



**2017**

**Comprehensive Annual Financial Report**

**City of Deer Park, Texas**

**Fiscal Year Ended September 30, 2017**

***COMPREHENSIVE  
ANNUAL FINANCIAL REPORT***

of the

**CITY OF DEER PARK, TEXAS**

For the Year Ended  
September 30, 2017

Prepared by  
Finance Department

Donna Todd  
Director of Finance

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# CITY OF DEER PARK, TEXAS

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## ***INTRODUCTORY SECTION***

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March 12, 2018

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

Texas law and the City charter require that the City of Deer Park (the “City”) publishes a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City for the fiscal year ended September 30, 2017. This report is published to provide the citizens, City Council, City management and staff, bondholders, and other interested parties detailed information concerning the financial condition of the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework designed to protect the City’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements. I believe the data, as presented, is accurate in all material respects and that it is reported in a manner that fairly presents the financial position and results of operations of the City as measured by the financial activity of the various funds and account groups. All disclosures necessary to enable the reader to gain the maximum understanding of the City’s financial activities have been included.

### **The Report**

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

### **City Profile**

The City of Deer Park, incorporated in 1948, is located in the center of the highly industrialized ship channel area just east of Houston. The City currently occupies a land area of 15 square miles and serves a population of approximately 34,845. The City is empowered to levy an ad valorem tax on both real and personal property located within its boundaries. Further, the City is empowered to extend its corporate limits by annexation. The City receives annual “in-lieu-of-tax” payments from industries located within its extraterritorial jurisdiction. This “industrial district” includes the operations of 24 companies that contract with the City. The current contract, which was modified and renewed effective January 1, 2015, has a 12-year term and will expire on December 31, 2026.

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

The City provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; sanitation, water and sewer services; library services; recreational and cultural opportunities; and general administrative services. In fiscal year 2012 following a special election for each, the City added two component units to be funded by sales and use taxes: the Crime Control and Prevention District and the Fire Control, Prevention, and Emergency Medical Services District. Each district was approved for a period of five years. In May 2016, voters authorized continuation of both the Crime Control and Prevention District and the Fire Control, Prevention, and Emergency Medical Services District for a period of 10 years, including the continuation of the dedicated sales and use tax for each.

### **Annual Budget**

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

### **Factors Affecting Financial Condition**

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

**Local economy.** The City lies adjacent to the Port of Houston, which has evolved to become the largest U.S. port. The region immediately surrounding the City is home to flourishing chemicals, plastics, and fuels industries. The world's growing populations and rising standards of living in developing nations have increased the demand for more energy and products derived from these the City area companies. The year 2017 showed that the City continues to be a thriving community, welcoming 218 enterprising home-based businesses and 71 new storefront businesses, which brought approximately 1,000 new employees to the City.

The following are just a few examples of companies choosing the City for their corporate expansion projects in 2017:

USA DeBusk relocated its corporate headquarters to the City, bringing 350 employees from various locations throughout the surrounding Houston region. Other companies, such as Dow Chemical and Brown & Root, relocated their regional offices to new, consolidated locations in Deer Park.

Pipefitters Local 211 constructed the Kenneth H. Edwards Apprenticeship School Annex building in the City, and this impressive new annex building is now being used to train pipe tradesmen in the art of pipe fabrication, installation, and servicing.

The Lubrizol Corporation broke ground on a new polyisobutylene (PIB) unit in conjunction with Daelim Industrial. The new unit will be located adjacent to their existing Deer Park facility.

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

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

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

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

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

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

### **Independent Audit**

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

### **Awards**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended September 30, 2016. This was the 30<sup>th</sup> consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This CAFR must satisfy both GAAP and applicable legal requirements.

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

**Acknowledgements**

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

Respectfully submitted,

*Donna Todd*

Donna Todd  
Director of Finance

**CITY OF DEER PARK, TEXAS**

*CERTIFICATE OF ACHIEVEMENT FOR  
EXCELLENCE IN FINANCIAL REPORTING*



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Deer Park  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

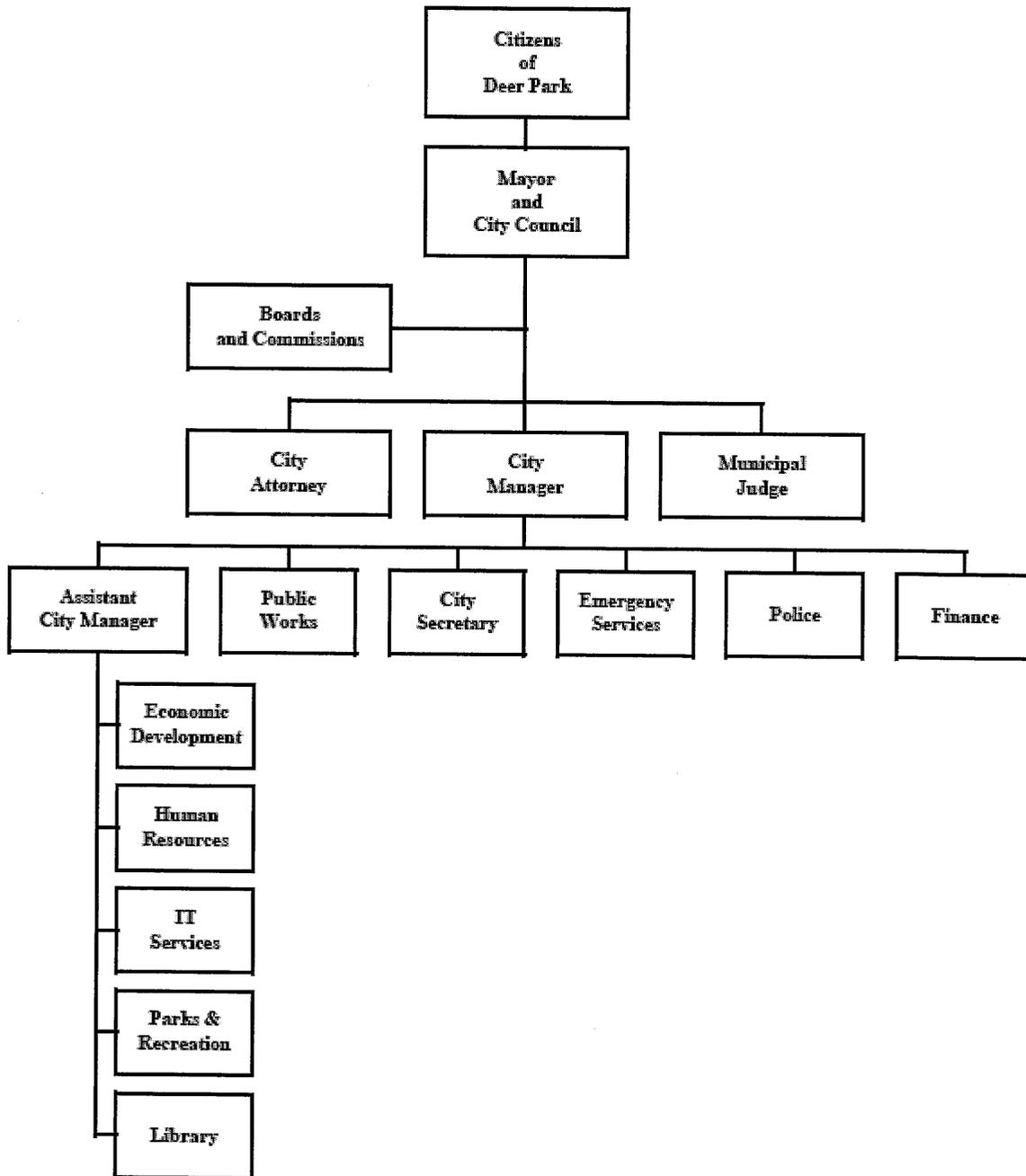
*Christopher P. Morill*

Executive Director/CEO

# CITY OF DEER PARK, TEXAS

## ORGANIZATIONAL CHART

September 30, 2017



# CITY OF DEER PARK, TEXAS

## PRINCIPAL OFFICIALS

September 30, 2017

<b>City Officials</b>	<b>Elective Position</b>
Jerry Mouton, Jr.	Mayor
Sherry Garrison	Council Member
Thane Harrison	Council Member
Tommy Ginn	Council Member
Bill Patterson	Council Member
Ron Martin	Council Member
Rae A. Sinor	Council Member

<b>Key Staff</b>	<b>Position</b>
James Stokes	City Manager
Gary Jackson	Assistant City Manager
Shannon Bennett	City Secretary
Jim Fox	City Attorney
Donna Todd	Director of Finance
Bill Pedersen	Director of Public Works
Greg Grigg	Chief of Police
Charlie Sandberg	Director of Parks and Recreation
Bill Philbert	Director of Human Resources
Robert Hemminger	Emergency Services Director
Rebecca Pool	Director of Library Services
James Lewis	Director of Information Technology

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***FINANCIAL SECTION***

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## ***INDEPENDENT AUDITORS' REPORT***

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Deer Park, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
March 12, 2018

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

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**CITY OF DEER PARK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2017**

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

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

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

The government-wide financial statements include not only the City itself (known as the primary government), but also three legally separate discretely presented component units, the Crime Control and Prevention District; the Fire Control, Prevention, and Emergency Services District; and the Deer Park Community Development Corporation, for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

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

## **FUND FINANCIAL STATEMENTS**

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

### **Governmental Funds**

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

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

The City maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital improvement fund, and capital improvement bond fund (CIBF) 2016 fund, which are considered to be major funds for reporting purposes.

**CITY OF DEER PARK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2017

The City adopts an annual appropriated budget for its general fund, debt service fund, hotel/motel occupancy tax fund, grants fund, police forfeiture fund, and the municipal court fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

**Proprietary Funds**

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

**Fiduciary Funds**

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

**Notes to Financial Statements**

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

**Other Information**

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund, the schedule of changes in net pension liability and related ratios, the schedule of the City's proportionate share of the net pension liability, schedules of contributions, and the schedule of funding progress for other postemployment benefits for healthcare. RSI can be found after the notes to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows by \$113,508,812 as of September 30, 2017. This compares with \$104,086,474 from the prior fiscal year. The largest portion of the City's net position, 64.74 percent, reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**CITY OF DEER PARK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2017

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 76,580,173	\$ 76,665,581	\$ 28,975,855	\$ 25,416,941	\$ 105,556,028	\$ 102,082,522
Capital assets, net	73,786,526	64,369,843	39,229,593	36,696,587	113,016,119	101,066,430
<b>Total Assets</b>	<b>150,366,699</b>	<b>141,035,424</b>	<b>68,205,448</b>	<b>62,113,528</b>	<b>218,572,147</b>	<b>203,148,952</b>
Deferred charge on refunding	378,009	445,411	72,083	85,954	450,092	531,365
Deferred outflows - pensions	6,756,891	8,278,139	932,213	1,154,087	7,689,104	9,432,226
<b>Total Deferred Outflows of Resources</b>	<b>7,134,900</b>	<b>8,723,550</b>	<b>1,004,296</b>	<b>1,240,041</b>	<b>8,139,196</b>	<b>9,963,591</b>
Long-term liabilities	65,173,107	66,442,916	39,081,430	34,199,885	104,254,537	100,642,801
Other liabilities	4,204,958	3,420,421	4,421,786	4,478,882	8,626,744	7,899,303
<b>Total Liabilities</b>	<b>69,378,065</b>	<b>69,863,337</b>	<b>43,503,216</b>	<b>38,678,767</b>	<b>112,881,281</b>	<b>108,542,104</b>
Deferred inflows - pensions	282,354	430,519	38,896	53,446	321,250	483,965
<b>Total Deferred Inflows of Resources</b>	<b>282,354</b>	<b>430,519</b>	<b>38,896</b>	<b>53,446</b>	<b>321,250</b>	<b>483,965</b>
<b>Net Position:</b>						
Net investment in capital assets	56,664,574	47,111,755	16,822,172	15,837,484	73,486,746	62,949,239
Restricted	6,658,676	6,544,124	146,542	147,229	6,805,218	6,691,353
Unrestricted	24,517,930	25,809,239	8,698,918	8,636,643	33,216,848	34,445,882
<b>Total Net Position</b>	<b>\$ 87,841,180</b>	<b>\$ 79,465,118</b>	<b>\$ 25,667,632</b>	<b>\$ 24,621,356</b>	<b>\$ 113,508,812</b>	<b>\$ 104,086,474</b>

A portion of the City's net position, \$6,805,218 or 6.00 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$33,216,848 or 29.26 percent, may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by \$9,422,338 during the current fiscal year, an increase of 9.05 percent in comparison to the prior year net position. Compared to the prior year, total assets increased \$15,423,195 largely due to the current year operating surplus, the issuance of two new bonds in the current year, and an increase in capital assets largely attributable to construction projects. Deferred outflows of resources decreased \$1,824,395 compared to the prior year due to decreases in the net difference between projected and actual investment earnings on pension plan assets and changes in actuarial assumptions. Long-term liabilities increased \$3,611,736 compared to the prior year due to the issuance of two new bonds, three new capital leases, and increases in the net pension liabilities and net OPEB obligations as calculated by the respective actuaries. Other liabilities increased \$727,441 due largely to an increase in payables related to various construction projects. Deferred inflows of resources decreased \$162,715 due to a decrease in the difference between expected and actual experience related to one of the City's pension plans.

**CITY OF DEER PARK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2017

**Statement of Activities:**

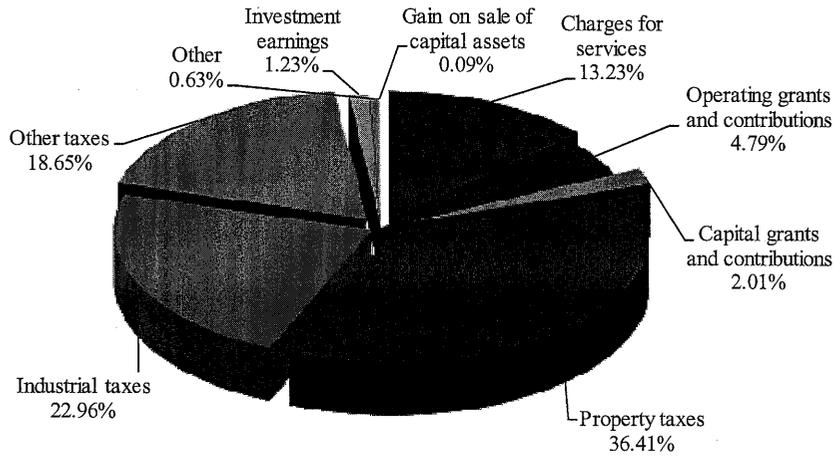
The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 6,482,291	\$ 6,270,570	\$ 11,112,634	\$ 10,578,868	\$ 17,594,925	\$ 16,849,438
Operating grants and contributions	2,349,238	144,965	-	-	2,349,238	144,965
Capital grants and contributions	986,324	658,600	-	-	986,324	658,600
General revenues:						
Property taxes	17,845,389	16,338,414	-	-	17,845,389	16,338,414
Industrial taxes	11,255,235	13,058,596	-	-	11,255,235	13,058,596
Other taxes	9,143,009	9,345,753	-	-	9,143,009	9,345,753
Investment earnings	601,325	202,351	150,971	69,166	752,296	271,517
Other	306,592	276,011	-	-	306,592	276,011
Gain on sale of capital assets	42,405	102,690	-	-	42,405	102,690
<b>Total Revenues</b>	<u>49,011,808</u>	<u>46,397,950</u>	<u>11,263,605</u>	<u>10,648,034</u>	<u>60,275,413</u>	<u>57,045,984</u>
<b>Expenses</b>						
General government	8,221,386	7,716,429	-	-	8,221,386	7,716,429
Public safety	13,054,883	12,732,761	-	-	13,054,883	12,732,761
Public works	8,112,235	8,328,808	-	-	8,112,235	8,328,808
Parks and recreation	351,435	371,619	-	-	351,435	371,619
Community development	9,973,129	9,942,091	-	-	9,973,129	9,942,091
Interest on long-term debt	1,020,878	1,183,483	-	-	1,020,878	1,183,483
Water and sewer	-	-	10,006,970	9,240,162	10,006,970	9,240,162
Storm water utility	-	-	112,159	647,044	112,159	647,044
<b>Total Expenses</b>	<u>40,733,946</u>	<u>40,275,191</u>	<u>10,119,129</u>	<u>9,887,206</u>	<u>50,853,075</u>	<u>50,162,397</u>
<b>Increase in Net Position Before Transfers</b>	8,277,862	6,122,759	1,144,476	760,828	9,422,338	6,883,587
Transfers in (out)	98,200	94,480	(98,200)	(94,480)	-	-
<b>Change in Net Position</b>	8,376,062	6,217,239	1,046,276	666,348	9,422,338	6,883,587
Beginning net position	79,465,118	73,247,879	24,621,356	23,955,008	104,086,474	97,202,887
<b>Ending Net Position</b>	<u>\$ 87,841,180</u>	<u>\$ 79,465,118</u>	<u>\$ 25,667,632</u>	<u>\$ 24,621,356</u>	<u>\$ 113,508,812</u>	<u>\$ 104,086,474</u>

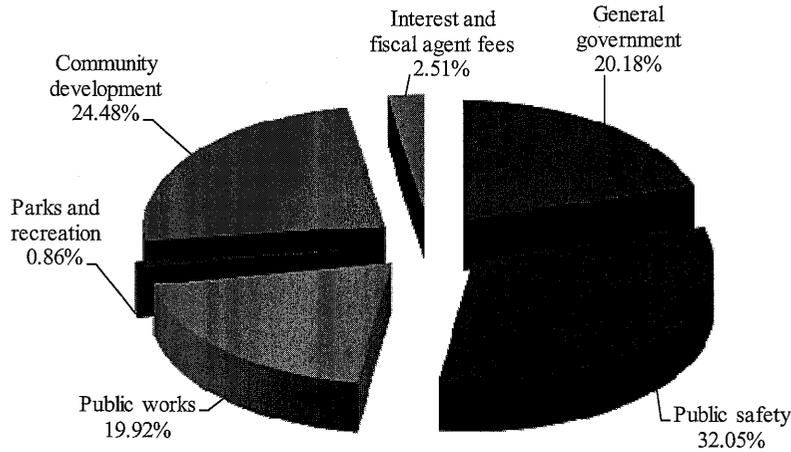
**CITY OF DEER PARK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
 For the Year Ended September 30, 2017

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

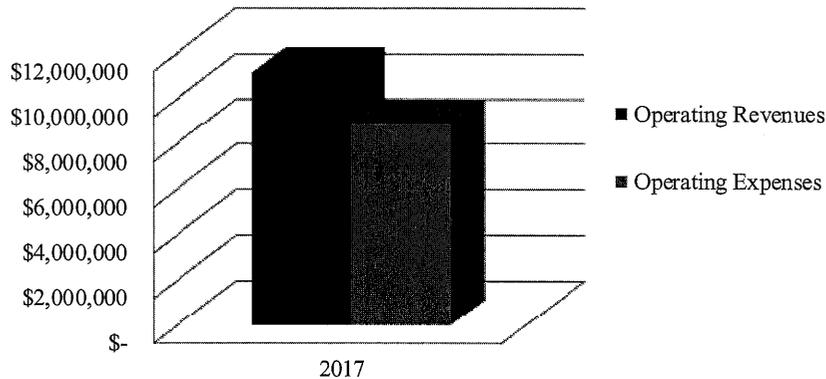
**Governmental Revenues**



**Governmental Expenses**



**Business-Type Activities**



**CITY OF DEER PARK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2017**

For the year ended September 30, 2017, revenues from governmental activities totaled \$49,011,808, an increase of \$2,613,858 compared to the prior year. This increase is primarily due to an increase in charges for services related to increases in ambulance service calls, Deer Park ISD officer program services, and in theatre ticket sales. Operating grants and contributions increased due to debt service contributions from the Deer Park Community Development Corporation. Capital grants and contributions increased due to Deer Park Community Development Corporation contributions towards capital projects and due to current year LEPC grant activity. Property taxes increased compared to the prior year due to an increase in the assessed values of properties and an increase in the property tax rate. Investment earnings also increased compared to the prior year. These increases in revenue were partially offset by decreases in industrial district tax revenues from a decrease in the assessed values of properties, and decreases in revenues for franchise, sales, and hotel occupancy taxes.

For the year ended September 30, 2017, expenses for governmental activities totaled \$40,733,946, an increase of \$458,755. This increase is mainly due to increases in personnel related costs and insurance premiums.

Total revenues for business-type activities increased by a total of \$615,571 compared to the prior year. This was due to an increase in water and sewer rates coupled with an increase in customer consumption. Total expenses for business-type activities increased by \$231,923. This increase is primarily due to an increase in expenses related to a sludge removal project, professional services, and utilities.

#### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

The City's governmental funds reflect a combined fund balance of \$71,485,057. Of this, \$111,479 is nonspendable, \$26,850,130 is restricted, \$10,455,593 is assigned, \$3,000,000 is committed, and \$31,067,855 is unassigned.

There was a decrease in the combined fund balance of \$815,385 compared to the prior year. Compared to the prior year change in fund balance, the current year change in fund balance decreased \$14,364,688. This is largely attributable to an increase in capital outlay and prior year bond issuances.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$31,067,855, while total fund balance reached \$36,520,799. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 87.28 percent of total general fund expenditures, while total fund balance represents 102.59 percent of the total general fund expenditures. The general fund demonstrated an overall decrease in fund balance of \$1,984,055. Revenues increased \$87,974 compared to the prior year due to increases in property tax revenues and charges for services for the reasons previously stated. These increases were partially offset by decreases in revenues for industrial district taxes, sales tax, and permits issued. Expenditures increased \$1,919,232 compared to the prior year due to an increase in personnel costs and capital expenditures.

**CITY OF DEER PARK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2017**

The debt service fund has a total fund balance of \$4,634,050, all of which is restricted for the payment of debt service. The City experienced a net increase in revenues of \$806,932, due to property tax collections in excess of debt service payments, before a transfer in of \$90,958.

The capital improvement bond fund (CIBF) 2016 fund had a decrease in fund balance of \$354,822 due to capital expenditures in excess of new bond proceeds and intergovernmental revenues.

The capital improvement fund had an increase in fund balance of \$3,385,264 due to a transfer in from the general fund for current and future projects in excess of current year capital expenditures.

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City passed a balanced budget planning for no changes to fund balance in the general fund. However, the net change in fund balance decreased by \$1,984,055, resulting in a negative variance of \$1,629,997.

Actual general fund revenues were greater than the amended budgeted revenues by \$1,730,643 during the fiscal year. The largest positive variances were from intergovernmental, charges for services, and investment earnings.

Actual expenditures were less than budgeted amounts in total by \$2,905,536 for the fiscal year. The largest positive variances were in general government, recreation, street maintenance, fleet maintenance, and police.

**CAPITAL ASSETS**

At the end of the fiscal year, the City's governmental and business-type activities had invested \$113,016,119 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$11,949,689.

Major capital asset events during the year included the following:

- City Hall Expansion project current year additions of \$3,397,901
- Firearms Range project current year additions of \$2,018,221
- Concession Stand/Storage ASC project current year additions of \$208,306
- Dow Park Pavilion project current year additions of \$953,862
- Maxwell Center/Parking project current year additions of \$254,302
- Deer Park Baseball project current year additions of \$2,357,825
- Animal Shelter project current year additions of \$440,330
- Street Replacement Project current year additions of \$495,892
- SSO project current year additions of \$288,614
- Water Treatment Plant Building current year additions of \$234,001
- Water/Sewer Maintenance Building Project current year additions of \$601,241
- Purchase of 13 City vehicles for \$877,499

**CITY OF DEER PARK, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2017

- Completion of the Waterline Improvements – Hillshire project for \$700,256
- Completion of the Water Storage Tank Improvement – Coy Street project for \$444,602
- Completion of the Sanitary Sewer Overflow Rehabilitation project for \$719,133
- Completion of the Roof Replacement Theatre/Courts project for \$601,142
- Completion of the City Hall Parking Lot project for \$319,082
- Completion of the Storm Sewer Rehabilitation project for \$511,107
- Completion of the Drainage Improvements Golf Course project for \$461,685
- Completion of the Cottonwood Park project for \$274,754

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

**LONG-TERM DEBT**

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$73,219,998. Of this amount, \$17,004,998 was general obligation debt, \$250,000 was revenue bond debt, and certificates of obligation accounted for \$55,965,000.

During the year, the City had a net increase in bonds and certificates of obligation of \$2,804,997 as the result of two new bond issuances. The City also recognized three new capital leases totaling \$471,411.

State statutes limit the amount of general obligation debt a governmental entity may issue to ten percent of its total assessed valuation. The current debt limitation for the City is \$249,397,828, which is well above the City's total general obligation debt outstanding.

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

Current underlying ratings on debt issues are as follows:

	<b>Moody's Investors Service</b>	<b>Standard and Poor's</b>
General Obligation Bonds	Aa1	AAA
Certificates of Obligation	N/A	AAA

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City budgeted for an increase in property tax revenues of \$737,436, which is a 4.57 percent increase from last year's budget. This increase is the result of new properties being added to the tax roll and increases in property values.

For the 2018 fiscal year budget, the total tax rate of \$0.720 per \$100 of assessed value is the same as the prior year rate. Compared to the prior year budget, the City budgeted for an increase in total general fund revenues/expenditures and other resources of approximately \$3,978,979, which represents a 10.33 percent increase.

**CITY OF DEER PARK, TEXAS**  
***MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)***  
**For the Year Ended September 30, 2017**

City Council approved a current year budget decrease of revenues/expenses of \$1,231,138 compared to the prior year budget for the water and sewer fund.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

***BASIC FINANCIAL STATEMENTS***

# CITY OF DEER PARK, TEXAS

## STATEMENT OF NET POSITION

September 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Crime Control District
<b>Assets</b>				
Cash and cash equivalents	\$ 73,665,770	\$ 26,891,781	\$ 100,557,551	\$ 1,353,274
Restricted cash and cash equivalents	-	1,028,609	1,028,609	-
Receivables, net of allowances	2,842,130	993,054	3,835,184	270,129
Internal balances	(62,411)	62,411	-	-
Due from component units	23,205	-	23,205	-
Due from primary government	-	-	-	203
Inventories	109,128	-	109,128	11,771
Prepaid items	2,351	-	2,351	-
Capital assets:				
Nondepreciable capital assets	32,910,522	10,353,813	43,264,335	2,512,207
Depreciable capital assets, net	40,876,004	28,875,780	69,751,784	608,347
<b>Total Assets</b>	<b>150,366,699</b>	<b>68,205,448</b>	<b>218,572,147</b>	<b>4,755,931</b>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	378,009	72,083	450,092	-
Deferred outflows of resources - TMRS	6,534,467	932,213	7,466,680	90,108
Deferred outflows of resources - TESRS	222,424	-	222,424	-
<b>Total Deferred Outflows of Resources</b>	<b>7,134,900</b>	<b>1,004,296</b>	<b>8,139,196</b>	<b>90,108</b>
<b>Liabilities</b>				
Accounts payable	2,261,483	1,164,824	3,426,307	180,535
Accrued liabilities	1,133,313	166,784	1,300,097	99,648
Customer deposits	13,930	774,359	788,289	-
Due to component units	203	-	203	-
Due to primary government	-	-	-	338
Other payables	656,848	65,160	722,008	-
Accrued interest payable	42,814	4,243	47,057	-
Unearned revenue	96,367	-	96,367	-
Noncurrent liabilities:				
Due within one year	5,851,310	2,246,416	8,097,726	-
Due in more than one year	46,420,746	37,341,676	83,762,422	-
Net pension liability - TMRS	12,274,158	1,739,754	14,013,912	171,985
Net pension liability - TESRS	626,893	-	626,893	-
<b>Total Liabilities</b>	<b>69,378,065</b>	<b>43,503,216</b>	<b>112,881,281</b>	<b>452,506</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows of resources - TMRS	282,354	38,896	321,250	4,524
<b>Total Deferred Inflows of Resources</b>	<b>282,354</b>	<b>38,896</b>	<b>321,250</b>	<b>4,524</b>
<b>Net Position</b>				
Net investment in capital assets	56,664,574	16,822,172	73,486,746	3,120,554
Restricted for:				
Debt service	4,634,050	146,542	4,780,592	-
Enabling legislation:				
Hotel/motel occupancy tax	1,006,732	-	1,006,732	-
Police forfeiture	28,693	-	28,693	-
Municipal court	242,479	-	242,479	-
Special projects - restricted contributions	651,516	-	651,516	1,268,455
Capital projects	95,206	-	95,206	-
Unrestricted	24,517,930	8,698,918	33,216,848	-
<b>Total Net Position</b>	<b>\$ 87,841,180</b>	<b>\$ 25,667,632</b>	<b>\$ 113,508,812</b>	<b>\$ 4,389,009</b>

See Notes to Financial Statements.

**Component Units**

<b>Fire Control District</b>	<b>Deer Park Community Development Corporation</b>
\$ 1,761,838	\$ 2,710,883
270,277	530,990
-	-
-	-
-	-
-	-
5,190	-
1,208,165	-
<u>3,245,470</u>	<u>3,241,873</u>
-	-
94,355	-
-	-
<u>94,355</u>	<u>-</u>
11,568	-
30,732	-
-	-
-	-
22,867	-
-	-
-	-
-	-
-	-
164,374	-
-	-
<u>229,541</u>	<u>-</u>
1,637	-
<u>1,637</u>	<u>-</u>
1,213,355	-
-	-
-	-
-	-
-	-
1,895,292	3,241,873
-	-
-	-
<u>\$ 3,108,647</u>	<u>\$ 3,241,873</u>

# CITY OF DEER PARK, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 8,221,386	\$ 290,859	\$ -	\$ -
Public safety	13,054,883	3,304,936	-	34,087
Public works	8,112,235	1,329,797	-	109,063
Parks and recreation	351,435	71,678	-	-
Community development	9,973,129	1,485,021	2,349,238	843,174
Interest on long-term debt	1,020,878	-	-	-
<b>Total Governmental Activities</b>	<b>40,733,946</b>	<b>6,482,291</b>	<b>2,349,238</b>	<b>986,324</b>
<b>Business-Type Activities</b>				
Water and sewer	10,006,970	10,810,651	-	-
Storm water utility	112,159	301,983	-	-
<b>Total Business-Type Activities</b>	<b>10,119,129</b>	<b>11,112,634</b>	<b>-</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 50,853,075</b>	<b>\$ 17,594,925</b>	<b>\$ 2,349,238</b>	<b>\$ 986,324</b>
<b>Component Units</b>				
Crime Control District	\$ 812,326	\$ -	\$ -	\$ -
Fire Control District	1,305,669	-	-	-
Deer Park Community Development Corporation	3,009,583	-	-	-
<b>Total Component Units</b>	<b>\$ 5,127,578</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**General Revenues:**

- Property taxes
- Industrial district taxes
- Franchise taxes
- Sales and use taxes
- Hotel occupancy taxes
- Investment earnings
- Miscellaneous
- Gain (loss) on sale of capital assets
- Transfers

**Total General Revenues and Transfers**

**Change in Net Position**

Beginning net position

**Ending Net Position**

See Notes to Financial Statements.

**Net Revenue (Expense) and Changes in Net Position**

<b>Primary Government</b>			<b>Component Units</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Crime Control District</b>	<b>Fire Control District</b>	<b>Deer Park Community Development Corporation</b>
\$ (7,930,527)	\$ -	\$ (7,930,527)	\$ -	\$ -	\$ -
(9,715,860)	-	(9,715,860)	-	-	-
(6,673,375)	-	(6,673,375)	-	-	-
(279,757)	-	(279,757)	-	-	-
(5,295,696)	-	(5,295,696)	-	-	-
(1,020,878)	-	(1,020,878)	-	-	-
<u>(30,916,093)</u>	<u>-</u>	<u>(30,916,093)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	803,681	803,681	-	-	-
-	189,824	189,824	-	-	-
-	993,505	993,505	-	-	-
<u>(30,916,093)</u>	<u>993,505</u>	<u>(29,922,588)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	(812,326)	-	-
-	-	-	-	(1,305,669)	-
-	-	-	-	-	(3,009,583)
-	-	-	(812,326)	(1,305,669)	(3,009,583)
17,845,389	-	17,845,389	-	-	-
11,255,235	-	11,255,235	-	-	-
2,095,518	-	2,095,518	-	-	-
6,425,345	-	6,425,345	1,607,891	1,639,119	3,207,725
622,146	-	622,146	-	-	-
601,325	150,971	752,296	1,594	165	1,041
306,592	-	306,592	40,111	1,436	-
42,405	-	42,405	(16,276)	-	-
98,200	(98,200)	-	-	-	-
<u>39,292,155</u>	<u>52,771</u>	<u>39,344,926</u>	<u>1,633,320</u>	<u>1,640,720</u>	<u>3,208,766</u>
8,376,062	1,046,276	9,422,338	820,994	335,051	199,183
<u>79,465,118</u>	<u>24,621,356</u>	<u>104,086,474</u>	<u>3,568,015</u>	<u>2,773,596</u>	<u>3,042,690</u>
<u>\$ 87,841,180</u>	<u>\$ 25,667,632</u>	<u>\$ 113,508,812</u>	<u>\$ 4,389,009</u>	<u>\$ 3,108,647</u>	<u>\$ 3,241,873</u>

# CITY OF DEER PARK, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

September 30, 2017

	General	Debt Service	CIBF 2016	Capital Improvement
<b>Assets</b>				
Cash and cash equivalents	\$ 37,651,048	\$ 4,654,123	\$ 8,664,966	\$ 8,755,557
Receivables, net	2,473,328	75,415	-	-
Due from other funds	-	17,913	-	-
Due from component units	23,205	-	-	-
Inventories	109,128	-	-	-
Prepaid items	2,351	-	-	-
<b>Total Assets</b>	<b>\$ 40,259,060</b>	<b>\$ 4,747,451</b>	<b>\$ 8,664,966</b>	<b>\$ 8,755,557</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,146,590	\$ 2,791	\$ 183,726	\$ 478,381
Accrued liabilities	1,129,981	-	-	-
Due to other funds	-	35,195	-	-
Due to component units	36	-	-	-
Customer deposits	13,930	-	-	-
Other payables	493,800	-	-	163,048
Unearned revenue	96,367	-	-	-
<b>Total Liabilities</b>	<b>2,880,704</b>	<b>37,986</b>	<b>183,726</b>	<b>641,429</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - court fines and warrants	214,191	-	-	-
Unavailable revenue - ambulance	447,436	-	-	-
Unavailable revenue - industrial district taxes	78	-	-	-
Unavailable revenue - property taxes	195,852	75,415	-	-
<b>Total Deferred Inflows of Resources</b>	<b>857,557</b>	<b>75,415</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>				
Nonspendable:				
Inventories	109,128	-	-	-
Prepaid items	2,351	-	-	-
Restricted for:				
Debt service	-	4,634,050	-	-
Enabling legislation	-	-	-	-
Special projects	-	-	-	-
Capital projects	-	-	8,481,240	-
Assigned:				
Disaster response/repair	816,000	-	-	-
Park maintenance	223,365	-	-	-
Patrick's Bayou	1,300,000	-	-	-
Special events	2,100	-	-	-
Capital projects	-	-	-	8,114,128
Committed:				
City Hall renovations	2,500,000	-	-	-
Furnishing new City Hall	500,000	-	-	-
Unassigned	31,067,855	-	-	-
<b>Total Fund Balances</b>	<b>36,520,799</b>	<b>4,634,050</b>	<b>8,481,240</b>	<b>8,114,128</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 40,259,060</b>	<b>\$ 4,747,451</b>	<b>\$ 8,664,966</b>	<b>\$ 8,755,557</b>

See Notes to Financial Statements.

<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ 13,940,076	\$ 73,665,770
293,387	2,842,130
616,372	634,285
-	23,205
-	109,128
-	2,351
<u>\$ 14,849,835</u>	<u>\$ 77,276,869</u>
\$ 449,995	\$ 2,261,483
3,332	1,133,313
661,501	696,696
167	203
-	13,930
-	656,848
-	96,367
<u>1,114,995</u>	<u>4,858,840</u>
-	214,191
-	447,436
-	78
-	271,267
<u>-</u>	<u>932,972</u>
-	109,128
-	2,351
-	4,634,050
1,277,904	1,277,904
651,516	651,516
11,805,420	20,286,660
-	816,000
-	223,365
-	1,300,000
-	2,100
-	8,114,128
-	2,500,000
-	500,000
-	31,067,855
<u>13,734,840</u>	<u>71,485,057</u>
<u>\$ 14,849,835</u>	<u>\$ 77,276,869</u>

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**CITY OF DEER PARK, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
September 30, 2017

Total fund balances for governmental funds		\$ 71,485,057
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, nondepreciable	32,910,522	
Capital assets, net depreciable	<u>40,876,004</u>	
		73,786,526
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
		932,972
Long-term liabilities and deferred outflows and deferred inflows related to pensions are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued interest	(42,814)	
Deferred charge on refunding	378,009	
Net pension liability - TMRS	(12,274,158)	
Net pension liability - TESRS	(626,893)	
Deferred outflows - pensions (TMRS)	6,534,467	
Deferred outflows - pensions (TESRS)	222,424	
Deferred inflows - pensions (TMRS)	(282,354)	
Noncurrent liabilities due in one year	(5,851,310)	
Noncurrent liabilities due in more than one year	<u>(46,420,746)</u>	
		<u>(58,363,375)</u>
		<u>\$ 87,841,180</u>

See Notes to Financial Statements.

# CITY OF DEER PARK, TEXAS

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

### GOVERNMENTAL FUNDS

For the Year Ended September 30, 2017

	General	Debt Service	CIBF 2016	Capital Improvement
<b>Revenues</b>				
Property taxes	\$ 12,965,747	\$ 4,936,202	\$ -	\$ -
Industrial district taxes	11,276,238	-	-	-
Sales taxes	6,425,345	-	-	-
Franchise taxes	2,095,518	-	-	-
Hotel/motel occupancy taxes	-	-	-	-
Fees and fines	1,658,342	-	-	-
Licenses and permits	451,948	-	-	-
Intergovernmental	261,442	2,154,196	793,174	-
Charges for services	4,011,339	-	-	-
Investment earnings	426,869	13,401	68,377	953
Miscellaneous	53,733	-	-	-
<b>Total Revenues</b>	<b>39,626,521</b>	<b>7,103,799</b>	<b>861,551</b>	<b>953</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	7,661,831	-	-	-
Community development	7,970,793	-	-	-
Public works	6,159,421	-	-	177,167
Parks and recreation	55,861	-	-	-
Public safety	11,107,305	-	-	-
<b>Capital outlay</b>	2,275,771	-	3,916,373	4,227,670
<b>Debt service:</b>				
Principal	346,305	5,206,315	-	-
Interest and other charges	19,990	1,090,552	-	-
<b>Total Expenditures</b>	<b>35,597,277</b>	<b>6,296,867</b>	<b>3,916,373</b>	<b>4,404,837</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>4,029,244</b>	<b>806,932</b>	<b>(3,054,822)</b>	<b>(4,403,884)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,244,048	90,958	-	7,789,148
Transfers (out)	(7,806,402)	-	-	-
Proceeds from sale of capital assets	42,405	-	-	-
Insurance proceeds	35,239	-	-	-
Debt issued	-	-	2,700,000	-
Capital leases	471,411	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(6,013,299)</b>	<b>90,958</b>	<b>2,700,000</b>	<b>7,789,148</b>
<b>Net Change in Fund Balances</b>	<b>(1,984,055)</b>	<b>897,890</b>	<b>(354,822)</b>	<b>3,385,264</b>
Beginning fund balances	38,504,854	3,736,160	8,836,062	4,728,864
<b>Ending Fund Balances</b>	<b>\$ 36,520,799</b>	<b>\$ 4,634,050</b>	<b>\$ 8,481,240</b>	<b>\$ 8,114,128</b>

See Notes to Financial Statements.

<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 17,901,949
-	11,276,238
-	6,425,345
-	2,095,518
622,146	622,146
241,887	1,900,229
-	451,948
92,663	3,301,475
99,363	4,110,702
91,725	601,325
217,620	271,353
1,365,404	48,958,228
125,827	7,787,658
540,274	8,511,067
-	6,336,588
-	55,861
166,492	11,273,797
2,072,921	12,492,735
-	5,552,620
-	1,110,542
2,905,514	53,120,868
(1,540,110)	(4,162,640)
17,254	9,141,408
(1,236,806)	(9,043,208)
-	42,405
-	35,239
-	2,700,000
-	471,411
(1,219,552)	3,347,255
(2,759,662)	(815,385)
16,494,502	72,300,442
\$ 13,734,840	\$ 71,485,057

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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, 2017**

Net changes in fund balances - total governmental funds \$ (815,385)

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

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

Capital asset expenditures	12,984,907
Depreciation expense	(3,568,224)

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

Principal payments	5,552,620
Amortization of deferred loss on refunding	(67,402)
Amortization of premiums on bonds	153,475
Amortization of deferred outflows - pensions (TMRS)	(1,549,489)
Amortization of deferred outflows - pensions (TESRS)	28,241
Amortization of deferred inflows - pensions (TMRS)	102,533
Amortization of deferred inflows - pensions (TESRS)	45,632
Compensated absences	(60,866)
Bonds issued	(2,700,000)
Capital lease activity	(471,411)
Closure costs	(910)
Net pension liability - TMRS	(258,037)
Net pension liability - TESRS	(112,652)
Net OPEB obligation	(832,410)
Accrued interest	3,591

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(58,151)
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>8,376,062</u></b>
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See Notes to Financial Statements.

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# CITY OF DEER PARK, TEXAS

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

September 30, 2017

	Business-Type Activities		
	Water and Sewer	Storm Water Utility	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 26,545,437	\$ 346,344	\$ 26,891,781
Restricted cash and cash equivalents	1,028,609	-	1,028,609
Accounts receivable, net	967,523	25,531	993,054
Due from other funds	62,411	-	62,411
<b>Total Current Assets</b>	<b>28,603,980</b>	<b>371,875</b>	<b>28,975,855</b>
Noncurrent assets:			
Capital assets:			
Land	591,397	-	591,397
Buildings	3,861,540	-	3,861,540
Utility system	55,746,369	-	55,746,369
Machinery and equipment	4,593,290	-	4,593,290
Construction in progress	9,762,416	-	9,762,416
Less: accumulated depreciation	(35,325,419)	-	(35,325,419)
<b>Total Noncurrent Assets</b>	<b>39,229,593</b>	<b>-</b>	<b>39,229,593</b>
<b>Total Assets</b>	<b>67,833,573</b>	<b>371,875</b>	<b>68,205,448</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources - pensions	904,412	27,801	932,213
Deferred charge on refunding	72,083	-	72,083
<b>Total Deferred Outflows of Resources</b>	<b>976,495</b>	<b>27,801</b>	<b>1,004,296</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	1,164,757	67	1,164,824
Accrued liabilities	166,784	-	166,784
Accrued interest payable	-	4,243	4,243
Customer deposits	774,359	-	774,359
Other payables	65,160	-	65,160
Compensated absences	130,891	1,238	132,129
Bonds payable - current	1,953,519	-	1,953,519
Capital leases payable	-	160,768	160,768
<b>Total Current Liabilities</b>	<b>4,255,470</b>	<b>166,316</b>	<b>4,421,786</b>
Noncurrent liabilities:			
Net pension liability - TMRS	1,694,592	45,162	1,739,754
Compensated absences	14,544	137	14,681
Bonds payable, net of deferred charges	37,126,274	-	37,126,274
Capital leases payable	-	200,721	200,721
<b>Total Noncurrent Liabilities</b>	<b>38,835,410</b>	<b>246,020</b>	<b>39,081,430</b>
<b>Total Liabilities</b>	<b>43,090,880</b>	<b>412,336</b>	<b>43,503,216</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources - pensions	38,693	203	38,896
<b>Total Deferred Inflows of Resources</b>	<b>38,693</b>	<b>203</b>	<b>38,896</b>
<b>Net Position</b>			
Net investment in capital assets	16,822,172	-	16,822,172
Restricted for:			
Debt service	146,542	-	146,542
Unrestricted	8,711,781	(12,863)	8,698,918
<b>Total Net Position</b>	<b>\$ 25,680,495</b>	<b>\$ (12,863)</b>	<b>\$ 25,667,632</b>

See Notes to Financial Statements.

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# CITY OF DEER PARK, TEXAS

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

For the Year Ended September 30, 2017

	Business-Type Activities		
	Water and Sewer	Storm Water Utility	Total
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 10,810,651	\$ 301,983	\$ 11,112,634
<b>Total Operating Revenues</b>	10,810,651	301,983	11,112,634
<b><u>Operating Expenses</u></b>			
Personnel services	3,255,592	103,091	3,358,683
Contractual services	1,197,701	1,140	1,198,841
Repairs and maintenance	868,948	-	868,948
Other supplies and expenses	1,609,047	166	1,609,213
Depreciation	1,845,135	-	1,845,135
<b>Total Operating Expenses</b>	8,776,423	104,397	8,880,820
<b>Operating Income</b>	2,034,228	197,586	2,231,814
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Investment earnings	150,971	-	150,971
Interest and fiscal agent fees	(1,230,547)	(7,762)	(1,238,309)
<b>Total Nonoperating (Expenses)</b>	(1,079,576)	(7,762)	(1,087,338)
<b>Income Before Transfers</b>	954,652	189,824	1,144,476
Transfers (out)	(98,200)	-	(98,200)
<b>Total Transfers</b>	(98,200)	-	(98,200)
<b>Change in Net Position</b>	856,452	189,824	1,046,276
Beginning net position	24,824,043	(202,687)	24,621,356
<b>Ending Net Position</b>	\$ 25,680,495	\$ (12,863)	\$ 25,667,632

See Notes to Financial Statements.

# CITY OF DEER PARK, TEXAS

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2017

	Business-Type Activities		
	Water and Sewer	Storm Water Utility	Total
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers and users	\$ 10,684,885	\$ 300,129	\$ 10,985,014
Payments to suppliers for goods and services	(4,296,016)	(2,478)	(4,298,494)
Payments to employees for services	(2,993,165)	(96,578)	(3,089,743)
<b>Net Cash Provided by Operating Activities</b>	<b>3,395,704</b>	<b>201,073</b>	<b>3,596,777</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Transfer to other funds	(98,200)	-	(98,200)
<b>Net Cash (Used) by Noncapital Financing Activities</b>	<b>(98,200)</b>	<b>-</b>	<b>(98,200)</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Acquisition and construction of capital assets	(4,378,141)	-	(4,378,141)
Proceeds from debt issuance	7,234,649	-	7,234,649
Principal paid on capital debt	(1,573,688)	(172,893)	(1,746,581)
Interest and fiscal agent fees paid	(1,337,090)	(7,762)	(1,344,852)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(54,270)</b>	<b>(180,655)</b>	<b>(234,925)</b>
<b><u>Cash Flows from Investing Activities</u></b>			
Earnings on investments	150,971	-	150,971
<b>Net Cash Provided by Investing Activities</b>	<b>150,971</b>	<b>-</b>	<b>150,971</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>3,394,205</b>	<b>20,418</b>	<b>3,414,623</b>
Beginning cash and cash equivalents	24,179,841	325,926	24,505,767
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 27,574,046</b>	<b>\$ 346,344</b>	<b>\$ 27,920,390</b>
<b><u>Ending Cash and Cash Equivalents</u></b>			
Unrestricted cash and cash equivalents	\$ 26,545,437	\$ 346,344	\$ 26,891,781
Restricted cash and cash equivalents	1,028,609	-	1,028,609
	<b>\$ 27,574,046</b>	<b>\$ 346,344</b>	<b>\$ 27,920,390</b>

See Notes to Financial Statements.

# CITY OF DEER PARK, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2017

	Business-Type Activities		
	Water and Sewer	Storm Water Utility	Total
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income	\$ 2,034,228	\$ 197,586	\$ 2,231,814
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,845,135	-	1,845,135
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in Assets:</b>			
Accounts receivable	(142,437)	(1,854)	(144,291)
Deferred outflows of resources	228,699	7,046	235,745
<b>Increase (Decrease) in Liabilities:</b>			
Accounts payable	(632,958)	(1,646)	(634,604)
Accrued liabilities	24,556	-	24,556
Accrued interest payable	-	474	474
Other payables	(11,918)	-	(11,918)
Compensated absences payable	12,375	(1,246)	11,129
Net pension liability	35,432	1,184	36,616
Deferred inflows of resources	(14,079)	(471)	(14,550)
Customer deposits	16,671	-	16,671
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 3,395,704</b>	<b>\$ 201,073</b>	<b>\$ 3,596,777</b>

See Notes to Financial Statements.

# CITY OF DEER PARK, TEXAS

## STATEMENT OF NET POSITION

### FIDUCIARY FUNDS

September 30, 2017

	<u>Senior Citizens Trust</u>	<u>LEPC</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 113,104	\$ 146,688
<b>Total Assets</b>	<b>\$ 113,104</b>	<b>\$ 146,688</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ -	\$ 11,381
Due to others	-	135,307
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 146,688</b>
<b><u>Net Position</u></b>		
Restricted	\$ 113,104	\$ -
<b>Total Net Position</b>	<b>\$ 113,104</b>	<b>\$ -</b>

See Notes to Financial Statements.

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

For the Year Ended September 30, 2017

	<u>Senior Citizens Trust</u>
<b><u>Additions</u></b>	
Investment earnings	\$ 775
<b>Total Additions</b>	<u>775</u>
<b>Change in Net Position</b>	<u>775</u>
Beginning net position	<u>112,329</u>
<b>Ending Net Position</b>	<u><u>\$ 113,104</u></u>

See Notes to Financial Statements.

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# CITY OF DEER PARK, TEXAS

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

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

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

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

The basic financial statements contain discretely presented component units. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

#### **Discretely Presented Component Units**

##### **Deer Park Crime Control and Prevention District**

The Deer Park Crime Control and Prevention District (CCPD) is reported in the basic financial statements as a discretely presented component unit, which emphasizes that the CCPD is legally separate from the City. The authority for the CCPD is provided by Texas Local Government Code, Chapter 363. It was established to enhance public safety throughout the City and is funded by a dedicated one-fourth of one percent sales and use tax approved by the voters in May 2011

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

and effective on October 1, 2011 for a period of five years from the date it began to levy taxes. In May 2016, the voters approved the continuation of the CCPD for a period of 10 years. In the event of dissolution, the net position of the CCPD shall be conveyed to the City.

The CCPD is governed by a seven-member board of directors appointed by the City Council. The City has the ability to impose its will on the CCPD because it may remove appointed members at will, and it must approve the CCPD budget and any necessary budget amendments. Separate financial statements are not available for the CCPD.

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

The Deer Park Fire Control, Prevention, and Emergency Medical Services District (FCPEMSD) is reported in the basic financial statements as a discretely presented component unit, which emphasizes that the FCPEMSD is legally separate from the City. The authority for the FCPEMSD is provided by Texas Local Government Code, Chapter 344. It was established to enhance fire control and prevention and emergency medical services programs in the City and is funded by a dedicated one-fourth of one percent sales and use tax approved by the voters in May 2011 and effective on October 1, 2011 for a period of five years from the date it began to levy taxes. In May 2016, the voters approved the continuation of the FCPEMSD for a period of 10 years. In the event of dissolution, the net position of the FCPEMSD shall be conveyed to the City.

The FCPEMSD is governed by a seven-member board of directors appointed by the City Council. The City has the ability to impose its will on the FCPEMSD because it may remove appointed members at will, and it must approve the FCPEMSD budget and any necessary budget amendments. Separate financial statements are not available for the FCPEMSD.

**Deer Park Community Development Corporation**

The Deer Park Community Development Corporation (the "Corporation") is reported in the basic financial statements as a discretely presented component unit, which emphasizes that the Corporation is legally separate from the City. The Corporation was established by a dedicated one-half of one percent sales and use tax approved by the voters in May 2015 for economic development purposes. The authority for the Corporation is provided by Texas Local Government Code, Chapter 505, Type B Corporations. The Corporation was formed for the purpose of financing various public park projects as authorized by Chapter 505 and the election. The dedicated one-half of one percent sales and use tax became effective on October 1, 2015 and the first sales tax receipts for the Corporation were received in December 2015.

The Corporation is governed by a seven-member board of directors appointed by the City Council. The City has the ability to impose its will on the Corporation because it may remove appointed members at will, and it must approve the Corporation budget and any necessary budget amendments. Separate financial statements are not available for the Corporation.

**B. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**C. Basis of Presentation – Government-Wide Financial Statements**

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

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

**D. Basis of Presentation – Fund Financial Statements**

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

The City reports the following governmental funds:

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

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

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

The *capital projects funds* are used to account for the expenditures of resources accumulated from the sale of long-term debt and related interest earnings for capital improvement projects. The capital improvement fund and the CIBF 2016 fund are considered major funds for reporting purposes. The remaining capital project funds are considered nonmajor funds for reporting purposes.

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

The City reports the following enterprise funds:

The *enterprise funds* are used to account for the operations that provide water and wastewater collection, wastewater treatment operations, and storm water utility operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water and sewer fund is considered a major fund for reporting purposes. The storm water utility fund is considered a nonmajor fund for reporting purposes, but the City has elected to present it as major.

Additionally, the City reports the following fiduciary fund types:

The *private-purpose trust 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 of the senior citizens trust fund 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.

The *agency fund* is used to account for proceeds received for community awareness and emergency response programs on behalf of the Local Emergency Planning Committee (LEPC). The City maintains the LEPC fund in a custodial capacity.

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

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

**E. Measurement Focus and Basis of Accounting**

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

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

The government-wide, proprietary, and private-purpose trust fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

**1. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and balances in statewide investment pools (TexPool and TexSTAR). For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with a maturity date of three months or less when purchased to be cash equivalents.

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest bearing accounts and other investments are displayed on the combined balance sheet as "cash and equity in pooled cash."

**2. Investments**

Investments are stated at fair value, except for investment pools, which are stated at either amortized costs or net asset value. Investment income from the pools are allocated back to the respective funds based on each fund's equity in the pool.

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

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

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

**3. Inventories and Prepaid Items**

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

**4. Restricted Assets**

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the enterprise fund are restricted by bond covenants for repayment of debt and to finance construction projects.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of at least two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

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

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has five items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows have been recognized for the net difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. Another deferred outflow is recognized for the differences between the actuarial expectations and the actual economic experience related to the City's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge has been recognized for the changes in actuarial assumptions. This amount is deferred and amortized over the average of the expected service lives of pension plan members. Another deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized as a result of differences between the actuarial expectations and the actual economic experience related to the City's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from court fines and warrants, ambulance fees, and property taxes. These amounts are deferred and recognized as inflows of resources in the period that the amount becomes available.

**7. Compensated Absences**

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

**8. Long-Term Obligations**

In government-wide financial statement and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount.

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

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of a capital lease are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

**9. Net Position Flow Assumption**

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

**10. Fund Balance Flow Assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**11. Fund Balance Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

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

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

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

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

**12. Estimates**

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

**13. Pensions**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and the Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's and TESRS's fiduciary net position have been determined on the same basis as they are reported by TMRS and TESRS. For this

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

All taxes due to the City on real or personal property are payable at the Office of the City Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is October 1, or as soon thereafter as practicable. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest established by State law.

**3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except the capital projects funds, which adopt project length budgets. The original budget is adopted by the City Council prior to the beginning of the fiscal year. The legal level of budgetary control, as defined by the charter, is the department level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. The City Council may transfer any unencumbered funds from one department to another. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2017.

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2017, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexSTAR	\$ 24,247,224	0.10
TexPool	30,438,493	0.10
Certificates of deposit	23,146,992	0.50
<b>Total Fair Value</b>	<u><u>\$ 77,832,709</u></u>	
Portfolio weighted average maturity		0.22

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

*Credit risk.* The City's investment policy limits investments in public fund investment pools rated as to investment quality not less than 'AAA' or 'AAAm', or at an equivalent rating by at least one nationally recognized rating service. As of September 30, 2017, the City's investments in TexPool and TexSTAR were rated 'AAAm' by Standard & Poor's.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2017, market values of pledged securities were \$17,089,283 and bank balances were \$11,359,356.

As of September 30, 2017, the discretely presented component units' bank balances of \$5,776,039 were collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

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

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**TexPool**

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

TexPool is an external investment pool measured at amortized cost. The fair value of the position in TexPool is the same as the net asset value of TexPool shares. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity. The City has no unfunded commitments related to TexPool.

**TexSTAR**

The Texas Short Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR is measured at amortized cost. The fair value of the position in TexSTAR is the same as the net asset value of TexSTAR shares. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national or state emergency that affects TexSTAR's liquidity. The City has no unfunded commitments related to TexSTAR.

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**B. Receivables**

Amounts recorded as receivable as of September 30, 2017 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>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Storm Water Utility</u>
Taxes	\$ 2,073,522	\$ 301,659	\$ -	\$ -	\$ -
Accounts	1,231,646	-	293,387	1,399,559	37,229
Ambulance	2,594,710	-	-	-	-
Less allowance	(3,426,550)	(226,244)	-	(432,036)	(11,698)
<b>Total</b>	<u>\$ 2,473,328</u>	<u>\$ 75,415</u>	<u>\$ 293,387</u>	<u>\$ 967,523</u>	<u>\$ 25,531</u>

**C. Capital Assets**

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

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 22,791,056	\$ -	\$ -	\$ 22,791,056
Construction in progress	1,808,145	9,442,619	(1,131,298)	10,119,466
<b>Total capital assets not being depreciated</b>	<u>24,599,201</u>	<u>9,442,619</u>	<u>(1,131,298)</u>	<u>32,910,522</u>
Other capital assets:				
Buildings	23,207,533	601,142	-	23,808,675
Improvements	62,157,531	2,620,785	-	64,778,316
Machinery and equipment	18,654,105	1,451,659	(250,709)	19,855,055
<b>Total other capital assets</b>	<u>104,019,169</u>	<u>4,673,586</u>	<u>(250,709)</u>	<u>108,442,046</u>
Less accumulated depreciation for:				
Buildings	(11,127,307)	(583,688)	-	(11,710,995)
Improvements	(39,978,843)	(1,612,122)	-	(41,590,965)
Machinery and equipment	(13,142,377)	(1,372,414)	250,709	(14,264,082)
<b>Total accumulated depreciation</b>	<u>(64,248,527)</u>	<u>(3,568,224)</u>	<u>250,709</u>	<u>(67,566,042)</u>
<b>Other capital assets, net</b>	<u>39,770,642</u>	<u>1,105,362</u>	<u>-</u>	<u>40,876,004</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 64,369,843</u>	<u>\$ 10,547,981</u>	<u>\$ (1,131,298)</u>	<u>73,786,526</u>
			Less associated debt	(37,691,415)
			Plus deferred charge on refunding	378,009
			Plus unspent bond proceeds	20,191,454
			<b>Net Investment in Capital Assets</b>	<u>\$ 56,664,574</u>

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

Depreciation was charged to governmental functions as follows:

General government	\$	348,561
Public safety		517,694
Public works		1,524,110
Parks and recreation		306,278
Community development		<u>871,581</u>
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$</b>	<b><u><u>3,568,224</u></u></b>

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

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Contract</u>
Concession Stand/Storage - ASC	\$ 249,827	\$ 208,306	\$ 41,521
Restroom Facility - Bayou Bend	93,570	75,937	17,633
Dow Park Pavilion and Improvements	698,222	277,701	420,521
Maxwell Center/Parking	1,787,000	271,169	1,515,831
Girls Softball Renovation	2,919,425	191,272	2,728,153
Deer Park Baseball	3,009,000	2,803,198	205,802
Soccer Field	3,659,688	281,496	3,378,192
Community Center & Gym	26,000	11,439	14,561
Animal Shelter	2,398,668	448,012	1,950,656
HCFC D B112 Ditch	76,163	20,025	56,138
City Hall Expansion	6,577,966	3,740,128	2,837,838
Wetlands Project	688,809	141,590	547,219
Erin Glenn Storm Sewer Upsizing	242,561	237,826	4,735
Street Replacement Project	5,728,015	495,892	5,232,123
<b>Total</b>	<b><u><u>\$ 28,154,914</u></u></b>	<b><u><u>\$ 9,203,991</u></u></b>	<b><u><u>\$ 18,950,923</u></u></b>

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

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

	Primary Government			Ending Balance
	Beginning Balance	Increases	(Decreases)/ Reclassifications	
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 591,397	\$ -	\$ -	\$ 591,397
Construction in progress	8,068,300	3,652,525	(1,958,409)	9,762,416
<b>Total capital assets not being depreciated</b>	<b>8,659,697</b>	<b>3,652,525</b>	<b>(1,958,409)</b>	<b>10,353,813</b>
Other capital assets:				
Buildings	3,861,540	-	-	3,861,540
Improvements	53,164,672	2,581,697	-	55,746,369
Machinery and equipment	4,490,962	102,328	-	4,593,290
<b>Total other capital assets</b>	<b>61,517,174</b>	<b>2,684,025</b>	<b>-</b>	<b>64,201,199</b>
Less accumulated depreciation for:				
Buildings	(1,096,791)	(96,087)	-	(1,192,878)
Improvements	(29,378,548)	(1,462,841)	-	(30,841,389)
Machinery and equipment	(3,004,945)	(286,207)	-	(3,291,152)
<b>Total accumulated depreciation</b>	<b>(33,480,284)</b>	<b>(1,845,135)</b>	<b>-</b>	<b>(35,325,419)</b>
<b>Other capital assets, net</b>	<b>28,036,890</b>	<b>838,890</b>	<b>-</b>	<b>28,875,780</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 36,696,587</b>	<b>\$ 4,491,415</b>	<b>\$ (1,958,409)</b>	<b>39,229,593</b>
			Less associated debt	(39,441,282)
			Plus deferred charge on refunding	72,083
			Plus unspent bond proceeds	16,961,778
			<b>Net Investment in Capital Assets</b>	<b>\$ 16,822,172</b>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 1,845,135
<b>Total Business-Type Activities Depreciation Expense</b>	<b>\$ 1,845,135</b>

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

Project Description	Authorized Contract	Contract Expenditures	Remaining Contract
Discharge Header - South Plant	\$ 97,490	11,865	\$ 85,625
Waste Water Treatment Plant - Lagoon Project	486,000	750	485,250
10" Force Main HCFC	24,700	21,907	2,793
Backwash System Improvements	14,500	7,803	6,697
Water Treatment Plant - Pax System	148,595	29,496	119,099
<b>Total</b>	<b>\$ 771,285</b>	<b>\$ 71,821</b>	<b>\$ 699,464</b>

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

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

	Component Units			Ending Balance
	Beginning Balance	Increases	(Decreases)/ Reclassifications	
<b>Discretely presented component units:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 493,986	\$ 2,023,411	\$ -	\$ 2,517,397
<b>Total capital assets not being depreciated</b>	<u>493,986</u>	<u>2,023,411</u>	<u>-</u>	<u>2,517,397</u>
Capital assets, being depreciated:				
Building	87,641	-	-	87,641
Improvements	115,182	-	-	115,182
Machinery and equipment	3,062,726	574,420	(106,816)	3,530,330
<b>Total capital assets, being depreciated</b>	<u>3,265,549</u>	<u>574,420</u>	<u>(106,816)</u>	<u>3,733,153</u>
Less accumulated depreciation for:				
Building	(4,382)	(2,191)	-	(6,573)
Improvements	(26,126)	(8,380)	-	(34,506)
Machinery and equipment	(1,513,249)	(452,851)	90,538	(1,875,562)
<b>Total accumulated depreciation</b>	<u>(1,543,757)</u>	<u>(463,422)</u>	<u>90,538</u>	<u>(1,916,641)</u>
<b>Capital assets, being depreciated, net</b>	<u>1,721,792</u>	<u>110,998</u>	<u>(16,278)</u>	<u>1,816,512</u>
<b>Discretely Presented Component Units Capital Assets, Net</b>	<u>\$ 2,215,778</u>	<u>\$ 2,134,409</u>	<u>\$ (16,278)</u>	<u>4,333,909</u>
		<b>Net Investment in Capital Assets</b>		<u>\$ 4,333,909</u>

Depreciation was charged to component units as follows:

Crime control district	\$ 267,730
Fire control district	195,692
<b>Total Component Units Depreciation Expense</b>	<u>\$ 463,422</u>

Construction in progress and remaining commitments under related construction contracts for component unit projects at year end are as follows:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Contract</u>
Firearms Range	\$ 2,048,939	1,788,782	\$ 260,157
Fire Station 3 - EMS Annex/Addition	29,810	5,190	24,620
<b>Total</b>	<u>\$ 2,078,749</u>	<u>\$ 1,793,972</u>	<u>\$ 284,777</u>

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**D. Long-Term Debt**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 15,345,013	\$ -	\$ 2,086,315	\$ 13,258,698 *	\$ 1,278,024
Certificates of obligation	22,720,000	2,700,000	3,120,000	22,300,000 *	3,025,000
Capital leases	743,670	471,411	346,305	868,776 *	365,311
Premium on bond issuance	1,417,416	-	153,475	1,263,941 *	153,475
Compensated absences	1,083,023	1,242,145	1,181,279	1,143,889	1,029,500
Net pension liability - TMRS	12,016,121	4,541,972	4,283,935	12,274,158	-
Net pension liability - TESRS	514,241	112,652	-	626,893	-
Net OPEB obligation	12,552,898	1,440,807	608,397	13,385,308	-
Closure costs	50,534	910	-	51,444	-
<b>Total Governmental Activities</b>	<u>\$ 66,442,916</u>	<u>\$ 10,509,897</u>	<u>\$ 11,779,706</u>	<u>\$ 65,173,107</u>	<u>\$ 5,851,310</u>
				<u>\$ 59,321,797</u>	
				<u>\$ 37,691,415</u>	
<b>Business-Type Activities:</b>					
General obligation bonds	\$ 4,334,988	\$ -	\$ 588,688	\$ 3,746,300 **	\$ 521,976
Certificates of obligation	27,515,000	6,885,000	735,000	33,665,000 **	1,075,000
Revenue bonds	500,000	-	250,000	250,000 **	250,000
Capital leases	534,382	-	172,893	361,489 **	160,768
Premium on bond issuance	1,175,387	349,649	106,543	1,418,493 **	106,543
Net pension liability	1,703,138	644,533	607,917	1,739,754	-
Compensated absences	135,681	154,973	143,844	146,810	132,129
<b>Total Business-Type Activities</b>	<u>\$ 35,898,576</u>	<u>\$ 8,034,155</u>	<u>\$ 2,604,885</u>	<u>\$ 41,327,846</u>	<u>\$ 2,246,416</u>
				<u>\$ 39,081,430</u>	
				<u>\$ 39,441,282</u>	
<b>Discretely Presented Component Units:</b>					
Net pension liability	\$ 327,959	\$ 147,858	\$ 139,458	\$ 336,359	\$ -
<b>Total Discretely Presented Component Units</b>	<u>\$ 327,959</u>	<u>\$ 147,858</u>	<u>\$ 139,458</u>	<u>\$ 336,359</u>	<u>\$ -</u>

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

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

Governmental activities long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
<b>Governmental Activities</b>		
<b>General Obligation Bonds</b>		
2007 General Obligation Bonds	3.80%	\$ 320,000
2010 General Obligation Refunding Bonds	4.00-4.50%	1,215,796
2012 General Obligation Refunding Bonds	2.00-3.00%	3,845,000
2014 General Obligation Bonds	3.00-4.00%	885,000
2014 General Obligation Refunding Bonds	3.00-4.00%	732,902
2016 Limited Tax Refunding Bonds	2.25-4.00%	6,260,000
<b>Total General Obligation Bonds</b>		<b>13,258,698</b>
<b>Certificates of Obligation</b>		
2007 Certificates of Obligation	4.25%	105,000
2010 Certificates of Obligation	4.00-5.00%	6,070,000
2015 Certificates of Obligation	2.00-4.00%	5,995,000
2016 Certificates of Obligation	1.59%	7,430,000
2017 Certificates of Obligation	1.89%	2,700,000
<b>Total Certificates of Obligation</b>		<b>22,300,000</b>
<b>Total Bonds and Certificates of Obligations</b>		<b>35,558,698</b>
<b>Capital Leases</b>		
100' Pierce Velocity Platform	3.64%	55,995
2013 Freightliner Trash Truck	1.38%	18,663
2014 Freightliner Tractor Truck	1.59%	11,706
2016 Freightliner Trash Truck	1.55%	95,244
2016 Golf Cars and Beverage Vehicle	3.15%	271,854
2017 Freightliner Trash Truck	1.84%	151,836
2018 Freightliner 108SD	1.83%	177,848
2018 Freightliner Bus	1.69%	85,630
<b>Total Capital Leases</b>		<b>868,776</b>
<b>Total Governmental Activities Long-Term Debt</b>		<b>\$ 36,427,474</b>

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

Business-type activities long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
<b>Business-Type Activities</b>		
<b>General Obligation Bonds</b>		
2010 General Obligation Refunding Bonds	4.00-4.50%	\$ 804,201
2011 General Obligation Refunding Bonds	2.50-3.00%	1,760,000
2014 General Obligation Refunding Bonds	3.00-4.00%	1,182,099
<b>Total General Obligation Bonds</b>		<b>3,746,300</b>
<b>Certificates of Obligation</b>		
2011 Certificates of Obligation	2.50-4.00%	2,900,000
2012 Certificates of Obligation	2.00-3.00%	4,450,000
2013 Certificates of Obligation	2.50-3.35%	6,765,000
2014 Certificates of Obligation	3.00-4.00%	6,025,000
2015-A Certificates of Obligation	2.00-3.50%	6,810,000
2016-A Certificates of Obligation	2.00-4.00%	6,715,000
<b>Total Certificates of Obligation</b>		<b>33,665,000</b>
<b>Revenue Bonds</b>		
2002 Waterworks and Sewer System	3.40%	250,000
<b>Total Revenue Bonds</b>		<b>250,000</b>
<b>Capital Leases</b>		
2014 Freightliner Street Sweeper	1.42%	74,142
Gradall XL5100 Excavator	1.81%	287,347
<b>Total Capital Leases</b>		<b>361,489</b>
<b>Total Business-Type Activities Long-Term Debt</b>		<b>\$ 38,022,789</b>

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

Annual debt service requirements for governmental activities are as follows:

Year Ending Sep 30	Governmental Activities				
	General Obligation Bonds		Certificates of Obligation		Total
	Principal	Interest	Principal	Interest	
2018	\$ 1,278,024	\$ 397,424	\$ 3,025,000	\$ 583,105	\$ 5,283,553
2019	1,512,962	353,133	2,190,000	524,863	4,580,958
2020	1,564,953	303,642	2,245,000	466,072	4,579,667
2021	1,539,671	254,861	2,305,000	403,254	4,502,786
2022	1,483,025	205,597	2,360,000	343,462	4,392,084
2023-2027	5,450,063	463,300	8,625,000	865,627	15,403,990
2028-2032	295,000	57,500	1,550,000	119,000	2,021,500
2033-2034	135,000	5,500	-	-	140,500
<b>Total</b>	<b>\$ 13,258,698</b>	<b>\$ 2,040,957</b>	<b>\$ 22,300,000</b>	<b>\$ 3,305,383</b>	<b>\$ 40,905,038</b>

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

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

Year Ending Sep 30	Business-Type Activities						
	General Obligation Bonds		Certificates of Obligation		Revenue Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 521,976	\$ 111,931	\$ 1,075,000	\$ 1,062,065	\$ 250,000	\$ 4,250	\$ 3,025,222
2019	667,038	92,367	1,140,000	1,035,665	-	-	2,935,070
2020	660,047	69,983	1,200,000	1,005,828	-	-	2,935,858
2021	590,329	48,839	1,405,000	969,603	-	-	3,013,771
2022	426,975	32,803	1,475,000	928,328	-	-	2,863,106
2023-2027	879,935	27,088	9,970,000	3,847,010	-	-	14,724,033
2028-2032	-	-	12,250,000	1,982,745	-	-	14,232,745
2033-2036	-	-	5,150,000	253,931	-	-	5,403,931
<b>Total</b>	<b>\$ 3,746,300</b>	<b>\$ 383,011</b>	<b>\$ 33,665,000</b>	<b>\$ 11,085,175</b>	<b>\$ 250,000</b>	<b>\$ 4,250</b>	<b>\$ 49,133,736</b>

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds for governmental activities is from taxes levied on all taxable property located within the City, while business-type activities will be paid with utility rate revenues. A number of limitations and restrictions are contained in the various bond ordinances. The City has complied with all significant limitations and restrictions.

Certificates of Obligations

The City has issued tax and revenue certificates of obligation to provide funds for the acquisition and construction of major capital facilities. Certificates of obligation are direct obligations of the City for which its full faith and credit are pledged. Repayment of certificates for governmental activities is from taxes levied on all taxable property located within the City, while business-type activities will be paid with utility rate revenues. A number of limitations and restrictions are contained in the various bond ordinances. The City has complied with all significant limitations and restrictions.

Revenue Bonds

The City also issues bonds where the City pledges net revenues derived from the City's waterworks and sanitary sewer system to pay for debt service. Revenue bonds were issued to finance construction and improvements to the waterworks and sanitary sewer system. A number of limitations and restrictions are contained in the various bond ordinances. The City has complied with all significant limitations and restrictions.

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment, principally consisting of vehicles and equipment. 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. Capital leases bear interest rates ranging from 1.38 percent to 3.64 percent and have maturity dates ranging from 2018 to 2021.

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

Annual requirements to satisfy these obligations are as follows:

Year Ending Sep 30	Governmental Activities		
	Capital Leases		
	Principal	Interest	Total
2018	\$ 365,311	\$ 15,668	\$ 380,979
2019	259,294	9,179	268,473
2020	244,171	3,510	247,681
<b>Total</b>	<b>\$ 868,776</b>	<b>\$ 28,357</b>	<b>\$ 897,133</b>

Year Ending Sep 30	Business-Type Activities		
	Capital Leases		
	Principal	Interest	Total
2018	\$ 160,768	\$ 4,962	\$ 165,730
2019	88,204	2,899	91,103
2020	89,811	1,292	91,103
2021	22,706	68	22,774
<b>Total</b>	<b>\$ 361,489</b>	<b>\$ 9,221</b>	<b>\$ 370,710</b>

The assets acquired through capital leases are as follows:

<b>Assets:</b>		
Machinery and equipment	\$	2,861,472
Less: accumulated depreciation		(1,036,570)
<b>Total</b>	<b>\$</b>	<b>1,824,902</b>

**Federal Arbitrage**

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

**E. Interfund Receivables, Payables, and Transfers**

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

Due To	Due From	Amounts
Debt service	Nonmajor governmental	\$ 17,913
Water and sewer	Debt service	35,195
Water and sewer	Nonmajor governmental	27,216
Nonmajor governmental	Nonmajor governmental	616,372
		<b>\$ 696,696</b>

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

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

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amounts</u>
General	Water and sewer	\$ 98,200
General	Nonmajor governmental	1,145,848
Debt service	Nonmajor governmental	90,958
Capital improvements	General	7,789,148
Nonmajor governmental	General	17,254
		<u>\$ 9,141,408</u>

Amounts transferred between funds relate to the following activities:

- Transfers to the debt service fund were made to transfer interest earned from bond funds for the repayment of debt service and debt service related expenditures in accordance with applicable ordinances and federal regulations.
- The general fund transferred \$7,789,148 to the capital improvement fund to fund current and future capital improvement projects.
- Transfers to the general fund were made by the water and sewer fund and the nonmajor governmental funds to reimburse the general fund for the respective funds’ portion of expenditures paid by the general fund.
- Transfers to the nonmajor governmental funds were made by the general fund for public safety expenditures.

**F. Fund Equity**

As of September 30, 2017, \$1,277,904 of the City’s total fund balance is restricted by enabling legislation.

**Deficit Net Position**

The storm water utility fund has a deficit net position balance of \$12,863 at September 30, 2017.

**G. Restatement of Net Position**

The City has restated governmental activities beginning net position for the recognition of a prior year capital lease and related capital assets as follows:

	<b>Governmental Activities</b>
<b>Beginning net position as reported</b>	\$ 79,444,961
Capital lease payable	(333,612)
Capital lease assets	353,769
<b>Beginning net position - restated</b>	<u>\$ 79,465,118</u>

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

**IV. OTHER INFORMATION**

**A. Risk Management**

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

**B. Contingent Liabilities**

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

The City is a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that resolution of these matters will not have a material adverse effect of the financial condition of the City.

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

**C. Pension Plans**

**1. Texas Municipal Retirement System**

Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the "Board"). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the City are required to participate in TMRS.

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the member's deposits and interest.

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>2017</u>	<u>2016</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	50% of CPI	50% of CPI

Employees Covered by Benefit Terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	201
Inactive employees entitled to, but not yet receiving, benefits	120
Active employees	299
<b>Total</b>	<u><u>620</u></u>

Contributions

The contribution rates for employees in TMRS are either five percent, six percent, or seven percent of employee gross earnings, and the City-matching percentages are either 100 percent, 150 percent, or 200 percent, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute seven percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.36 percent and 13.82 percent in calendar years 2017 and 2016, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2017 were \$2,650,445, which were equal to the required contributions.

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109 percent and female rates multiplied by 103 percent with a three-year set-forward for both males and females. In addition, a three percent minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the three percent floor.

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
<b>Total</b>	<u><u>100.0%</u></u>	

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (A)</u>	<u>Plan Fiduciary Net Position (B)</u>	<u>Net Pension Liability (A) - (B)</u>
Changes for the year:			
Service cost	\$ 3,179,205	\$ -	\$ 3,179,205
Interest	7,931,982	-	7,931,982
Difference between expected and actual experience	(18,490)	-	(18,490)
Contributions - employer	-	2,519,299	(2,519,299)
Contributions - employee	-	1,276,057	(1,276,057)
Net investment income	-	7,078,549	(7,078,549)
Benefit payments, including refunds of employee contributions	(5,758,334)	(5,758,334)	-
Administrative expense	-	(79,953)	79,953
Other changes	-	(4,308)	4,308
<b>Net Changes</b>	<u>5,334,363</u>	<u>5,031,310</u>	<u>303,053</u>
Balance at December 31, 2015	<u>118,800,412</u>	<u>104,753,194</u>	<u>14,047,218</u>
<b>Balance at December 31, 2016</b>	<u><u>\$ 124,134,775</u></u>	<u><u>\$ 109,784,504</u></u>	<u><u>\$ 14,350,271</u></u>

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

Sensitivity of the NPL to Changes in the Discount Rate

The following presents the NPL of the City, calculated using the discount rate of 6.75 percent, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
City's Net Pension Liability	\$ 31,524,256	\$ 14,350,271	\$ 276,764

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2017, the City recognized net pension expense of \$4,648,417.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 66,837	\$ 327,411
Changes in actuarial assumptions	664,536	-
Difference between projected and actual investment earnings	4,876,353	-
Contributions subsequent to the measurement date	2,043,417	-
<b>Total</b>	<b>\$ 7,651,143</b>	<b>\$ 327,411</b>

\$2,043,417 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2018.

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended</u> <u>September 30</u>	<u>Pension</u> <u>Expense</u>
2018	\$ 1,799,867
2019	1,799,867
2020	1,632,587
2021	49,169
2022	(1,175)
<b>Total</b>	<b>\$ 5,280,315</b>

**2. Texas Emergency Services Retirement System**

Plan Description

The City participates in a cost-sharing multiple employer pension plan that has a special funding situation. The plan is administered by the Texas Emergency Services Retirement System (TESRS) and established and administered by the State of Texas (the "State") to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2016, there were 199 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2016, the pension system membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,167
Terminated members entitled to, but not yet receiving, benefits	2,200

Pension Plan Fiduciary Net Position

Detailed information about TESRS's fiduciary net position is available in a separately-issued CAFR that includes financial statements and required supplementary information. TESRS issues a publicly available annual financial report, which includes financial statements, notes, and required supplementary information, and can be obtained at [www.tesrs.org](http://www.tesrs.org). The separately issued actuarial valuations that may be of interest are also available at the same link.

Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees (the "Board") authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by Board rule. The benefit provisions include retirement benefits, as well as death and disability benefits. Members are 50 percent vested after the tenth year of service, with the vesting percentage increasing ten percent for each of the next five years of service so that a member becomes 100 percent vested with 15 years of service.

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2 percent compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of TESRS, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the TESRS contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make TESRS "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The Board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percentage of the Part One portion (not to exceed 15 percent), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the Board to be two percent of the Part One contributions beginning September 1, 2017.

Additional contributions may be made by governing bodies within two years of joining TESRS to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in TESRS.

A small subset of participating departments has a different contribution arrangement that is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into TESRS. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by TESRS.

Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by Board rule, and

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

there is no maximum contribution rate. For the fiscal year ending August 31, 2016, total contributions (dues, prior service, and interest on prior service financing) of \$98,600 were paid by the City. The State appropriated \$1,583,825 for the fiscal year ending August 31, 2016 to TESRS as a whole.

Actuarial Assumptions

The TPL in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	8/31/2016
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with an 80%/120% corridor on market value
Actuarial assumptions:	
Investment rate of return*	7.75%
Projected salary increases	N/A
*Includes inflation at	3.00%
Cost of living adjustments	None

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.97%) and by adding expected inflation (3.00%). In addition, the final 7.75 percent assumption reflected a reduction of 0.22 percent for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities		
Large cap domestic	32.0%	5.72%
Small cap domestic	10.0%	5.96%
Developed international	21.0%	6.21%
Emerging markets	6.0%	7.18%
Master limited partnership	5.0%	7.61%
Fixed income		
Domestic	21.0%	1.61%
International	5.0%	1.81%
<b>Total</b>	<u>100.0%</u>	
Weighted average		4.97%

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

Discount Rate

The discount rate used to measure the TPL was 7.75 percent. No projection of cash flows was used to determine the discount rate because the August 31, 2016 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, TESRS's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Discount Rate Sensitivity Analysis

The following presents the NPL of the City, calculated using the discount rate of 7.75 percent, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	<b>1% Decrease in Discount Rate (6.75%)</b>	<b>Discount Rate (7.75%)</b>	<b>1% Increase in Discount Rate (8.75%)</b>
City's proportionate share of the net pension liability	\$ 1,061,340	\$ 626,893	\$ 350,085

Pension Liabilities, Pension Expense, and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

At August 31, 2016, the City reported a liability of \$626,893 for its proportionate share of TESRS's NPL. The amount recognized by the City as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the City were as follows:

City's proportionate share of the collective NPL	\$	626,893
*State's proportionate share that is associated with the City		216,723
<b>Total</b>	<b>\$</b>	<b>843,616</b>

*\*Calculated using the City's proportionate share of contributions multiplied by the State's share of the collective NPL.*

The TPL used to calculate the NPL was determined by an actuarial valuation as of August 31, 2016. GASB Statement No. 68 requires the NPL to be measured as of a date no earlier than the end of the employer's prior fiscal year. TESRS did not roll forward (nor did they provide the necessary information for the participants to roll forward) the NPL to be measured as of a date no earlier than the end of the City's prior fiscal year. While the City acknowledges that the measurement date does not fall within this 12-month period, the City elected to honor the conservatism principle and report the NPL measured as of August 31, 2016. The City used the assumption that any differences in the NPL measured as of August 31, 2016 versus September 30, 2016 would be immaterial. The employer's proportion of the NPL was based on the employer's contributions to TESRS relative to the contributions of all employers to TESRS for the period September 1, 2015 through August 31, 2016.

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

At August 31, 2016, the employer's proportion of the collective NPL was 2.152 percent, which was an increase of 0.225 percent from its proportion measured as of August 31, 2015.

There were no changes of assumptions or other inputs that affected measurement of the TPL during the measurement period.

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

For the year ended August 31, 2016, the City recognized pension expense of \$128,179. The City recognized on-behalf revenues of \$34,087 calculated by taking the State's total contributions to TESRS multiplied by the City's proportionate share.

At August 31, 2016, the City reported its proportionate share of the TESRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual investment earnings	\$ 118,704	\$ -
Changes in assumptions	13,350	-
Differences between expected and actual experience	970	-
Contributions paid to TESRS subsequent to the measurement date	89,400	-
<b>Total</b>	<b>\$ 222,424</b>	<b>\$ -</b>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ended September 30</b>	<b>Pension Expense</b>
2018	\$ 34,797
2019	34,797
2020	55,079
2021	8,351
<b>Total</b>	<b>\$ 133,024</b>

**D. Other Post Employment Benefits**

**1. Healthcare Plan**

Plan Description

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

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

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

Annual required contribution	\$ 1,650,529
Interest on prior year net OPEB obligation	502,116
Amortization of prior year net OPEB obligation	<u>(711,838)</u>
Annual OPEB cost (expense)	1,440,807
Contributions made	<u>(608,397)</u>
Increase in net OPEB obligation	832,410
Net OPEB obligation-beginning of year	<u>12,552,898</u>
Net OPEB obligation-end of year	<u><u>\$ 13,385,308</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the prior three years (four percent discount rate and level percentage of pay amortization) are as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost (APC)</u>	<u>Employer Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 1,961,395	\$ 430,602	21.95%	\$ 11,510,879
2016	\$ 1,505,502	\$ 463,483	30.79%	\$ 12,552,898
2017	\$ 1,440,807	\$ 608,397	42.23%	\$ 13,385,308

Funded Status and Funding Progress

As of October 1, 2016, the most recent actuarial valuation date, the Plan was zero percent funded. The actuarial accrued liability for benefits was \$17,097,368 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,097,368. The annual covered payroll as of September 30, 2017 was \$18,290,865 and the UAAL as a percentage of this number was 93.47 percent.

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

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

Actuarial Methods and Assumptions

The projected unit credit actuarial cost method is used to calculate the ARC for the City's Plan. Using the Plan benefits, the present health premiums and set of actuarial assumptions, the anticipated future payments are projected. The projected 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.

The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar
Amortization Period	30 year, open amortization
Asset Valuation Method	Market value
Investment Rate of Return	1.00%
Inflation Rate	3.00%
Projected Salary Increases	N/A
Healthcare Cost Trend Rate	Level trend rate of 5.50%.
	Contributions were trended at 2.50%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**2. TMRS Supplemental Death Benefits Plan**

Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB. For the year ended September 30, 2017, the City offered the supplemental death benefit to both active and retired employees.

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

Contributions

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

The City's contribution rates to the TMRS SDBF, for the retiree portion, for the years ended September 30, 2017, 2016, and 2015 are shown below. Annual SDBF costs were \$7,449, \$7,530, and \$6,980 for 2017, 2016, and 2014, respectively.

	2017	2016	2015
Annual Req. Contrib. (Rate)	0.04%	0.04%	0.04%
Actual Contribution Made	0.04%	0.04%	0.04%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

**3. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan's trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use than intended under the Plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under Plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the Plan and makes investment decisions and disburses funds to employees in accordance with Plan provisions.

**E. Industrial District Contracts**

A significant portion of the City's revenue is derived from separate contractual agreements (the "Contracts") with 27 separate industrial companies (the "Companies") that lie within the City's extraterritorial jurisdiction (known as the "Industrial District"). In 2007, the City and the Companies located in the Industrial District agreed to new Contracts extending to December 31, 2014. The City completed negotiations on new Contracts with the Companies located in the Industrial District, with a new expiration date of December 31, 2026. These Contracts call for each Company to annually render to the City a written description of its land, improvements, and tangible personal property as of the immediately preceding January 1 (based on the opinion of the legal counsel for the 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 in the City's tax roll). The Companies have agreed to pay an amount "in lieu" of taxes in the unannexed area of an amount equal to the sum of 63 percent of the amount of ad valorem taxes that would be payable to the City if all of the Company's land and improvements that existed on each January 1 had been within the corporate limits of the City. Under the new Contract, the Companies have agreed to pay an amount "in lieu" of taxes in the unannexed area of an amount equal to the sum of 63 percent of the amount of ad valorem taxes that would be payable to the City if all of the Company's land and improvements that existed on January 1, 2015, 2016, 2017, and 2018 had been within the corporate limits of the City;

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2017

64 percent of the amount of ad valorem taxes that would be payable to the City if all of the Company's land and improvements that existed on January 1, 2019, 2020, 2021, and 2022 had been within the corporate limits of the City; and 65 percent of the amount of ad valorem taxes that would be payable to the City if all of the Company's land and improvements which existed on January 1, 2023, 2024, 2025, and 2026 had been within the corporate limits of the City. Payments in lieu of taxes on new construction will be based on percentages of new value as described in the Contract as ten percent the first year, 20 percent the second year, 30 percent the third year, 40 percent the fourth year, 50 percent the fifth year, and 100 percent after the fifth year of operations. For new construction in excess of \$100,000,000, the new Contracts allow for each Company to negotiate these payment percentages. If those particular negotiations are not completed by January 1, the stated Contract rates will apply to the new construction value. During the fiscal year, the City received revenues of \$11,276,238 related to these contracts.

**F. Operating Leases**

Effective May 29, 2013, the City entered into a lease agreement (the "Agreement") with a tenant to operate the City's municipal golf course. The Agreement extends through May 31, 2023. The term of the Agreement may be extended for four, five-year extensions upon the mutual agreement of the City and the tenant. As part of the Agreement, the City receives monthly rent payments based upon an annual minimum rent amount plus a percentage of gross revenues. However, in September 2016, an amendment to the Agreement temporarily reduced the monthly rent payment and temporarily eliminated the percentage rent payment.

**G. Transfer Station Closure Cost**

The City operates a municipal solid waste transfer station (the "Transfer Station"), which is currently permitted for 200 tons per day of municipal solid waste transfer. Transfer stations are facilities where municipal solid waste is unloaded from collection vehicles and held until the waste is reloaded onto larger transport vehicles for shipment to landfills or other treatment/disposal facilities.

As of September 30, 2017, the total estimated closure costs for the City's Transfer Station are \$51,444. The reported liability represents 100 percent of the closure costs for the Transfer Station. The liability is based on an engineering study performed in March 2002 that estimated the total closure costs. The estimated closure costs are adjusted annually using the Implicit Price Deflator for Gross National Product published by the United States Department of Commerce. The actual cost may differ from the estimate due to inflation, changes in technology, or regulatory changes.

**H. Chapter 380 Economic Development Agreement**

Chapter 380, *Miscellaneous Provisions Relating to Municipal Planning and Development*, of the Texas Local Government Code provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs, including programs to promote state or local economic development and to stimulate business and commercial activity in the municipality. The City has entered into a Chapter 380 Economic Development Agreement (the "Agreement") with one developer (the "Developer"). The term of this Agreement is for a period of 16 years. This Developer agreed to make real property improvements as part of a retail development (the "Project") including the construction of water and sanitary sewer facilities and traffic and roadway improvements to support the Project. The Developer also agreed to employ and maintain a minimum number of full-time equivalent employment positions working at the retail development site. Between the years ending 2019 through 2022, the City has agreed to reimburse the Developer

**CITY OF DEER PARK, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2017**

\$1,000 for each job created/retained up to a maximum of \$465,000 over the four-year period. The City also agreed to pay the Developer a percentage of sales and use tax collected on the property, which ranges from 100 percent of the collections in calendar year 2017 to 50 percent of the collections in calendar year 2031. Lastly, the City agreed to pay the Developer 100 percent of the property tax increment revenues for tax years 2016 through 2025. The aggregate total of all grant program payments made by the City to the Developer shall not exceed \$4,175,750.

**I. Subsequent Events**

In December 2017, the City Council approved the issuance of Certificates of Obligation, Series 2017-A (the "Certificates") in the amount of \$5,150,000. Proceeds from the sale of the Certificates will be used for the repair and renovation of, the construction of improvements to, and the equipment of the water and sewer system. The Certificates will mature on March 15, 2037. The interest rates will range from 2.00 percent to 3.00 percent.

The City also entered into a capital lease in December 2017 in the amount of \$1,163,743 for the purchase of one 2018 Pierce Velocity 107 fire truck. The interest rate is 2.00 percent and the lease matures on December 1, 2025.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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

**GENERAL FUND (Page 1 of 2)**  
**For the Year Ended September 30, 2017**

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 13,210,640	\$ 13,210,640	\$ 12,965,747	\$ (244,893)
Industrial district taxes	11,528,238	11,528,238	11,276,238	(252,000)
Sales taxes	5,800,000	5,800,000	6,425,345	625,345
Franchise taxes	2,050,000	2,050,000	2,095,518	45,518
Fees and fines	1,548,200	1,548,200	1,658,342	110,142
Licenses and permits	504,900	504,900	451,948	(52,952)
Intergovernmental	55,000	55,000	261,442	206,442
Charges for services	3,112,400	3,112,400	4,011,339	898,939
Investment earnings	80,000	80,000	426,869	346,869
Miscellaneous	6,500	6,500	53,733	47,233
<b>Total Revenues</b>	<b>37,895,878</b>	<b>37,895,878</b>	<b>39,626,521</b>	<b>1,730,643</b>
<b>Expenditures</b>				
Current:				
General Government:				
Mayor and council	63,350	63,350	50,281	13,069
City manager	910,202	910,202	870,980	39,222
Boards and commissions	15,408	15,408	12,347	3,061
Municipal court	419,506	419,506	397,552	21,954
General government	3,839,059	3,839,059	2,816,754	1,022,305
Legal services	152,000	152,000	77,267	74,733
Human resources	343,225	343,225	322,705	20,520
Information technology services	1,279,536	1,352,036	1,309,903	42,133
Finance	663,161	663,161	646,882	16,279
City secretary	453,700	453,700	385,551	68,149
Warehouse	76,355	76,355	49,006	27,349
Disaster declarations	-	-	722,603	(722,603) *
<b>Total General Government</b>	<b>8,215,502</b>	<b>8,288,002</b>	<b>7,661,831</b>	<b>626,171</b>
Community Development:				
Planning and development	1,868,379	1,868,379	1,742,776	125,603
Beautification	25,000	25,000	-	25,000
Park maintenance	1,918,568	1,918,568	1,810,534	108,034
Recreation	1,559,153	1,559,153	1,348,217	210,936
Athletics and aquatics	868,318	868,318	832,943	35,375
Senior services	562,589	562,589	557,348	5,241
After-school program	361,645	361,645	305,098	56,547
Drama	452,606	547,320	427,636	119,684
Library	1,083,121	1,083,121	946,241	136,880
<b>Total Community Development</b>	<b>8,699,379</b>	<b>8,794,093</b>	<b>7,970,793</b>	<b>823,300</b>

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

**GENERAL FUND (Page 2 of 2)**

For the Year Ended September 30, 2017

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Public Works:</b>				
Building maintenance	\$ 647,571	\$ 647,571	\$ 602,426	\$ 45,145
Sanitation	3,619,939	3,619,939	3,541,019	78,920
Street maintenance	1,325,059	1,325,059	1,090,596	234,463
Fleet maintenance	931,682	931,682	673,570	258,112
Humane division	258,733	258,733	251,810	6,923
<b>Total Public Works</b>	<u>6,782,984</u>	<u>6,782,984</u>	<u>6,159,421</u>	<u>623,563</u>
<b>Public Safety:</b>				
Police	9,415,980	9,415,980	8,957,799	458,181
Emergency management	416,259	416,259	395,884	20,375
Fire department	554,528	554,528	462,648	91,880
Ambulance	1,176,424	1,176,424	1,148,443	27,981
Fire marshal	151,668	151,668	142,531	9,137
<b>Total Public Safety</b>	<u>11,714,859</u>	<u>11,714,859</u>	<u>11,107,305</u>	<u>607,554</u>
<b>Parks and Recreation:</b>				
Golf course lease	120,000	163,713	127,539	36,174
<b>Total Parks and Recreation</b>	<u>120,000</u>	<u>163,713</u>	<u>127,539</u>	<u>36,174</u>
<b>Debt service:</b>				
Principal	215,594	274,627	274,627	-
Interest and other charges	19,990	19,990	19,990	-
<b>Total Debt Service</b>	<u>235,584</u>	<u>294,617</u>	<u>294,617</u>	<u>-</u>
Capital outlay	2,104,616	2,464,545	2,275,771	188,774
<b>Total Expenditures</b>	<u>37,872,924</u>	<u>38,502,813</u>	<u>35,597,277</u>	<u>2,905,536</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>22,954</u>	<u>(606,935)</u>	<u>4,029,244</u>	<u>4,636,179</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	688,194	8,032,025	1,244,048	(6,787,977)
Transfers (out)	(721,148)	(7,789,148)	(7,806,402)	(17,254)**
Proceeds from sale of capital assets	10,000	10,000	42,405	32,405
Insurance proceeds	-	-	35,239	35,239
Capital lease proceeds	-	-	471,411	471,411
<b>Total Other Financing Sources (Uses)</b>	<u>(22,954)</u>	<u>252,877</u>	<u>(6,013,299)</u>	<u>(6,266,176)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (354,058)</u>	<u>(1,984,055)</u>	<u>\$ (1,629,997)</u>
Beginning fund balance			38,504,854	
<b>Ending Fund Balance</b>			<u>\$ 36,520,799</u>	

Notes to Required Supplementary Information:

- Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- \*Disaster declarations is a sub-fund of the general fund and the City does not adopt a budget for this sub-fund.
- \*\*Transfers (out) did not exceed appropriations at the legal level of control as transfers (out) accounts are budgeted by department but presented separately for reporting purposes.

**CITY OF DEER PARK, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**  
**For the Year Ended September 30, 2017**

	Measurement Year*		
	2014	2015	2016
<b>Total Pension Liability</b>			
Service cost	\$ 2,681,792	\$ 3,011,767	\$ 3,179,205
Interest (on the total pension liability)	7,460,704	7,763,831	7,931,982
Difference between expected and actual experience	(718,727)	108,094	(18,490)
Change of assumptions	-	1,074,743	-
Benefit payments, including refunds of employee contributions	(5,388,710)	(5,128,029)	(5,758,334)
<b>Net Change in Total Pension Liability</b>	<u>4,035,059</u>	<u>6,830,406</u>	<u>5,334,363</u>
Beginning total pension liability	<u>107,934,947</u>	<u>111,970,006</u>	<u>118,800,412</u>
<b>Ending Total Pension Liability</b>	<u>\$ 111,970,006</u>	<u>\$ 118,800,412</u>	<u>\$ 124,134,775</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 2,442,022	\$ 2,545,558	\$ 2,519,299
Contributions - employee	1,172,340	1,233,609	1,276,057
Net investment income	5,837,195	156,470	7,078,549
Benefit payments, including refunds of employee contributions	(5,388,710)	(5,128,029)	(5,758,334)
Administrative expense	(60,949)	(95,310)	(79,953)
Other	(5,011)	(4,708)	(4,308)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>3,996,887</u>	<u>(1,292,410)</u>	<u>5,031,310</u>
Beginning plan fiduciary net position	<u>102,048,717</u>	<u>106,045,604</u>	<u>104,753,194</u>
<b>Ending Plan Fiduciary Net Position</b>	<u>\$ 106,045,604</u>	<u>\$ 104,753,194</u>	<u>\$ 109,784,504</u>
<b>Net Pension Liability</b>	<u>\$ 5,924,402</u>	<u>\$ 14,047,218</u>	<u>\$ 14,350,271</u>
<b>Plan Fiduciary Net Position as a Percentage of</b>			
<b>Total Pension Liability</b>	94.71%	88.18%	88.44%
<b>Covered Employee Payroll</b>	\$ 16,747,712	\$ 17,622,979	\$ 18,229,388
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	35.37%	79.71%	78.72%

\* Only three years of information is currently available. The City will build this schedule over the next seven-year period.

**CITY OF DEER PARK, TEXAS**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)**  
**For the Year Ended September 30, 2017**

	Measurement Year*		
	2014	2015	2016
City's proportion of the net pension liability	2.115%	1.927%	2.152%
City's proportionate share of the net pension liability	\$ 384,385	\$ 514,241	\$ 626,893
State's proportionate share of the net pension liability	129,211	178,251	216,723
<b>Total</b>	<b>\$ 513,596</b>	<b>\$ 692,492</b>	<b>\$ 843,616</b>
Number of active members**	80	76	82
City's net pension liability per active member	\$ 4,805	\$ 6,766	\$ 7,645
Plan fiduciary net position as a percentage of the total pension liability	83.50%	76.90%	76.30%

Notes to Required Supplementary Information:

Defined Benefit Pension Plan

*Changes in benefit terms*

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

*Changes in assumptions*

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

\* Only three year's worth of information is currently available. The City will build this schedule over the next seven-year period.

\*\* There is no compensation for active members. Number of active members is used instead.

**CITY OF DEER PARK, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**  
**For the Year Ended September 30, 2017**

	Fiscal Year*			
	2014	2015	2016	2017
Actuarially determined contribution	\$ 2,407,731	\$ 2,527,680	\$ 2,632,998	\$ 2,650,445
Contributions in relation to the actuarially determined contribution	<u>2,407,731</u>	<u>2,527,680</u>	<u>2,632,998</u>	<u>2,650,445</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 16,455,020	\$ 17,449,288	\$ 18,824,716	\$ 18,622,310
Contributions as a percentage of covered employee payroll	14.63%	14.49%	13.99%	14.23%

\*Only four years of information is currently available. The City will build this schedule over the next six-year period.

**Notes to Required Supplementary Information:**

1. Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.50% to 10.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

3. Other Information:

There were no benefit changes during the year.

**CITY OF DEER PARK, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)**  
**For the Year Ended September 30, 2017**

	Fiscal Year*			
	2014	2015	2016	2017
Contractually required contribution	\$ 96,300	\$ 91,000	\$ 98,600	\$ 89,400
Contributions in relation to the contractually required contribution	<u>96,300</u>	<u>91,000</u>	<u>98,600</u>	<u>89,400</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Number of active members**	80	76	82	75
Contributions per active member	\$ 1,204	\$ 1,197	\$ 1,202	\$ 1,192

\*Only four years of information is currently available. The City will build this schedule over the next six-year period.

\*\*There is no compensation for active members. Number of active members is used instead.

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**CITY OF DEER PARK, TEXAS**  
**SCHEDULE OF FUNDING PROGRESS**  
**POST EMPLOYMENT HEALTHCARE BENEFITS**  
For the Year Ended September 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/14	\$ -	\$23,180,676	\$23,180,676	0.0%	\$17,110,560	135.48%
10/01/15	\$ -	\$17,996,698	\$17,996,698	0.0%	\$18,463,403	97.47%
10/01/16	\$ -	\$17,097,368	\$17,097,368	0.0%	\$18,290,865	93.47%

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***COMBINING STATEMENTS  
AND SCHEDULES***

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

For the Year Ended September 30, 2017

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 4,411,733	\$ 4,411,733	\$ 4,936,202	\$ 524,469
Intergovernmental	2,217,196	2,217,196	2,154,196	(63,000)
Investment earnings	5,500	5,500	13,401	7,901
<b>Total Revenues</b>	<u>6,634,429</u>	<u>6,634,429</u>	<u>7,103,799</u>	<u>469,370</u>
<b>Expenditures</b>				
Debt service:				
Principal	5,210,040	5,210,040	5,206,315	3,725
Interest and other charges	1,479,174	1,479,174	1,090,552	388,622
<b>Total Expenditures</b>	<u>6,689,214</u>	<u>6,689,214</u>	<u>6,296,867</u>	<u>392,347</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(54,785)</u>	<u>(54,785)</u>	<u>806,932</u>	<u>861,717</u>
<b>Other Financing Sources</b>				
Transfers in	30,000	30,000	90,958	60,958
<b>Total Other Financing Sources</b>	<u>30,000</u>	<u>30,000</u>	<u>90,958</u>	<u>60,958</u>
<b>Net Change in Fund Balance</b>	<u>\$ (24,785)</u>	<u>\$ (24,785)</u>	897,890	<u>\$ 922,675</u>
Beginning fund balance			<u>3,736,160</u>	
<b>Ending Fund Balance</b>			<u>\$ 4,634,050</u>	

Notes to Supplementary Information:

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

# **CITY OF DEER PARK, TEXAS**

## **NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2017

### **SPECIAL REVENUE FUNDS**

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

#### **Hotel/Motel Occupancy Tax Fund**

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

#### **Grants Fund**

This fund is used to account for the receipt of grant funds from the State or Federal Government. The use of these funds is governed by the terms of the grant.

#### **Police Forfeiture Fund**

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

#### **Municipal Court Fund**

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

#### **FEMA Hurricane Ike Fund**

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

### **CAPITAL PROJECTS FUNDS**

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

#### **Capital Projects Fund**

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

#### **1997 Streets Fund**

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

#### **Streets Fund**

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

**CITY OF DEER PARK, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS (Continued)**  
**For the Year Ended September 30, 2017**

**General Obligations Series 2005 Fund**

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

**Capital Improvements Bond Fund 2007**

This fund is used to account for the receipt of bond proceeds and the expenditure of such proceeds for improvements to City parks, the drainage system, and the expansions of City Hall and the library.

**Capital Improvements Bond Fund 2010**

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

**Capital Improvements Bond Fund 2014**

This fund is used to account for the receipt of bond proceeds and the expenditure of such proceeds for the acquisition and construction of additions and improvements to the City's parks and recreational facilities.

**Capital Improvements Bond Fund 2015**

This fund is used to account for the receipt of bond proceeds and the expenditure of such proceeds for the acquisition and construction of additions and improvements to the City's streets, sidewalks, and related drainage facilities.

**CITY OF DEER PARK, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)**  
September 30, 2017

	<u>Special Revenue Funds</u>			
	<u>Hotel/Motel Occupancy Tax</u>	<u>Grants</u>	<u>Police Forfeiture</u>	<u>Municipal Court</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 892,960	\$ 1,361,238	\$ 28,693	\$ 147,224
Accounts receivable	168,587	22,215	-	102,585
Due from other funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 1,061,547</b>	<b>\$ 1,383,453</b>	<b>\$ 28,693</b>	<b>\$ 249,809</b>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts payable	\$ 54,648	\$ 115,565	\$ -	\$ 3,998
Accrued liabilities	-	-	-	3,332
Due to other funds	-	616,372	-	-
Due to component units	167	-	-	-
<b>Total Liabilities</b>	<b>54,815</b>	<b>731,937</b>	<b>-</b>	<b>7,330</b>
Fund balances:				
Restricted				
Enabling legislation	1,006,732	-	28,693	242,479
Special projects	-	651,516	-	-
Capital projects	-	-	-	-
<b>Total Fund Balances</b>	<b>1,006,732</b>	<b>651,516</b>	<b>28,693</b>	<b>242,479</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,061,547</b>	<b>\$ 1,383,453</b>	<b>\$ 28,693</b>	<b>\$ 249,809</b>

Special Revenue Funds	Capital Projects Funds				
FEMA Hurricane Ike	Capital Projects	1997 Streets	Streets	General Obligation Series 2005	CIBF 2007
\$ -	\$ -	\$ 26,975	\$ 95,207	\$ 321,268	\$ 1,839,403
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,975</u>	<u>\$ 95,207</u>	<u>\$ 321,268</u>	<u>\$ 1,839,403</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,227
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	120,227
-	-	-	-	-	-
-	-	-	-	-	-
-	-	26,975	95,207	321,268	1,719,176
-	-	26,975	95,207	321,268	1,719,176
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,975</u>	<u>\$ 95,207</u>	<u>\$ 321,268</u>	<u>\$ 1,839,403</u>

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**CITY OF DEER PARK, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)**  
September 30, 2017

	Capital Projects Funds			Total Nonmajor Governmental Funds
	CIBF 2010	CIBF 2014	CIBF 2015	
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 1,968,580	\$ 45,129	\$ 7,213,399	\$ 13,940,076
Accounts receivable	-	-	-	293,387
Due from other funds	616,372	-	-	616,372
<b>Total Assets</b>	<b>\$ 2,584,952</b>	<b>\$ 45,129</b>	<b>\$ 7,213,399</b>	<b>\$ 14,849,835</b>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 155,557	\$ 449,995
Accrued liabilities	-	-	-	3,332
Due to other funds	-	45,129	-	661,501
Due to component units	-	-	-	167
<b>Total Liabilities</b>	<b>-</b>	<b>45,129</b>	<b>155,557</b>	<b>1,114,995</b>
Fund balances:				
Restricted				
Enabling legislation	-	-	-	1,277,904
Special projects	-	-	-	651,516
Capital projects	2,584,952	-	7,057,842	11,805,420
<b>Total Fund Balances</b>	<b>2,584,952</b>	<b>-</b>	<b>7,057,842</b>	<b>13,734,840</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,584,952</b>	<b>\$ 45,129</b>	<b>\$ 7,213,399</b>	<b>\$ 14,849,835</b>

**CITY OF DEER PARK, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)**  
For the Year Ended September 30, 2017

	<u>Special Revenue Funds</u>			
	<u>Hotel/Motel Occupancy Tax</u>	<u>Grants</u>	<u>Police Forfeiture</u>	<u>Municipal Court</u>
<b><u>Revenues</u></b>				
Hotel/motel taxes	\$ 622,146	\$ -	\$ -	\$ -
Fees and fines	-	-	-	241,887
Intergovernmental	-	92,663	-	-
Charges for services	-	-	-	99,363
Investment earnings	-	-	248	-
Miscellaneous	-	215,498	2,122	-
<b>Total Revenues</b>	<b>622,146</b>	<b>308,161</b>	<b>2,370</b>	<b>341,250</b>
<b><u>Expenditures</u></b>				
<b>Current:</b>				
General government	-	57,967	-	67,860
Community development	431,287	108,987	-	-
Public safety	-	34,586	18,862	113,044
<b>Capital outlay</b>	<b>96,596</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures</b>	<b>527,883</b>	<b>201,540</b>	<b>18,862</b>	<b>180,904</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>94,263</b>	<b>106,621</b>	<b>(16,492)</b>	<b>160,346</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	-	-	17,254	-
Transfers (out)	(171,273)	-	-	(158,169)
<b>Total Other Financing Sources (Uses)</b>	<b>(171,273)</b>	<b>-</b>	<b>17,254</b>	<b>(158,169)</b>
<b>Net Change in Fund Balances</b>	<b>(77,010)</b>	<b>106,621</b>	<b>762</b>	<b>2,177</b>
Beginning fund balances	1,083,742	544,895	27,931	240,302
<b>Ending Fund Balances</b>	<b>\$ 1,006,732</b>	<b>\$ 651,516</b>	<b>\$ 28,693</b>	<b>\$ 242,479</b>

Special Revenue Funds	Capital Projects Funds				
FEMA Hurricane Ike	Capital Projects	1997 Streets	Streets	General Obligation Series 2005	CIBF 2007
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	248	187	520	4,360	17,244
-	-	-	-	-	-
-	248	187	520	4,360	17,244
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	318,913	1,013,522
-	-	-	-	318,913	1,013,522
-	248	187	520	(314,553)	(996,278)
-	-	-	-	-	-
(816,407)	(248)	(187)	-	(4,360)	(17,244)
(816,407)	(248)	(187)	-	(4,360)	(17,244)
(816,407)	-	-	520	(318,913)	(1,013,522)
816,407	-	26,975	94,687	640,181	2,732,698
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,975</u>	<u>\$ 95,207</u>	<u>\$ 321,268</u>	<u>\$ 1,719,176</u>

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**CITY OF DEER PARK, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)**  
**For the Year Ended September 30, 2017**

	<b>Capital Projects Funds</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>CIBF 2010</b>	<b>CIBF 2014</b>	<b>CIBF 2015</b>	
<b>Revenues</b>				
Hotel/motel taxes	\$ -	\$ -	\$ -	\$ 622,146
Fees and fines	-	-	-	241,887
Intergovernmental	-	-	-	92,663
Charges for services	-	-	-	99,363
Investment earnings	11,690	4,672	52,556	91,725
Miscellaneous	-	-	-	217,620
<b>Total Revenues</b>	<b>11,690</b>	<b>4,672</b>	<b>52,556</b>	<b>1,365,404</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	-	-	-	125,827
Community development	-	-	-	540,274
Public safety	-	-	-	166,492
<b>Capital outlay</b>	<b>203,560</b>	<b>-</b>	<b>440,330</b>	<b>2,072,921</b>
<b>Total Expenditures</b>	<b>203,560</b>	<b>-</b>	<b>440,330</b>	<b>2,905,514</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(191,870)</b>	<b>4,672</b>	<b>(387,774)</b>	<b>(1,540,110)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	17,254
Transfers (out)	(11,690)	(4,672)	(52,556)	(1,236,806)
<b>Total Other Financing Sources (Uses)</b>	<b>(11,690)</b>	<b>(4,672)</b>	<b>(52,556)</b>	<b>(1,219,552)</b>
<b>Net Change in Fund Balances</b>	<b>(203,560)</b>	<b>-</b>	<b>(440,330)</b>	<b>(2,759,662)</b>
Beginning fund balances	2,788,512	-	7,498,172	16,494,502
<b>Ending Fund Balances</b>	<b>\$ 2,584,952</b>	<b>\$ -</b>	<b>\$ 7,057,842</b>	<b>\$ 13,734,840</b>

**CITY OF DEER PARK, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**

For the Year Ended September 30, 2017

	<u>Hotel/Motel Occupancy Tax</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original Budget Amounts</b>	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	
<b>Revenues</b>				
Hotel/motel occupancy taxes	\$ 684,564	\$ 684,564	\$ 622,146	\$ (62,418)
<b>Total Revenues</b>	<u>684,564</u>	<u>684,564</u>	<u>622,146</u>	<u>(62,418)</u>
<b>Expenditures</b>				
<b>Current:</b>				
Community development	563,190	713,190	431,287	281,903
<b>Capital outlay</b>	<u>96,596</u>	<u>96,596</u>	<u>96,596</u>	<u>-</u>
<b>Total Expenditures</b>	<u>659,786</u>	<u>809,786</u>	<u>527,883</u>	<u>281,903</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>24,778</u>	<u>(125,222)</u>	<u>94,263</u>	<u>219,485</u>
<b>Other Financing (Uses)</b>				
Transfers (out)	(168,500)	(168,500)	(171,273)	(2,773) *
<b>Total Other Financing (Uses)</b>	<u>(168,500)</u>	<u>(168,500)</u>	<u>(171,273)</u>	<u>(2,773)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (143,722)</u>	<u>\$ (293,722)</u>	<u>(77,010)</u>	<u>\$ 216,712</u>
Beginning fund balance			1,083,742	
<b>Ending Fund Balance</b>			<u>\$ 1,006,732</u>	
<b>Grants</b>				
	<b>Original Budget Amounts</b>	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental	\$ 535,500	\$ 535,500	\$ 92,663	\$ (442,837)
Miscellaneous	-	-	215,498	215,498
<b>Total Revenues</b>	<u>535,500</u>	<u>535,500</u>	<u>308,161</u>	<u>(227,339)</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	57,967	57,967	57,967	-
Community development	442,947	442,947	108,987	333,960
Public works	34,586	34,586	34,586	-
<b>Total Expenditures</b>	<u>535,500</u>	<u>535,500</u>	<u>201,540</u>	<u>333,960</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>106,621</u>	<u>\$ 106,621</u>
Beginning fund balance			544,895	
<b>Ending Fund Balance</b>			<u>\$ 651,516</u>	

Notes to Supplementary Information:

- Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- \*Transfers (out) did not exceed appropriations at the legal level of control as transfers (out) accounts are budgeted by department but presented separately for reporting purposes.

**CITY OF DEER PARK, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS (Continued)**

For the Year Ended September 30, 2017

<b>Police Forfeiture</b>				
	<b>Original Budget Amounts</b>	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive Negative (Negative)</b>
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 248	\$ 248
Miscellaneous	1,000	1,000	2,122	1,122
<b>Total Revenues</b>	<b>1,000</b>	<b>1,000</b>	<b>2,370</b>	<b>1,370</b>
<b>Expenditures</b>				
<b>Current:</b>				
Public safety	11,950	29,179	18,862	10,317
<b>Total Expenditures</b>	<b>11,950</b>	<b>29,179</b>	<b>18,862</b>	<b>10,317</b>
<b>Other Financing Sources</b>				
Transfers in	10,950	28,179	17,254	(10,925)
<b>Total Other Financing Sources</b>	<b>10,950</b>	<b>28,179</b>	<b>17,254</b>	<b>(10,925)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>762</b>	<b>\$ 762</b>
Beginning fund balance			27,931	
<b>Ending Fund Balance</b>			<b>\$ 28,693</b>	
<b>Municipal Court</b>				
	<b>Original Budget Amounts</b>	<b>Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive Negative (Negative)</b>
<b>Revenues</b>				
Fees and fines	\$ 201,500	\$ 201,500	\$ 241,887	\$ 40,387
Charges for services	120,000	120,000	99,363	(20,637)
<b>Total Revenues</b>	<b>321,500</b>	<b>321,500</b>	<b>341,250</b>	<b>19,750</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	62,584	68,898	67,860	1,038
Public safety	142,105	142,105	113,044	29,061
<b>Total Expenditures</b>	<b>204,689</b>	<b>211,003</b>	<b>180,904</b>	<b>30,099</b>
<b>Excess of Revenues Over Expenditures</b>	<b>116,811</b>	<b>110,497</b>	<b>160,346</b>	<b>49,849</b>
<b>Other Financing (Uses)</b>				
Transfers (out)	(158,169)	(158,169)	(158,169)	-
<b>Total Other Financing (Uses)</b>	<b>(158,169)</b>	<b>(158,169)</b>	<b>(158,169)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ (41,358)</b>	<b>\$ (47,672)</b>	<b>2,177</b>	<b>\$ 49,849</b>
Beginning fund balance			240,302	
<b>Ending Fund Balance</b>			<b>\$ 242,479</b>	

Notes to Supplementary Information:

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

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**CITY OF DEER PARK, TEXAS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**

For the Year Ended September 30, 2017

	LEPC			
	Beginning Balance	Additions	Deductions	Ending Balance
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 133,864	\$ 106,086	\$ 93,262	\$ 146,688
<b>Total Assets</b>	\$ 133,864	\$ 106,086	\$ 93,262	\$ 146,688
<b><u>Liabilities</u></b>				
Accounts payable	\$ 6,980	\$ 72,751	\$ 68,350	\$ 11,381
Due to others	126,884	109,555	101,132	135,307
<b>Total Liabilities</b>	\$ 133,864	\$ 182,306	\$ 169,482	\$ 146,688

See Notes to Financial Statements.

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## **STATISTICAL SECTION**

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and Required Supplementary Information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	116
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	126
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	
Debt Capacity	136
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	146
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	149
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

# CITY OF DEER PARK, TEXAS

## NET POSITION BY COMPONENT

Last Ten Years

(accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 28,350,164	\$ 32,072,611	\$ 29,888,865	\$ 30,587,182
Restricted	3,460,684	4,788,311	4,491,224	4,102,964
Unrestricted	13,373,367	15,775,137	12,191,299	11,159,636
<b>Total Governmental Activities Net Position</b>	<b>\$ 45,184,215</b>	<b>\$ 52,636,059</b>	<b>\$ 46,571,388</b>	<b>\$ 45,849,782</b>
 <b>Business-Type Activities</b>				
Net investment in capital assets	\$ 11,928,085	\$ 12,218,032	\$ 12,218,032	\$ 15,512,082
Restricted	-	-	-	-
Unrestricted	3,027,361	2,778,534	5,684,466	5,293,599
<b>Total Business-Type Activities Net Position</b>	<b>\$ 14,955,446</b>	<b>\$ 14,996,566</b>	<b>\$ 17,902,498</b>	<b>\$ 20,805,681</b>
 <b>Primary Government</b>				
Net investment in capital assets	\$ 40,278,249	\$ 44,290,643	\$ 42,106,897	\$ 46,099,264
Restricted	3,460,684	4,788,311	4,491,224	4,102,964
Unrestricted	16,400,728	18,553,671	17,875,765	16,453,235
<b>Total Primary Government Net Position</b>	<b>\$ 60,139,661</b>	<b>\$ 67,632,625</b>	<b>\$ 64,473,886</b>	<b>\$ 66,655,463</b>

Notes:

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

**Fiscal Year**

<u>2012</u>	<u>2013*</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 29,597,630	\$ 35,765,964	\$ 41,639,757	\$ 44,597,669	\$ 47,111,755	\$ 56,664,574
4,574,770	7,982,104	5,508,456	5,487,510	6,544,124	6,658,676
13,180,581	17,087,208	19,126,447	23,162,700	25,809,239	24,517,930
<u>\$ 47,352,981</u>	<u>\$ 60,835,276</u>	<u>\$ 66,274,660</u>	<u>\$ 73,247,879</u>	<u>\$ 79,465,118</u>	<u>\$ 87,841,180</u>
\$ 20,056,649	\$ 16,499,908	\$ 16,377,808	\$ 15,978,461	\$ 15,837,484	\$ 16,822,172
-	984,962	152,344	147,896	147,229	146,542
5,869,151	5,186,325	6,877,343	7,828,651	8,636,643	8,698,918
<u>\$ 25,925,800</u>	<u>\$ 22,671,195</u>	<u>\$ 23,407,495</u>	<u>\$ 23,955,008</u>	<u>\$ 24,621,356</u>	<u>\$ 25,667,632</u>
\$ 49,654,279	\$ 52,265,872	\$ 58,017,565	\$ 60,576,130	\$ 62,949,239	\$ 73,486,746
4,574,770	8,967,066	5,660,800	5,635,406	6,691,353	6,805,218
19,049,732	22,273,533	26,003,790	30,991,351	34,445,882	33,216,848
<u>\$ 73,278,781</u>	<u>\$ 83,506,471</u>	<u>\$ 89,682,155</u>	<u>\$ 97,202,887</u>	<u>\$ 104,086,474</u>	<u>\$ 113,508,812</u>

# CITY OF DEER PARK, TEXAS

## CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
<b>Expenses</b>				
Governmental activities				
General government	\$ 9,470,146	\$ 10,966,814	\$ 14,132,823	\$ 13,666,778
Public safety	7,921,413	10,285,816	9,585,147	8,927,783
Public works	5,332,621	5,925,540	6,030,222	5,592,366
Parks and recreation	2,092,772	2,690,654	2,158,444	2,154,431
Community development	6,486,732	6,921,903	6,578,378	6,443,264
Interest on long-term debt	1,482,204	1,390,366	1,437,830	1,606,938
<b>Total Governmental Activities Expenses</b>	<b>32,785,888</b>	<b>38,181,093</b>	<b>39,922,844</b>	<b>38,391,560</b>
Business-type activities				
Water and sewer	7,168,771	8,061,221	7,690,164	7,822,999
Storm water utility	-	-	-	-
<b>Total Business-Type Activities Expenses</b>	<b>7,168,771</b>	<b>8,061,221</b>	<b>7,690,164</b>	<b>7,822,999</b>
<b>Total Expenses</b>	<b>\$ 39,954,659</b>	<b>\$ 46,242,314</b>	<b>\$ 47,613,008</b>	<b>\$ 46,214,559</b>
<b>Program Revenues</b>				
Governmental activities				
Charges for services:				
General government	\$ 941,187	\$ 677,102	\$ 40,164	\$ 50,603
Public safety	1,485,861	1,972,693	1,738,943	1,967,043
Public works	340,962	378,650	401,748	502,163
Parks and recreation	1,901,120	2,268,422	1,487,907	1,601,366
Community development	-	-	1,202,284	1,498,581
Operating grants and contributions	732,275	2,884,838	161,293	398,737
Capital grants and contributions	-	-	-	56,237
<b>Total Governmental Activities Program Revenues</b>	<b>5,401,405</b>	<b>8,181,705</b>	<b>5,032,339</b>	<b>6,074,730</b>
Business-type activities				
Charges for services:				
Water and sewer	7,497,682	8,084,177	8,041,795	10,942,116
Storm water utility	-	-	-	-
<b>Total Business-Type Activities Program Revenues</b>	<b>7,497,682</b>	<b>8,084,177</b>	<b>8,041,795</b>	<b>10,942,116</b>
<b>Total Program Revenues</b>	<b>\$ 12,899,087</b>	<b>\$ 16,265,882</b>	<b>\$ 13,074,134</b>	<b>\$ 17,016,846</b>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (27,384,483)	\$ (29,999,388)	\$ (34,890,505)	\$ (32,316,830)
Business-type activities	328,911	22,956	351,631	3,119,117
<b>Total Net Expense</b>	<b>\$ (27,055,572)</b>	<b>\$ (29,976,432)</b>	<b>\$ (34,538,874)</b>	<b>\$ (29,197,713)</b>

**Fiscal Year**

<u>2012</u>	<u>2013*</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 11,708,476	\$ 11,004,030	\$ 6,875,093	\$ 7,431,081	\$ 7,716,429	\$ 8,221,386
9,077,372	8,749,188	11,085,867	11,607,606	12,732,761	13,054,883
6,053,467	5,763,687	7,167,383	7,826,672	8,328,808	8,112,235
2,436,909	2,289,706	879,371	712,949	371,619	351,435
6,483,611	6,348,454	8,093,613	8,799,109	9,942,091	9,973,129
1,642,422	1,120,112	1,042,305	1,143,350	1,183,483	1,020,878
<u>37,402,257</u>	<u>35,275,177</u>	<u>35,143,632</u>	<u>37,520,767</u>	<u>40,275,191</u>	<u>40,733,946</u>
7,490,715	7,879,276	8,403,676	8,787,474	9,240,162	10,006,970
-	105,578	72,824	488,127	647,044	112,159
<u>7,490,715</u>	<u>7,984,854</u>	<u>8,476,500</u>	<u>9,275,601</u>	<u>9,887,206</u>	<u>10,119,129</u>
<u>\$ 44,892,972</u>	<u>\$ 43,260,031</u>	<u>\$ 43,620,132</u>	<u>\$ 46,796,368</u>	<u>\$ 50,162,397</u>	<u>\$ 50,853,075</u>
\$ 82,593	\$ 473,000	\$ 369,003	\$ 416,554	\$ 372,307	\$ 290,859
2,535,052	2,777,714	2,595,857	2,546,299	3,061,713	3,304,936
535,228	585,090	1,086,752	1,283,358	1,305,293	1,329,797
1,645,362	1,821,617	787,249	922,879	112,973	71,678
1,567,354	391,143	473,884	483,288	1,418,284	1,485,021
279,697	160,389	62,772	68,991	144,965	2,349,238
1,460,218	3,053,828	874,867	447,810	658,600	986,324
<u>8,105,504</u>	<u>9,262,781</u>	<u>6,250,384</u>	<u>6,169,179</u>	<u>7,074,135</u>	<u>9,817,853</u>
9,873,528	9,538,392	9,341,087	9,628,146	10,300,618	10,810,651
-	278,577	275,336	275,453	278,250	301,983
<u>9,873,528</u>	<u>9,816,969</u>	<u>9,616,423</u>	<u>9,903,599</u>	<u>10,578,868</u>	<u>11,112,634</u>
<u>\$ 17,979,032</u>	<u>\$ 19,079,750</u>	<u>\$ 15,866,807</u>	<u>\$ 16,072,778</u>	<u>\$ 17,653,003</u>	<u>\$ 20,930,487</u>
\$ (29,296,753)	\$ (26,012,396)	\$ (28,893,248)	\$ (31,351,588)	\$ (33,201,056)	\$ (30,916,093)
2,382,813	1,832,115	1,139,923	627,998	691,662	993,505
<u>\$ (26,913,940)</u>	<u>\$ (24,180,281)</u>	<u>\$ (27,753,325)</u>	<u>\$ (30,723,590)</u>	<u>\$ (32,509,394)</u>	<u>\$ (29,922,588)</u>

# CITY OF DEER PARK, TEXAS

## CHANGES IN NET POSITION (Continued)

Last Ten Years  
(accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities				
Taxes:				
Property	\$ 11,292,933	\$ 11,807,444	\$ 12,000,370	\$ 12,234,105
Industrial district	16,185,476	17,988,792	12,986,530	12,346,943
Franchise	1,839,383	1,748,053	2,063,774	1,932,237
Sales and use	4,109,314	4,564,184	4,069,523	4,221,452
Hotel occupancy	334,112	404,561	403,983	455,166
Investment earnings	906,857	225,077	65,499	41,978
Miscellaneous	439,524	479,596	222,660	83,875
Gain on sales of assets	-	233,525	66,794	60,948
Transfers	73,914	-	(2,550,000)	218,520
<b>Total Governmental Activities</b>	<u>35,181,513</u>	<u>37,451,232</u>	<u>29,329,133</u>	<u>31,595,224</u>
Business-type activities				
Investment earnings	92,554	18,164	4,301	2,586
Transfers in (out)	(73,914)	-	2,550,000	(218,520)
<b>Total Business-Type Activities</b>	<u>18,640</u>	<u>18,164</u>	<u>2,554,301</u>	<u>(215,934)</u>
<b>Total Primary Government</b>	<u>\$ 35,200,153</u>	<u>\$ 37,469,396</u>	<u>\$ 31,883,434</u>	<u>\$ 31,379,290</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 7,797,030	\$ 7,451,844	\$ (5,561,372)	\$ (721,606)
Business-type activities	347,551	41,120	2,905,932	2,903,183
<b>Total Change in Net Position</b>	<u>\$ 8,144,581</u>	<u>\$ 7,492,964</u>	<u>\$ (2,655,440)</u>	<u>\$ 2,181,577</u>

Notes:

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

**Fiscal Year**

<u>2012</u>	<u>2013*</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 13,099,300	\$ 13,002,159	\$ 14,219,581	\$ 15,143,994	\$ 16,338,414	\$ 17,845,389
12,894,626	14,106,107	14,250,173	13,649,200	13,058,596	11,255,235
2,209,371	2,315,334	2,338,146	2,321,036	2,129,053	2,095,518
4,746,096	5,037,072	5,201,364	6,246,868	6,553,553	6,425,345
526,387	607,709	679,646	711,406	663,147	622,146
47,460	40,416	23,014	30,502	202,351	601,325
11,714	210,969	53,644	86,050	276,011	306,592
-	-	214,571	44,411	102,690	42,405
(2,735,002)	96,988	84,509	91,340	94,480	98,200
<u>30,799,952</u>	<u>35,416,754</u>	<u>37,064,648</u>	<u>38,324,807</u>	<u>39,418,295</u>	<u>39,292,155</u>
2,304	12,647	4,702	10,855	69,166	150,971
<u>2,735,002</u>	<u>(96,988)</u>	<u>(84,509)</u>	<u>(91,340)</u>	<u>(94,480)</u>	<u>(98,200)</u>
<u>2,737,306</u>	<u>(84,341)</u>	<u>(79,807)</u>	<u>(80,485)</u>	<u>(25,314)</u>	<u>52,771</u>
<u>\$ 33,537,258</u>	<u>\$ 35,332,413</u>	<u>\$ 36,984,841</u>	<u>\$ 38,244,322</u>	<u>\$ 39,392,981</u>	<u>\$ 39,344,926</u>
\$ 1,503,199	\$ 9,404,358	\$ 8,171,400	\$ 6,973,219	\$ 6,217,239	\$ 8,376,062
<u>5,120,119</u>	<u>1,747,774</u>	<u>1,060,116</u>	<u>547,513</u>	<u>666,348</u>	<u>1,046,276</u>
<u>\$ 6,623,318</u>	<u>\$ 11,152,132</u>	<u>\$ 9,231,516</u>	<u>\$ 7,520,732</u>	<u>\$ 6,883,587</u>	<u>\$ 9,422,338</u>

# CITY OF DEER PARK, TEXAS

## FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

	Fiscal Year			
	2008	2009	2010	2011*
<b>General Fund</b>				
Reserved	\$ 271,282	\$ 236,031	\$ 207,006	\$ -
Unreserved	11,715,534	16,188,960	15,247,265	-
Nonspendable	-	-	-	196,355
Assigned	-	-	-	3,526,731
Committed	-	-	-	-
Unassigned	-	-	-	10,825,327
<b>Total General Fund</b>	<b>\$ 11,986,816</b>	<b>\$ 16,424,991</b>	<b>\$ 15,454,271</b>	<b>\$ 14,548,413</b>
<b>All Other Governmental Funds</b>				
Unreserved, reported in:				
Special revenue funds	\$ 1,339,195	\$ 2,563,441	\$ 2,402,716	\$ -
Capital projects funds	12,099,991	10,392,992	14,657,635	-
Debt service funds	2,053,462	2,081,520	2,088,508	-
Nonspendable	-	-	-	-
Restricted	-	-	-	17,947,247
Assigned	-	-	-	2,118,012
<b>Total All Other Governmental Funds</b>	<b>\$ 15,492,648</b>	<b>\$ 15,037,953</b>	<b>\$ 19,148,859</b>	<b>\$ 20,065,259</b>

Notes:

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

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

**Fiscal Year**

<u>2012</u>	<u>2013**</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
197,244	151,122	144,805	119,159	121,649	111,479
257,974	320,216	1,304,600	5,491,532	5,491,532	2,341,465
-	-	2,500,000	2,500,000	3,000,000	3,000,000
17,011,377	24,158,718	26,052,496	26,433,452	29,891,673	31,067,855
<u>\$ 17,466,595</u>	<u>\$ 24,630,056</u>	<u>\$ 30,001,901</u>	<u>\$ 34,544,143</u>	<u>\$ 38,504,854</u>	<u>\$ 36,520,799</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
2,914	-	-	-	-	-
19,349,008	16,118,927	14,754,786	20,899,783	29,066,724	26,850,130
2,995,806	1,818,845	2,877,003	3,307,213	4,728,864	8,114,128
<u>\$ 22,347,728</u>	<u>\$ 17,937,772</u>	<u>\$ 17,631,789</u>	<u>\$ 24,206,996</u>	<u>\$ 33,795,588</u>	<u>\$ 34,964,258</u>

**CITY OF DEER PARK, TEXAS**  
**CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS**

Last Ten Years

	Fiscal Year			
	2008	2009	2010	2011
<b>Revenues</b>				
Taxes	\$ 33,749,045	\$ 36,553,195	\$ 31,905,813	\$ 31,189,903
Licenses and permits	470,155	307,496	314,313	436,015
Fines and fees	997,669	821,479	877,761	1,092,230
Charges for services	3,048,303	3,852,637	3,379,201	3,709,536
Intergovernmental	862,631	2,872,735	148,847	389,558
Donations	-	-	-	-
Investment earnings	906,857	225,077	65,499	41,978
Other revenues	439,524	492,997	525,932	401,843
<b>Total Revenues</b>	<u>40,474,184</u>	<u>45,125,616</u>	<u>37,217,366</u>	<u>37,261,063</u>
<b>Expenditures</b>				
General government	9,318,538	10,596,083	11,430,086	11,016,985
Community development	5,884,062	6,385,331	6,183,270	6,038,050
Public works	4,064,345	4,161,980	4,534,506	4,172,122
Parks and recreation	1,954,878	2,095,437	1,846,217	1,940,202
Public safety	7,413,815	9,112,933	8,845,527	8,216,278
Debt service:				
Principal	2,441,398	2,496,678	2,366,966	2,894,789
Payments to escrow account	-	-	-	-
Interest	1,640,406	1,409,628	1,527,530	1,694,234
Capital outlay	7,794,339	5,152,641	6,126,024	1,807,005
<b>Total Expenditures</b>	<u>40,511,781</u>	<u>41,410,711</u>	<u>42,860,126</u>	<u>37,779,665</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(37,597)	3,714,905	(5,642,760)	(518,602)
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of debt	14,305,000	-	7,805,000	-
Proceeds from capital leases	947,434	-	1,005,441	249,676
Proceeds from sale of capital assets	-	-	84,469	60,948
Refunding bonds issued	-	-	6,295,000	-
Premium on issuance of bonds	261,555	-	650,160	-
Payments to escrow account	(4,557,262)	-	(4,007,637)	-
Proceeds from insurance recovery	-	268,575	3,812	-
Transfers in	2,921,623	1,728,615	2,092,866	3,822,395
Transfers out	(2,847,709)	(1,728,615)	(4,642,866)	(3,603,875)
<b>Total Other Financing Sources</b>	<u>11,030,641</u>	<u>268,575</u>	<u>9,286,245</u>	<u>529,144</u>
<b>Net Change in Fund Balances</b>	<u>\$ 10,993,044</u>	<u>\$ 3,983,480</u>	<u>\$ 3,643,485</u>	<u>\$ 10,542</u>
Debt service as a percentage of noncapital expenditures	12.48%	10.77%	10.60%	12.76%

Notes:

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

**Fiscal Year**

<b>2012</b>	<b>2013*</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$ 33,551,435	\$ 35,060,741	\$ 36,666,969	\$ 38,051,387	\$ 38,637,863	\$ 38,321,196
510,790	565,191	513,697	531,262	569,766	451,948
1,481,641	1,694,146	1,540,650	1,416,195	1,869,286	1,900,229
4,087,613	3,695,964	3,212,842	3,643,881	3,864,460	4,110,702
1,681,588	3,184,982	937,639	106,319	243,093	3,301,475
100,000	150,202	-	-	-	-
47,460	40,416	23,013	30,502	202,351	601,325
330,965	82,107	54,333	86,050	195,711	271,353
<u>41,791,492</u>	<u>44,473,749</u>	<u>42,949,143</u>	<u>43,865,596</u>	<u>45,582,530</u>	<u>48,958,228</u>
10,935,746	10,576,393	6,253,704	6,940,527	7,179,021	7,787,658
5,940,733	5,826,669	7,500,975	8,226,493	8,463,417	8,511,067
4,298,938	3,951,743	5,648,506	6,083,080	6,039,369	6,336,588
1,965,054	1,528,443	87,990	98,108	386,318	55,861
7,965,646	7,999,354	10,275,560	10,626,031	10,972,864	11,273,797
6,727,393	3,014,913	3,006,105	3,160,253	3,327,539	5,552,620
-	-	-	781,027	-	-
1,862,015	1,294,928	1,077,422	1,208,254	1,270,664	1,110,542
4,968,526	5,477,993	4,448,943	5,430,507	4,390,702	12,492,735
<u>44,664,051</u>	<u>39,670,436</u>	<u>38,299,205</u>	<u>42,554,280</u>	<u>42,029,894</u>	<u>53,120,868</u>
(2,872,559)	4,803,313	4,649,938	1,311,316	3,552,636	(4,162,640)
3,390,000	-	-	8,315,000	9,450,000	2,700,000
-	213,295	-	103,455	178,500	471,411
91,082	126,362	331,415	93,629	102,690	42,405
3,490,000	4,510,000	-	732,901	6,260,000	-
353,878	316,894	-	469,809	540,737	-
-	(4,715,674)	-	-	(6,710,040)	-
23,252	2,500	-	-	80,300	35,239
3,326,889	344,856	1,443,425	2,333,636	4,424,273	9,141,408
(2,601,891)	(129,851)	(1,358,916)	(2,242,296)	(4,329,793)	(9,043,208)
<u>8,073,210</u>	<u>668,382</u>	<u>415,924</u>	<u>9,806,134</u>	<u>9,996,667</u>	<u>3,347,255</u>
<u>\$ 5,200,651</u>	<u>\$ 5,471,695</u>	<u>\$ 5,065,862</u>	<u>\$ 11,117,450</u>	<u>\$ 13,549,303</u>	<u>\$ (815,385)</u>
21.64%	12.58%	12.29%	11.81%	12.53%	16.60%

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

	Fiscal Year			
	2008	2009	2010	2011
Residential Property	\$ 1,244,699,984	\$ 1,319,584,117	\$ 1,315,124,845	\$ 1,306,933,609
Commercial Property	705,981,148	732,397,906	858,463,574	857,667,514
Industrial Property	88,869,368	150,255,998	156,543,513	152,160,115
Less: Tax Exempt Property	(491,174,863)	(529,066,640)	(581,449,244)	(585,462,472)
<b>Total Taxable Assessed Value</b>	<b>\$ 1,548,375,637</b>	<b>\$ 1,673,171,381</b>	<b>\$ 1,748,682,688</b>	<b>\$ 1,731,298,766</b>
<b>Total Direct Tax Rate</b>	<b>\$ 0.720000</b>	<b>\$ 0.705000</b>	<b>\$ 0.705000</b>	<b>\$ 0.705000</b>

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

**Fiscal Year**

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 1,318,375,083	\$ 1,313,329,562	\$ 1,340,643,775	\$ 1,433,044,472	\$ 1,565,085,837	\$ 1,700,369,650
905,226,326	934,825,965	1,000,810,663	1,089,149,570	1,180,302,082	1,255,053,340
189,306,565	192,957,836	249,479,757	234,654,586	246,351,857	254,575,118
<u>(605,716,400)</u>	<u>(626,932,382)</u>	<u>(630,145,444)</u>	<u>(653,703,145)</u>	<u>(683,610,501)</u>	<u>(716,019,833)</u>
<u>\$ 1,807,191,574</u>	<u>\$ 1,814,180,981</u>	<u>\$ 1,960,788,751</u>	<u>\$ 2,103,145,483</u>	<u>\$ 2,308,129,275</u>	<u>\$ 2,493,978,275</u>
\$ 0.720000	\$ 0.720000	\$ 0.720000	\$ 0.720000	\$ 0.714352	\$ 0.720000

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

	Fiscal Year			
	2008	2009	2010	2011
Approximate Taxable Value*	\$ 3,569,008,272	\$ 4,050,195,673	\$ 2,923,906,219	\$ 2,779,913,092
Industrial District % Taxable Per Contract	63%	63%	63%	63%
Approximate Adjusted Taxable Value *	\$ 2,248,475,211	\$ 2,551,623,274	\$ 1,842,060,918	\$ 1,751,345,248
Tax Rate	\$ 0.720000	\$ 0.705000	\$ 0.705000	\$ 0.705000
Amount Billed	\$ 16,189,022	\$ 17,988,944	\$ 12,986,529	\$ 12,346,984
Amount Collected	\$ 16,185,295	\$ 17,988,792	\$ 12,986,529	\$ 12,346,943
% Collected	99.977%	99.999%	100.000%	100.000%

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

<b>Fiscal Year</b>					
<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
\$ 2,842,731,040	\$ 3,109,962,743	\$ 3,141,572,531	\$ 3,009,235,229	\$ 3,033,027,646	\$ 2,486,112,079
63%	63%	63%	63%	63%	63%
\$ 1,790,920,555	\$ 1,959,276,528	\$ 1,979,190,695	\$ 1,895,818,194	\$ 1,910,807,417	\$ 1,566,250,610
\$ 0.720000	\$ 0.720000	\$ 0.720000	\$ 0.720000	\$ 0.714532	\$ 0.720000
\$ 12,894,628	\$ 14,106,791	\$ 14,250,173	\$ 13,649,891	\$ 13,058,614	\$ 11,277,005
\$ 12,894,625	\$ 14,106,107	\$ 14,250,173	\$ 13,628,122	\$ 13,058,596	\$ 11,276,238
100.000%	99.995%	100.000%	99.841%	100.000%	99.993%

**CITY OF DEER PARK, TEXAS**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**

Last Ten Years

	Fiscal Year			
	2008	2009	2010	2011
City of Deer Park by fund:				
General	\$ 0.511000	\$ 0.511000	\$ 0.511000	\$ 0.498100
Debt service	0.209000	0.194000	0.194000	0.206900
<b>Total Direct Rates</b>	<u>\$ 0.720000</u>	<u>\$ 0.705000</u>	<u>\$ 0.705000</u>	<u>\$ 0.705000</u>
Deer Park Independent School District	\$ 1.336700	\$ 1.317650	\$ 1.366700	\$ 1.396700
Harris County	0.392390	0.389230	0.392240	0.388050
Harris County Department of Education	0.005850	0.005840	0.006050	0.006581
Harris County Flood Control District	0.031060	0.030860	0.029220	0.029230
Harris County Hospital District	0.192160	0.192160	0.192160	0.192160
Harris County Port of Houston Authority	0.014370	0.017730	0.016360	0.020540
San Jacinto Community College District	0.145370	0.163410	0.170800	0.176277
<b>Total Direct and Overlapping Rates</b>	<u>\$ 2.837900</u>	<u>\$ 2.821880</u>	<u>\$ 2.878530</u>	<u>\$ 2.914538</u>

Source: Harris County Appraisal District

Note:

Tax rates are per \$100 of assessed valuation.

**Fiscal Year**

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 0.498100	\$ 0.498100	\$ 0.498100	\$ 0.518000	\$ 0.515711	\$ 0.519943
0.221900	0.221900	0.221900	0.202000	0.198641	0.200057
<u>\$ 0.720000</u>	<u>\$ 0.720000</u>	<u>\$ 0.720000</u>	<u>\$ 0.720000</u>	<u>\$ 0.714352</u>	<u>\$ 0.720000</u>
\$ 1.396700	\$ 1.526700	\$ 1.556700	\$ 1.556700	\$ 1.556700	\$ 1.556700
0.391170	0.400210	0.414550	0.417310	0.419230	0.416560
0.006581	0.006617	0.006358	0.005999	0.005422	0.005200
0.028090	0.028090	0.028270	0.027360	0.027330	0.028290
0.192160	0.182160	0.170000	0.170000	0.170000	0.171790
0.018560	0.019520	0.017160	0.015310	0.013420	0.013340
0.185602	0.185602	0.185602	0.185602	0.175783	0.182379
<u>\$ 2.938863</u>	<u>\$ 3.068899</u>	<u>\$ 3.098640</u>	<u>\$ 3.098281</u>	<u>\$ 3.082237</u>	<u>\$ 3.094259</u>

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# CITY OF DEER PARK, TEXAS

## PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Lanxess Corporation - FCC	\$ 23,677,175	1	0.95%	\$ -	N/A	-
Quarter Turn Resources, Inc.	21,649,326	2	0.87%	-	N/A	-
Deer Park Apts. LLC	21,600,000	3	0.87%	-	N/A	-
CenterPoint Energy, Inc.	21,338,201	4	0.86%	16,564,012	2	1.07%
Siemens Energy Inc.	20,269,600	5	0.81%	-	N/A	-
BFT Parktown LLC Et Al	18,919,411	6	0.76%	-	N/A	-
Wal-Mart	18,453,043	7	0.74%	15,644,558	3	1.01%
GSL Constructors, Ltd.	17,851,763	8	0.72%	11,594,223	6	0.75%
Genox Transportation Inc.	15,851,933	9	0.64%	-	N/A	-
Dresser Inc.	15,729,655	10	0.63%	-	N/A	-
Hydrochem Industrial Services, Inc.	-	N/A	-	17,235,195	1	1.11%
The Musgrave-Grohman Group	-	N/A	-	14,824,085	4	0.96%
ITCR Deer Park Ltd Partnership	-	N/A	-	12,806,376	5	0.83%
Clay Development & Construction, Inc.	-	N/A	-	11,366,429	7	0.73%
The Dow Chemical Company	-	N/A	-	10,928,760	8	0.71%
Schwan's Global Supply Chain, Inc.	-	N/A	-	10,774,990	9	0.70%
Hertz Equipment Rental	-	N/A	-	8,979,083	10	0.58%
Subtotal	195,340,107		7.85%	130,717,711		8.45%
Other Taxpayers	2,298,638,168		92.15%	1,417,657,926		91.55%
<b>Total</b>	<b>\$ 2,493,978,275</b>		<b>100.00%</b>	<b>\$ 1,548,375,637</b>		<b>100.00%</b>

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

# CITY OF DEER PARK, TEXAS

## PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years

	Fiscal Year			
	2008	2009	2010	2011
Tax levy	\$ 11,172,300	\$ 11,897,387	\$ 12,366,491	\$ 12,228,677
Current tax collected	\$ 10,973,053	\$ 11,579,783	\$ 12,159,307	\$ 12,036,460
Percentage of current tax collections	98.22%	97.33%	98.32%	98.43%
Delinquent tax collections	178,608	287,723	174,384	158,828
Total tax collections	<u>\$ 11,151,661</u>	<u>\$ 11,867,506</u>	<u>\$ 12,333,691</u>	<u>\$ 12,195,288</u>
Total collections as a percentage of current levy	99.82%	99.75%	99.73%	99.73%

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 13,043,054	\$ 13,019,648	\$ 14,063,714	\$ 14,991,306	\$ 16,363,090	\$ 17,598,722
\$ 12,841,027	\$ 12,836,742	\$ 13,863,961	\$ 14,858,925	\$ 16,035,281	\$ 17,443,588
98.45%	98.60%	98.58%	99.12%	98.00%	99.12%
169,882	148,778	146,026	59,469	208,201	-
<u>\$ 13,010,909</u>	<u>\$ 12,985,520</u>	<u>\$ 14,009,987</u>	<u>\$ 14,918,394</u>	<u>\$ 16,243,482</u>	<u>\$ 17,443,588</u>
99.75%	99.74%	99.62%	99.51%	99.27%	99.12%

# CITY OF DEER PARK, TEXAS

## RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	Fiscal Year			
	2008	2009	2010	2011
<b>Governmental Activities:</b>				
General obligation bonds	\$ 30,590,000	\$ 28,725,000	\$ 29,200,000	\$ 26,785,000
Certificates of obligation	2,300,000	2,230,000	9,965,000	9,890,000
Capital leases	1,695,189	1,130,649	1,834,124	1,679,561
<b>Business-Type Activities:</b>				
General obligation bonds	-	-	-	-
Certificates of obligation	-	-	-	-
Water revenue bonds	13,610,000	12,400,000	8,645,000	7,745,000
Capital leases	-	-	-	216,834
<b>Total Primary Government</b>	<u>\$ 48,195,189</u>	<u>\$ 44,485,649</u>	<u>\$ 49,644,124</u>	<u>\$ 46,316,395</u>
<b>Debt as a Percentage of Personal Income</b>	N/A	N/A	N/A	N/A
<b>Debt Per Capita</b>	<u>\$ 1,578</u>	<u>\$ 1,428</u>	<u>\$ 1,551</u>	<u>\$ 1,447</u>

N/A -This information is currently not available.

Notes:

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

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

Schedule presents debt net of related premiums, discounts, and adjustments beginning in fiscal year 2013.

Fiscal Year					
2012	2013*	2014	2015	2016	2017
\$ 27,750,000	\$ 20,334,132	\$ 17,979,969	\$ 16,587,180	\$ 16,239,210	\$ 14,053,513
12,960,000	9,683,246	9,283,100	16,483,264	23,243,219	22,769,126
1,257,169	1,082,960	741,227	489,772	743,670	868,776
-	5,207,260	4,557,742	5,194,671	4,560,455	3,938,036
-	8,408,633	15,297,035	21,912,475	28,464,920	34,891,757
3,395,000	2,820,000	2,250,000	750,000	500,000	250,000
168,743	119,506	69,093	266,014	534,382	361,489
<u>\$ 45,530,912</u>	<u>\$ 47,655,737</u>	<u>\$ 50,178,166</u>	<u>\$ 61,683,376</u>	<u>\$ 74,285,856</u>	<u>\$ 77,132,697</u>
N/A	N/A	N/A	N/A	N/A	N/A
<u>\$ 1,408</u>	<u>\$ 1,436</u>	<u>\$ 1,493</u>	<u>\$ 1,801</u>	<u>\$ 2,147</u>	<u>\$ 2,214</u>

**CITY OF DEER PARK, TEXAS**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**

Last Ten Years

	Fiscal Year			
	2008	2009	2010	2011
General Obligation Bonds (1)	\$ 30,590,000	\$ 28,725,000	\$ 29,200,000	\$ 26,785,000
Less: Amounts Restricted to Repaying Principal	<u>(2,053,462)</u>	<u>(2,278,722)</u>	<u>(2,088,508)</u>	<u>(1,734,892)</u>
<b>Total</b>	<b><u>\$ 28,536,538</u></b>	<b><u>\$ 26,446,278</u></b>	<b><u>\$ 27,111,492</u></b>	<b><u>\$ 25,050,108</u></b>
<b>Percentage of Actual Taxable Value of Property</b>	1.84%	1.58%	1.55%	1.45%
<b>Net Bonded Debt Per Capita</b>	<b><u>\$ 934</u></b>	<b><u>\$ 866</u></b>	<b><u>\$ 847</u></b>	<b><u>\$ 783</u></b>

Notes:

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

(1) These are the amounts of general obligation bonds of both governmental and business-type activities.

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

Fiscal Year					
2012	2013*	2014	2015	2016	2017
\$ 27,750,000	\$ 25,541,392	\$ 22,537,711	\$ 21,781,851	\$ 20,799,665	\$ 17,991,549
(1,988,204)	(2,321,730)	(2,932,183)	(3,351,483)	(3,736,160)	(4,634,050)
<u>\$ 25,761,796</u>	<u>\$ 23,219,662</u>	<u>\$ 19,605,528</u>	<u>\$ 18,430,368</u>	<u>\$ 17,063,505</u>	<u>\$ 13,357,499</u>
1.43%	1.28%	1.00%	0.88%	0.74%	0.54%
<u>\$ 797</u>	<u>\$ 699</u>	<u>\$ 583</u>	<u>\$ 538</u>	<u>\$ 493</u>	<u>\$ 383</u>

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**CITY OF DEER PARK, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
September 30, 2017

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt Repaid with Property Taxes:</b>			
Deer Park Independent School District	\$ 207,845,000	21.45%	\$ 44,582,753
Harris County	2,295,044,505	0.59%	13,540,763
Harris County Department of Education	6,780,000	0.59%	40,002
Harris County Flood Control District	83,075,000	0.59%	490,143
Harris County Hospital District	61,595,000	0.59%	363,411
La Porte Independent School District	350,980,000	11.58%	40,643,484
Port of Houston Authority of Harris County	657,994,397	0.59%	3,882,167
San Jacinto Community College District	<u>394,444,977</u>	4.69%	<u>18,499,469</u>
Subtotal, overlapping debt	\$ 4,057,758,879		122,042,192
<b>City Direct Debt</b>	\$ 37,691,415	100.00%	<u>37,691,415</u>
	<b>Total Direct and Overlapping Debt</b>		<b><u>\$ 159,733,607</u></b>

Source: Texas Municipal Reports and Governmental Units

Notes:

Overlapping rates are those of local and county governments that apply within the City of Deer Park. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Deer Park. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire burden borne by the property taxpayers 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 direct debt is comprised of debt obligations supported by a pledge of ad valorem taxes.

Excludes general obligation bonds pledged by utility revenues.

# CITY OF DEER PARK, TEXAS

## LEGAL DEBT MARGIN INFORMATION

Last Ten Years

	Fiscal Year			
	2008	2009	2010	2011
Debt limit	\$ 154,837,564	\$ 168,338,508	\$ 174,868,269	\$ 173,129,877
Total net debt applicable to limit	28,536,538	26,446,278	27,111,492	25,050,108
Legal debt margin	\$ 126,301,026	\$ 141,892,230	\$ 147,756,777	\$ 148,079,769
Total net debt applicable to the limit as a percentage of debt limit	18.43%	15.71%	15.50%	14.47%

### Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 2,493,978,275
Debt limit (10% of assessed value)	249,397,828
Debt applicable to limit:	
General obligation bonds	17,991,549
Less: amount set aside for repayment of general obligation debt	(4,634,050)
Total net debt applicable to limit	13,357,499
Legal debt margin	\$ 236,040,329

<b>Fiscal Year</b>					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 180,719,157	\$ 181,418,098	\$ 196,078,875	\$ 210,314,548	\$ 230,812,928	\$ 249,397,828
<u>25,761,796</u>	<u>23,219,662</u>	<u>19,605,528</u>	<u>18,430,368</u>	<u>17,063,505</u>	<u>13,357,499</u>
<u>\$ 154,957,361</u>	<u>\$ 158,198,436</u>	<u>\$ 176,473,347</u>	<u>\$ 191,884,180</u>	<u>\$ 213,749,423</u>	<u>\$ 236,040,329</u>
14.26%	12.80%	10.00%	8.76%	7.39%	5.36%

# CITY OF DEER PARK, TEXAS

## PLEGDED REVENUE COVERAGE

Last Ten Years

	Fiscal Year			
	2008	2009	2010	2011
<b>Utility Service Charges</b>	\$ 7,497,682	\$ 8,084,177	\$ 8,041,795	\$ 10,942,116
<b>Less: Operating Expenses (1)</b>	5,327,121	6,197,174	5,951,271	6,119,717
<b>Net Available Revenue</b>	\$ 2,170,561	\$ 1,887,003	\$ 2,090,524	\$ 4,822,399
<b>Debt Service Requirements (2)</b>				
Principal	\$ 1,215,000	\$ 1,210,000	\$ 1,205,000	\$ 900,000
Interest	645,008	532,804	426,798	327,057
<b>Total</b>	\$ 1,860,008	\$ 1,742,804	\$ 1,631,798	\$ 1,227,057
<b>Coverage</b>	1.17	1.08	1.28	3.93

Notes:

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

(1) Operating expenses do not include interest, depreciation, or amortization.

(2) Includes revenue bonds only.

**Fiscal Year**

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 9,873,258	\$ 9,529,392	\$ 9,341,087	\$ 9,628,146	\$ 10,300,618	\$ 10,810,651
<u>5,890,927</u>	<u>5,758,791</u>	<u>6,030,193</u>	<u>6,162,029</u>	<u>6,421,511</u>	<u>6,931,288</u>
<u>\$ 3,982,331</u>	<u>\$ 3,770,601</u>	<u>\$ 3,310,894</u>	<u>\$ 3,466,117</u>	<u>\$ 3,879,107</u>	<u>\$ 3,879,363</u>
\$ 890,000	\$ 575,000	\$ 570,000	\$ 250,000	\$ 250,000	\$ 250,000
296,649	106,449	87,653	28,563	20,750	12,625
<u>\$ 1,186,649</u>	<u>\$ 681,449</u>	<u>\$ 657,653</u>	<u>\$ 278,563</u>	<u>\$ 270,750</u>	<u>\$ 262,625</u>
3.36	5.53	5.03	12.44	14.33	14.77

# CITY OF DEER PARK, TEXAS

## DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years

Calendar Year	Population	Per Capita Income	Personal Income	Unemployment Rate	School Enrollment
2008	30,544	N/A	N/A	5.6%	12,206
2009	31,154	N/A	N/A	8.2%	12,352
2010*	32,010	N/A	N/A	8.5%	12,500
2011	32,010	N/A	N/A	8.5%	12,593
2012	32,332	N/A	N/A	6.4%	12,841
2013	33,196	N/A	N/A	5.7%	12,626
2014	33,600	N/A	N/A	4.5%	13,015
2015	34,249	N/A	N/A	5.2%	13,140
2016	34,604	N/A	N/A	5.0%	13,278
2017	34,845	N/A	N/A	4.8%	13,190

Sources: City of Deer Park Economic Development Administrator and Deer Park Independent School District

N/A - This information is currently not available.

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

# CITY OF DEER PARK, TEXAS

## PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2017		2008	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Shell Deer Park	3,100	14.80%	1,750	10.57%
Deer Park ISD	1,868	8.92%	-	-
Universal Plant Services	1,342	6.40%	-	-
Lubrizol Specialty Chemicals	1,360	6.49%	445	2.69%
Dow Chemical Co.	1,330	6.35%	-	-
Mistras Group	700	3.34%	-	-
Wal-Mart	430	2.05%	-	-
City of Deer Park	414	1.98%	-	-
Minh Foods, Inc.	400	1.91%	235	1.42%
Siemens Energy	350	1.67%	-	-
Rohm and Hass	-	-	748	4.52%
Clean Harbors	-	-	258	1.56%
Oxy Vinyl	-	-	226	1.37%
Intercontinental Terminals	-	-	211	1.27%
Vopak	-	-	183	1.11%
Hexion	-	-	159	0.96%
Delta Chemicals	-	-	150	0.91%
<b>Total</b>	<u>11,294</u>	<u>53.91%</u>	<u>4,365</u>	<u>26.38%</u>
Estimated total jobs in the City	<u>20,953</u>		<u>16,550</u>	

Source: City of Deer Park Economic Development Administrator

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**CITY OF DEER PARK, TEXAS**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
 Last Ten Years

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Management services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finance	6.0	6.0	8.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Planning	13.0	14.0	14.0	14.0	13.0	14.0	14.0	14.0	13.0	12.0
Other	23.5	29.5	33.5	30.5	30.5	30.5	32.0	35.5	35.5	35.0
Police										
Officers	58.0	61.0	61.0	59.0	60.0	60.0	60.0	61.0	61.0	61.0
Civilians	25.0	26.0	25.0	24.0	25.0	25.0	25.0	26.0	26.0	26.0
Fire										
Firefighters and officers	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Civilians	5.5	9.5	13.5	13.5	13.0	13.0	15.5	14.5	13.0	15.0
Sanitation	23.0	23.0	23.0	23.0	23.0	23.0	22.0	22.0	22.0	22.0
Other public works										
Engineering	4.0	5.0	5.0	5.0	4.0	5.0	5.0	5.0	5.0	5.0
Other	26.0	25.0	27.0	27.0	27.0	27.0	28.0	28.0	29.0	29.0
Golf operations	26.0	26.0	26.0	25.0	26.0	24.0	-	-	-	-
Parks and recreation	60.5	61.5	73.5	73.5	74.0	69.5	70.5	73.0	77.0	77.0
Library	11.0	12.0	12.5	13.0	13.0	13.5	14.0	14.0	14.0	14.0
Water	14.0	15.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Wastewater	13.0	12.0	12.0	12.0	12.0	12.0	13.0	12.0	12.0	12.0
<b>Total</b>	<b>311.5</b>	<b>328.5</b>	<b>353.0</b>	<b>344.5</b>	<b>345.5</b>	<b>341.5</b>	<b>324.0</b>	<b>330.0</b>	<b>332.5</b>	<b>333.0</b>

Source: Adopted City Budget

# CITY OF DEER PARK, TEXAS

## OPERATING INDICATORS BY FUNCTION

Last Ten Years

Function/Program	Fiscal Year			
	2008	2009	2010	2011
General government				
Annual permits	1,306	1,152	1,290	1,583
Annual inspections	3,699	3,611	4,410	3,324
Police				
Physical arrests	2,637	2,596	1,975	2,690
Parking violations	18	13	6	192
Traffic violations	10,167	7,990	9,122	15,505
Fire				
Emergency responses	1,992	1,843	1,950	1,887
Fires extinguished	418	352	387	580
Inspections	N/A	N/A	N/A	N/A
Sanitation				
Refuse collected (tons per day)*	111	101	818	75
Recyclables collected (tons per day)	1	1	1	1
Streets				
Street resurfacing (miles)**	-	-	-	1
Potholes repaired	45	50	150	49
Parks and recreation				
Community center admissions	500	510	520	521
Program enrollments	N/A	N/A	10,722	17,877
Library				
Volumes in collection	82,386	82,159	82,200	80,593
Total volumes borrowed	169,395	174,058	174,100	173,409
Water				
New connections	114	125	31	27
Water main breaks	41	14	60	261
Average daily consumption (thousands of gallons)	3,900,000	3,900,000	4,199,000	4,646,400
Peak daily consumption (thousands of gallons)	6,086,000	6,961,000	6,566,000	7,722,000
Wastewater				
Average daily sewage treatment (thousands of gallons)	3,500	3,650	3,058	2,572

Source: Various City departments

N/A - This information is currently not available.

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

\*\* Majority of streets are concrete.

Fiscal Year					
2012	2013	2014	2015	2016	2017
1,616	1,777	2,414	2,610	2,644	2,420
3,671	1,017	1,204	1,494	4,932	3,855
2,843	3,296	3,258	3,068	3,445	4,050
143	114	81	101	92	71
13,338	14,601	13,205	14,049	14,322	16,826
2,032	2,100	2,193	2,401	2,467	2,761
588	648	655	862	775	790
1,353	1,392	1,288	1,523	1,676	1,862
71	81	83	81	82	83
2	3	4	4	4	4
-	2	-	-	-	1
62	50	50	55	65	60
N/A	N/A	N/A	N/A	N/A	N/A
18,081	17,527	15,300	16,309	21,034	21,262
79,897	83,346	84,296	87,171	90,408	101,960
165,620	164,962	168,852	167,012	157,955	157,902
34	78	39	77	137	100
73	76	62	46	32	39
4,501,100	4,661,000	4,507,000	4,286,000	3,893,750	3,995,225
6,350,000	6,438,000	5,826,000	6,700,000	5,281,000	5,541,000
3,129	2,960	2,595	4,299	4,575	3,082

# CITY OF DEER PARK, TEXAS

## CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years

Function/Program	Fiscal Year			
	2008	2009	2010	2011
<b>Police</b>				
Stations	1	1	1	1
Patrol units	39	40	40	40
<b>Fire</b>				
Stations	3	3	3	3
<b>Sanitation</b>				
Collection trucks	6	6	6	6
<b>Streets</b>				
Streets (miles)	105	105	105	106
Streetlights	2,557	2,557	2,557	2,583
Traffic signals	43	43	43	43
<b>Parks and recreation</b>				
Acreage	270	270	270	270
Parks with play structures	17	17	17	17
Baseball / softball diamonds	16	16	16	16
Soccer/football fields	9	9	9	9
Golf course	1	1	1	1
Community centers	7	7	7	7
<b>Water</b>				
Water lines (miles)	103	103	132	133
Fire hydrants	889	889	890	895
Storage capacity (millions of gallons)				
three ground wells @ 3,560 gpm total	3.0	3.0	3.0	3.0
three elevated tanks @ .5 M gallons each	1.5	1.5	1.5	1.5
two ground storage tanks @ 1 M gallons each	2.0	2.0	2.0	2.0
<b>Wastewater</b>				
Sanitary sewers (miles)	114	114	123	124
Storm sewers (miles)	62	62	66	67
Treatment capacity (millions of gallons)	6	6	6	6

Source: Various City departments

**Fiscal Year**

<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
1	1	1	1	1	1
41	41	42	41	44	44
3	3	3	3	3	3
5	5	6	6	6	6
106	107	107	109	111	111
2,583	2,622	2,623	2,661	2,694	2,709
43	43	43	44	44	44
270	270	270	270	270	279
19	19	19	19	19	20
24	24	19	19	20	21
6	6	7	7	7	7
1	1	1	1	1	1
7	7	7	7	7	7
133	134	135	137	138	139
895	906	914	934	950	958
3.0	3.0	3.0	3.0	3.0	3.0
1.5	1.5	1.5	1.5	1.5	1.5
2.0	2.0	2.0	2.0	2.0	2.0
124	125	125	127	130	130
67	68	68	69	70	70
6	6	6	6	6	6

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