<u>\$ 45,530,912</u>	<u>\$ 46,132,466</u>
N/A	N/A	N/A	N/A	N/A	N/A
<u>\$ 1,578</u>	<u>\$ 1,428</u>	<u>\$ 1,551</u>	<u>\$ 1,447</u>	<u>\$ 1,408</u>	<u>\$ 1,390</u>

CITY OF DEER PARK, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Years

	Year			
	2004	2005	2006	2007
General Obligation Bonds (1)	\$ 17,865,000	\$ 25,535,000	\$ 23,875,000	\$ 24,905,000
Less: Amounts Restricted to Repaying Principal	<u>(1,014,631)</u>	<u>(1,026,306)</u>	<u>(1,282,720)</u>	<u>(1,343,259)</u>
Total	<u>\$ 16,850,369</u>	<u>\$ 24,508,694</u>	<u>\$ 22,592,280</u>	<u>\$ 23,561,741</u>
Percentage of Actual Taxable Value of Property	1.56%	2.14%	1.84%	1.92%
Net Bonded Debt Per Capita	<u>\$ 574</u>	<u>\$ 818</u>	<u>\$ 754</u>	<u>\$ 787</u>

Notes:

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

(1) This includes the general obligation bonds of both governmental and business-type activities.

* During the year ended September 30, 2013, the City restated the financial statements to recognize a fund as part of an enterprise fund (previously recognized as a capital projects fund). The City also restated the financial statements to recognize certain capital assets and bonds within an enterprise fund (previously recognized under governmental activities).

Year					
2008	2009	2010	2011	2012	2013
\$ 30,590,000	\$ 28,725,000	\$ 29,200,000	\$ 26,785,000	\$ 27,750,000	\$ 24,880,000
(2,053,462)	(2,278,722)	(2,088,508)	(1,734,892)	(1,988,204)	(2,321,730)
<u>\$ 28,536,538</u>	<u>\$ 26,446,278</u>	<u>\$ 27,111,492</u>	<u>\$ 25,050,108</u>	<u>\$ 25,761,796</u>	<u>\$ 22,558,270</u>
1.84%	1.58%	1.55%	1.45%	1.43%	1.24%
<u>\$ 934</u>	<u>\$ 866</u>	<u>\$ 847</u>	<u>\$ 783</u>	<u>\$ 797</u>	<u>\$ 680</u>

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CITY OF DEER PARK, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2013

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Deer Park Independent School District	\$ 270,925,000	22.46%	\$ 60,849,755
Harris County	1,773,252,191	0.62%	10,994,164
Harris County Department of Educaiton	5,799,287	0.62%	35,956
Harris County Flood Control District	668,635,000	0.62%	4,145,537
Harris County Hospital District	273,857,000	0.62%	1,697,913
Port of Houston Authority of Harris County	731,969,000	0.62%	4,538,208
San Jacinto Community College District	<u>307,282,298</u>	4.20%	<u>12,905,857</u>
Subtotal, overlapping debt	\$ 4,031,719,776		\$ 95,167,390
City Direct Debt	\$ 24,880,000	100.00%	<u>24,880,000</u>
		Total Direct and Overlapping Debt	<u><u>\$ 120,047,390</u></u>

Source: Texas Municipal Reports and Governmental Units.

Note:

Overlapping rates are those of local and county governments that apply within the City of Deer Park.

CITY OF DEER PARK, TEXAS

LEGAL DEBT MARGIN INFORMATION

Last Ten Years

	Year			
	2004	2005	2006	2007
Debt limit	\$ 108,201,316	\$ 114,491,670	\$ 132,614,400	\$ 135,681,094
Total net debt applicable to limit	20,225,369	27,670,822	25,517,280	23,561,741
Legal debt margin	\$ 87,975,947	\$ 86,820,848	\$ 107,097,120	\$ 112,119,353
Total net debt applicable to the limit as a percentage of debt limit	18.69%	24.17%	19.24%	17.37%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 1,814,180,981
Debt limit (10% of assessed value)	181,418,098
Debt applicable to limit:	
General obligation bonds	24,880,000
Less: amount set aside for repayment of general obligation debt	(2,321,730)
Total net debt applicable to limit	22,558,270
Legal debt margin	\$ 158,859,828

Year					
2008	2009	2010	2011	2012	2013
\$ 154,837,564	\$ 168,338,508	\$ 174,868,269	\$ 173,129,877	\$ 180,719,157	\$ 181,418,098
<u>28,536,538</u>	<u>26,643,480</u>	<u>27,118,480</u>	<u>25,050,108</u>	<u>25,761,796</u>	<u>22,558,270</u>
<u><u>\$ 126,301,026</u></u>	<u><u>\$ 141,695,028</u></u>	<u><u>\$ 147,749,789</u></u>	<u><u>\$ 148,079,769</u></u>	<u><u>\$ 154,957,361</u></u>	<u><u>\$ 158,859,828</u></u>
18.43%	15.83%	15.51%	14.47%	14.26%	12.43%

CITY OF DEER PARK, TEXAS

PLEDGED REVENUE COVERAGE

Last Ten Years

	Year			
	2004	2005	2006	2007
Utility Service Charges	\$ 6,608,459	\$ 7,331,524	\$ 7,396,257	\$ 7,126,559
Less: Operating Expenses	5,282,749	5,546,425	5,146,645	5,122,467
Net Available Revenue	\$ 1,325,710	\$ 1,785,099	\$ 2,249,612	\$ 2,004,092
Debt Service Requirements				
Principal	\$ 686,312	\$ 675,043	\$ 635,000	\$ 721,516
Interest	790,937	728,392	734,023	643,892
Total	\$ 1,477,249	\$ 1,403,435	\$ 1,369,023	\$ 1,365,408
 Coverage	 0.90	 1.27	 1.64	 1.47

Notes:

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

Operating expenses do not include interest, depreciation, or amortization.

Year					
2008	2009	2010	2011	2012	2013
\$ 7,497,682	\$ 8,084,177	\$ 8,041,795	\$ 10,942,116	\$ 9,873,528	\$ 9,529,392
<u>5,327,121</u>	<u>6,197,174</u>	<u>5,951,271</u>	<u>6,119,717</u>	<u>5,890,927</u>	<u>5,758,791</u>
<u>\$ 2,170,561</u>	<u>\$ 1,887,003</u>	<u>\$ 2,090,524</u>	<u>\$ 4,822,399</u>	<u>\$ 3,982,601</u>	<u>\$ 3,770,601</u>
\$ 1,215,000	\$ 1,210,000	\$ 1,205,000	\$ 900,000	\$ 890,000	\$ 575,000
645,008	532,804	426,798	327,057	296,649	106,449
<u>\$ 1,860,008</u>	<u>\$ 1,742,804</u>	<u>\$ 1,631,798</u>	<u>\$ 1,227,057</u>	<u>\$ 1,186,649</u>	<u>\$ 681,449</u>
1.17	1.08	1.28	3.93	3.36	5.53

CITY OF DEER PARK, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Years

<u>Calendar Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>Personal Income</u>	<u>Unemployment Rate</u>	<u>School Enrollment</u>
2004	29,341	N/A	N/A	5.9%	11,761
2005	29,946	N/A	N/A	5.4%	11,970
2006	29,946	N/A	N/A	4.1%	12,276
2007	29,946	N/A	N/A	4.4%	12,096
2008	30,544	N/A	N/A	5.6%	12,206
2009	31,154	N/A	N/A	8.2%	12,352
2010*	32,010	N/A	N/A	8.5%	12,500
2011	32,010	N/A	N/A	8.5%	12,600
2012	32,332	N/A	N/A	6.4%	12,743
2013	33,196	N/A	N/A	5.7%	12,772

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

N/A - This information is currently not available.

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

CITY OF DEER PARK, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2013		2004	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Shell Deer Park	2,800	14.17%	N/A	-
Deer Park ISD	1,771	8.96%	N/A	-
Lubrizol Specialty Chemicals	1,280	6.48%	N/A	-
Dow Chemical Co.	900	4.56%	N/A	-
Mistras Group	550	2.78%	N/A	-
Wal-Mart	425	2.15%	N/A	-
City of Deer Park	403	2.04%	N/A	-
Minh Foods, Inc.	400	2.02%	N/A	-
Siemens Energy	345	1.75%	N/A	-
Clean Harbors	270	1.37%	N/A	-
Total	<u>9,144</u>	<u>46.28%</u>		
Estimated total jobs in the City	<u>19,755</u>			

Source: City of Deer Park Economic Development Administrator.

N/A - The top ten principal employers' information from nine years ago is not available.

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CITY OF DEER PARK, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Years

	Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Management services	2.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finance	6.5	6.5	7.0	7.0	6.0	6.0	8.0	6.0	6.0	6.0
Planning	13.0	13.0	12.0	13.0	13.0	14.0	14.0	14.0	13.0	14.0
Other	20.0	20.0	20.0	20.0	23.5	29.5	33.5	30.5	30.5	30.5
Police										
Officers	52.0	52.0	55.0	57.0	58.0	61.0	61.0	59.0	59.0	60.0
Civilians	29.5	34.0	32.0	32.0	25.0	26.0	25.0	24.0	25.0	25.0
Fire										
Firefighters and officers*	-	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0
Civilians	4.5	4.5	4.5	4.5	5.5	9.5	13.5	13.5	13.0	13.0
Sanitation	21.0	21.0	22.0	24.0	23.0	23.0	23.0	23.0	23.0	23.0
Other public works										
Engineering	4.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0	4.0	5.0
Other	24.5	26.5	25.5	26.5	26.0	25.0	27.0	27.0	27.0	27.0
Golf operations	35.0	40.0	40.0	25.5	26.0	26.0	26.0	25.0	26.0	24.0
Parks and recreation	55.5	57.5	58.5	58.5	60.5	61.5	73.5	73.5	74.0	69.5
Library	10.0	10.0	10.0	10.0	11.0	12.0	12.5	13.0	13.0	13.5
Water	14.0	14.0	14.0	14.0	14.0	15.0	16.0	16.0	16.0	16.0
Wastewater	13.0	13.0	13.0	12.0	13.0	12.0	12.0	12.0	12.0	12.0
Total	<u>304.5</u>	<u>317.0</u>	<u>319.5</u>	<u>310.0</u>	<u>311.5</u>	<u>328.5</u>	<u>353.0</u>	<u>344.5</u>	<u>344.5</u>	<u>341.5</u>

Source: Adopted City Budget.

CITY OF DEER PARK, TEXAS

OPERATING INDICATORS BY FUNCTION

Last Ten Years

Function/Program	Year			
	2004	2005	2006	2007
General government				
Building permits issued	614	704	685	584
Building inspections conducted	8,596	9,856	9,590	8,176
Police				
Physical arrests	1,919	1,773	2,682	2,559
Parking violations	43	34	31	19
Traffic violations	7,522	7,117	5,497	11,647
Fire				
Emergency responses	1,443	1,613	1,734	1,871
Fires extinguished	186	228	206	326
Inspections	803	669	702	N/A
Sanitation				
Refuse collected (tons per day)*	112	99	100	97
Recyclables collected (tons per day)	1	1	2	2
Streets				
Street resurfacing (miles)**	-	-	-	-
Potholes repaired	34	18	14	35
Parks and recreation				
Community center admissions	215	230	250	429
Library				
Volumes in collection	74,223	77,454	80,353	81,072
Total volumes borrowed	191,332	179,834	168,196	158,973
Water				
New connections	251	481	337	240
Water main breaks	54	108	79	31
Average daily consumption (thousands of gallons)	3,532,290	3,739,577	3,676,567	3,661,000
Peak daily consumption (thousands of gallons)	5,606,000	6,638,000	5,517,000	5,279,000
Wastewater				
Average daily sewage treatment (thousands of gallons)	3,654	2,861	2,828	3,700

Source: Various City departments.

N/A - This information is currently not available.

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

** Majority of streets are concrete.

Year					
2008	2009	2010	2011	2012	2013
598	596	479	422	487	509
8,372	5,979	4,227	3,337	3,677	3,237
2,637	2,596	1,975	2,690	2,843	3,296
18	13	6	192	143	114
10,167	7,990	9,122	15,505	13,338	14,601
1,992	1,843	1,950	1,887	2,032	2,100
418	352	387	580	588	648
N/A	N/A	N/A	N/A	1,353	1,392
111	101	818	75	71	81
1	1	1	1	2	3
-	-	-	1	-	2
45	50	150	49	62	50
500	510	520	521	N/A	N/A
82,386	82,159	82,200	80,593	79,897	83,346
169,395	174,058	174,100	173,409	165,620	164,962
114	125	31	27	34	78
41	14	60	261	73	76
3,900,000	3,900,000	4,199,000	4,646,400	4,501,100	4,661,000
6,086,000	6,961,000	6,566,000	7,722,000	6,350,000	6,438,000
3,500	3,650	3,058	2,572	3,129	2,960

CITY OF DEER PARK, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years

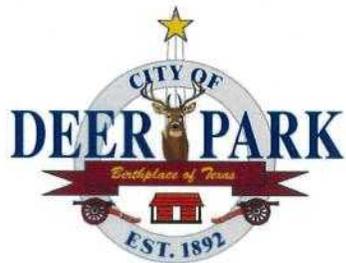
Function/Program	Year			
	2004	2005	2006	2007
Police				
Stations	1	1	1	1
Patrol units	40	36	34	37
Fire				
Stations	2	2	2	2
Sanitation				
Collection trucks	5	5	5	6
Streets				
Streets (miles)	93	97	99	105
Streetlights	2,195	2,400	2,421	2,541
Traffic signals	40	40	42	43
Parks and recreation				
Acreage	270	270	270	270
Parks with play structures	17	17	17	17
Baseball / softball diamonds	18	18	18	24
Soccer / football fields	9	9	9	9
Golf course	1	1	1	1
Community centers	7	7	7	7
Water				
Water lines (miles)	N/A	N/A	101	103
Fire hydrants	823	848	873	889
Storage capacity				
three ground wells - 1 M gallons	3.0	3.0	3.0	3.0
three elevated tanks - .5 M gallons	1.5	1.5	1.5	1.5
two ground storage tanks - 1 M gallons	2.0	2.0	2.0	2.0
Wastewater				
Sanitary sewers (miles)	103	107	111	114
Storm sewers (miles)	55	59	60	61
Treatment capacity (millions of gallons)	6	6	6	6

Source: Various City departments.

N/A - This information is currently not available.

Year					
2008	2009	2010	2011	2012	2013
1	1	1	1	1	1
39	40	40	40	41	41
3	3	3	3	3	3
6	6	6	6	5	5
105	105	105	106	106	107
2,557	2,557	2,557	2,583	2,583	2,622
43	43	43	43	43	43
270	270	270	270	270	270
17	17	19	19	19	19
24	24	24	24	24	24
9	9	9	9	6	6
1	1	1	1	1	1
7	7	7	7	7	8
103	103	132	133	133	134
889	889	890	895	895	906
3.0	3.0	3.0	3.0	3.0	3.0
1.5	1.5	1.5	1.5	1.5	1.5
2.0	2.0	2.0	2.0	2.0	2.0
114	114	123	124	124	125
62	62	66	67	67	68
6	6	6	6	6	6

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