

CITY OF DEER PARK, TEXAS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011**

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INTRODUCTORY SECTION

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March 1, 2012

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

Texas law and the City charter require that the City of Deer Park publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Deer Park for the fiscal year ended September 30, 2011.

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

The City of Deer Park's financial statements have been audited by Pattillo, Brown, & Hill, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Deer Park for the fiscal year ended September 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Deer Park's financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City of Deer Park, incorporated in 1948, is located in the center of the highly industrialized ship channel area just east of Houston. The City of Deer Park currently occupies a land area of 15 square miles and serves a population of approximately 32,080. The City of Deer Park is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered to extend its corporate limits by annexation. Additionally, the City of Deer Park receives annual "in-lieu-of-tax" payments from industries located within its extraterritorial jurisdiction. This "industrial district" includes the operations of 21 companies that contract with the City of Deer Park on a periodic basis. The current contract period is 2008 through 2014.

The City of Deer Park operates under a home rule, council-manager form of government. Policy-making and legislative authority are vested in a City Council consisting of the mayor and six other members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The Council is elected on a non-partisan basis. Council members serve two-year staggered terms, with three Council members and the Mayor elected in odd numbered years and the three remaining Council members elected in even numbered years. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The City of Deer Park provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure, sanitation, water and sewer services; and recreational and cultural events. There are no legally separate component units for which the City of Deer Park is financially accountable.

The annual budget serves as the foundation for the City of Deer Park's financial planning and control. All departments of the City of Deer Park are required to submit requests for appropriation to the City manager usually in late April or early May of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review at least 45 days prior to the last regular Council meeting in September of each year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Appropriations are approved at the departmental level. Department heads may make appropriation transfers within a department with approval of the City Manager. Appropriations outside of the department require approval of the City Council. Budget to actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on page 60 of the combining and individual fund statements and schedules. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented on pages 74 – 75.

Factors Affecting Financial Condition

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

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

The region (which includes the City of Deer Park and the surrounding area within Harris County) has an employed labor force of approximately 2,300,000, with a grow rate of 4.8 percent this year and a projected 24.52 percent over the next 10 years. Residential growth continues with the development of new subdivisions on the east side of the City.

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

Changes to approved expenditures are incorporated into the current year budget throughout the year in the form of budget amendments approved by Council. These amendments, as well as updated revenues and other re-estimated expenses become part of the Revised Budget that is presented to Council concurrent with the Proposed Budget.

During the course of the fiscal year, each department head monitors expenditure controls with overall review exercised by the Finance Department and the City Manager. Monthly expenditure reports are distributed, based on the automated accounting system, that provide year-to-date expenditure totals for each line item compared to the amount expended at that point in time in the prior year.

Constant review of revenue and expenditure trends is maintained with specific responsibility assigned to department heads. Recommendations for corrective action are made to the City Manager (and to the City Council, if appropriate) as needed to ensure the integrity of the adopted budget.

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 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 the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial awards, the City is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations relating to these programs. Internal controls are subject to periodic evaluation by management and independent auditors.

Long-term financial planning. The City is preparing a Capital Improvement Plan (CIP) for drainage projects and infrastructure needed to service areas throughout the City.

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

- A multi-year financial forecast is prepared 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 sold to finance long-term capital projects.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Deer Park for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2010. This was the 24th consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,

H. Keith Nelson

H. Keith Nelson, CMA, CGFO
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Deer Park
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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



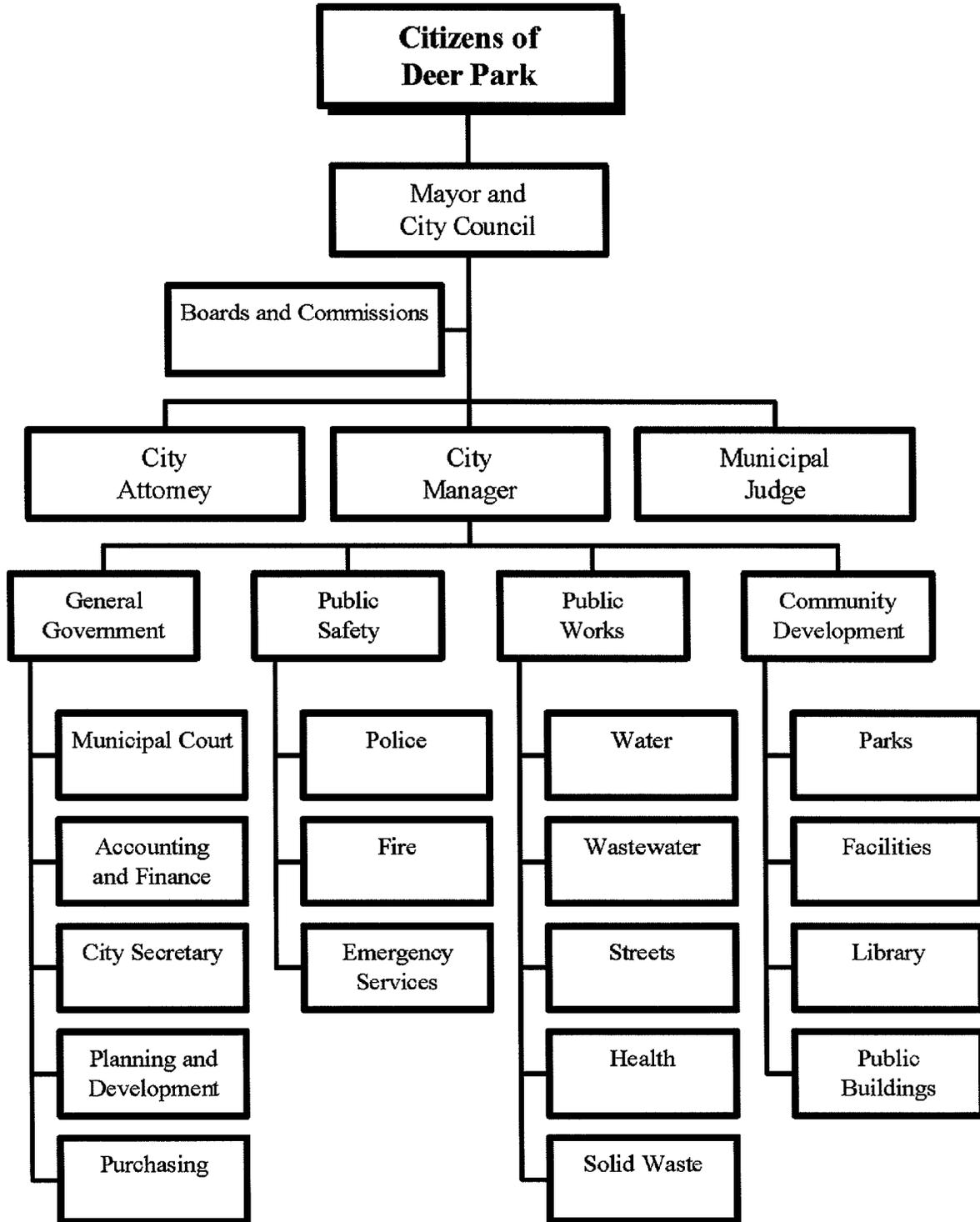
Linda C. Danison

President

Jeffrey R. Enow

Executive Director

CITY OF DEER PARK, TEXAS
ORGANIZATIONAL CHART



CITY OF DEER PARK, TEXAS

PRINCIPAL CITY OFFICIALS

SEPTEMBER 30, 2011

ELECTED OFFICIALS

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

CITY OFFICIALS

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

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deer Park, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Deer Park, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deer Park, Texas, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2012, on our consideration of the City of Deer Park, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 10 through 17, 60 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Pattillo, Brown + Hill, L.L.P.

March 1, 2012

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis

As management of the City of Deer Park, we offer readers of the City of Deer Park, Texas' financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011. This analysis should be read in conjunction with the basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Deer Park exceeded its liabilities as of September 30, 2011, by \$66,655,463 (net assets). Of this amount, \$16,453,235 (unrestricted net assets) is available for use to meet the City's ongoing obligations to citizens and creditors. The City's total net assets increased by \$2,181,577. In the business-type activities, the Water and Sewer Fund had a net income before transfers of \$3,121,703.
- At the close of the current fiscal year, the City of Deer Park's governmental funds reported combined ending fund balance of \$34,613,672, an increase of \$10,542 from fiscal year 2010. The major reason was due to the increases in tax revenues from new development. The ending fund balance includes an unassigned portion of \$10,825,327. This amount is available for expenditure within the City's fund designation and fiscal policies.
- As of September 30, 2011, unassigned fund balance for the General Fund was \$10,825,327 or 36% of General Fund expenditures.
- The City's total outstanding debt decreased \$902,984 or 2% during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements – The government-wide financial statements, which begin on page 18 of this report, are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include General Government, Public Safety, Public Works and Community Development. The business-type activities of the City of Deer Park include the Water and Sewer System.

The government-wide financial statements can be found on pages 18 – 20 of this report.

Fund financial statements – A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Deer Park maintains 17 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund, the Debt Service Fund, the CIBF 2007 Fund, and the CIBF 2010 Fund that are considered to be major funds. Data from the other 13 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements beginning on page 62 of the City's Comprehensive Annual Financial Report.

Proprietary Funds – The City maintains a type of proprietary fund referred to as an Enterprise Fund. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Deer Park uses an Enterprise Fund to account for its Water and Sewer System.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer System, which is considered to be a major fund for the City of Deer Park.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 31 – 59 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the government’s financial position. In the case of the City of Deer Park, assets exceeded liabilities by \$66,655,463 as of September 30, 2011. A schedule of net assets at September 30, 2011 and 2010, (in 000s) follows:

CITY OF DEER PARK’S NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 38,634	\$ 38,298	\$ 6,671	\$ 4,190	\$ 45,305	\$ 42,488
Capital assets	55,566	56,768	23,474	23,697	79,040	80,465
Total assets	94,200	95,066	30,145	27,887	124,345	122,953
Long-term liabilities	45,681	46,057	8,197	8,837	53,878	54,894
Other liabilities	2,669	2,438	1,143	1,148	3,812	3,586
Total liabilities	48,350	48,495	9,340	9,985	57,690	58,480
Net assets:						
Invested in capital assets, net of related debt	30,587	29,889	15,512	12,218	46,099	42,107
Restricted	4,103	4,491	-	-	4,103	4,491
Unrestricted	11,160	12,191	5,293	5,684	16,453	17,875
Total net assets	\$ 45,850	\$ 46,571	\$ 20,805	\$ 17,902	\$ 66,655	\$ 64,473

By far, the largest portion of the City’s net assets (69%) reflects its investment in capital assets (land, building, machinery, equipment and infrastructure), less any related debt used to acquire those assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portions of the City’s net assets includes resources that are subject to external restrictions on how they may be used (restricted net assets) and unrestricted net assets of \$16,453,235 that may be used by the City for any lawful purpose.

Changes in net assets for the years ended September 30, 2011 and 2010, (000s) follow:

CITY OF DEER PARK'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 5,620	\$ 4,871	\$ 10,942	\$ 8,042	\$ 16,562	\$ 12,913
Operating grants and contributions	399	161	-	-	399	161
Capital grants and contributions	56	-	-	-	56	-
General revenues:						
Property taxes	12,234	12,000	-	-	12,234	12,000
Industrial taxes	12,347	12,987	-	-	12,347	12,987
Other taxes	6,609	6,537	-	-	6,609	6,537
Investment earnings	42	65	3	4	45	69
Other	145	289	-	-	145	289
Total revenues	<u>37,452</u>	<u>36,910</u>	<u>10,945</u>	<u>8,046</u>	<u>48,397</u>	<u>44,956</u>
Expenses:						
General government	13,668	14,133	-	-	13,668	14,133
Public safety	8,928	9,585	-	-	8,928	9,585
Public works	5,592	6,030	-	-	5,592	6,030
Parks and recreation	2,154	2,158	-	-	2,154	2,158
Community development	6,443	6,578	-	-	6,443	6,578
Interest on long-term debt	1,607	1,438	-	-	1,607	1,438
Water and sewer	-	-	7,823	7,691	7,823	7,691
Total expenses	<u>38,392</u>	<u>39,922</u>	<u>7,823</u>	<u>7,691</u>	<u>46,215</u>	<u>47,613</u>
Increases in net assets before transfers	(940)	(3,012)	3,122	355	2,182	(2,657)
Transfers	<u>219</u>	<u>(2,550)</u>	<u>(219)</u>	<u>2,550</u>	<u>-</u>	<u>-</u>
Change in net assets	(721)	(5,562)	2,903	2,905	2,182	(2,657)
Net assets - beginning	46,571	52,636	17,902	14,997	64,473	67,633
Prior period adjustment	<u>-</u>	<u>(503)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(503)</u>
Net assets - ending	<u>\$ 45,850</u>	<u>\$ 46,571</u>	<u>\$ 20,805</u>	<u>\$ 17,902</u>	<u>\$ 66,655</u>	<u>\$ 64,473</u>

Governmental activities – Governmental activities decreased the net assets of the City by \$721,606 during the current fiscal year. Key elements of this decrease are as follows:

- Expenses exceeded revenues and transfers by \$721,606 due primarily to continued growth in sales taxes and increased growth in industrial taxes. Net assets will continue to increase due to planned growth by the oil and chemical companies located within the City's industrial district. The "in-lieu of tax" contracts with these companies were due to expire December 31, 2008; however, the existing contracts were extended through December 31, 2014. Residential and commercial development continues, resulting in increases to net assets derived from additions to the tax base.

Business-type activities. Business-type activities increased the City of Deer Park's net assets by \$2,903,183.

- The Water and Sewer operation had a net gain before transfers of \$3,121,703.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City of Deer Park's governmental funds reported combined ending fund balances of \$34,613,672, an increase of \$10,542 when compared to the prior year. Approximately 31% of the combined \$34,613,672 amount (\$10,825,327) is unassigned. These fund balances are available for spending at the government's discretion. The remainder of the fund balance (\$23,788,345) is classified as nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending.

The General Fund is the primary operating fund of the City of Deer Park. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,825,327. This represents a 7% decrease from the General Fund Balance of \$15,454,271 at September 30, 2010. The major reason for this decrease is due to significant decreases in the City of Deer Park's Industrial District appraised values and growth in the District. Additionally, property taxes increased approximately 4 percent from fiscal year 2010. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 36% of the General Fund expenditures.

The Debt Service Fund has a total fund balance of \$1,734,892 all of which is restricted for the payment of future debt service. Principal and interest expenditures increased by \$707,524 and the City experienced a net increase in revenues and transfers in the amount of \$324,854 to arrive at a decrease in fund balance of \$353,616 for the year ended September 30, 2011.

Proprietary funds – The City's proprietary fund statements beginning on page 26 of this report provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, unrestricted net assets amounted to \$5,293,599 for the Water and Sewer Fund. The total increase in net assets for the Water and Sewer Fund was \$2,903,183. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Deer Park's business-type activities.

General Fund Budgetary Highlights – The final budget was \$2,043,233 (6% decrease) less than the previous year’s final budget.

- \$209,850 decrease for general government
- \$136,526 decrease for community development
- \$64,793 decrease for public works
- \$57,215 decrease for public safety
- \$1,131,582 decrease in capital outlay

This decrease was funded through revenues generated by taxes on new construction within the City. Refer to the General Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual on page 60 of this report for a detailed presentation of the actual General Fund operations compared to both the original and final budget for fiscal year 2011. The reasons for any major variances in the General Fund budget include:

Revenues – a material decrease occurred in 2010 investment earnings due to historically low interest rates on the City investments. Interest rates on investments remained at or below .5 percent throughout the year. General Fund revenues were over budget by \$1,090,076.

Expenditures – *General Government*: A summary of budgetary expenditures, variances, in summary by object, appears on pages 66 – 75. General Fund expenditures were \$1,535,608 under budget (page 60).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City of Deer Park’s investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounted to \$79,040,286 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment, storm drainage, and streets. The total decrease in the City of Deer Park’s investment in capital assets for the current fiscal year was 1.8 percent.

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

	Balance September 30, 2010	Additions	Retirements	Balance September 30, 2011
Governmental activities				
Land	\$ 22,528	\$ -	\$ -	\$ 22,528
Construction in progress	199	282	10	471
Building	12,946	(512)	-	12,434
Improvements	14,752	(546)	-	14,206
Machinery and equipment	6,343	(417)	-	5,926
Total	\$ 56,768	\$(1,193)	\$ 10	\$ 55,565
Business-type activities				
Land	\$ 591	\$ -	\$ -	\$ 591
Construction in progress	324	344	294	374
Building	3,341	(96)	-	3,245
Improvements	18,709	(366)	-	18,343
Machinery and equipment	732	188	-	920
Total	\$ 23,697	\$ 70	\$ 294	\$ 23,473

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

Additional information on the City of Deer Park's capital assets can be found in Note III on pages 45 – 46 of this report.

Long-term Debt – At the end of the current fiscal year, the City of Deer Park had total bonded debt outstanding of \$44,420,000. Of this amount, \$36,675,000 comprises debt backed by the full faith and credit of the government and \$7,745,000 is related to the maintenance and construction of the Water and Sewer Fund infrastructure.

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

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 36,675	\$ 39,165	\$ -	\$ -	\$ 36,675	\$ 39,165
Revenue bonds	-	-	7,745	8,645	7,745	8,645
	<u>\$ 36,675</u>	<u>\$ 39,165</u>	<u>\$ 7,745</u>	<u>\$ 8,645</u>	<u>\$ 44,420</u>	<u>\$ 47,810</u>

The City's total debt decreased \$3,390,000 during the current fiscal year.

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

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Deer Park is \$148,079,769.

Additional information on the City of Deer Park's outstanding debt can be found in pages 46 – 51 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Property values are flat for the 2011 tax year (2012 fiscal year).

For the 2012 fiscal year budget, the total tax rate increased to \$0.720 per \$100 of assessed value to pay for debt service. Increases in projections of total revenues are approximately \$813,005, or a 2.3% increase.

Water and sewer rates will not increase in the 2012 fiscal year.

REQUESTS FOR INFORMATION

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

**BASIC
FINANCIAL STATEMENTS**

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CITY OF DEER PARK, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 35,376,611	\$ 5,103,174	\$ 40,479,785
Receivables (net of allowances for uncollectibles)			
Accounts	1,656,004	1,333,550	2,989,554
Property taxes	289,983	-	289,983
Inventories	191,843	-	191,843
Deferred charges	530,269	234,691	764,960
Prepaid items	4,512	-	4,512
Due from other governments	585,131	-	585,131
Capital assets:			
Land	22,527,596	591,397	23,118,993
Construction in progress	471,222	374,173	845,395
Buildings	20,801,395	3,861,540	24,662,935
Utility system	-	41,689,796	41,689,796
Improvements	47,017,082	-	47,017,082
Machinery and equipment	16,229,665	2,503,803	18,733,468
Less: accumulated depreciation	(51,480,590)	(25,546,793)	(77,027,383)
Total capital assets	55,566,370	23,473,916	79,040,286
Total assets	94,200,723	30,145,331	124,346,054
LIABILITIES			
Accounts payable	917,973	317,557	1,235,530
Accrued liabilities	1,547,167	214,476	1,761,643
Customer deposits	6,130	610,880	617,010
Unearned revenue	198,813	-	198,813
Due within one year			
Accrued interest payable	60,336	24,811	85,147
Compensated absences	99,566	10,275	109,841
Bonds and capital leases	3,180,781	938,091	4,118,872
Due in more than one year			
Compensated absences	398,265	41,100	439,365
Net pension obligation	1,143,571	158,717	1,302,288
Net OPEB obligation	5,100,368	-	5,100,368
Bonds and capital leases	35,697,971	7,023,743	42,721,714
Total liabilities	48,350,941	9,339,650	57,690,591
NET ASSETS			
Invested in capital assets, net of related debt	30,587,182	15,512,082	46,099,264
Restricted for:			
Community development	291,740	-	291,740
Debt service	1,779,554	-	1,779,554
Grant requirements	1,040,063	-	1,040,063
Public safety	150,517		150,517
Tourism and economic development	841,090		841,090
Unrestricted	11,159,636	5,293,599	16,453,235
Total net assets	\$ 45,849,782	\$ 20,805,681	\$ 66,655,463

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

CITY OF DEER PARK, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Charges for Services	Program Revenue	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 13,666,778	\$ 50,603	\$ 10,029	\$ -
Public safety	8,927,783	1,967,043	242,265	-
Public works	5,592,366	502,163	134,417	56,237
Parks and recreation	2,154,431	1,601,366	-	-
Community development	6,443,264	1,498,581	12,026	-
Interest on long-term debt	1,606,938	-	-	-
Total governmental activities	<u>38,391,560</u>	<u>5,619,756</u>	<u>398,737</u>	<u>56,237</u>
Business-type activities:				
Water and sewer	<u>7,822,999</u>	<u>10,942,116</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>7,822,999</u>	<u>10,942,116</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 46,214,559</u>	<u>\$ 16,561,872</u>	<u>\$ 398,737</u>	<u>\$ 56,237</u>

General revenues:

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

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$(13,606,146)	\$ -	\$(13,606,146)
(6,718,475)	-	(6,718,475)
(4,899,549)	-	(4,899,549)
(553,065)	-	(553,065)
(4,932,657)	-	(4,932,657)
(1,606,938)	-	(1,606,938)
(32,316,830)	-	(32,316,830)
-	3,119,117	3,119,117
-	3,119,117	3,119,117
(32,316,830)	3,119,117	(29,197,713)
8,697,173	-	8,697,173
3,536,932	-	3,536,932
12,346,943	-	12,346,943
1,932,237	-	1,932,237
4,221,452	-	4,221,452
455,166	-	455,166
41,978	2,586	44,564
60,948	-	60,948
83,875	-	83,875
218,520	(218,520)	-
31,595,224	(215,934)	31,379,290
(721,606)	2,903,183	2,181,577
46,571,388	17,902,498	64,473,886
\$ 45,849,782	\$ 20,805,681	\$ 66,655,463

CITY OF DEER PARK, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>CIBF 2007</u>
ASSETS			
Cash and cash equivalents	\$ 15,669,629	\$ 1,728,615	\$ 6,922,894
Receivables (net of allowances for uncollectibles)			
Accounts	1,533,941	-	-
Property taxes	178,709	111,274	-
Due from other governments	-	-	-
Inventories	191,843	-	-
Prepaid items	<u>4,512</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 17,578,634</u>	<u>\$ 1,839,889</u>	<u>\$ 6,922,894</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	483,414	-	-
Accrued liabilities	1,529,620	-	-
Deferred revenue	751,908	104,997	-
Customer deposits	6,130	-	-
Other payables	<u>259,149</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,030,221</u>	<u>104,997</u>	<u>-</u>
Fund balances:			
Nonspendable	196,355	-	-
Restricted	-	1,734,892	6,922,894
Assigned	3,526,731	-	-
Unassigned	<u>10,825,327</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>14,548,413</u>	<u>1,734,892</u>	<u>6,922,894</u>
Total liabilities and fund balances	<u>\$ 17,578,634</u>	<u>\$ 1,839,889</u>	<u>\$ 6,922,894</u>

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

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

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

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

Net assets of governmental activities

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

<u>CIBF 2010</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,098,530	\$ 5,956,943	\$ 35,376,611
-	122,063	1,656,004
-	-	289,983
56,237	528,894	585,131
-	-	191,843
-	-	4,512
<u>\$ 5,154,767</u>	<u>\$ 6,607,900</u>	<u>\$ 38,104,084</u>
31,462	138,329	653,205
-	17,547	1,547,167
162,237	-	1,019,142
-	-	6,130
-	5,619	264,768
<u>193,699</u>	<u>161,495</u>	<u>3,490,412</u>
-	-	196,355
4,961,068	4,328,393	17,947,247
-	2,118,012	5,644,743
-	-	10,825,327
<u>4,961,068</u>	<u>6,446,405</u>	<u>34,613,672</u>
<u>\$ 5,154,767</u>	<u>\$ 6,607,900</u>	
		55,566,370
		820,329
		(45,150,589)
		<u>\$ 45,849,782</u>

CITY OF DEER PARK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>CIBF 2007</u>
REVENUES			
Property taxes	\$ 8,697,173	\$ 3,536,932	\$ -
Industrial district taxes	12,346,943	-	-
Sales taxes	4,221,452	-	-
Franchise taxes	1,932,237	-	-
Hotel/motel taxes	-	-	-
Fees and fines	931,666	-	-
Licenses and permits	436,015	-	-
Intergovernmental	54,493	-	-
Charges for services	3,504,189	-	-
Investment earnings	20,430	2,610	9,312
Miscellaneous	374,698	-	-
Total revenues	<u>32,519,296</u>	<u>3,539,542</u>	<u>9,312</u>
EXPENDITURES			
Current:			
General government	10,878,222	-	-
Community development	5,664,699	-	25,338
Public works	4,095,008	-	-
Parks and recreation	1,921,702	-	-
Public safety	7,646,453	-	-
Debt service:			
Principal	-	2,490,000	-
Interest and other charges	-	1,640,122	-
Capital outlay	12,975	-	387,722
Total expenditures	<u>30,219,059</u>	<u>4,130,122</u>	<u>413,060</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,300,237</u>	<u>(590,580)</u>	<u>(403,748)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	-	-	-
Proceeds from sale of capital assets	60,948	-	-
Transfers in	66,119	236,964	-
Transfers out	<u>(3,519,312)</u>	<u>-</u>	<u>(9,312)</u>
Total other financing sources and uses	<u>(3,392,245)</u>	<u>236,964</u>	<u>(9,312)</u>
NET CHANGE IN FUND BALANCES	<u>(1,092,008)</u>	<u>(353,616)</u>	<u>(413,060)</u>
FUND BALANCES, BEGINNING	15,454,271	2,088,508	7,335,954
CHANGE IN ACCOUNTING PRINCIPLE	<u>186,150</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING, RESTATED	<u>15,640,421</u>	<u>2,088,508</u>	<u>7,335,954</u>
FUND BALANCES, ENDING	<u>\$ 14,548,413</u>	<u>\$ 1,734,892</u>	<u>\$ 6,922,894</u>

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

<u>CIBF 2010</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 12,234,105
-	-	12,346,943
-	-	4,221,452
-	-	1,932,237
-	455,166	455,166
-	160,564	1,092,230
-	-	436,015
-	335,065	389,558
-	205,347	3,709,536
6,416	3,210	41,978
-	27,145	401,843
<u>6,416</u>	<u>1,186,497</u>	<u>37,261,063</u>
-	138,763	11,016,985
-	348,013	6,038,050
-	77,114	4,172,122
-	18,500	1,940,202
-	569,825	8,216,278
-	404,789	2,894,789
-	54,112	1,694,234
56,237	1,350,071	1,807,005
<u>56,237</u>	<u>2,961,187</u>	<u>37,779,665</u>
(49,821)	(1,774,690)	(518,602)
-	249,676	249,676
-	-	60,948
-	3,519,312	3,822,395
(6,416)	(68,835)	(3,603,875)
(6,416)	3,700,153	529,144
(56,237)	1,925,463	10,542
5,017,305	4,707,092	34,603,130
-	(186,150)	-
<u>5,017,305</u>	<u>4,520,942</u>	<u>34,603,130</u>
\$ <u>4,961,068</u>	\$ <u>6,446,405</u>	\$ <u>34,613,672</u>

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CITY OF DEER PARK, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

Net change in fund balances - total governmental funds:	\$	10,542
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(1,201,564)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		129,423
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		<u>339,993</u>
Change in net assets of governmental activities	\$	<u>(721,606)</u>

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

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CITY OF DEER PARK, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2011

	Enterprise Funds
	Water/Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,103,174
Accounts receivable, net of allowances	<u>1,333,550</u>
Total current assets	<u>6,436,724</u>
Non-current assets:	
Deferred charges	234,691
Capital assets:	
Land	591,397
Buildings	3,861,540
Utility system	41,689,796
Machinery and equipment	2,503,803
Construction in progress	374,173
Less accumulated depreciation	<u>(25,546,793)</u>
Total non-current assets	<u>23,708,607</u>
Total assets	<u>30,145,331</u>
LIABILITIES	
Current liabilities:	
Accounts payable	307,380
Accrued liabilities	214,476
Accrued interest payable	24,811
Customer deposits	610,880
Other payables	10,177
Compensated absences	10,275
Revenue bonds payable	890,000
Capital leases payable	<u>48,091</u>
Total current liabilities	<u>2,116,090</u>
Non-current liabilities:	
Net pension obligation	158,717
Compensated absences	41,100
Revenue bonds payable	6,855,000
Capital leases payable	<u>168,743</u>
Total non-current liabilities	<u>7,223,560</u>
Total liabilities	<u>9,339,650</u>
NET ASSETS	
Invested in capital assets, net of related debt	15,512,082
Unrestricted	<u>5,293,599</u>
Total net assets	<u>\$ 20,805,681</u>

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

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CITY OF DEER PARK, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Enterprise Funds</u>
	<u>Water/Sewer</u>
OPERATING REVENUES	
Charges for service	\$ 10,942,116
Total operating revenues	10,942,116
OPERATING EXPENSES	
Personnel services	2,920,252
Contractual services	1,262,583
Repairs and maintenance	435,843
Other supplies and expenses	1,501,039
Depreciation	1,352,944
Total operating expenses	7,472,661
OPERATING INCOME	3,469,455
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenues	2,586
Interest expense and fiscal charges	(350,338)
Total non-operating revenues (expenses)	(347,752)
INCOME	3,121,703
TRANSFERS OUT	(218,520)
CHANGE IN NET ASSETS	2,903,183
TOTAL NET ASSETS, BEGINNING	17,902,498
TOTAL NET ASSETS, ENDING	\$ 20,805,681

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

CITY OF DEER PARK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Enterprise Funds</u>
	<u>Water/Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 10,448,743
Cash paid to suppliers for goods and services	(2,862,171)
Cash paid to employees for services	(3,212,114)
Net cash provided by operating activities	4,374,458
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(218,520)
Net cash used for noncapital financing activities	(218,520)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(1,142,731)
Proceeds from debt issues	248,270
Principal paid on debt	(931,436)
Interest paid on debt	(331,646)
Net cash used for capital and related financing activities	(2,157,543)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	2,586
Net cash provided by investing activities	2,586
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,000,981
CASH AND CASH EQUIVALENTS, BEGINNING	3,102,193
CASH AND CASH EQUIVALENTS, ENDING	\$ 5,103,174

(continued)

CITY OF DEER PARK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Enterprise Funds</u>
	<u>Water/Sewer</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,469,455
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	1,352,943
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	(501,779)
Increase (decrease) in liabilities:	
Accounts payable	(10,710)
Accrued liabilities	10,425
Compensated absences payable	(6,978)
Net pension obligation	52,696
Customer deposits	8,406
Net cash provided by operations	\$ 4,374,458

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

CITY OF DEER PARK, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
SEPTEMBER 30, 2011

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>128,546</u>
Total assets	\$ <u><u>128,546</u></u>
LIABILITIES	
Due to others	\$ <u>128,546</u>
Total liabilities	\$ <u><u>128,546</u></u>

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

CITY OF DEER PARK, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

ORGANIZATION

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The basic financial statements contain a blended component unit. Blended component units, although legally separate entities are, in substance, part of the City's operations. Data from these component units are combined with the data from the primary government. Separate financial information for the component unit can be obtained from the City.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Blended Component Unit

Deer Park Local Emergency Planning Committee

The Deer Park Local Emergency Planning Committee (the LEPC) is a joint effort between local industry and the City of Deer Park which was 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 of Deer Park, (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 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 60 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.

City of Deer Park Senior Citizens Trust

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

The Trust and City have a financial and operational relationship which requires that the Trust's financial statements be blended into the City's financial statements. The Trust is governed by a seven-member Senior Citizens Commission. All members of the Commission are appointed by the City Council. Three of the members also serve on the City Council. This financial and operational relationship requires that the Trust's financial statements be blended into the City's financial statements.

Government-wide Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary fund:

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

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

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

Cash and Investments

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

For the purpose of presenting the proprietary fund cash flow statement, cash and cash equivalents include cash demand and time deposits and investments with a maturity date within three months of the date acquired by the City.

Receivables

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

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

Short-term Interfund Receivables/Payables

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items

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

Capital Assets

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

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

<u>Assets</u>	<u>Estimated Useful Lives</u>
Water and sewer system	3 - 5
Heavy equipment	20 - 50
Buildings and improvements	35
Furniture and fixtures	5 - 50
Automobiles, trucks and equipment	5 - 20
Public domain infrastructure	40

Compensated Absences

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or City Manager.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (Continued)

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

Net Assets

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

Estimates

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(45,150,589) difference are as follows:

(continued)

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

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

General obligations	\$(36,675,000)
Premium on bond issuance	(893,451)
Loss on refunding bonds	369,260
Deferred charges - bond costs	530,269
Accrued interest payable	(60,336)
Compensated absences	(497,831)
Capital lease obligations	(1,679,561)
Net OPEB obligations	(5,100,368)
Net pension obligations	<u>(1,143,571)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$(45,150,589)</u></u>

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, "Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds." The details of this \$820,329 difference are as follows:

Property taxes receivable	\$ 266,489
Court fines receivable	122,542
Ambulance receivable	375,061
Grant receivable	<u>56,237</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ 820,329</u></u>

(continued)

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

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

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(1,201,564) difference are as follows:

Capital outlay	\$ 1,807,013
Depreciation expense	(3,008,577)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$(<u>1,201,564</u>)

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$129,423 difference are as follows:

Court fines receivable	\$ 10,591
Ambulance receivable	62,595
Grant receivable	<u>56,237</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>129,423</u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$339,993 difference are as follows:

Principal repayments	\$ 2,894,239
Issuance of capital leases	(249,676)
Net pension obligation	(388,896)
Net OPEB obligation	(2,027,805)
Premium on bond issuance	(22,346)
Compensated absences	24,285
Accrued interest	<u>110,192</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>339,993</u>

III. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Deposits and Investments

As of September 30, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 28,947,973	44

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

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

TexPool

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers, Inc. and Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accountants. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

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

(continued)

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

Deposits and Investments (Continued)

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2011, the City’s \$11,977,662 deposit balance was collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

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

Property Taxes

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

Property tax rates, established in accordance with state law, are levied on real and personal property within the City for use in financing and general and debt service expenditures for the 2011 fiscal year (2010 tax year), resulting in an adjusted tax levy of approximately \$12.2 million based on an assessed property valuation of approximately \$1.73 billion were as follows:

	<u>Tax Rate per \$100 of Assessed Value</u>
General fund	\$ 0.4981
Debt service fund	<u>0.2069</u>
Total tax rate	<u>\$ 0.7050</u>

(continued)

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

Property Taxes (Continued)

Net property taxes receivable, at September 30, 2011, consisted of the following:

	<u>Delinquent Taxes Receivable</u>
Current year	\$ 188,986
Prior years	<u>434,793</u>
	623,779
Penalties and interest	355,068
Less: allowance for doubtful accounts	<u>(689,548)</u>
Net property taxes	<u>\$ 289,299</u>

Industrial District Contracts

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

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

	<u>Industrial District Payments</u>
Prior years	\$ 10,717
Less: allowance for doubtful accounts	<u>(10,033)</u>
Net receivables	<u>\$ 684</u>

(continued)

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

Receivables

Amounts recorded as receivable as of September 30, 2011, for the City's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Water and Sewer</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 713,415	\$ 276,149	\$ -	\$ -	\$ 989,564
Intergovernmental	-	-	-	528,894	528,894
Accounts	1,536,589	-	1,554,025	122,063	3,212,677
Ambulance	<u>4,184,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,184,399</u>
Gross receivables	6,434,403	276,149	1,554,025	650,957	8,915,534
Less: allowance for uncollectibles	<u>4,721,753</u>	<u>164,875</u>	<u>220,475</u>	<u>-</u>	<u>5,107,103</u>
Net total receivables	<u>\$ 1,712,650</u>	<u>\$ 111,274</u>	<u>\$ 1,333,550</u>	<u>\$ 650,957</u>	<u>\$ 3,808,431</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general)	\$ 161,491	\$ -
Delinquent property taxes receivable (debt service)	104,998	-
Court fines	122,542	-
Ambulance	375,061	-
Grants	56,236	-
Other	<u>-</u>	<u>198,814</u>
Total governmental funds	<u>\$ 820,328</u>	<u>\$ 198,814</u>

(continued)

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

Capital Assets

A summary of capital asset activity for the year ended September 30, 2011, follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 22,527,596	\$ -	\$ -	\$ 22,527,596
Construction work in progress	<u>199,239</u>	<u>281,811</u>	<u>9,828</u>	<u>471,222</u>
Total capital assets not being depreciated	<u>22,726,835</u>	<u>281,811</u>	<u>9,828</u>	<u>22,998,818</u>
Capital assets, being depreciated:				
Buildings	20,801,395	-	-	20,801,395
Improvements	46,335,905	681,177	-	47,017,082
Machinery and equipment	<u>15,453,461</u>	<u>853,853</u>	<u>77,649</u>	<u>16,229,665</u>
Total capital assets being depreciated	<u>82,590,761</u>	<u>1,535,030</u>	<u>77,649</u>	<u>84,048,142</u>
Less accumulated depreciation:				
Buildings	(7,854,629)	(512,373)	-	(8,367,002)
Improvements	(31,583,656)	(1,226,747)	-	(32,810,403)
Machinery and equipment	<u>(9,111,377)</u>	<u>(1,269,457)</u>	<u>(77,649)</u>	<u>(10,303,185)</u>
Total accumulated depreciation	<u>(48,549,662)</u>	<u>(3,008,577)</u>	<u>(77,649)</u>	<u>(51,480,590)</u>
Total capital assets, being depreciated, net	<u>34,041,099</u>	<u>(1,473,547)</u>	<u>-</u>	<u>32,567,552</u>
Governmental activities capital assets, net	<u>\$ 56,767,934</u>	<u>\$ (1,191,736)</u>	<u>\$ 9,828</u>	<u>\$ 55,566,370</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 591,397	\$ -	\$ -	\$ 591,397
Construction work in progress	<u>323,857</u>	<u>344,587</u>	<u>294,271</u>	<u>374,173</u>
Total capital assets not being depreciated	<u>915,254</u>	<u>344,587</u>	<u>294,271</u>	<u>965,570</u>
Capital assets, being depreciated:				
Buildings	3,861,540	-	-	3,861,540
Improvements	41,014,702	675,094	-	41,689,796
Machinery and equipment	<u>2,100,169</u>	<u>403,634</u>	<u>-</u>	<u>2,503,803</u>
Total capital assets being depreciated	<u>46,976,411</u>	<u>1,078,728</u>	<u>-</u>	<u>48,055,139</u>
Less accumulated depreciation:				
Buildings	(520,269)	(96,088)	-	(616,357)
Improvements	(22,305,445)	(1,041,359)	-	(23,346,804)
Machinery and equipment	<u>(1,368,135)</u>	<u>(215,497)</u>	<u>-</u>	<u>(1,583,632)</u>
Total accumulated depreciation	<u>(24,193,849)</u>	<u>(1,352,944)</u>	<u>-</u>	<u>(25,546,793)</u>
Total capital assets, being depreciated, net	<u>22,782,562</u>	<u>(274,216)</u>	<u>-</u>	<u>22,508,346</u>
Business-type activities capital assets, net	<u>\$ 23,697,816</u>	<u>\$ 70,371</u>	<u>\$ 294,271</u>	<u>\$ 23,473,916</u>

(continued)

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

Capital Assets (Continued)

Depreciation was charged to functions of the City as follows:

Governmental activities:		
General		\$ 233,046
Public safety		712,366
Community development		416,790
Parks and recreation		218,108
Public works		<u>1,428,267</u>
Total depreciation expense - governmental activities		<u>\$ 3,008,577</u>
Business-type activities:		
Water and sewer		<u>\$ 1,352,944</u>
Total depreciation expense - business-type activities		<u>\$ 1,352,944</u>

Long-term Debt

During the year ended September 30, 2011, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 29,200,000	\$ -	\$ 2,415,000	\$ 26,785,000	\$ 2,425,000
Premium on bond issuance	969,402	-	75,951	893,451	75,951
Loss on refunding	(431,822)	-	62,562	(369,260)	(62,562)
Certificates of obligation	9,965,000	-	75,000	9,890,000	320,000
Capital leases	1,834,124	249,676	404,239	1,679,561	422,392
Net pension obligation	754,675	2,706,637	2,317,741	1,143,571	-
Net OPEB obligation	3,072,563	2,166,219	138,414	5,100,368	-
Compensated absences	<u>522,116</u>	<u>1,094,574</u>	<u>1,118,859</u>	<u>497,831</u>	<u>99,566</u>
Governmental activity long-term liabilities	<u>\$ 45,886,058</u>	<u>\$ 6,217,106</u>	<u>\$ 6,607,766</u>	<u>\$ 45,620,522</u>	<u>\$ 3,280,347</u>
Business-type activities					
Revenue bonds	\$ 8,645,000	\$ -	\$ 900,000	\$ 7,745,000	\$ 890,000
Capital leases	-	248,270	31,436	216,834	48,091
Net pension obligation	106,021	366,753	314,057	158,717	-
Compensated absences	<u>58,353</u>	<u>129,613</u>	<u>136,591</u>	<u>51,375</u>	<u>10,275</u>
Business-type activity long-term liabilities	<u>\$ 8,809,374</u>	<u>\$ 744,636</u>	<u>\$ 1,382,084</u>	<u>\$ 8,171,926</u>	<u>\$ 948,366</u>

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

(continued)

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

Certificates of Obligation, General Obligation Bonds and Revenue Bonds

The following is a summary of certificates of obligation, general obligation bonds and revenue bonds outstanding as of September 30, 2011:

Series	Original Issue	Interest Rate	Debt Outstanding
Governmental activities			
General Obligation Bonds			
2001 General Obligation Bonds	\$ 8,435,000	4.50% to 6.50%	\$ 425,000
2004 General Obligation and Refunding Bonds	4,670,000	3.25% to 5.00%	2,480,000
2005 General Obligation Bonds	9,000,000	3.50% to 5.50%	7,720,000
2007 General Obligation Bonds	7,465,000	3.88% to 5.00%	7,160,000
2008 General Obligation and Refunding Bonds	4,540,000	3.49%	3,045,000
2010 General Obligation and Refunding Bonds	6,295,000	2.00% to 5.00%	<u>5,955,000</u>
			26,785,000
Certificates of Obligation			
2007 Certificates Obligation	2,300,000	4.25% to 6.00%	2,085,000
2010 Certificates Obligation	7,805,000	2.00% to 4.50%	<u>7,805,000</u>
			<u>9,890,000</u>
Total governmental activities			<u>\$ 36,675,000</u>
Business-type activities			
Revenue Bonds			
2002 Waterworks and Sewer System	\$ 5,000,000	.70% to 3.80%	\$ 3,000,000
2002A Waterworks and Sewer System	6,250,000	4.25% to 5.125%	3,770,000
2003 Waterworks and Sewer System Revenue and Refunding Bonds	3,835,000	2.50% to 3.72%	<u>975,000</u>
Total business-type activities			<u>\$ 7,745,000</u>

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

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 320,000	\$ 412,838	\$ 732,838
2013	360,000	402,738	762,738
2014	370,000	391,938	761,938
2015	380,000	379,388	759,388
2016	415,000	363,088	778,088
2017-2021	2,580,000	1,497,563	4,077,563
2022-2026	3,235,000	893,575	4,128,575
2027-2030	<u>2,230,000</u>	<u>212,619</u>	<u>2,442,619</u>
Total	<u>\$ 9,890,000</u>	<u>\$ 4,553,747</u>	<u>\$ 14,443,747</u>

(continued)

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

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

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

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 2,425,000	\$ 1,000,803	\$ 3,425,803
2013	2,485,000	901,927	3,386,927
2014	2,565,000	806,419	3,371,419
2015	2,650,000	710,533	3,360,533
2016	2,230,000	617,088	2,847,088
2017-2021	8,290,000	1,981,000	10,271,000
2022-2026	5,335,000	626,271	5,961,271
2027-2030	805,000	16,704	821,704
Total	<u>\$ 26,785,000</u>	<u>\$ 6,660,745</u>	<u>\$ 33,445,745</u>

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

Fiscal Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2012	\$ 890,000	\$ 295,649	\$ 1,185,649
2013	885,000	264,026	1,149,026
2014	880,000	231,900	1,111,900
2015	560,000	204,843	764,843
2016	560,000	182,925	742,925
2017-2021	2,830,000	863,060	3,693,060
2022-2023	1,140,000	50,938	1,190,938
Total	<u>\$ 7,745,000</u>	<u>\$ 2,093,341</u>	<u>\$ 9,838,341</u>

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

(continued)

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

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

Defeasance of Bonds

In prior years, the City defeased certain certificates of obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On September 30, 2011, bonds considered defeased and still outstanding were in the amount of \$11,525,000.

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

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

Contingent Arbitrage Liabilities

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

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment, principally consisting of vehicles, communication equipment and computer systems. These leases qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Approximately \$2.77 million of equipment has been leased under these agreements as of September 30, 2011. Capital leases bear interest ranging from 2.6% to 4.01% and have maturity dates ranging from 2010 to 2018. The total interest paid in 2011 for capital leases was \$57,803. Annual requirements to satisfy these obligations are as follows:

(continued)

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

Capital Leases (Continued)

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 422,392	\$ 46,543	\$ 468,935
2013	378,323	34,237	412,560
2014	286,156	24,231	310,387
2015	282,916	15,501	298,417
2016	144,794	8,570	153,364
2017-2018	164,980	4,795	169,775
Total	<u>\$ 1,679,561</u>	<u>\$ 133,877</u>	<u>\$ 1,813,438</u>

Fiscal Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2012	\$ 48,091	\$ 4,599	\$ 52,690
2013	49,238	3,452	52,690
2014	50,413	2,277	52,690
2015	51,615	1,075	52,690
2016	17,477	86	17,563
Total	<u>\$ 216,834</u>	<u>\$ 11,489</u>	<u>\$ 228,323</u>

Interfund Receivables, Payables and Transfers

The following is a summary of interfund transfers for the year ended September 30, 2011:

	General	Transfers In		Total
		Debt Service	Nonmajor Governmental Funds	
Transfers Out:				
General	\$ -	\$ -	\$ 3,519,312	\$ 3,519,312
CIBF Series 2007	-	9,312	-	9,312
CIBF Series 2010	-	6,416	-	6,416
Nonmajor governmental funds	66,119	2,716	-	68,835
Water/Sewer	-	218,520	-	218,520
Total Transfers Out	<u>\$ 66,119</u>	<u>\$ 236,964</u>	<u>\$ 3,519,312</u>	<u>\$ 3,822,395</u>

(continued)

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

Interfund Receivables, Payables and Transfers (Continued)

Amounts transferred between funds relate to the following activities:

- Transfers 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 were made to fund capital projects in the Capital Improvements Fund.
- 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.

Fund Balance

As of September 30, 2011, governmental fund balance is composed of the following:

Fund Balance Classification	General	Debt Service	CIBF 2007	CIBF 2010	Other Governmental	Totals
Nonspendable:						
Inventories	\$ 191,843	\$ -	\$ -	\$ -	\$ -	\$ 191,843
Prepaid expenditures	4,512	-	-	-	-	4,512
Restricted:						
Retirement of long-term debt	-	1,734,892	-	-	-	1,734,892
Capital acquisition program and contractual obligations	-	-	6,922,894	4,961,068	2,015,602	13,899,564
Tourism activities	-	-	-	-	837,011	837,011
Federal and state grants	-	-	-	-	1,033,523	1,033,523
Police	-	-	-	-	42,506	42,506
Municipal court	-	-	-	-	108,011	108,011
Emergency planning	-	-	-	-	147,912	147,912
Scholarships	-	-	-	-	15,282	15,282
Senior citizens	-	-	-	-	128,546	128,546
Assigned:						
Capital improvements	-	-	-	-	1,979,876	1,979,876
Municipal court	-	-	-	-	138,136	138,136
Special events	172,023	-	-	-	-	172,023
Fiscal year 2012 budget deficit	3,354,708	-	-	-	-	3,354,708
Unassigned	10,825,327	-	-	-	-	10,825,327
Total governmental fund balance	\$ 14,548,413	\$ 1,734,892	\$ 6,922,894	\$ 4,961,068	\$ 6,446,405	\$ 34,613,672

IV. OTHER INFORMATION

Other Postemployment Benefits

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution (ARC)	\$ 2,214,169
Interest on Net OPEB Obligation	122,903
Adjustment to the ARC	<u>(170,853)</u>
Annual OPEB Cost	2,166,219
Employer Contributions with Interest	<u>(138,414)</u>
Increase (Decrease) in Net OPEB Obligation	2,027,805
Net OPEB Obligation/(Asset), beginning of year	<u>3,072,563</u>
 Net OPEB Obligation/(Asset), ending of year	 <u>\$ 5,100,368</u>

In addition to the employer contribution, the retirees paid \$210,033 in the form of premiums which funded current medical claims.

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
09/30/09	\$ 1,448,648	\$ 268,024	18.5%	\$ 1,180,624
09/30/10	2,195,744	303,805	13.9%	3,072,563
09/30/11	2,166,219	138,414	6.4%	5,100,368

Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/07	\$ -	\$ 12,921,500	\$ 12,921,500	- %	\$ 12,433,803	103.92%
10/01/09	-	18,448,370	18,448,370	- %	15,582,634	118.39%

(continued)

IV. OTHER INFORMATION (Continued)

Other Postemployment Benefits (Continued)

Funding Status and Funding Progress (Continued)

This is the third year of implementation of GASB 45; however, only two years of funding progress are available since actuarial valuations are only required to be done once every two years. The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

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

Actuarial Valuation Date	10/01/09
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar, open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.0%
Projected Salary Increases	N/A
Health Care Inflation Rate	7% initial 5% ultimate

(continued)

IV. OTHER INFORMATION (Continued)

Supplemental Death Benefits Fund

Plan Description

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

Benefits

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

Contributions

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

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

Deferred Compensation Plan

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

The market value of plan assets held and administered by the plan's third party administrator was approximately \$4,099,191 at September 30, 2011.

(continued)

IV. OTHER INFORMATION (Continued)

Employee Retirement System

Plan Description

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

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

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

	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	50% of CPI repeating	50% of CPI repeating	50% of CPI repeating

Contributions

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

(continued)

IV. OTHER INFORMATION (Continued)

Employee Retirement System (Continued)

Contributions (Continued)

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

Annual Required Contribution (ARC)	\$ 3,062,344
Interest on Net Pension Obligation	64,552
Adjustment to the ARC	<u>(53,506)</u>
Annual Pension Cost	3,073,390
Employer Contributions with Interest	<u>(2,631,798)</u>
Increase (Decrease) in Net Pension Obligation	441,592
Net Pension Obligation/(Asset), beginning of year	<u>860,696</u>
 Net Pension Obligation/(Asset), ending of year	 <u><u>\$ 1,302,288</u></u>

Three-year trend information is as follows:

Fiscal Year Ended	Annual Pension Cost	Employer Contribution	Percentage Contributed	Net Pension Obligation
09/30/09	\$ 2,732,854	\$ 2,369,500	86.7%	\$ 363,354
09/30/10	3,083,838	2,586,496	83.9%	860,696
09/30/11	3,073,390	2,668,109	86.8%	1,302,288

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

(continued)

IV. OTHER INFORMATION (Continued)

Employee Retirement System (Continued)

Contributions (Continued)

Actuarial Valuation Date	12/31/08	12/31/09	12/31/10 - prior to restructuring	12/31/10 - restructured
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	29 years; closed period	28 years; closed period	27 years; closed period	27 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years	30 years
Asset valuation method	Amortized cost	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions:				
Investment rate of return*	7.5%	7.5%	7.5%	7.0%
Projected salary increases*	varies by age and service	varies by age and service	varies by age and service	varies by age and service
*Includes inflation at	3.0%	3.0%	3.0%	3.0%

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects of TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

(continued)

IV. OTHER INFORMATION (Continued)

Employee Retirement System (Continued)

Contributions (Continued)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2008	\$ 41,676,831	\$ 59,251,277	70.3%	\$ 17,574,446	\$ 14,552,429	120.8%
12/31/2009	40,944,323	59,386,292	68.9%	18,441,969	15,132,722	121.9%
12/31/2010 ⁽¹⁾	44,185,288	63,623,156	69.4%	19,437,868	16,360,210	118.8%
12/31/2010 ⁽²⁾	81,478,828	92,537,865	88.0%	11,059,037	16,360,210	67.6%

⁽¹⁾ Actuarial valuation performed under the original fund structure

⁽²⁾ Actuarial valuation performed under the new fund structure

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 Required Supplementary Information 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 of benefits.

Litigation

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

(continued)

IV. OTHER INFORMATION (Continued)

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City’s risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk-Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in TML is limited to payment of premiums. During the year ended September 30, 2011, the City paid premiums to TML for provisions of various liability, property and casualty insurance. The City has various deductible amounts ranging from \$250 to \$25,000 on various policies. At year-end, the City did not have any significant claims. TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified dollar amounts for each insured event.

The City also provides workers’ compensation insurance on its employees through TML. Workers’ compensation is subject to change when audited by TML. At year-end, September 30, 2011, the City believed the amounts paid on workers’ compensation would not change significantly from the amounts recorded.

Change in Accounting Principles

For fiscal year 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the City reclassifying fund balances of its governmental funds.

Restatement of Prior Year Fund Balances

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	<u>General</u>	<u>Debt Service</u>	<u>CIBF 2007</u>	<u>CIBF 2010</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Fund balance at September 30, 2010	\$ 15,454,271	\$ 2,088,508	\$ 7,335,954	\$ 5,017,305	\$ 4,707,092	\$ 34,603,130
Change in fund structure	<u>186,150</u>	-	-	-	<u>(186,150)</u>	-
Adjusted fund balance at September 30, 2011	<u>\$ 15,640,421</u>	<u>\$ 2,088,508</u>	<u>\$ 7,335,954</u>	<u>\$ 5,017,305</u>	<u>\$ 4,520,942</u>	<u>\$ 34,603,130</u>

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF DEER PARK, TEXAS

GENERAL FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 27,361,277	\$ 27,094,056	\$ 27,197,805	\$ 103,749
License and permits	335,022	335,022	436,015	100,993
Fines and forfeitures	731,500	731,500	931,666	200,166
Charges for services	3,077,592	3,158,442	3,504,189	345,747
Investment earnings	50,000	50,000	20,430	(29,570)
Intergovernmental	-	-	54,493	54,493
Other	65,100	65,100	374,698	309,598
Total revenues	<u>31,620,491</u>	<u>31,434,120</u>	<u>32,519,296</u>	<u>1,085,176</u>
EXPENDITURES				
Current:				
General government	11,740,810	11,692,810	10,878,222	814,588
Community development	5,661,815	5,634,779	5,480,545	154,234
Public works	4,523,247	4,451,445	4,095,008	356,437
Parks and recreation	1,868,378	1,924,228	1,921,702	2,526
Public safety	7,962,629	7,867,246	7,646,453	220,793
Capital outlay	-	-	12,975	(12,975)
Total expenditures	<u>31,756,879</u>	<u>31,570,508</u>	<u>30,034,905</u>	<u>1,535,603</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(136,388)</u>	<u>(136,388)</u>	<u>2,484,391</u>	<u>2,620,779</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	50,000	50,000	60,948	10,948
Transfers in	86,388	86,388	66,119	(20,269)
Transfers out	(3,519,312)	(3,519,312)	(3,519,312)	-
Total other financing sources and uses	<u>(3,382,924)</u>	<u>(3,382,924)</u>	<u>(3,392,245)</u>	<u>(9,321)</u>
NET CHANGE IN FUND BALANCE	<u>(3,519,312)</u>	<u>(3,519,312)</u>	<u>(907,854)</u>	<u>2,611,458</u>
FUND BALANCE, BEGINNING	<u>15,454,271</u>	<u>15,454,271</u>	<u>15,454,271</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 11,934,959</u>	<u>\$ 11,934,959</u>	<u>\$ 14,732,567</u>	<u>\$ 2,797,608</u>

CITY OF DEER PARK, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2011

Budget

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

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

Expenditures Over Appropriations

The City was over appropriations in the following functions:

Capital outlay	\$ 12,975
----------------	-----------

These excess expenditures were covered by greater than expected revenues. The City will carefully review future budgets and make appropriate budget amendments.

Reconciliation of Actual Expenditures to Fund Financial Statements

The actual expenditures reported in the budget schedule are different than the amount reported in the Statement of Revenues, Expenditures and Changes in Fund Balances due to the reclassification of funds during their implementation of GASB No. 54. These expenditures were not part of the budget adopted for the General Fund and thus are not presented in the budget schedule. All of the unbudgeted expenditures shown below are reported in the Community Development function.

Actual expenditures	
Fund financial statements	\$ 30,219,059
Less unbudgeted expenditures:	
Drama	63,428
Special events	89,269
Athletics	3,542
Dance	<u>27,915</u>
Actual expenditures - budget schedule	\$ <u>30,034,905</u>

COMBINING STATEMENTS

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NONMAJOR GOVERNMENTAL FUNDS

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

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

Grants Fund – This fund is used to account for miscellaneous federal, state, and local grants received by the City. Expenditures are controlled by awarded funds. No appropriations style budget is adopted for this fund.

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF DEER PARK, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	Special Revenue				
	Hotel Occupancy Tax	Grants	LEPC	Police Forfeiture	Senior Citizen
ASSETS					
Cash and cash equivalents	\$ 741,684	\$ 96,687	\$ 158,251	\$ 42,506	\$ 128,546
Accounts receivable	107,815	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 849,499</u>	<u>\$ 96,687</u>	<u>\$ 158,251</u>	<u>\$ 42,506</u>	<u>\$ 128,546</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 12,488	\$ 31	\$ 10,339	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Other payables	-	-	-	-	-
Total liabilities	<u>12,488</u>	<u>31</u>	<u>10,339</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted	837,011	96,656	147,912	42,506	128,546
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>837,011</u>	<u>96,656</u>	<u>147,912</u>	<u>42,506</u>	<u>128,546</u>
Total liabilities and fund balances	<u>\$ 849,499</u>	<u>\$ 96,687</u>	<u>\$ 158,251</u>	<u>\$ 42,506</u>	<u>\$ 128,546</u>

Special Revenue			Capital Projects					Total Other Governmental Funds
Municipal Court	FEMA Hurricane Ike	Totally Texas Scholarship	Capital Projects	1997 Streets	Street	Capital Improvements Fund	General Obligation Series 2005	
\$ 249,900	\$ 407,973	\$ 16,282	\$ 107,754	\$ 26,975	\$ 94,253	\$ 1,897,505	\$ 1,988,627	\$ 5,956,943
14,248	-	-	-	-	-	-	-	122,063
-	528,894	-	-	-	-	-	-	528,894
<u>\$ 264,148</u>	<u>\$ 936,867</u>	<u>\$ 16,282</u>	<u>\$ 107,754</u>	<u>\$ 26,975</u>	<u>\$ 94,253</u>	<u>\$ 1,897,505</u>	<u>\$ 1,988,627</u>	<u>\$ 6,607,900</u>
\$ 435	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ 114,036	\$ -	\$ 138,329
17,547	-	-	-	-	-	-	-	17,547
19	-	-	-	-	-	5,600	-	5,619
<u>18,001</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,636</u>	<u>-</u>	<u>161,495</u>
108,011	936,867	15,282	-	26,975	-	-	1,988,627	4,328,393
138,136	-	-	107,754	-	94,253	1,777,869	-	2,118,012
-	-	-	-	-	-	-	-	-
<u>246,147</u>	<u>936,867</u>	<u>15,282</u>	<u>107,754</u>	<u>26,975</u>	<u>94,253</u>	<u>1,777,869</u>	<u>1,988,627</u>	<u>6,446,405</u>
<u>\$ 264,148</u>	<u>\$ 936,867</u>	<u>\$ 16,282</u>	<u>\$ 107,754</u>	<u>\$ 26,975</u>	<u>\$ 94,253</u>	<u>\$ 1,897,505</u>	<u>\$ 1,988,627</u>	<u>\$ 6,607,900</u>

CITY OF DEER PARK, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue				
	Hotel Occupancy Tax	Grants	LEPC	Police Forfeiture	Senior Citizen
REVENUES					
Hotel/motel taxes	\$ 455,166	\$ -	\$ -	\$ -	\$ -
Fees and fines	-	-	-	-	-
Intergovernmental	-	193,898	141,167	-	-
Charges for services	-	-	-	-	-
Investment earnings	-	-	-	56	169
Miscellaneous	-	845	-	16,271	-
Total revenues	<u>455,166</u>	<u>194,743</u>	<u>141,167</u>	<u>16,327</u>	<u>169</u>
EXPENDITURES					
Current:					
General government	-	107,846	-	-	-
Community development	245,906	12,720	-	-	6,522
Public works	-	18,619	-	-	-
Public safety	-	23,132	113,208	12,162	-
Parks and recreation					
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay	48,615	22,355	-	-	-
Total expenditures	<u>294,521</u>	<u>184,672</u>	<u>113,208</u>	<u>12,162</u>	<u>6,522</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>160,645</u>	<u>10,071</u>	<u>27,959</u>	<u>4,165</u>	<u>(6,353)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	-	-	-	-	-
Transfers in	-	-	5,000	-	-
Transfers out	<u>(29,388)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>(29,388)</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	131,257	10,071	32,959	4,165	(6,353)
FUND BALANCES, BEGINNING	<u>705,754</u>	<u>272,735</u>	<u>114,953</u>	<u>38,341</u>	<u>134,899</u>
CHANGE IN ACCOUNTING PRINCIPLE	<u>-</u>	<u>(186,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING, RESTATED	<u>705,754</u>	<u>86,585</u>	<u>114,953</u>	<u>38,341</u>	<u>134,899</u>
FUND BALANCES, ENDING	<u>\$ 837,011</u>	<u>\$ 96,656</u>	<u>\$ 147,912</u>	<u>\$ 42,506</u>	<u>\$ 128,546</u>

Special Revenue			Capital Projects					Total Other Governmental Funds	
Municipal Court	FEMA Hurricane Ike	Totally Texas Scholarship	Capital Projects	1997 Streets	Streets	Capital Improvements Fund	General Obligation Series 2005	Total Other Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 455,166	
160,564	-	-	-	-	-	-	-	160,564	
-	-	-	-	-	-	-	-	335,065	
205,347	-	-	-	-	-	-	-	205,347	
-	-	-	138	35	95	174	2,543	3,210	
-	-	10,029	-	-	-	-	-	27,145	
<u>365,911</u>	<u>-</u>	<u>10,029</u>	<u>138</u>	<u>35</u>	<u>95</u>	<u>174</u>	<u>2,543</u>	<u>1,186,497</u>	
22,226	-	4,616	-	-	-	4,075	-	138,763	
-	-	-	-	-	-	82,865	-	348,013	
-	-	-	-	-	-	58,495	-	77,114	
250,105	-	-	-	-	-	171,218	-	569,825	
-	-	-	-	-	-	18,500	-	18,500	
-	-	-	-	-	-	404,789	-	404,789	
-	-	-	-	-	-	54,112	-	54,112	
-	-	-	-	-	-	1,279,101	-	1,350,071	
<u>272,331</u>	<u>-</u>	<u>4,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,073,155</u>	<u>-</u>	<u>2,961,187</u>	
<u>93,580</u>	<u>-</u>	<u>5,413</u>	<u>138</u>	<u>35</u>	<u>95</u>	<u>(2,072,981)</u>	<u>2,543</u>	<u>(1,774,690)</u>	
-	-	-	-	-	-	249,676	-	249,676	
-	-	-	-	-	-	3,514,312	-	3,519,312	
<u>(36,731)</u>	<u>-</u>	<u>-</u>	<u>(138)</u>	<u>(35)</u>	<u>-</u>	<u>-</u>	<u>(2,543)</u>	<u>(68,835)</u>	
<u>(36,731)</u>	<u>-</u>	<u>-</u>	<u>(138)</u>	<u>(35)</u>	<u>-</u>	<u>3,763,988</u>	<u>(2,543)</u>	<u>3,700,153</u>	
56,849	-	5,413	-	-	95	1,691,007	-	1,925,463	
<u>189,298</u>	<u>936,867</u>	<u>9,869</u>	<u>107,754</u>	<u>26,975</u>	<u>94,158</u>	<u>86,862</u>	<u>1,988,627</u>	<u>4,707,092</u>	
-	-	-	-	-	-	-	-	(186,150)	
<u>189,298</u>	<u>936,867</u>	<u>9,869</u>	<u>107,754</u>	<u>26,975</u>	<u>94,158</u>	<u>86,862</u>	<u>1,988,627</u>	<u>4,520,942</u>	
<u>\$ 246,147</u>	<u>\$ 936,867</u>	<u>\$ 15,282</u>	<u>\$ 107,754</u>	<u>\$ 26,975</u>	<u>\$ 94,253</u>	<u>\$ 1,777,869</u>	<u>\$ 1,988,627</u>	<u>\$ 6,446,405</u>	

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**BUDGET TO ACTUAL
COMPARISONS**

CITY OF DEER PARK, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
GENERAL GOVERNMENT			
Mayor and council:			
Personnel services	\$ -	\$ 14,225	\$(14,225)
Services	63,750	34,840	28,910
Supplies	<u>5,450</u>	<u>1,165</u>	<u>4,285</u>
Total mayor and council	<u>69,200</u>	<u>50,230</u>	<u>18,970</u>
City manager:			
Personnel services	441,724	456,368	(14,644)
Services	21,000	13,462	7,538
Supplies	16,300	5,350	10,950
Repairs and maintenance	<u>200</u>	<u>-</u>	<u>200</u>
Total City manager	<u>479,224</u>	<u>475,180</u>	<u>4,044</u>
Boards and commissions:			
Personnel services	-	5,825	(5,825)
Services	13,600	3,430	10,170
Supplies	<u>1,250</u>	<u>484</u>	<u>766</u>
Total boards and commissions	<u>14,850</u>	<u>9,739</u>	<u>5,111</u>
Municipal court:			
Personnel services	188,905	177,452	11,453
Services	49,725	51,994	(2,269)
Supplies	11,250	8,439	2,811
Repairs and maintenance	<u>5,000</u>	<u>4,686</u>	<u>314</u>
Total municipal court	<u>254,880</u>	<u>242,571</u>	<u>12,309</u>
General government:			
Services	2,660,300	2,272,229	388,071
Supplies	131,500	77,116	54,384
Repairs and maintenance	105,000	90,003	14,997
Other operating expenditures	<u>221,513</u>	<u>-</u>	<u>221,513</u>
Total general government	<u>3,118,313</u>	<u>2,439,348</u>	<u>678,965</u>

(continued)

CITY OF DEER PARK, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
GENERAL GOVERNMENT (Continued)			
Legal services:			
Services	\$ 139,000	\$ 107,533	\$ 31,467
Supplies	-	110	(110)
Total legal services	<u>139,000</u>	<u>107,643</u>	<u>31,357</u>
 Personnel:			
Personnel services	195,958	201,794	(5,836)
Services	22,550	11,031	11,519
Supplies	<u>2,350</u>	<u>8,067</u>	<u>(5,717)</u>
Total personnel	<u>220,858</u>	<u>220,892</u>	<u>(34)</u>
 Information technology services			
Personnel services	457,987	454,437	3,550
Services	249,573	230,565	19,008
Supplies	27,450	18,793	8,657
Repairs and maintenance	<u>83,550</u>	<u>64,460</u>	<u>19,090</u>
Total information technology services	<u>818,560</u>	<u>768,255</u>	<u>50,305</u>
 Accounting and finance:			
Personnel services	366,622	366,287	335
Services	42,320	40,318	2,002
Supplies	19,075	12,658	6,417
Repairs and maintenance	<u>1,080</u>	<u>637</u>	<u>443</u>
Total accounting and finance	<u>429,097</u>	<u>419,900</u>	<u>9,197</u>
 City secretary:			
Personnel services	232,301	226,149	6,152
Services	44,360	37,349	7,011
Supplies	12,570	15,376	(2,806)
Repairs and maintenance	<u>16,450</u>	<u>14,918</u>	<u>1,532</u>
Total City secretary	<u>305,681</u>	<u>293,792</u>	<u>11,889</u>

(continued)

CITY OF DEER PARK, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
GENERAL GOVERNMENT (Continued)			
Warehouse:			
Personnel services	\$ 47,826	\$ 47,978	\$(152)
Services	25	-	25
Supplies	1,475	806	669
Repairs and maintenance	<u>750</u>	<u>408</u>	<u>342</u>
Total warehouse	<u>50,076</u>	<u>49,192</u>	<u>884</u>
Employee benefits			
Personnel services	<u>5,793,071</u>	<u>5,801,480</u>	<u>(8,409)</u>
Total employee benefits	<u>5,793,071</u>	<u>5,801,480</u>	<u>(8,409)</u>
Total general government	<u>11,692,810</u>	<u>10,878,222</u>	<u>814,588</u>
COMMUNITY DEVELOPMENT			
Planning and development:			
Personnel services	1,063,923	1,058,058	5,865
Services	90,190	69,691	20,499
Supplies	84,295	63,034	21,261
Repairs and maintenance	55,120	50,808	4,312
Capital outlay	<u>-</u>	<u>12,975</u>	<u>(12,975)</u>
Total planning and development	<u>1,293,528</u>	<u>1,254,566</u>	<u>38,962</u>
Beautification:			
Repairs and maintenance	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total beautification	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Park operations:			
Personnel services	949,575	910,785	38,790
Services	55,000	44,224	10,776
Supplies	101,400	114,247	(12,847)
Repairs and maintenance	<u>144,200</u>	<u>108,047</u>	<u>36,153</u>
Total park operations	<u>1,250,175</u>	<u>1,177,303</u>	<u>72,872</u>

(continued)

CITY OF DEER PARK, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
COMMUNITY DEVELOPMENT (Continued)			
Recreation:			
Personnel services	\$ 983,357	\$ 896,123	\$ 87,234
Services	186,700	364,454	(177,754)
Supplies	137,550	111,192	26,358
Repairs and maintenance	<u>40,000</u>	<u>47,515</u>	<u>(7,515)</u>
Total recreation	<u>1,347,607</u>	<u>1,419,284</u>	<u>(71,677)</u>
Athletics and aquatics:			
Personnel services	222,108	223,658	(1,550)
Services	114,400	110,063	4,337
Supplies	74,400	63,035	11,365
Repairs and maintenance	<u>29,500</u>	<u>25,764</u>	<u>3,736</u>
Total athletics and aquatics	<u>440,408</u>	<u>422,520</u>	<u>17,888</u>
Senior services:			
Personnel services	159,909	150,604	9,305
Services	15,300	7,435	7,865
Supplies	168,300	153,684	14,616
Repairs and maintenance	<u>18,200</u>	<u>15,514</u>	<u>2,686</u>
Total senior services	<u>361,709</u>	<u>327,237</u>	<u>34,472</u>
After-school program:			
Personnel services	170,000	165,233	4,767
Services	3,400	3,459	(59)
Supplies	<u>38,500</u>	<u>26,860</u>	<u>11,640</u>
Total after-school program	<u>211,900</u>	<u>195,552</u>	<u>16,348</u>

(continued)

CITY OF DEER PARK, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
COMMUNITY DEVELOPMENT (Continued)			
Library:			
Personnel services	\$ 529,085	\$ 527,622	\$ 1,463
Services	46,060	38,453	7,607
Supplies	136,107	125,934	10,173
Repairs and maintenance	<u>13,200</u>	<u>5,049</u>	<u>8,151</u>
Total library	<u>724,452</u>	<u>697,058</u>	<u>27,394</u>
Total community development	<u>5,634,779</u>	<u>5,493,520</u>	<u>141,259</u>
PUBLIC WORKS			
Building maintenance:			
Personnel services	462,148	446,799	15,349
Services	2,000	440	1,560
Supplies	53,900	55,062	(1,162)
Repairs and maintenance	<u>8,400</u>	<u>6,286</u>	<u>2,114</u>
Total building maintenance	<u>526,448</u>	<u>508,587</u>	<u>17,861</u>
Sanitation:			
Personnel services	1,099,681	1,070,892	28,789
Services	737,635	619,417	118,218
Supplies	337,643	326,693	10,950
Repairs and maintenance	<u>192,800</u>	<u>173,273</u>	<u>19,527</u>
Total sanitation	<u>2,367,759</u>	<u>2,190,275</u>	<u>177,484</u>
Street maintenance:			
Personnel services	509,624	478,235	31,389
Services	5,435	2,523	2,912
Supplies	81,775	85,537	(3,762)
Repairs and maintenance	<u>229,030</u>	<u>178,255</u>	<u>50,775</u>
Total street maintenance	<u>825,864</u>	<u>744,550</u>	<u>81,314</u>

(continued)

CITY OF DEER PARK, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
PUBLIC WORKS (Continued)			
Fleet maintenance:			
Personnel services	\$ 409,595	\$ 406,382	\$ 3,213
Services	7,160	3,645	3,515
Supplies	48,535	36,727	11,808
Repairs and maintenance	<u>7,200</u>	<u>7,911</u>	<u>(711)</u>
Total fleet maintenance	<u>472,490</u>	<u>454,665</u>	<u>17,825</u>
Humane division:			
Personnel services	136,019	131,974	4,045
Services	2,035	616	1,419
Supplies	21,250	18,070	3,180
Repairs and maintenance	<u>4,100</u>	<u>3,108</u>	<u>992</u>
Total humane division	<u>163,404</u>	<u>153,768</u>	<u>9,636</u>
Storm water:			
Personnel services	69,054	35,216	33,838
Services	9,041	3,739	5,302
Supplies	12,385	2,782	9,603
Repairs and maintenance	<u>5,000</u>	<u>1,426</u>	<u>3,574</u>
Total humane division	<u>95,480</u>	<u>43,163</u>	<u>52,317</u>
Total public works	<u>4,451,445</u>	<u>4,095,008</u>	<u>356,437</u>
PUBLIC SAFETY			
Police:			
Personnel services	5,684,669	5,564,282	120,387
Services	147,638	136,030	11,608
Supplies	310,526	279,675	30,851
Repairs and maintenance	<u>116,976</u>	<u>121,351</u>	<u>(4,375)</u>
Total police	<u>6,259,809</u>	<u>6,101,338</u>	<u>158,471</u>

(continued)

CITY OF DEER PARK, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
PUBLIC SAFETY (Continued)			
Emergency management:			
Services	\$ 19,725	\$ 21,028	\$(1,303)
Supplies	8,625	7,787	838
Repairs and maintenance	<u>15,150</u>	<u>11,571</u>	<u>3,579</u>
Total emergency management	<u>43,500</u>	<u>40,386</u>	<u>3,114</u>
Fire department:			
Personnel services	860,723	889,985	(29,262)
Services	215,450	155,268	60,182
Supplies	135,551	130,835	4,716
Repairs and maintenance	<u>108,000</u>	<u>126,179</u>	<u>(18,179)</u>
Total fire department	<u>1,319,724</u>	<u>1,302,267</u>	<u>17,457</u>
Ambulance:			
Services	93,380	80,510	12,870
Supplies	70,370	53,658	16,712
Repairs and maintenance	<u>20,385</u>	<u>20,541</u>	<u>(156)</u>
Total ambulance	<u>184,135</u>	<u>154,709</u>	<u>29,426</u>
Fire marshal:			
Services	49,314	38,784	10,530
Supplies	8,138	6,985	1,153
Repairs and maintenance	<u>2,626</u>	<u>1,984</u>	<u>642</u>
Total fire marshal	<u>60,078</u>	<u>47,753</u>	<u>12,325</u>
Total public safety	<u>7,867,246</u>	<u>7,646,453</u>	<u>220,793</u>

(continued)

CITY OF DEER PARK, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
PARKS AND RECREATION			
Golf course maintenance:			
Services	\$ 419,400	\$ 408,670	\$ 10,730
Supplies	41,000	53,566	(12,566)
Repairs and maintenance	<u>175,000</u>	<u>162,709</u>	<u>12,291</u>
Total golf course maintenance	<u>635,400</u>	<u>624,945</u>	<u>10,455</u>
Clubhouse:			
Personnel services	370,934	360,849	10,085
Services	129,750	146,202	(16,452)
Supplies	21,200	23,587	(2,387)
Repairs and maintenance	39,050	54,751	(15,701)
Other operating expenditures	<u>74,000</u>	<u>97,712</u>	<u>(23,712)</u>
Total clubhouse	<u>634,934</u>	<u>683,101</u>	<u>(48,167)</u>
Restaurant:			
Personnel services	255,744	273,379	(17,635)
Services	36,100	29,793	6,307
Supplies	334,350	303,034	31,316
Repairs and maintenance	2,500	-	2,500
Other operating expenditures	<u>25,200</u>	<u>7,450</u>	<u>17,750</u>
Total restaurant	<u>653,894</u>	<u>613,656</u>	<u>40,238</u>
Total parks and recreation	<u>1,924,228</u>	<u>1,921,702</u>	<u>2,526</u>
Total expenditures	<u>31,570,508</u>	<u>30,034,905</u>	<u>1,535,603</u>
SUMMARY BY OBJECT			
Personnel services	21,660,542	21,342,071	318,471
Services	5,691,316	5,087,195	604,121
Supplies	2,454,470	2,190,348	264,122
Repairs and maintenance	1,443,467	1,297,154	146,313
Other operating expenditures	320,713	105,162	215,551
Capital outlay	<u>-</u>	<u>12,975</u>	<u>(12,975)</u>
Total	<u>\$ 31,570,508</u>	<u>\$ 30,034,905</u>	<u>\$ 1,535,603</u>

CITY OF DEER PARK, TEXAS

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

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Taxes:			
Property	\$ 3,586,124	\$ 3,536,932	\$(49,192)
Investment earnings	<u>5,000</u>	<u>2,610</u>	<u>(2,390)</u>
Total revenues	<u>3,591,124</u>	<u>3,539,542</u>	<u>(51,582)</u>
EXPENDITURES			
Debt service:			
Principal	2,490,000	2,490,000	-
Interest and other charges	<u>1,636,700</u>	<u>1,640,122</u>	<u>(3,422)</u>
Total expenditures	<u>4,126,700</u>	<u>4,130,122</u>	<u>(3,422)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(535,576)</u>	<u>(590,580)</u>	<u>(55,004)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>228,520</u>	<u>236,964</u>	<u>8,444</u>
Total other financing sources	<u>228,520</u>	<u>236,964</u>	<u>8,444</u>
NET CHANGE IN FUND BALANCE	<u>(307,056)</u>	<u>(353,616)</u>	<u>(46,560)</u>
FUND BALANCE, BEGINNING	<u>2,088,508</u>	<u>2,088,508</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,781,452</u>	<u>\$ 1,734,892</u>	<u>\$(46,560)</u>

CITY OF DEER PARK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HOTEL OCCUPANCY TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Hotel/motel taxes	\$ 390,754	\$ 455,166	\$ 64,412
Total revenues	<u>390,754</u>	<u>455,166</u>	<u>64,412</u>
EXPENDITURES			
Current:			
Community development	426,260	245,906	180,354
Capital outlay	<u>290,302</u>	<u>48,615</u>	<u>241,687</u>
Total expenditures	<u>716,562</u>	<u>294,521</u>	<u>422,041</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(325,808)	<u>160,645</u>	<u>486,453</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>29,388</u>	(29,388)	<u>58,776</u>
Total other financing sources	<u>29,388</u>	(29,388)	<u>58,776</u>
NET CHANGE IN FUND BALANCE	(296,420)	131,257	427,677
FUND BALANCE, BEGINNING	<u>705,754</u>	<u>705,754</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 409,334</u>	<u>\$ 837,011</u>	<u>\$ 427,677</u>

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STATISTICAL SECTION

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	76
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	82
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	86
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	92
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	94

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

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

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CITY OF DEER PARK, TEXAS

NET ASSETS BY COMPONENT

LAST EIGHT FISCAL YEARS
(accrual basis of accounting)

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

Note:

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

CITY OF DEER PARK, TEXAS
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year							
	2004	2005	2006*	2007	2008	2009	2010	2011
EXPENSES								
Governmental activities:								
General government	\$ 7,284,490	\$ 7,529,534	\$ 8,373,235	\$ 8,846,111	\$ 9,470,146	\$ 10,966,814	\$ 14,132,823	\$ 13,666,778
Public safety	5,404,921	5,877,232	6,252,445	6,885,057	7,921,413	10,285,816	9,585,147	8,927,783
Public works	4,357,156	4,507,203	5,259,922	6,297,724	5,332,621	5,925,540	6,030,222	5,592,366
Parks and recreation	-	-	2,148,365	2,121,981	2,092,772	2,690,654	2,158,444	2,154,431
Community development	4,710,933	4,602,280	4,933,184	5,280,164	6,486,732	6,921,903	6,578,378	6,443,264
Interest on long-term debt	1,236,950	1,287,617	1,355,043	1,168,616	1,482,204	1,390,366	1,437,830	1,606,938
Total governmental activities expenses	<u>22,994,450</u>	<u>23,803,866</u>	<u>28,322,194</u>	<u>30,599,653</u>	<u>32,785,888</u>	<u>38,181,093</u>	<u>39,922,844</u>	<u>38,391,560</u>
Business-type activities:								
Water and sewer	6,073,686	6,274,817	7,099,200	6,996,091	7,168,771	8,061,221	7,690,164	7,822,999
Golf course	2,171,892	2,162,330	-	-	-	-	-	-
Total business-type activities expenses	<u>8,245,578</u>	<u>8,437,147</u>	<u>7,099,200</u>	<u>6,996,091</u>	<u>7,168,771</u>	<u>8,061,221</u>	<u>7,690,164</u>	<u>7,822,999</u>
Total primary government program expenses	<u>\$ 31,240,028</u>	<u>\$ 32,241,013</u>	<u>\$ 35,421,394</u>	<u>\$ 37,595,744</u>	<u>\$ 39,954,659</u>	<u>\$ 46,242,314</u>	<u>\$ 47,613,008</u>	<u>\$ 46,214,559</u>
PROGRAM REVENUES								
Governmental activities:								
Charges for services:								
General government	\$ 913,865	\$ 993,383	\$ 730,882	\$ 726,640	\$ 941,187	\$ 677,102	\$ 40,164	\$ 50,603
Public safety	831,667	856,307	944,397	1,260,784	1,485,861	1,972,693	1,738,943	1,967,043
Public works	257,997	238,526	273,095	299,569	340,962	378,650	401,748	502,163
Parks and recreation	-	-	1,649,563	1,645,628	1,901,120	2,268,422	1,487,907	1,601,366
Community development	195,720	334,666	-	-	-	-	1,202,284	1,498,581
Operating grants and contributions	426,219	719,134	168,513	201,151	732,275	2,884,838	161,293	398,737
Capital grants and contributions	15,034	7,478	-	-	-	-	-	56,237
Total governmental activities program revenues	<u>2,640,502</u>	<u>3,149,494</u>	<u>3,766,450</u>	<u>4,133,772</u>	<u>5,401,405</u>	<u>8,181,705</u>	<u>5,032,339</u>	<u>6,074,730</u>
Business-type activities:								
Charges for services:								
Water and sewer	6,524,697	7,204,119	7,396,257	7,126,559	7,497,682	8,084,177	8,041,795	10,942,116
Golf course	1,358,566	1,100,002	-	-	-	-	-	-
Total business-type activities program revenues	<u>7,883,263</u>	<u>8,304,121</u>	<u>7,396,257</u>	<u>7,126,559</u>	<u>7,497,682</u>	<u>8,084,177</u>	<u>8,041,795</u>	<u>10,942,116</u>
Total primary government program revenues	<u>\$ 10,523,765</u>	<u>\$ 11,453,615</u>	<u>\$ 11,162,707</u>	<u>\$ 11,260,331</u>	<u>\$ 12,899,087</u>	<u>\$ 16,265,882</u>	<u>\$ 13,074,134</u>	<u>\$ 17,016,846</u>

(continued)

TABLE 2

CITY OF DEER PARK, TEXAS

CHANGES IN NET ASSETS
(Continued)
LAST EIGHT FISCAL YEARS

	Fiscal Year							
	2004	2005	2006*	2007	2008	2009	2010	2011
NET (EXPENSE) REVENUES								
Governmental activities	\$(20,353,948)	\$(20,654,372)	\$(24,555,744)	\$(26,465,881)	\$(27,384,483)	\$(29,999,388)	\$(34,890,505)	\$(32,316,830)
Business-type activities	(362,315)	(133,026)	297,057	130,468	328,911	22,956	351,631	3,119,117
Total primary government net expense	(20,716,263)	(20,787,398)	(24,258,687)	(26,335,413)	(27,055,572)	(29,976,432)	(34,538,874)	(29,197,713)
GENERAL REVENUES AND OTHER								
CHANGES IN NET ASSETS								
Governmental activities:								
Taxes								
Property	7,664,017	8,320,136	9,062,891	9,757,032	11,292,933	11,807,444	12,000,370	12,234,105
Industrial district	8,877,754	9,450,425	10,975,837	14,428,111	16,185,476	17,988,792	12,986,530	12,346,943
Franchise	1,595,409	1,687,079	1,718,725	1,668,001	1,839,383	1,748,053	2,063,774	1,932,237
Sales and use	2,565,923	2,862,023	3,272,524	3,715,143	4,109,314	4,564,184	4,069,523	4,221,452
Hotel occupancy	148,389	203,217	240,612	277,471	334,112	404,561	403,983	455,166
Investment earnings	460,207	399,782	798,037	1,084,019	906,857	225,077	65,499	41,978
Miscellaneous	128,104	266,466	476,569	616,253	439,524	479,596	222,660	83,875
Gain on sale of asset	-	-	-	-	-	233,525	66,794	60,948
Transfers	(167)	(289,408)	437,816	413,490	73,914	-	(2,550,000)	218,520
Total governmental activities	21,439,636	22,899,720	26,983,011	31,959,520	35,181,513	37,451,232	29,329,133	31,595,224
Business-type activities:								
Investment earnings	83,762	127,405	196,999	184,498	92,554	18,164	4,301	2,586
Transfers	167	289,408	(437,816)	(413,490)	(73,914)	-	2,550,000	(218,520)
Total business-type activities	83,929	416,813	(240,817)	(228,992)	18,640	18,164	2,554,301	(215,934)
Total primary government	21,523,565	23,316,533	26,742,194	31,730,528	35,200,153	37,469,396	31,883,434	31,379,290
CHANGE IN NET ASSETS								
Governmental activities	1,085,688	2,245,348	2,427,267	5,493,639	7,797,030	7,451,844	(5,561,372)	(721,606)
Business-type activities	(278,386)	283,787	56,240	(98,524)	347,551	41,120	2,905,932	2,903,183
Total primary government	\$ 807,302	\$ 2,529,135	\$ 2,483,507	\$ 5,395,115	\$ 8,144,581	\$ 7,492,964	\$(2,655,440)	\$ 2,181,577

Notes:

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

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

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CITY OF DEER PARK, TEXAS
FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Reserved	\$ 3,445,575	\$ 225,114	\$ 111,410	\$ 121,679	\$ 197,462	\$ 190,484	\$ 271,282	\$ 236,031	\$ 207,006	\$ -
Unreserved	1,926,763	1,663,978	1,935,060	2,927,924	4,280,006	9,255,848	11,715,534	16,188,960	15,247,265	-
Nonspendable	-	-	-	-	-	-	-	-	-	196,355
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	3,526,731
Unassigned	-	-	-	-	-	-	-	-	-	10,825,327
Total general fund	\$ 5,372,338	\$ 1,889,092	\$ 2,046,470	\$ 3,049,603	\$ 4,477,468	\$ 9,446,332	\$ 11,986,816	\$ 16,424,991	\$ 15,454,271	\$ 14,548,413
All other governmental funds										
Unreserved, reported in:										
Special revenue funds	433,992	1,427,165	496,432	688,671	960,021	1,337,703	1,339,195	2,563,441	2,402,716	-
Capital projects funds	6,855,104	2,647,392	559,154	8,859,792	6,979,305	4,359,127	12,099,991	10,392,992	14,657,635	-
Debt service funds	1,345,395	1,049,345	1,014,631	1,026,306	1,282,720	1,343,259	2,053,462	2,081,520	2,088,508	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	17,947,247
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	2,118,012
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 8,634,491	\$ 5,123,902	\$ 2,070,217	\$ 10,574,769	\$ 9,222,046	\$ 7,040,089	\$ 15,492,648	\$ 15,037,953	\$ 19,148,859	\$ 20,065,259

Notes:

- (1) Revenues exceeded expenses in 2002 and 2003 due to a new agreement with the City "Industrial District" which resulted in an increase in payments during those years.
- (2) In 2005, revenues exceeded expenses by \$2,245,348 due primarily to an increase in industrial taxes and sales taxes from local growth. Additionally, residential and industrial development continued during that year, resulting in increases to fund balances derived from additional general property tax base.
- (3) The City implemented GASB 54 in 2011, which changed the fund balance classifications reported in governmental funds. See the Fund Balance Classification note in the Summary of Significant Accounting Policies in the notes to the financial statements for descriptive information on the new classifications.

CITY OF DEER PARK, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003*	2004**	2005	2006***	2007	2008	2009	2010	2011
REVENUES										
Taxes	20,648,402	\$ 20,496,612	\$ 20,953,802	\$ 22,517,235	\$ 25,230,868	\$ 29,935,611	\$ 33,749,045	\$ 36,553,195	\$ 31,905,813	\$ 31,189,903
Licenses and permits	-	-	388,412	402,108	452,092	384,435	470,155	307,496	314,313	436,015
Fines and penalties	365,844	438,810	565,297	589,176	482,656	786,887	997,669	821,479	877,761	1,092,230
Charges for services	1,270,640	1,266,925	1,254,900	1,310,706	2,657,807	2,746,918	3,048,303	3,852,637	3,379,201	3,709,536
Intergovernmental	-	601,414	447,270	402,215	160,548	207,765	862,631	2,872,735	148,847	389,558
Investment earnings	257,206	152,261	92,969	393,802	798,037	1,084,019	906,857	225,077	65,499	41,978
Other revenues	1,445,543	536,093	440,966	670,749	476,569	616,253	439,524	492,997	525,932	401,843
Total revenues	23,987,635	23,492,115	24,143,616	26,285,991	30,258,577	35,761,888	40,474,184	45,125,616	37,217,366	37,261,063
EXPENDITURES										
General government	6,458,463	6,859,807	7,202,073	7,355,326	8,203,956	8,679,456	9,318,538	10,596,083	11,430,086	11,016,985
Community development	3,764,389	4,510,591	4,560,205	4,423,327	4,830,599	5,173,478	5,884,062	6,385,331	6,183,270	6,038,050
Public works	3,033,972	3,238,749	3,397,297	3,458,603	4,150,623	5,046,305	4,064,345	4,161,980	4,534,506	4,172,122
Parks and recreation	-	-	-	-	1,701,193	1,625,298	1,954,878	2,095,437	1,846,217	1,940,202
Public safety	4,502,061	5,161,513	5,080,277	5,479,772	5,914,796	6,459,075	7,413,815	9,112,933	8,845,527	8,216,278
Debt service										
Principal	1,878,196	1,352,514	2,353,827	1,427,443	1,360,156	2,427,894	2,441,398	2,496,678	2,366,966	2,894,789
Interest	1,812,421	2,306,169	1,236,950	2,502,449	2,388,435	1,185,640	1,640,406	1,409,628	1,527,530	1,694,234
Capital outlay	3,280,554	3,557,476	4,173,239	1,313,948	2,780,356	3,542,429	7,794,339	5,152,641	6,126,024	1,807,005
Total expenditures	24,730,056	26,986,819	28,003,868	25,960,868	31,330,114	34,139,575	40,511,781	41,410,711	42,860,126	37,779,665

(continued)

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

	Fiscal Year									
	2002	2003*	2004**	2005	2006***	2007	2008	2009	2010	2011
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (742,421)	\$ (3,494,704)	\$ (3,860,252)	\$ 325,123	\$ (1,071,537)	\$ 1,622,313	\$ (37,597)	\$ 3,714,905	\$ (5,642,760)	\$ (518,602)
OTHER FINANCING SOURCES (USES)										
Proceeds from the issuance of debt	-	-	964,111	9,349,162	568,307	-	14,305,000	-	7,805,000	-
Proceeds from capital leases	-	-	-	-	-	751,104	947,434	-	1,005,441	249,676
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	84,469	-
Refunding bonds issued	-	-	-	4,670,000	-	-	-	-	6,295,000	-
Premium on issuance of bond	-	-	-	170,439	-	-	261,555	-	650,160	-
Payments to escrow account	-	-	-	(4,717,631)	-	-	(4,557,262)	-	(4,007,637)	-
Proceeds from insurance recovery	-	-	-	-	-	-	-	268,575	3,812	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	60,948
Transfers in	678,979	824,009	936,351	635,920	1,000,141	835,855	2,921,623	1,728,615	2,092,866	3,822,395
Transfers out	(143,858)	(4,323,140)	(936,517)	(925,328)	(562,325)	(422,365)	(2,847,709)	(1,728,615)	(4,642,866)	(3,603,875)
Total other financing sources (uses)	535,121	(3,499,131)	963,945	9,182,562	1,006,123	1,164,594	11,030,641	268,575	9,286,245	529,144
NET CHANGE IN FUND BALANCES	\$ (207,300)	\$ (6,993,835)	\$ (2,896,307)	\$ 9,507,685	\$ (65,414)	\$ 2,786,907	\$ 10,993,044	\$ 3,983,480	\$ 3,643,485	\$ 10,542
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	17.2%	15.6%	15.1%	15.9%	13.1%	11.8%	12.5%	10.8%	10.6%	12.8%

Notes:

* Intergovernmental revenue became a separate revenue line in fiscal year 2003.

** Licenses and permits became a separate line item in FY 2004.

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

CITY OF DEER PARK, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2002	\$ 842,528,540	\$ 328,631,100	\$ 18,760,660	\$ 221,287,360	\$ 968,632,940	\$ 0.70	\$ 6,780,431
2003	887,070,640	351,783,020	30,213,570	249,038,320	1,020,028,910	0.699	7,130,002
2004	946,883,030	369,251,280	33,952,320	267,884,940	1,082,201,690	0.70	7,575,412
2005	990,263,860	395,216,480	31,934,010	270,600,710	1,146,813,640	0.72	8,257,058
2006	1,058,375,190	576,558,105	26,918,080	432,200,585	1,229,650,790	0.72	8,853,486
2007	1,137,850,873	562,065,036	110,248,289	453,353,254	1,356,810,944	0.72	9,769,039
2008	1,244,699,984	705,981,148	88,869,368	491,174,863	1,548,375,637	0.72	10,916,048
2009	1,319,584,117	732,397,906	150,255,998	529,066,640	1,673,171,381	0.705	11,795,858
2010	1,315,124,845	858,463,574	156,543,513	581,449,244	1,748,682,688	0.705	12,328,213
2011	1,306,933,609	857,667,514	152,160,115	585,462,472	1,731,298,766	0.705	12,205,656

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

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

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

CITY OF DEER PARK, TEXAS

INDUSTRIAL DISTRICT VALUATION, BILLING, COLLECTIONS, AND PERCENTAGE COLLECTED

LAST TEN FISCAL YEARS

Fiscal	*Approximate Taxable Value	Fiscal 2001 Time at Each %	Sub Total	Industrial District % Taxable Per Contract	*Approximate Adjusted Taxable Value	Tax Rate	Sub Totals	Amount Billed	Amount Collected	% Collected
** In-Lieu	564,031,473	7/12	\$ 329,018,359	52%	\$ 171,089,547	0.7000	\$ 1,197,627	\$ -	\$ -	100.000%
***Certified	865,722,760	5/12	235,013,114	68.5%	160,983,983	0.7000	1,126,888	2,324,515	2,324,515	99.992%
2001	1,429,754,233				865,722,760	0.7000	6,060,059	6,060,059	6,059,564	99.994%
					1,197,796,290		8,384,574	8,384,574	8,384,079	
2002	2,190,103,510			63%	1,379,765,211	0.7000		9,658,356	9,614,183	99.543%
2003	2,054,864,943			63%	1,294,564,914	0.6990		9,049,009	9,047,428	99.983%
2004	2,012,016,281			63%	1,267,570,257	0.7000		8,872,992	8,872,308	99.992%
2005	2,084,219,757			63%	1,313,058,447	0.7200		9,454,021	9,450,425	99.962%
2006	2,419,822,028			63%	1,524,487,878	0.7200		10,976,313	10,975,837	99.996%
2007	3,181,290,507			63%	2,004,213,019	0.7200		14,430,334	14,428,293	99.986%
2008	3,569,008,272			63%	2,248,475,211	0.7200		16,189,022	16,185,295	99.977%
2009	4,050,195,673			63%	2,551,623,274	0.7050		17,988,944	17,988,792	99.999%
2010	2,923,906,219			63%	1,842,060,918	0.7050		12,986,529	12,986,529	100.000%
2011	2,779,913,092			63%	1,751,345,248	0.7050		12,346,984	12,346,943	100.000%

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

** In 2001, the City was in negotiation with Industry for an increase in the contracted rate in the Industrial District which had been at 52%. The new rate was to be 63%. Negotiations ran over the contractual time period so the City and Industry decided that for fiscal 2001 they would use 7/12 of the year at 52% and the remainder 5/12 at a rate of 68.5%

*** In 2001, the Harris County Appraisal District Certified some of the accounts in the Industrial District. These accounts used the full taxable value while the accounts not certified used the contracted rate. HCAD's attorneys advised that since these accounts are not in the City limits of Deer Park they should no longer be certified to the City. Fiscal 2001 was the last year HCAD certified accounts for the City in the Industrial District.

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

Fiscal Year	City Direct Rates			Overlapping Rates			
	Basic Rate	General Obligation Debt Service	Total Direct Rate	Deer Park Independent School District	La Porte Independent School District	Harris County	San Jacinto Community College District
2002	0.5540	0.1460	0.7000	1.6898	1.6300	0.64627	0.13070
2003	0.5540	0.1450	0.6990	1.8035	1.6800	0.64627	0.13070
2004	0.5540	0.1460	0.7000	1.8071	1.6800	0.64627	0.13913
2005	0.5540	0.1660	0.7200	1.8055	1.7340	0.64627	0.13913
2006	0.5400	0.1800	0.7200	1.8055	1.7335	0.64627	0.14536
2007	0.5400	0.1800	0.7200	1.6623	1.6350	0.64627	0.14537
2008	0.5110	0.2090	0.7200	1.3367	1.3250	0.63582	0.16341
2009	0.5110	0.1940	0.7050	1.3177	1.3250	0.63582	0.16341
2010	0.5110	0.1940	0.7050	1.3367	1.3250	0.63603	0.17080
2011	0.4981	0.2069	0.7050	1.3967	1.3250	0.63656	0.17628

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

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

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

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

CITY OF DEER PARK, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2011		2002	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Quarter Turn Resources, Inc.	\$ 24,990,948	1.4%	\$ -	- %
Hertz Equipment Rental	21,201,679	1.2%	-	- %
Wal-Mart	17,412,500	1.0%	-	- %
Laufen International, Inc.	16,853,970	1.0%	-	- %
Centerpoint Energy, Inc.	15,844,489	0.9%	-	- %
ITCR Deer Park Ltd Partnership	13,895,957	0.8%	-	- %
Aquilex Hydrochem, Inc.	12,867,443	0.7%	-	- %
GSL Constructors, Ltd.	12,847,218	0.7%	-	- %
Partnership Underwood, LP	10,351,381	0.6%	-	- %
Songwon International America	9,998,244	0.6%	-	- %
Noltex, LLC	-	- %	21,977,880	2.3%
HydroChem	-	- %	13,170,910	1.4%
ITCR Deer Park Ltd Partnership	-	- %	12,614,860	1.3%
Southwestern Bell	-	- %	12,246,120	1.3%
Reliant Energy/HLP	-	- %	11,494,030	1.2%
Insigna Management	-	- %	7,510,910	0.8%
Triad Senior Living	-	- %	7,205,900	0.7%
Sulzer Chemtech USA, Inc.	-	- %	6,167,460	0.6%
Intergroup	-	- %	5,832,460	0.6%
Seon Chemicals, LP	-	- %	5,832,170	0.6%
Total	\$ <u>156,263,829</u>	<u>9.0%</u>	\$ <u>104,052,700</u>	<u>10.7%</u>
Total	\$ <u>1,731,298,766</u>	- %	\$ <u>967,927,090</u>	

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

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

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

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected With the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 6,775,917	\$ 6,686,068	98.67%	\$ 714	\$ 6,686,782	98.68%
2003	7,146,816	6,966,991	97.48%	1,651	6,968,642	97.51%
2004	7,578,875	7,492,634	98.86%	1,831	7,494,465	98.89%
2005	8,247,625	8,116,766	98.41%	1,610	8,118,376	98.43%
2006	8,860,495	8,720,758	98.42%	5,773	8,726,531	98.49%
2007	9,769,039	9,563,436	97.90%	7,647	9,571,083	97.97%
2008	11,172,300	10,973,053	98.22%	11,391	10,984,444	98.32%
2009	11,897,387	11,579,783	97.33%	44,319	11,624,102	97.70%
2010	12,366,491	12,159,307	98.32%	88,372	12,247,679	99.04%
2011	12,228,677	12,036,460	98.43%	-	12,036,460	98.43%

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

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

CITY OF DEER PARK, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Capital Leases	Water Revenue Bonds	Capital Leases				
2002	\$ 21,080,000	\$ 3,825,000	\$ 1,264,355	\$ 8,970,000	\$ 140,389	\$ 35,279,744	N/A	\$ 1,053	
2003	19,485,000	3,600,000	940,065	22,430,000	51,312	46,506,377	N/A	1,625	
2004	17,865,000	3,375,000	470,912	18,500,000	40,043	40,250,955	N/A	1,372	
2005	25,535,000	3,150,000	1,074,132	17,270,000	10,645	47,039,777	N/A	1,571	
2006	23,875,000	2,925,000	1,149,649	16,045,000	-	43,994,649	N/A	1,469	
2007	22,205,000	2,700,000	1,325,293	14,825,000	-	41,055,293	N/A	1,371	
2008	30,590,000	2,300,000	1,695,189	13,610,000	-	48,195,189	2.38%	1,578	
2009	28,725,000	2,230,000	1,130,649	12,400,000	-	44,485,649	2.15%	1,428	
2010	29,200,000	9,965,000	1,834,124	8,645,000	-	49,644,124	N/A	1,551	
2011	26,785,000	9,890,000	1,679,561	7,745,000	216,834	46,316,395	N/A	1,895	

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
See Table15 for and personal income and population data.

CITY OF DEER PARK, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Total		
2002	\$ 21,080,000	\$ 1,345,395	\$ 19,734,605	2.04%	\$ 589
2003	19,485,000	1,049,345	18,435,655	1.81%	644
2004	17,865,000	1,014,631	16,850,369	1.56%	574
2005	25,535,000	1,026,306	24,508,694	2.14%	818
2006	23,875,000	1,282,720	22,592,280	1.84%	754
2007	24,905,000	1,343,259	23,561,741	1.92%	787
2008	30,590,000	2,053,462	28,536,538	1.84%	934
2009	28,725,000	2,278,722	26,446,278	1.58%	866
2010	29,200,000	2,088,508	27,111,492	1.55%	847
2011	26,785,000	1,734,892	25,050,108	1.45%	1,025

Notes:

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

See Table 5 for property value data.

Population data can be found in Table 15.

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

CITY OF DEER PARK, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2011

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes:			
Deer Park Independent School District	\$ 197,957,473	22.46%	\$ 44,461,248
Harris County	2,372,616,629	0.62%	14,710,223
Harris County Department of Education	7,980,000	0.62%	49,476
Harris County Flood Control District	103,675,000	0.62%	642,785
Harris County Hospital District	299,910,000	0.62%	1,859,442
LaPorte Independent School District	221,035,000	5.23%	11,560,131
Port of Houston	758,774,397	0.62%	4,704,401
San Jacinto Community College District	322,080,568	4.20%	<u>13,527,384</u>
Subtotal overlapping debt			91,515,090
City direct debt	-		<u>26,785,000</u>
Total direct and overlapping debt			<u>\$ 118,300,090</u>

Sources: Texas Municipal Reports and Governmental Units

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

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

	Fiscal Year				
	2001	2002	2003	2004	2005
Debt limit	\$ 176,418,728	\$ 96,792,709	\$ 102,278,973	\$ 108,201,316	\$ 114,491,670
Total net debt applicable to limit	<u>25,442,841</u>	<u>23,559,605</u>	<u>22,035,655</u>	<u>20,225,369</u>	<u>27,670,882</u>
Legal debt margin	<u>\$ 150,975,887</u>	<u>\$ 73,233,104</u>	<u>\$ 80,243,318</u>	<u>\$ 87,975,947</u>	<u>\$ 86,820,788</u>
Total net debt applicable to the limit as a percentage of debt limit.	14.42%	24.34%	21.54%	18.69%	24.17%

Note:

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

TABLE 13

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 1,731,298,766
Debt limit (10% of assessed value)	173,129,877
Debt applicable to limit:	
General obligation bonds	26,785,000
Less: Amount set aside for repayment of general obligation debt	<u>1,734,892</u>
Total net debt applicable to limit	<u>25,050,108</u>
Legal debt margin	<u>\$ 148,079,769</u>

		Fiscal Year				
		2007	2008	2009	2010	2011
	\$	135,681,094	154,837,564	168,338,508	174,868,269	173,129,877
		<u>23,561,741</u>	<u>28,536,538</u>	<u>26,643,480</u>	<u>27,118,480</u>	<u>25,050,108</u>
	\$	<u>112,119,353</u>	<u>126,301,026</u>	<u>141,695,028</u>	<u>147,749,789</u>	<u>148,079,769</u>
		17.37%	18.43%	15.83%	15.51%	14.47%

CITY OF DEER PARK, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

Fiscal Year	Water Revenue Bonds					Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2002	\$ 6,213,147	\$ 4,795,303	\$ 1,417,844	\$ 681,857	\$ 428,431	1.277
2003	6,657,634	5,486,421	1,171,213	684,034	694,640	0.850
2004	6,608,459	5,282,749	1,325,710	686,312	790,937	0.897
2005	7,331,524	5,546,425	1,785,099	675,043	728,392	1.272
2006	7,396,257	5,146,645	2,249,612	635,000	734,023	1.643
2007	7,126,559	5,122,467	2,004,092	721,516	643,892	1.468
2008	7,497,682	5,327,121	2,170,561	1,215,000	645,008	1.167
2009	8,084,177	6,197,174	1,887,003	1,210,000	532,804	1.083
2010	8,041,795	5,951,271	2,090,524	1,205,000	426,798	1.281
2011	10,942,116	6,119,717	4,822,399	900,000	327,057	3.930

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

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

Calendar Year	Population	Personal Income	Personal Income	Per Capita Personal Income	Unemployment Rate
2002	33,500	N/A	N/A	N/A	6.1%
2003	28,612	N/A	N/A	N/A	6.2%
2004	29,341	N/A	N/A	N/A	5.9%
2005	29,946	N/A	N/A	N/A	5.4%
2006	29,946	N/A	N/A	N/A	4.1%
2007	29,946	N/A	N/A	\$ 29,129	4.4%
2008	30,544	\$ 1,865,688,608	\$ 61,082	29,129	5.6%
2009	31,154	2,066,569,436	66,334	29,866	8.2%
2010*	32,010	N/A	N/A	30,014	8.5%
2011	32,010	N/A	N/A	32,261	8.2%

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

* 2010 census has population at 32,010.

CITY OF DEER PARK, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

Employer	2011		2002	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Shell	2,500	16.28%	N/A	- %
Deer Park ISD	1,756	11.43%	N/A	- %
Lubrival	944	6.15%	N/A	- %
Dow (Rohm & Haas)	900	5.86%	N/A	- %
Mistras	563	3.67%	N/A	- %
City of Deer Park	457	2.98%	N/A	- %
Wal-Mart	425	2.77%	N/A	- %
Minh Foods, Inc.	400	2.60%	N/A	- %
Clean Harbors	270	1.76%	N/A	- %
Aquilex - Hydrochem	250	1.63%	N/A	- %
Total	<u>8,465</u>	<u>55.12%</u>		
Estimated total jobs in the City	15,357			

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

Sources: Individual employers in City, Buxton Database, City of Deer Park Economic Development Administrator

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

Function/Program	Fulltime Equivalent Employees as of June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Management services	2	2	2	2	2	4	2	2	2	2
Finance	6	6	6	6	7	7	11	6	6	6
Planning	10	10	11	10	11	11	10	10	10	18
Other	14	14	14	15	15	13	10	21	21	33
Police										
Officers	53	54	52	52	56	57	51	61	59	60
Civilians	16	16	21	24	22	22	25	24	24	24
Fire										
Firefighters and officers*	-	-	-	-	-	-	-	4	8	9
Civilians	5	5	5	5	5	5	6	6	6	6
Refuse collection	22	21	21	23	21	24	20	20	22	25
Other public works										
Engineering	4	4	4	4	5	6	5	5	5	5
Other	20	21	21	30	27	34	23	25	25	24
Golf operations	17	17	17	17	17	8	7	6	10	6
Parks and recreation	42	41	41	42	46	51	48	48	48	51
Library	9	9	9	9	9	9	10	11	11	12
Water	22	24	23	23	25	26	17	15	15	16
Wastewater	14	13	13	13	15	13	11	12	12	13
Total	<u>256</u>	<u>257</u>	<u>260</u>	<u>275</u>	<u>283</u>	<u>290</u>	<u>256</u>	<u>276</u>	<u>284</u>	<u>310</u>

Source: City Budget

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

* The City has an all volunteer fire department.

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

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government ^a										
Building permits issued	N/A	483	614	704	685	584	598	596	479	422
Building inspections conducted	N/A	6,762	8,596	9,856	9,590	8,176	8,372	5,979	4,227	3,337
Police ^b										
Physical arrests	1,743	2,077	1,919	1,773	2,682	2,559	2,637	2,596	1,975	2,690
Parking violations	N/A	N/A	43	34	31	19	18	13	6	192
Traffic violations	4,678	5,832	7,522	7,117	5,497	11,647	10,167	7,990	9,122	15,505
Fire ^c										
Emergency responses	1,251	1,368	1,443	1,613	1,734	1,871	1,992	1,843	1,950	1,887
Fires extinguished	208	188	186	228	206	326	418	352	387	580
Inspections	N/A	650	803	669	702	-	-	-	-	-
Refuse collection ^d										
Refuse collected (tons per day)	91	94	112	99	100	97	111	101	818	75
Recyclables collected (tons per day)	1	1	1	1	2	2	1	1	1	1
Street resurfacing (miles) ^d	0	0	0	0	0	0	0	0	0	1
Potholes repaired	29	32	34	18	14	35	45	50	150	49
Parks and recreation										
Community center admissions	194	208	215	230	250	429	500	510	520	521
Library										
Volumes in collection	70,541	71,053	74,223	77,454	80,353	81,072	82,386	82,159	82,200	80,593
Total volumes borrowed	181,486	180,968	191,332	179,834	168,196	158,973	169,395	174,058	174,100	173,409
Water										
New connections	192	455	251	481	337	240	114	125	31	27
Water main breaks	69	81	54	108	79	31	41	14	60	261
Average daily consumption (thousands of gallons)	3,400,937	3,518,703	3,532,290	3,739,577	3,676,567	3,661,000	3,900,000	3,900,000	4,199,000	4,646,400
Peak daily consumption (thousands of gallons)	5,391,000	6,175,000	5,606,000	6,638,000	5,517,000	5,279,000	6,086,000	6,961,000	6,566,000	7,722,000
Wastewater										
Average daily sewage treatment (thousands of gallons)	3,585	3,263	3,654	2,861	2,828	3,700	3,500	3,650	3,058	2,572

Source: Various City departments

Notes:

N/A - This information is currently not available.

a - Data not available until 2003.

b - N/A until new software in 2003.

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

d - Majority of streets are concrete.

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

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	40	38	40	36	34	37	39	40	40	40
Fire										
Stations	2	2	2	2	2	2	3	3	3	3
Refuse collection										
Collection trucks	5	5	5	5	5	6	6	6	6	6
Other public works										
Streets (miles)	N/A	91	93	97	99	105	105	105	105	106
Streetlights	2,195	2,195	2,195	2,400	2,421	2,341	2,557	2,557	2,557	2,583
Traffic signals	40	40	40	40	42	43	43	43	43	43
Parks and recreation										
Acres	270	270	270	270	270	270	270	270	270	270
Playgrounds	17	17	17	17	17	17	17	17	17	17
Baseball/softball diamonds	18	18	18	18	18	16	16	16	16	16
Soccer/football fields	9	9	9	9	9	9	9	9	9	9
Community centers	6	7	7	7	7	7	7	7	7	7
Water										
Water lines (miles)	N/A	N/A	N/A	N/A	101	103	103	103	132	133
Fire hydrants	773	798	823	848	873	889	889	889	890	895
Storage capacity										
(three ground wells - 1 M gallons per)	3	3	3	3	3	3	3	3	3	3
(three elevated tanks - 5 M gallons per)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
(two tanks - 1 M gallons per)	2	2	2	2	2	2	2	2	5	5
Wastewater										
Sanitary sewers (miles)	N/A	99	103	107	111	114	114	114	123	124
Storm sewers (miles)	N/A	54	55	59	60	61	62	62	66	67
Treatment capacity (million of gallons)	6	6	6	6	6	6	6	6	6	6

Source: Various City departments
 Line items with "N/A" - data not available due to record retention

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COMPLIANCE SECTION

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

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

Members of the Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deer Park Texas as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

Pattillo, Brown + Hill, L.L.P.

March 1, 2012