

DRAFT

***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

CITY OF DEER PARK, TEXAS

For the Year Ended
September 30, 2018

**Prepared by
Finance Department**

**Donna Todd
Director of Finance**

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INTRODUCTORY SECTION

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DONNA TODD
Director of Finance

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March 14, 2019

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

Texas law and the City charter require that the City of Deer Park (the "City") publish a complete set of financial statements presented in conformity with generally accepted accounting principles ("GAAP") and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, I am pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the City for the fiscal year ended September 30, 2018. This report is published to provide the citizens, City Council, City management and staff, bondholders and other interested parties detailed information concerning the financial condition of the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements. I believe the data, as presented, is accurate in all material respects and that it is reported in a manner that fairly presents the financial position and results of operations of the City as measured by the financial activity of the various funds and account groups. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included.

The Report

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

City Profile

The City of Deer Park, incorporated in 1948, is located in the center of the highly industrialized ship channel area just east of Houston. The City currently occupies a land area of 15 square miles and serves a population of approximately 35,270. 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. Council members are elected on a non-partisan basis and serve two-year staggered terms. The Mayor and three Council members are elected in odd numbered years and the three remaining Council members are elected in even numbered years. The City Manager is responsible for the execution of City policies and ordinances, oversight of the daily operations of the City, and appointment of department heads.

The City provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; sanitation, water and sewer services; library services; recreational and cultural opportunities; and general administrative services. In fiscal year 2012 following a special election for each, the City added two component units to be funded by sales and use taxes: the Crime Control and Prevention and 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 and 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. Deer Park lies adjacent to the Port of Houston, which has evolved to become the largest U.S. port. The region immediately surrounding Deer Park 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 Deer Park area companies. The year 2018 showed that Deer Park continues to be a thriving community and with new storefronts and home-based businesses, over 400 new employees were added in the City.

The following are just a few examples of companies choosing Deer Park for their corporate expansion projects in 2018:

Two large logistic/distribution facilities began construction in 2018. The first, Underwood Port Logistics Center, is a 404,000 sq. ft. distribution center expected to be completed in April 2019. The second development, Victory Commerce Center, is a 350,000 sq. ft. distribution center on track to be completed in February 2019. Both are being built as speculative investments, but the developers and brokers believe there is a high demand for this type of office and industrial space in Deer Park, and both developments should bring many new companies and jobs to the area.

Shell Federal Credit Union, which is headquartered in the City of Deer Park, is planning an expansion project to include more office space and an accessory parking garage. The credit union has applied for and received a zoning change to allow for this expansion, which includes an additional 100,000 sq. ft. office building and a three-story parking garage with a covered walkway to the new building.

Additionally, the City applied for and received approval from the State of Texas, under the Texas Enterprise Zone program, for two large Enterprise Projects at Shell totaling \$426 million. The first project, at Shell Chemical L.P., is a \$167 million investment that will retain 500 jobs. The second project, through the Deer Park Refining Limited Partnership (Shell Refinery), is a \$259 million investment that will also retain 500 jobs.

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

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

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

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

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

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

Independent Audit

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

Awards

The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Deer Park for its CAFR for the fiscal year ended September 30, 2017. This was the 31st consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

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

Acknowledgements

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

Respectfully submitted,

Donna Todd

Donna Todd
Director of Finance

CITY OF DEER PARK, TEXAS
*CERTIFICATE OF ACHIEVEMENT FOR
EXCELLENCE IN FINANCIAL REPORTING*



Government Finance Officers Association

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

Presented to

**City of Deer Park
Texas**

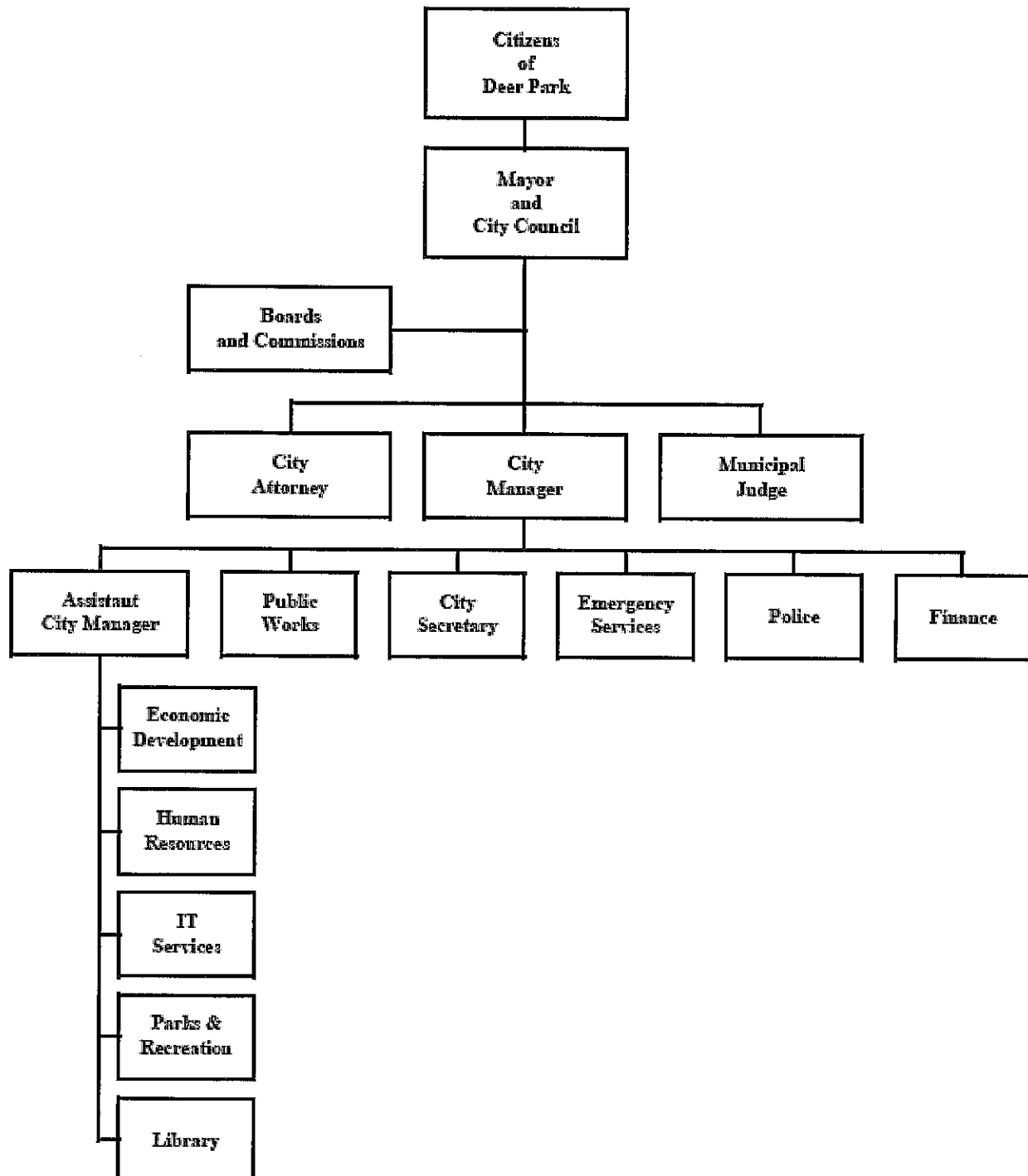
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrell

Executive Director/CEO

CITY OF DEER PARK, TEXAS
ORGANIZATIONAL CHART
September 30, 2018



CITY OF DEER PARK, TEXAS
PRINCIPAL OFFICIALS
September 30, 2018

City Officials	Elective Position
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

Key Staff	Position
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

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, 2018, 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, 2018, 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.

Emphasis of Matter

Change in Accounting Principle

In 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 and total OPEB liability and related ratios, the schedule of the City's proportionate share of the net pension liability, and the schedules of contributions, 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.

DRAFT
DRAFT HARRIS RECHANEK LLP
DRAFT HARRIS RECHANEK LLP
Certified Public Accountants
Houston, Texas
March 14, 2019

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

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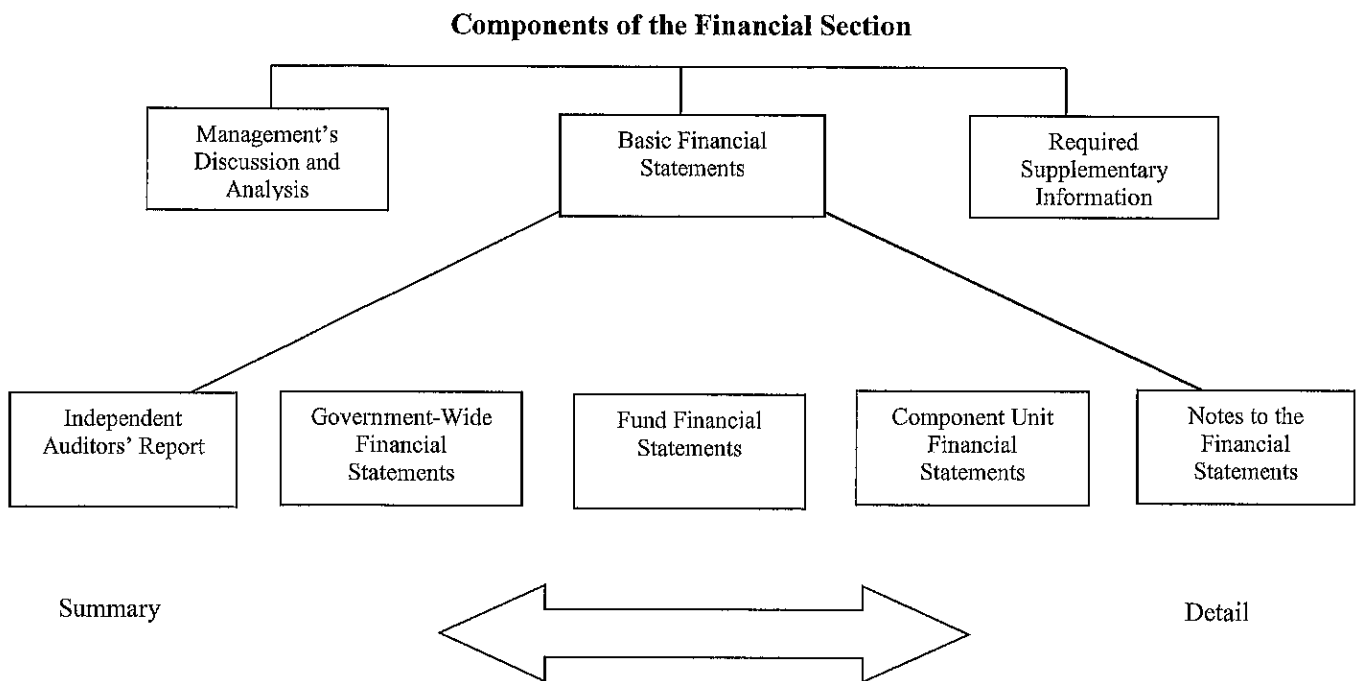
CITY OF DEER PARK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2018

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Deer Park, Texas (the "City") for the year ending September 30, 2018. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

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 fees, 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 bond fund (CIBF) 2016 fund, and the capital improvement 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, 2018

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 and total OPEB liability and related ratios, the schedule of the City's proportionate share of the net pension liability, and the schedules of contributions. 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 \$122,135,766 as of September 30, 2018. This compares with \$110,293,243 from the prior fiscal year. The largest portion of the City's net position, 68.54 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, 2018

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 65,481,732	\$ 76,580,173	\$ 27,980,238	\$ 28,975,855	\$ 93,461,970	\$ 105,556,028
Capital assets, net	90,426,346	73,786,526	47,138,668	39,229,593	137,565,014	113,016,119
Total Assets	155,908,078	150,366,699	75,118,906	68,205,448	231,026,984	218,572,147
Deferred charge on refunding	320,303	378,009	58,211	72,083	378,514	450,092
Deferred outflows - pensions	2,376,717	6,756,891	312,359	932,213	2,689,076	7,689,104
Deferred outflows - OPEB	72,228	5,692	-	-	72,228	5,692
Total Deferred Outflows of Resources	2,769,248	7,140,592	370,570	1,004,296	3,139,818	8,144,888
Long-term liabilities	55,848,599	66,370,512	45,565,877	41,105,286	101,414,476	107,475,798
Other liabilities	4,246,622	4,204,958	3,129,567	4,421,786	7,376,189	8,626,744
Total Liabilities	60,095,221	70,575,470	48,695,444	45,527,072	108,790,665	116,102,542
Deferred inflows - pensions	2,858,679	282,354	381,692	38,896	3,240,371	321,250
Total Deferred Inflows of Resources	2,858,679	282,354	381,692	38,896	3,240,371	321,250
Net Position:						
Net investment in						
capital assets	65,700,068	56,664,574	18,011,665	16,822,172	83,711,733	73,486,746
Restricted	6,998,162	6,658,676	-	146,542	6,998,162	6,805,218
Unrestricted	23,025,196	23,326,217	8,400,675	6,675,062	31,425,871	30,001,279
Total Net Position	\$ 95,723,426	\$ 86,649,467	\$ 26,412,340	\$ 23,643,776	\$ 122,135,766	\$ 110,293,243

A portion of the City's net position, \$6,998,162 or 5.73 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$31,425,871 or 25.73 percent, may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by \$11,842,523 during the current fiscal year, an increase of 10.74 percent in comparison to the prior year net position. Compared to the prior year, total assets increased \$12,454,837 largely due to the current year operating surplus and an increase in capital assets largely attributable to construction projects. Deferred outflows of resources decreased \$5,005,070 compared to the prior year due to an increase in investment earnings on pension plan assets. Long-term liabilities decreased \$6,061,322 compared to the prior year due to the decrease in the net pension liabilities and scheduled bond payments. Other liabilities decreased \$1,250,555 due largely to a decrease in payables related to various construction projects. Deferred inflows of resources increased \$2,919,121 due to an increase in investment earnings on pension plan assets.

CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

Statement of Activities:

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

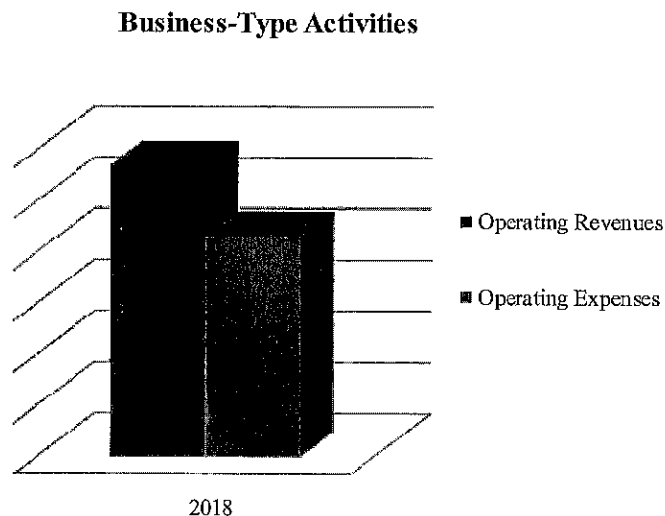
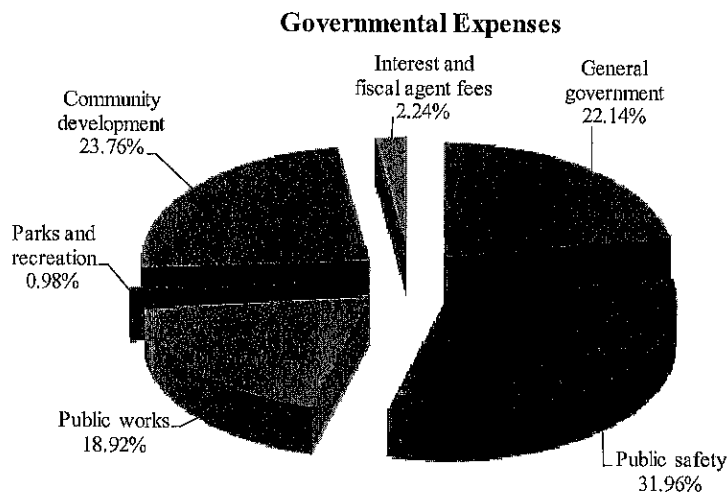
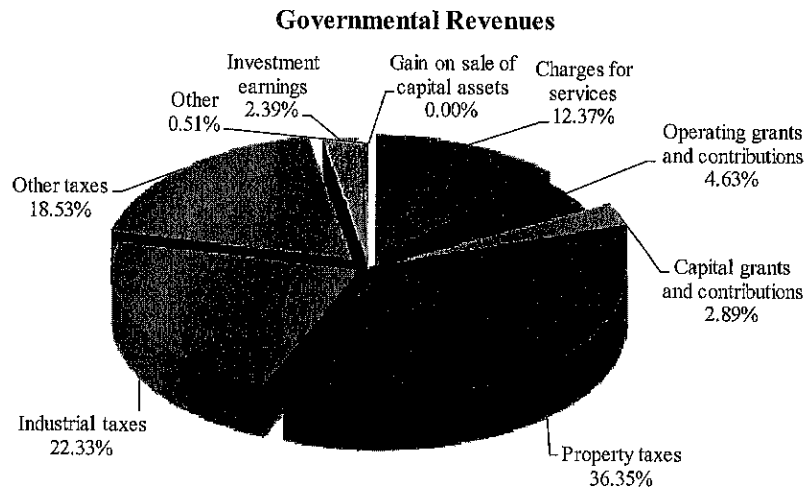
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 6,268,955	\$ 6,482,291	\$ 11,375,400	\$ 11,112,634	\$ 17,644,355	\$ 17,594,925
Operating grants and contributions	2,347,843	2,349,238	-	-	2,347,843	2,349,238
Capital grants and contributions	1,464,298	986,324	-	-	1,464,298	986,324
General revenues:						
Property taxes	18,423,349	17,845,389	-	-	18,423,349	17,845,389
Industrial taxes	11,316,198	11,255,235	-	-	11,316,198	11,255,235
Other taxes and fees	9,393,809	9,143,009	-	-	9,393,809	9,143,009
Investment earnings	1,210,930	601,325	331,845	150,971	1,542,775	752,296
Other	260,331	306,592	-	-	260,331	306,592
Gain on sale of capital assets	-	42,405	-	-	-	42,405
Total Revenues	50,685,713	49,011,808	11,707,245	11,263,605	62,392,958	60,275,413
Expenses						
General government	8,991,472	8,221,386	-	-	8,991,472	8,221,386
Public safety	12,987,761	13,054,883	-	-	12,987,761	13,054,883
Public works	7,683,728	8,112,235	-	-	7,683,728	8,112,235
Parks and recreation	398,187	351,435	-	-	398,187	351,435
Community development	9,649,900	9,973,129	-	-	9,649,900	9,973,129
Interest on long-term debt	908,599	1,020,878	-	-	908,599	1,020,878
Water and sewer	-	-	9,894,062	10,006,970	9,894,062	10,006,970
Storm water utility	-	-	36,726	112,159	36,726	112,159
Total Expenses	40,619,647	40,733,946	9,930,788	10,119,129	50,550,435	50,853,075
Increase in Net Position Before Transfers	10,066,066	8,277,862	1,776,457	1,144,476	11,842,523	9,422,338
Transfers in (out)	(992,107)	98,200	992,107	(98,200)	-	-
Change in Net Position	9,073,959	8,376,062	2,768,564	1,046,276	11,842,523	9,422,338
Beginning net position	86,649,467	78,273,405	23,643,776	22,597,500	110,293,243	100,870,905
Ending Net Position	\$ 95,723,426	\$ 86,649,467	\$ 26,412,340	\$ 23,643,776	\$ 122,135,766	\$ 110,293,243

CITY OF DEER PARK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2018

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



CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

For the year ended September 30, 2018, revenues from governmental activities totaled \$50,685,713, an increase of \$1,673,905 compared to the prior year. Capital grants and contributions increased due to Deer Park Community Development Corporation contributions towards capital projects and a land donation. Property taxes increased compared to the prior year due to an increase in the assessed values of properties. Sales tax revenues increased compared to the prior year due to an increase in economic activity within the City. Investment earnings increased compared to the prior year due to higher interest rates.

For the year ended September 30, 2018, expenses for governmental activities totaled \$40,619,647, a decrease of \$114,299. This decrease is mainly due to the decrease in the net pension liability.

Total revenues for business-type activities increased by a total of \$443,640 compared to the prior year. This was due to an increase in customer consumption and investment earnings. Total expenses for business-type activities decreased by \$188,341. This decrease is primarily due to a decrease in expenses related to repair and maintenance projects.

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 \$60,241,753. Of this, \$119,183 is nonspendable, \$15,218,654 is restricted, \$7,645,032 is assigned, and \$37,258,884 is unassigned.

There was a decrease in the combined fund balance of \$11,243,304 compared to the prior year. Compared to the prior year change in fund balance, the current year change in fund balance decreased \$12,058,689. This is largely attributable to an increase in capital outlay related to various projects.

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 \$37,258,884, while total fund balance reached \$38,347,432. 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 104.63 percent of total general fund expenditures, while total fund balance represents 107.68 percent of the total general fund expenditures. The general fund demonstrated an overall increase in fund balance of \$1,826,633. Revenues increased \$1,354,185 compared to the prior year due to increases in property tax revenues, sales tax revenues, intergovernmental revenues, and investment earnings. Expenditures increased \$14,198 compared to the prior year due to an increase in personnel costs and Chapter 380 payments. These increases were partially offset by a decrease in capital outlay.

The debt service fund has a total fund balance of \$5,181,426, all of which is restricted for the payment of debt service. Revenues decreased due to the City lowering the debt service property tax rate. The debt service fund transferred \$1,091,528 to the water and sewer fund for debt service payments.

The capital improvement bond fund (CIBF) 2016 fund had a decrease in fund balance of \$7,448,206 due to capital projects.

CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

The capital improvement fund had a decrease in fund balance of \$1,438,461 due to various capital projects during the fiscal year.

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 budgeted for the use of fund balance of \$760,458 in the general fund. However, the net change in fund balance increased by \$1,826,633, resulting in a positive variance of \$2,587,091.

Actual general fund revenues were greater than the amended budgeted revenues by \$2,520,215 during the fiscal year. The largest positive variances were from sales taxes, franchise fees, intergovernmental, charges for services, and investment earnings.

Actual expenditures were less than budgeted amounts in total by \$4,618,759 for the fiscal year. The largest positive variances were in general government, planning and development, recreation, senior services, library, 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 \$137,565,014 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$24,548,895.

Major capital asset events during the year included the following:

- Water and Sewer Maintenance Building Backup Emergency Operations Center for \$638,629
- Land – Patrick's Bayou Watershed for \$1,777,340
- Land – Spencerview Baseball Parking for \$645,000
- Construction in progress additions:
 - Dow Park Pavilion \$650,976
 - Maxwell Adult Center Parking \$1,495,154
 - Girls Softball Renovation \$2,885,271
 - Soccer Field \$3,230,691
 - Animal Shelter \$1,526,247
 - Wetlands Project \$587,931
 - City Hall Expansion \$3,108,210
 - Street Replacement Project \$1,500,629
 - Wastewater Treatment Plant Expansion \$6,845,120
 - Sanitary Sewer Rehabilitation – Deer Meadows \$1,474,657

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

CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2018

LONG-TERM DEBT

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$72,089,998. Of this amount, \$15,204,998 was general obligation debt and certificates of obligation accounted for \$56,885,000.

During the year, the City had a net decrease in bonds and certificates of obligation of \$1,130,000 as the result of one new bond issuance and scheduled debt payments. The City also recognized two new capital leases totaling \$418,825.

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 \$262,574,803, 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:

	Moody's Investors Service	Standard and Poor's
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 \$557,116, which is a 3.28 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 2019 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 a decrease in total general fund revenues/expenditures and other resources of approximately \$232,854.

City Council approved a current year budget increase of revenues/expenses of \$1,625,504 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.

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BASIC FINANCIAL STATEMENTS

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CITY OF DEER PARK, TEXAS

STATEMENT OF NET POSITION

September 30, 2018

Primary Government

	Governmental Activities	Business-Type Activities	Total	Component Units
<u>Assets</u>				
Cash and cash equivalents	\$ 62,256,215	\$ 26,192,968	\$ 88,449,183	\$ 6,821,781
Restricted cash and cash equivalents	-	801,108	801,108	-
Receivables, net of allowances	2,959,131	986,162	3,945,293	1,087,547
Due from other governments	147,203	-	147,203	-
Inventories	109,811	-	109,811	-
Prepaid items	9,372	-	9,372	-
Capital assets:				
Nondepreciable capital assets	50,010,626	17,694,558	67,705,184	2,903,089
Depreciable capital assets, net	40,415,720	29,444,110	69,859,830	2,853,566
Total Assets	155,908,078	75,118,906	231,026,984	13,665,983
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	320,303	58,211	378,514	-
Deferred outflows of resources - pensions (TMRS)	2,225,690	312,359	2,538,049	69,056
Deferred outflows of resources - pensions (TESRS)	151,027	-	151,027	-
Deferred outflows of resources - OPEB (SDBF)	72,228	-	72,228	-
Total Deferred Outflows of Resources	2,769,248	370,570	3,139,818	69,056
<u>Liabilities</u>				
Accounts payable	2,836,785	1,834,644	4,671,429	88,050
Accrued liabilities	588,238	86,264	674,502	106,007
Customer deposits	13,705	801,108	814,813	-
Other payables	768,527	407,551	1,176,078	-
Accrued interest payable	38,446	-	38,446	-
Unearned revenue	921	-	921	-
Noncurrent liabilities:				
Due within one year	5,283,540	2,280,367	7,563,907	137,775
Due in more than one year	50,565,059	43,285,510	93,850,569	1,509,231
Total Liabilities	60,095,221	48,695,444	108,790,665	1,841,063
<u>Deferred Inflows of Resources</u>				
Deferred inflows of resources - pensions (TMRS)	2,858,679	381,692	3,240,371	114,367
Total Deferred Inflows of Resources	2,858,679	381,692	3,240,371	114,367
<u>Net Position</u>				
Net investment in capital assets	65,700,068	18,011,665	83,711,733	4,705,639
Restricted for:				
Debt service	5,181,426	-	5,181,426	-
Enabling legislation:				
Hotel/motel occupancy tax	1,070,809	-	1,070,809	-
Police forfeiture	41,311	-	41,311	-
Municipal court	209,226	-	209,226	-
Special projects - restricted contributions	399,019	-	399,019	7,073,970
Capital projects	96,371	-	96,371	-
Unrestricted	23,025,196	8,400,675	31,425,871	-
Total Net Position	\$ 95,723,426	\$ 26,412,340	\$ 122,135,766	\$ 11,779,609

See Notes to Financial Statements.

CITY OF DEER PARK, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 8,991,472	\$ 386,289	\$ -	\$ -
Public safety	12,987,761	3,030,763	-	29,269
Public works	7,683,728	1,376,163	-	38,549
Parks and recreation	398,187	73,761	-	-
Community development	9,649,900	1,401,979	2,347,843	1,396,480
Interest on long-term debt	908,599	-	-	-
Total Governmental Activities	40,619,647	6,268,955	2,347,843	1,464,298
Business-Type Activities				
Water and sewer	9,894,062	11,037,737	-	-
Storm water utility	36,726	337,663	-	-
Total Business-Type Activities	9,930,788	11,375,400	-	-
Total Primary Government	\$ 50,550,435	\$ 17,644,355	\$ 2,347,843	\$ 1,464,298
Component Units				
Governmental	\$ 5,155,293	\$ -	\$ -	\$ -
Total Component Units	\$ 5,155,293	\$ -	\$ -	\$ -

General Revenues:

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

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net Revenue (Expense) and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (8,605,183)	\$ -	\$ (8,605,183)	\$ -
(9,927,729)	-	(9,927,729)	-
(6,269,016)	-	(6,269,016)	-
(324,426)	-	(324,426)	-
(4,503,598)	-	(4,503,598)	-
(908,599)	-	(908,599)	-
<u>(30,538,551)</u>	<u>-</u>	<u>(30,538,551)</u>	<u>-</u>
-	1,143,675	1,143,675	-
-	300,937	300,937	-
-	1,444,612	1,444,612	-
<u>(30,538,551)</u>	<u>1,444,612</u>	<u>(29,093,939)</u>	<u>-</u>
-	-	-	(5,155,293)
-	-	-	(5,155,293)
18,423,349	-	18,423,349	-
11,316,198	-	11,316,198	-
2,093,316	-	2,093,316	-
6,639,058	-	6,639,058	6,641,688
661,435	-	661,435	-
1,210,930	331,845	1,542,775	3,895
260,331	-	260,331	5,550
(992,107)	992,107	-	-
<u>39,612,510</u>	<u>1,323,952</u>	<u>40,936,462</u>	<u>6,651,133</u>
9,073,959	2,768,564	11,842,523	1,495,840
<u>86,649,467</u>	<u>23,643,776</u>	<u>110,293,243</u>	<u>10,283,769</u>
<u>\$ 95,723,426</u>	<u>\$ 26,412,340</u>	<u>\$ 122,135,766</u>	<u>\$ 11,779,609</u>

CITY OF DEER PARK, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2018

	General	Debt Service	CIBF 2016	Capital Improvement
<u>Assets</u>				
Cash and cash equivalents	\$ 38,457,472	\$ 5,184,727	\$ 2,115,952	\$ 7,362,338
Receivables, net	2,705,427	84,843	-	-
Due from other governments	147,203	-	-	-
Inventories	109,811	-	-	-
Prepaid items	9,372	-	-	-
Total Assets	\$ 41,429,285	\$ 5,269,570	\$ 2,115,952	\$ 7,362,338
<u>Liabilities</u>				
Accounts payable	\$ 1,140,097	\$ 3,301	\$ 1,082,918	\$ 313,204
Accrued liabilities	585,110	-	-	-
Customer deposits	13,705	-	-	-
Other payables	395,060	-	-	373,467
Unearned revenue	921	-	-	-
Total Liabilities	2,134,893	3,301	1,082,918	686,671
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - court fines and warrants	213,222	-	-	-
Unavailable revenue - ambulance	507,943	-	-	-
Unavailable revenue - industrial district taxes	78	-	-	-
Unavailable revenue - property taxes	225,717	84,843	-	-
Total Deferred Inflows of Resources	946,960	84,843	-	-
<u>Fund Balances</u>				
Nonspendable:				
Inventories	109,811	-	-	-
Prepaid items	9,372	-	-	-
Restricted for:				
Debt service	-	5,181,426	-	-
Enabling legislation	-	-	-	-
Special projects	-	-	-	-
Capital projects	-	-	1,033,034	-
Assigned:				
Disaster response/repair	816,000	-	-	-
Park maintenance	153,365	-	-	-
Capital projects	-	-	-	6,675,667
Unassigned	37,258,884	-	-	-
Total Fund Balances	38,347,432	5,181,426	1,033,034	6,675,667
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 41,429,285	\$ 5,269,570	\$ 2,115,952	\$ 7,362,338

See Notes to Financial Statements.

Nonmajor Governmental	Total Governmental Funds
\$ 9,135,726	\$ 62,256,215
168,861	2,959,131
-	147,203
-	109,811
-	9,372
<u>\$ 9,304,587</u>	<u>\$ 65,481,732</u>
\$ 297,265	\$ 2,836,785
3,128	588,238
-	13,705
-	768,527
-	921
<u>300,393</u>	<u>4,208,176</u>
-	213,222
-	507,943
-	78
-	310,560
<u>-</u>	<u>1,031,803</u>
-	109,811
-	9,372
-	5,181,426
1,321,346	1,321,346
399,019	399,019
7,283,829	8,316,863
-	816,000
-	153,365
-	6,675,667
-	37,258,884
<u>9,004,194</u>	<u>60,241,753</u>
<u>\$ 9,304,587</u>	<u>\$ 65,481,732</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, 2018

Total fund balances for governmental funds		\$ 60,241,753
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	50,010,626	
Capital assets, net depreciable	<u>40,415,720</u>	
		90,426,346
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
		1,031,803
Long-term liabilities and deferred outflows and deferred inflows related to pensions and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued interest	(38,446)	
Deferred charge on refunding	320,303	
Deferred outflows - pensions (TMRS)	2,225,690	
Deferred outflows - pensions (TESRS)	151,027	
Deferred inflows - pensions (TMRS)	(2,858,679)	
Deferred outflows - OPEB (SDBF)	72,228	
Noncurrent liabilities due in one year	(5,283,540)	
Noncurrent liabilities due in more than one year	<u>(50,565,059)</u>	
		(55,976,476)
		<u>\$ 95,723,426</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, 2018

	General	Debt Service	CIBF 2016	Capital Improvement
Revenues				
Property taxes	\$ 13,661,972	\$ 4,722,084	\$ -	\$ -
Industrial district taxes	11,316,198	-	-	-
Sales taxes	6,639,058	-	-	-
Franchise fees	2,093,316	-	-	-
Hotel/motel occupancy taxes	-	-	-	-
Fees and fines	1,422,619	-	-	-
Licenses and permits	530,559	-	-	-
Intergovernmental	335,974	2,024,358	751,480	-
Charges for services	3,959,196	-	-	-
Investment earnings	916,088	30,021	109,587	2,134
Miscellaneous	105,726	7	-	-
Total Revenues	40,980,706	6,776,470	861,067	2,134
Expenditures				
Current:				
General government	7,540,076	-	-	-
Community development	8,032,448	-	-	-
Public works	6,317,066	-	-	1,000
Parks and recreation	63,211	-	-	-
Public safety	11,936,825	-	-	-
Capital outlay	1,317,876	-	8,309,273	5,921,839
Debt service:				
Principal	386,668	4,303,024	-	-
Interest and other charges	17,305	986,031	-	-
Total Expenditures	35,611,475	5,289,055	8,309,273	5,922,839
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,369,231	1,487,415	(7,448,206)	(5,920,705)
Other Financing Sources (Uses)				
Transfers in	415,089	151,489	-	4,482,244
Transfers (out)	(4,482,244)	(1,091,528)	-	-
Proceeds from sale of capital assets	105,732	-	-	-
Capital leases	418,825	-	-	-
Total Other Financing Sources (Uses)	(3,542,598)	(940,039)	-	4,482,244
Net Change in Fund Balances	1,826,633	547,376	(7,448,206)	(1,438,461)
Beginning fund balances	36,520,799	4,634,050	8,481,240	8,114,128
Ending Fund Balances	\$ 38,347,432	\$ 5,181,426	\$ 1,033,034	\$ 6,675,667

See Notes to Financial Statements.

Nonmajor Governmental	Total Governmental Funds
\$ -	\$ 18,384,056
-	11,316,198
-	6,639,058
-	2,093,316
661,435	661,435
204,177	1,626,796
-	530,559
10,000	3,121,812
92,866	4,052,062
153,100	1,210,930
154,598	260,331
<u>1,276,176</u>	<u>49,896,553</u>
338,579	7,878,655
490,893	8,523,341
-	6,318,066
-	63,211
152,043	12,088,868
4,552,750	20,101,738
-	4,689,692
5,400	1,008,736
<u>5,539,665</u>	<u>60,672,307</u>
<u>(4,263,489)</u>	<u>(10,775,754)</u>
-	5,048,822
(467,157)	(6,040,929)
-	105,732
-	418,825
<u>(467,157)</u>	<u>(467,550)</u>
(4,730,646)	(11,243,304)
13,734,840	71,485,057
<u>\$ 9,004,194</u>	<u>\$ 60,241,753</u>

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CITY OF DEER PARK, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

Net changes in fund balances - total governmental funds \$ (11,243,304)

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	19,627,203
Depreciation expense	(3,489,445)
Disposals, net	(158,998)
Capital contributions	661,060

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. In addition, pension and other postemployment benefits (OPEB) expenses and the amortization of deferred items are accounted for in the Statement of Activities.

Principal payments	4,689,692
Amortization of deferred loss on refunding	(57,706)
Amortization of premiums on bonds	153,475
Amortization of deferred outflows - pensions (TMRS)	(138,827)
Amortization of deferred outflows - pensions (TESRS)	(71,397)
Amortization of deferred inflows - pensions (TMRS)	(6,746,275)
Amortization of deferred outflows - OPEB (SDBF)	66,536
Compensated absences	(10,003)
Capital lease activity	(418,825)
Closure costs	(1,183)
Net pension liability - TMRS	6,563,909
Net pension liability - TESRS	183,342
Total OPEB liability - Health	(508,947)
Total OPEB liability - SDBF	(129,547)
Accrued interest	4,368

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

98,831

Change in Net Position of Governmental Activities \$ 9,073,959

See Notes to Financial Statements.

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CITY OF DEER PARK, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2018

	Business-Type Activities		
	Water and Sewer	Storm Water Utility	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 25,712,651	\$ 480,317	\$ 26,192,968
Restricted cash and cash equivalents	801,108	-	801,108
Accounts receivable, net	958,071	28,091	986,162
Total Current Assets	27,471,830	508,408	27,980,238
Noncurrent assets:			
Capital assets:			
Land	591,397	-	591,397
Buildings	4,795,184	-	4,795,184
Utility system	57,133,324	-	57,133,324
Machinery and equipment	4,660,852	-	4,660,852
Construction in progress	17,103,161	-	17,103,161
Less: accumulated depreciation	(37,145,250)	-	(37,145,250)
Total Noncurrent Assets	47,138,668	-	47,138,668
Total Assets	74,610,498	508,408	75,118,906
<u>Deferred Outflows of Resources</u>			
Deferred outflows of resources - pensions (TMRS)	302,258	10,101	312,359
Deferred charge on refunding	58,211	-	58,211
Total Deferred Outflows of Resources	360,469	10,101	370,570
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	1,834,644	-	1,834,644
Accrued liabilities	86,264	-	86,264
Customer deposits	801,108	-	801,108
Other payables	407,551	-	407,551
Compensated absences	125,478	-	125,478
Bonds payable - current	2,066,685	-	2,066,685
Capital leases payable	-	88,204	88,204
Total Current Liabilities	5,321,730	88,204	5,409,934
Noncurrent liabilities:			
Net pension liability - TMRS	811,280	15,370	826,650
Total OPEB liability - Health	2,084,759	14,070	2,098,829
Compensated absences	13,942	-	13,942
Bonds payable, net of deferred charges	40,233,571	-	40,233,571
Capital leases payable	-	112,518	112,518
Total Noncurrent Liabilities	43,143,552	141,958	43,285,510
Total Liabilities	48,465,282	230,162	48,695,444
<u>Deferred Inflows of Resources</u>			
Deferred inflows of resources - pensions (TMRS)	367,852	13,840	381,692
Total Deferred Inflows of Resources	367,852	13,840	381,692
<u>Net Position</u>			
Net investment in capital assets	18,011,665	-	18,011,665
Unrestricted	8,126,168	274,507	8,400,675
Total Net Position	\$ 26,137,833	\$ 274,507	\$ 26,412,340

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, 2018

	Business-Type Activities		
	Water and Sewer	Storm Water Utility	Total
<u>Operating Revenues</u>			
Charges for services	\$ 11,037,737	\$ 337,663	\$ 11,375,400
Total Operating Revenues	11,037,737	337,663	11,375,400
<u>Operating Expenses</u>			
Personnel services	3,257,853	27,848	3,285,701
Contractual services	1,252,663	919	1,253,582
Repairs and maintenance	359,952	-	359,952
Other supplies and expenses	1,805,904	2,997	1,808,901
Depreciation	1,898,594	-	1,898,594
Total Operating Expenses	8,574,966	31,764	8,606,730
Operating Income	2,462,771	305,899	2,768,670
<u>Nonoperating Revenues (Expenses)</u>			
Investment earnings	331,845	-	331,845
Interest and fiscal agent fees	(1,319,096)	(4,962)	(1,324,058)
Total Nonoperating (Expenses)	(987,251)	(4,962)	(992,213)
Income Before Transfers	1,475,520	300,937	1,776,457
Transfers in	1,091,528	-	1,091,528
Transfers (out)	(99,421)	-	(99,421)
Total Transfers	992,107	-	992,107
Change in Net Position	2,467,627	300,937	2,768,564
Beginning net position	23,670,206	(26,430)	23,643,776
Ending Net Position	\$ 26,137,833	\$ 274,507	\$ 26,412,340

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, 2018

	Business-Type Activities		
	Water and Sewer	Storm Water Utility	Total
<u>Cash Flows from Operating Activities</u>			
Receipts from customers and users	\$ 11,136,349	\$ 335,103	\$ 11,471,452
Payments to suppliers for goods and services	(2,486,761)	(8,226)	(2,494,987)
Payments to employees for services	(3,127,525)	(27,175)	(3,154,700)
Net Cash Provided by Operating Activities	5,522,063	299,702	5,821,765
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfer from other funds	1,091,528	-	1,091,528
Transfer to other funds	(99,421)	-	(99,421)
Net Cash Provided by Noncapital Financing Activities	992,107	-	992,107
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition and construction of capital assets	(9,807,669)	-	(9,807,669)
Proceeds from debt issuance	5,312,086	-	5,312,086
Principal paid on capital debt	(1,976,976)	(160,767)	(2,137,743)
Interest and fiscal agent fees paid	(1,433,743)	(4,962)	(1,438,705)
Net Cash (Used) by Capital and Related Financing Activities	(7,906,302)	(165,729)	(8,072,031)
<u>Cash Flows from Investing Activities</u>			
Earnings on investments	331,845	-	331,845
Net Cash Provided by Investing Activities	331,845	-	331,845
Net Increase (Decrease) in Cash and Cash Equivalents	(1,060,287)	133,973	(926,314)
Beginning cash and cash equivalents	27,574,046	346,344	27,920,390
Ending Cash and Cash Equivalents	\$ 26,513,759	\$ 480,317	\$ 26,994,076
<u>Ending Cash and Cash Equivalents</u>			
Unrestricted cash and cash equivalents	\$ 25,712,651	\$ 480,317	\$ 26,192,968
Restricted cash and cash equivalents	801,108	-	801,108
	\$ 26,513,759	\$ 480,317	\$ 26,994,076

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, 2018

	Business-Type Activities		
	Water and Sewer	Storm Water Utility	Total
Reconciliation of Operating Income to Net			
Cash Provided by Operating Activities			
Operating income	\$ 2,462,771	\$ 305,899	\$ 2,768,670
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,898,594	-	1,898,594
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in Assets:			
Accounts receivable	9,452	(2,560)	6,892
Due from other funds	62,411	-	62,411
Deferred outflows of resources	616,026	17,700	633,726
Increase (Decrease) in Liabilities:			
Accounts payable	669,887	(67)	669,820
Accrued liabilities	(80,520)	-	(80,520)
Accrued interest payable	-	(4,243)	(4,243)
Other payables	342,391	-	342,391
Compensated absences payable	(6,015)	(1,375)	(7,390)
Net pension liability	(883,312)	(29,792)	(913,104)
Deferred inflows of resources	329,159	13,637	342,796
Total OPEB liability	74,470	503	74,973
Customer deposits	26,749	-	26,749
Net Cash Provided by Operating Activities	\$ 5,522,063	\$ 299,702	\$ 5,821,765

See Notes to Financial Statements.

CITY OF DEER PARK, TEXAS

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

September 30, 2018

	Senior Citizens Trust	LEPC
<u>Assets</u>		
Cash and cash equivalents	\$ 114,841	\$ 48
Total Assets	\$ 114,841	\$ 48
<u>Liabilities</u>		
Due to others	\$ -	\$ 48
Total Liabilities	\$ -	\$ 48
<u>Net Position</u>		
Restricted	\$ 114,841	\$ -
Total Net Position	\$ 114,841	\$ -

See Notes to Financial Statements.

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

For the Year Ended September 30, 2018

	<u>Senior Citizens Trust</u>
<u>Additions</u>	
Investment earnings	\$ 1,737
	<u>1,737</u>
Total Additions	<u>1,737</u>
Change in Net Position	<u>1,737</u>
Beginning net position	<u>113,104</u>
Ending Net Position	<u><u>\$ 114,841</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, 2018

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, 2018

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, 2018

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 taxes and franchise fees, 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, 2018

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 due to its significance.

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, 2018

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 fees, 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. Investments in nonparticipating interest earning contracts, such as certificates of deposits, are reported at cost.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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, 2018

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/OPEB plan members. Another deferred charge has been recognized for employer pension/OPEB 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/total OPEB 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 two items that qualify 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. Deferred inflows 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. 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, 2018

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, 2018

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, 2018

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.

14. Other Postemployment Benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by 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 funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total other postemployment (OPEB) liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

The City also provides medical benefits to eligible retirees through a single-employer defined benefit plan. This plan is an unfunded, pay-as-you-go plan. Information about the City's OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by the City's consulting actuary.

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.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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, 2018.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2018, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexSTAR	\$ 23,475,599	0.08
TexPool	19,079,431	0.08
Certificates of deposit	33,407,675	0.41
Total Fair Value	<u><u>\$ 75,962,705</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, 2018, 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, 2018, market values of pledged securities were \$21,653,621 and bank balances were \$12,067,342.

As of September 30, 2018, the discretely presented component units' bank balances of \$6,866,737 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, 2018

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. In order to meet the criteria to be recorded at amortized cost, Texpool 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. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to TexSTAR. 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.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

B. Receivables

Amounts recorded as receivable as of September 30, 2018 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	\$ 2,087,730	\$ 339,374	\$ -	\$ -	\$ -
Accounts	1,474,914	-	168,861	1,417,431	40,577
Ambulance	3,265,606	-	-	-	-
Less allowance	(4,122,823)	(254,531)	-	(459,360)	(12,486)
Total	<u>\$ 2,705,427</u>	<u>\$ 84,843</u>	<u>\$ 168,861</u>	<u>\$ 958,071</u>	<u>\$ 28,091</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)/ Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 22,791,056	\$ 2,543,223	\$ -	\$ 25,334,279
Construction in progress	10,119,466	15,126,195	(569,314)	24,676,347
Total capital assets not being depreciated	<u>32,910,522</u>	<u>17,669,418</u>	<u>(569,314)</u>	<u>50,010,626</u>
Other capital assets:				
Buildings	23,808,675	538,129	-	24,346,804
Improvements	64,778,316	1,367,119	-	66,145,435
Machinery and equipment	19,855,055	1,282,911	(761,915)	20,376,051
Total other capital assets	<u>108,442,046</u>	<u>3,188,159</u>	<u>(761,915)</u>	<u>110,868,290</u>
Less accumulated depreciation for:				
Buildings	(11,710,995)	(600,883)	-	(12,311,878)
Improvements	(41,590,965)	(1,409,112)	-	(43,000,077)
Machinery and equipment	(14,264,082)	(1,479,450)	602,917	(15,140,615)
Total accumulated depreciation	<u>(67,566,042)</u>	<u>(3,489,445)</u>	<u>602,917</u>	<u>(70,452,570)</u>
Other capital assets, net Governmental Activities	<u>40,876,004</u>	<u>(301,286)</u>	<u>(158,998)</u>	<u>40,415,720</u>
Capital Assets, Net	<u>\$ 73,786,526</u>	<u>\$ 17,368,132</u>	<u>\$ (728,312)</u>	<u>90,426,346</u>
			Less associated debt	(33,267,073)
			Plus deferred charge on refunding	320,303
			Plus unspent bond proceeds	8,220,492
			Net Investment in Capital Assets	<u>\$ 65,700,068</u>

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Depreciation was charged to governmental functions as follows:

General government	\$ 435,181
Public safety	506,980
Public works	1,272,507
Parks and recreation	334,976
Community development	<u>939,801</u>
Total Governmental Activities Depreciation Expense	<u>\$ 3,489,445</u>

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

Project Description	Authorized Contract	Contract Expenditures	Remaining Contract
Access Control System - Maxwell	\$ 11,366	\$ 5,683	\$ 5,683
Maxwell Center/Parking	1,787,000	1,766,323	20,677
Deer Park Baseball	3,009,000	2,808,254	200,746
Soccer Field	3,659,688	3,512,187	147,501
Community Center and Gym	26,000	20,774	5,226
Animal Shelter	2,398,668	1,974,260	424,408
Access Control System - Animal Shelter	36,695	16,638	20,058
Camera System - Animal Shelter	29,075	14,225	14,850
HCFCB B112 Ditch	76,163	20,025	56,138
Drainage Recovery - Heritage/Deer Meadows	60,230	24,092	36,138
Street Replacement Project	5,728,015	1,996,521	3,731,494
Total	<u>\$ 16,821,900</u>	<u>\$ 12,158,981</u>	<u>\$ 4,662,919</u>

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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

	Primary Government		
	Beginning Balance	Increases	(Decreases)/ Reclassifications
Business-Type Activities:			
Capital assets not being depreciated:			
Land	\$ 591,397	\$ -	\$ -
Construction in progress	9,762,416	8,836,005	(1,495,260)
Total capital assets not being depreciated	10,353,813	8,836,005	(1,495,260)
Other capital assets:			
Buildings	3,861,540	933,644	-
Improvements	55,746,369	1,386,955	-
Machinery and equipment	4,593,290	146,325	(78,763)
Total other capital assets	64,201,199	2,466,924	(78,763)
Less accumulated depreciation for:			
Buildings	(1,192,878)	(119,428)	-
Improvements	(30,841,389)	(1,522,418)	-
Machinery and equipment	(3,291,152)	(256,748)	78,763
Total accumulated depreciation	(35,325,419)	(1,898,594)	78,763
Other capital assets, net	28,875,780	568,330	-
Business-Type Activities Capital Assets, Net	\$ 39,229,593	\$ 9,404,335	\$ (1,495,260)
			Less associated debt (42,500,978)
			Plus deferred charge on refunding 58,211
			Plus unspent bond proceeds 13,315,764
			Net Investment in Capital Assets \$ 18,011,665

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 1,898,594
Total Business-Type Activities Depreciation Expense	\$ 1,898,594

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
Waste Water Treatment Plant - Lagoon Project	\$ 486,000	\$ 750	\$ 485,250
Backwash System Improvements	14,500	7,803	6,697
Camera System - WTP Well Sites Network	22,914	10,957	11,957
Manhole Rehab - Phase 3	249,309	108,735	140,574
Sanitary Sewer Rehab - Deer Meadows	1,746,211	1,474,657	271,554
P Street Ground Storage Tank	65,000	30,000	35,000
Total	\$ 2,583,933	\$ 1,632,901	\$ 951,032

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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

	Component Units		
	Beginning Balance	Increases	(Decreases)/ Reclassifications
Ending Balance			
Discretely presented component units:			
Capital assets not being depreciated:			
Construction in progress	\$ 2,517,397	\$ 385,692	\$ -
Total capital assets not being depreciated	<u>2,517,397</u>	<u>385,692</u>	<u>-</u>
Capital assets, being depreciated:			
Building	87,641	-	-
Improvements	115,182	-	-
Machinery and equipment	3,530,330	1,565,253	(53,226)
Total capital assets, being depreciated	<u>3,733,153</u>	<u>1,565,253</u>	<u>(53,226)</u>
Less accumulated depreciation for:			
Building	(6,573)	(2,191)	-
Improvements	(34,506)	(8,380)	-
Machinery and equipment	(1,875,562)	(517,628)	53,226
Total accumulated depreciation	<u>(1,916,641)</u>	<u>(528,199)</u>	<u>53,226</u>
Capital assets, being depreciated, net	<u>1,816,512</u>	<u>1,037,054</u>	<u>-</u>
Discretely Presented Component Units Capital Assets, Net	<u>\$ 4,333,909</u>	<u>\$ 1,422,746</u>	<u>\$ -</u>
		Less associated debt	(1,051,016)
		Net Investment in Capital Assets	<u>\$ 4,705,639</u>

Depreciation was charged to component units as follows:

Crime control and prevention district	\$ 286,112
Fire control, prevention, and emergency medical services district	242,087
Total Component Units Depreciation Expense	<u>\$ 528,199</u>

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

Project Description	Authorized Contract	Contract Expenditures	Remaining Contract
Firearms Range	\$ 2,746,095	\$ 2,692,429	\$ 53,666
Total	<u>\$ 2,746,095</u>	<u>\$ 2,692,429</u>	<u>\$ 53,666</u>

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

D. Long-Term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 13,258,698	\$ -	\$ 1,278,024	\$ 11,980,674 *	\$ 1,512,962
Certificates of obligation	22,300,000	-	3,025,000	19,275,000 *	2,190,000
Capital leases	868,776	418,825	386,668	900,933 *	395,595
Premium on bond issuance	1,263,941	-	153,475	1,110,466 *	146,481
Compensated absences	1,143,889	1,215,823	1,205,820	1,153,892	1,038,502
Net pension liability					
TMRS	12,274,158	-	6,563,909	5,710,249	-
TESRS	626,893	-	183,342	443,551	-
Total OPEB liability					
SDBF	844,048	129,547	-	973,595	-
Health	13,738,665	508,947	-	14,247,612	-
Closure costs	51,444	1,183	-	52,627	-
Total Governmental Activities	\$ 66,370,512	\$ 2,274,325	\$ 12,796,238	\$ 55,848,599	\$ 5,283,540
				Long-term debt due in more than one year	\$ 50,565,059
				*Debt associated with governmental activities capital assets	\$ 33,267,073

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 net pension liability and total other postemployment benefits liability are fully liquidated by the general fund.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
General obligation bonds	\$ 3,746,300	\$ -	\$ 521,976	\$ 3,224,324 **	\$ 667,038
Certificates of obligation	33,665,000	5,150,000	1,205,000	37,610,000 **	1,285,000
Revenue bonds	250,000	-	250,000	- **	-
Capital leases	361,489	-	160,767	200,722 **	88,204
Premium on bond issuance	1,418,493	162,086	114,647	1,465,932 **	114,647
Net pension liability - TMRS	1,739,754	-	913,104	826,650	-
Total OPEB liability - Health	2,023,856	74,973	-	2,098,829	-
Compensated absences	146,810	149,138	156,528	139,420	125,478
Total Business-Type Activities	\$ 43,351,702	\$ 5,536,197	\$ 3,322,022	\$ 45,565,877	\$ 2,280,367
				Long-term debt due in more than one year	\$ 43,285,510
				**Debt associated with business-type activities capital assets	\$ 42,500,978

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Discretely Presented Component Units:					
Capital leases	\$ -	\$ 1,163,743	\$ 112,727	\$ 1,051,016 ***	\$ 137,775
Net pension liability - TMRS	336,359	-	213,013	123,346	-
Total OPEB liability - Health	455,760	16,884	-	472,644	-
Total Discretely Presented Component Units	\$ 792,119	\$ 1,180,627	\$ 325,740	\$ 1,647,006	\$ 137,775
Long-term debt due in more than one year				\$ 1,509,231	
***Debt associated with discretely presented component units capital assets				\$ 1,051,016	

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

Description	Interest Rates	Balance
Governmental Activities		
General Obligation Bonds		
2010 General Obligation Refunding Bonds	4.00-4.50%	\$ 887,772
2012 General Obligation Refunding Bonds	2.00-3.00%	3,255,000
2014 General Obligation Bonds	3.00-4.00%	845,000
2014 General Obligation Refunding Bonds	3.00-4.00%	732,902
2016 Limited Tax Refunding Bonds	2.25-4.00%	6,260,000
Total General Obligation Bonds		11,980,674
Certificates of Obligation		
2010 Certificates of Obligation	4.00-5.00%	5,670,000
2015 Certificates of Obligation	2.00-4.00%	5,315,000
2016 Certificates of Obligation	1.59%	5,650,000
2017 Certificates of Obligation	1.89%	2,640,000
Total Certificates of Obligation		19,275,000
Total Bonds and Certificates of Obligation		31,255,674
Capital Leases		
2016 Freightliner Trash Truck	1.55%	35,362
2016 Golf Cars and Beverage Vehicle	3.15%	208,122
2017 Freightliner Trash Truck	1.84%	91,938
2018 Freightliner 108SD	1.83%	112,169
2018 Freightliner Bus	1.69%	55,875
2018 Freightliner M2-106-80	2.68%	170,464
VOIP Telephone Equipment	2.87%	227,003
Total Capital Leases		900,933
Total Governmental Activities Long-Term Debt		\$ 32,156,607

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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

Description	Interest Rates	Balance
<u>Business-Type Activities</u>		
General Obligation Bonds		
2010 General Obligation Refunding Bonds	4.00-4.50%	\$ 587,225
2011 General Obligation Refunding Bonds	2.50-3.00%	1,455,000
2014 General Obligation Refunding Bonds	3.00-4.00%	1,182,099
Total General Obligation Bonds		3,224,324
Certificates of Obligation		
2011 Certificates of Obligation	2.50-4.00%	2,745,000
2012 Certificates of Obligation	2.00-3.00%	4,300,000
2013 Certificates of Obligation	2.50-3.35%	6,625,000
2014 Certificates of Obligation	3.00-4.00%	5,790,000
2015-A Certificates of Obligation	2.00-3.50%	6,590,000
2016-A Certificates of Obligation	2.00-4.00%	6,540,000
2017-A Certificates of Obligation	2.00-3.00%	5,020,000
Total Certificates of Obligation		37,610,000
Capital Leases		
Gradall XL5100 Excavator	1.81%	200,722
Total Capital Leases		200,722
Total Business-Type Activities Long-Term Debt		\$ 41,035,046

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

Component unit long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
<u>Component Unit</u>		
Capital Leases		
2018 Pierce Velocity	2.00%	\$ 1,051,016
Total Component Unit Long-Term Debt		\$ 1,051,016

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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	
2019	\$ 1,512,962	\$ 353,133	\$ 2,190,000	\$ 524,863	\$ 4,580,958
2020	1,564,954	303,642	2,245,000	466,072	4,579,668
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	1,538,025	153,331	2,415,000	282,173	4,388,529
2024-2028	3,967,037	326,068	6,700,000	648,704	11,641,809
2029-2033	305,000	45,500	1,060,000	53,750	1,464,250
2034	70,000	1,400	-	-	71,400
Total	\$ 11,980,674	\$ 1,643,532	\$ 19,275,000	\$ 2,722,278	\$ 35,621,484

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		Total
	Principal	Interest	Principal	Interest	
2019	\$ 667,038	\$ 92,367	\$ 1,285,000	\$ 1,175,765	\$ 3,220,170
2020	660,047	69,983	1,385,000	1,142,628	3,257,658
2021	590,329	48,839	1,595,000	1,102,653	3,336,821
2022	426,975	32,803	1,665,000	1,057,578	3,182,356
2023	416,975	20,144	1,735,000	1,011,528	3,183,647
2024-2028	462,960	6,944	12,040,000	4,046,920	16,556,824
2029-2033	-	-	13,595,000	1,858,576	15,453,576
2034-2037	-	-	4,310,000	192,288	4,502,288
Total	\$ 3,224,324	\$ 271,080	\$ 37,610,000	\$ 11,587,936	\$ 52,693,340

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.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

During fiscal year 2018, the City issued Certificates of Obligation, Series 2017-A in the amount of \$5,150,000. Proceeds from this issuance will be used to pay costs associated with the repair and renovation of, the construction of improvements to, and the equipment of the water and sewer system. The certificates mature on March 15, 2037 and have interest rates that range from 2.00% to 3.00%.

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. The revenue bonds fully matured during the fiscal year.

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 1.55 percent to 3.15 percent and have maturity dates ranging from 2019 to 2026.

Annual requirements to satisfy these obligations are as follows:

Year Ending Sep 30	Governmental Activities		
	Capital Leases		
	Principal	Interest	Total
2019	\$ 395,595	\$ 18,558	\$ 414,153
2020	384,315	9,047	393,362
2021	121,023	1,661	122,684
Total	\$ 900,933	\$ 29,266	\$ 930,199

Year Ending Sep 30	Business-Type Activities		
	Capital Leases		
	Principal	Interest	Total
2019	\$ 88,204	\$ 2,899	\$ 91,103
2020	89,811	1,292	91,103
2021	22,707	68	22,775
Total	\$ 200,722	\$ 4,259	\$ 204,981

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Year Ending Sep30	Component Units		
	Capital Leases		
	Principal	Interest	Total
2019	\$ 137,775	\$ 19,762	\$ 157,537
2020	140,555	16,981	157,536
2021	143,392	14,144	157,536
2022	146,287	11,250	157,537
2023	149,239	8,297	157,536
2024-2026	333,768	7,563	341,331
Total	\$ 1,051,016	\$ 77,997	\$ 1,129,013

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities	Component Units
Assets:			
Machinery and equipment	\$ 1,422,505	\$ 435,228	\$ 1,163,743
Less: accumulated depreciation	(354,012)	(130,568)	(64,652)
Total	\$ 1,068,493	\$ 304,660	\$ 1,099,091

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

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

Transfer In	Transfer Out	Amounts
General	Water and sewer	\$ 99,421
General	Nonmajor governmental	315,668
Debt service	Nonmajor governmental	151,489
Nonmajor governmental	General	4,482,244
Water and sewer	Debt service	1,091,528
		\$ 6,140,350

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.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

- The general fund transferred \$4,482,244 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 water and sewer fund were made by the debt service fund for current year debt service payments.

F. Fund Equity

As of September 30, 2018, \$1,321,346 of the City's total fund balance is restricted by enabling legislation.

G. Restatement of Net Position

The City has restated beginning net position for the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) as follows:

	<u>Governmental Activities</u>	<u>Water and Sewer</u>	<u>Storm Water Utility</u>	<u>Business-Type Activities</u>
Beginning net position as reported	\$ 87,841,180	\$ 25,680,495	\$ (12,863)	\$ 25,667,632
Total OPEB liability - SDBF	(844,048)	-	-	-
Deferred outflows - contributions after measurement date - SDBF	5,692	-	-	-
Total OPEB liability - Health	(13,738,665)	(2,010,289)	(13,567)	(2,023,856)
Total OPEB obligation - Health	13,385,308	-	-	-
Beginning net position - restated	<u>\$ 86,649,467</u>	<u>\$ 23,670,206</u>	<u>\$ (26,430)</u>	<u>\$ 23,643,776</u>

	<u>Crime Control District</u>	<u>Fire Control District</u>	<u>Component Units</u>
Beginning net position as reported	\$ 4,389,009	\$ 3,108,647	\$ 10,739,529
Total OPEB liability - Health	(129,226)	(326,534)	(455,760)
Beginning net position - restated	<u>\$ 4,259,783</u>	<u>\$ 2,782,113</u>	<u>\$ 10,283,769</u>

IV. OTHER INFORMATION

A. Risk Management

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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by 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.

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

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.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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>2018</u>	<u>2017</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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	203
Inactive employees entitled to, but not yet receiving, benefits	133
Active employees	305
Total	<u><u>641</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 14.44 percent and 14.36 percent in calendar years 2018 and 2017, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2018 were \$2,767,719, which were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Actuarial Assumptions

The TPL in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and annuity purchase rate are based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the EAN actuarial cost method and a one-time change to the amortization policy. 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, 2018

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%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

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	\$ 3,285,191	\$ -	\$ 3,285,191
Interest	8,293,823	-	8,293,823
Difference between expected and actual experience	(107,539)	-	(107,539)
Contributions - employer	-	2,709,671	(2,709,671)
Contributions - employee	-	1,320,869	(1,320,869)
Net investment income	-	15,213,811	(15,213,811)
Benefit payments, including refunds of employee contributions	(5,811,848)	(5,811,848)	-
Administrative expense	-	(78,855)	78,855
Other changes	-	(3,995)	3,995
Net Changes	5,659,627	13,349,653	(7,690,026)
Balance at December 31, 2016	124,134,775	109,784,504	14,350,271
Balance at December 31, 2017	\$ 129,794,402	\$ 123,134,157	\$ 6,660,245

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability/(Asset)	\$ 24,514,802	\$ 6,660,245	\$ (7,990,437)

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.tmrs.com.

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

For the fiscal year ended September 30, 2018, the City recognized net pension expense of \$3,149,057.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 46,208	\$ 275,359
Changes in actuarial assumptions	459,432	-
Difference between projected and actual investment earnings	-	3,079,379
Contributions subsequent to the measurement date	2,101,465	-
Total	\$ 2,607,105	\$ 3,354,738

\$2,101,465 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 NPL for the fiscal year ending September 30, 2019.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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

Fiscal Year Ended September 30	Pension Expense
2019	\$ 218,515
2020	51,235
2021	(1,532,183)
2022	(1,582,529)
2023	(4,136)
Total	\$ (2,849,098)

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 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, 2017, there were 235 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, 2017, the pension system membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,104
Terminated members entitled to, but not yet receiving, benefits	2,208
Active participants	4,046

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. 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, 2018

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, 2018

there is no maximum contribution rate. For the fiscal year ending August 31, 2017, total contributions (dues, prior service, and interest on prior service financing) of \$89,400 were paid by the City. The State appropriated \$1,583,825 for the fiscal year ending August 31, 2017 to the plan 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:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
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%
Total	100.0%	
Weighted average		4.97%

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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, the pension plan'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:

	1% Decrease in Discount Rate (6.75%)	Discount Rate (7.75%)	1% Increase in Discount Rate (8.75%)
City's proportionate share of the net pension liability	\$ 828,297	\$ 443,551	\$ 200,834

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

At August 31, 2017, the City reported a liability of 443,551 for its proportionate share of the plan'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 net pension liability that was associated with the City were as follows:

City's proportionate share of the collective NPL	\$ 443,551
*State's proportionate share that is associated with the City	145,246
Total	<u><u>\$ 588,797</u></u>

**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 an NPL measured as of August 31, 2017. The City used the assumption that any differences in the NPL measured as of August 31, 2017 versus September 30, 2017 would be immaterial. The employer's proportion of the NPL was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

At August 31, 2017, the employer's proportion of the collective NPL was 1.848 percent, which was a decrease of 0.304 percent from its proportion measured as of August 31, 2016.

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, 2017, the City recognized pension expense of \$93,067. The City recognized on-behalf revenues of \$30,476 calculated by taking the State's total contributions to TESRS multiplied by the City's proportionate share.

At August 31, 2017, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 41,363	\$ -
Changes in assumptions	6,479	-
Differences between expected and actual experience	471	-
Contributions paid to TESRS subsequent to the measurement date	102,714	-
Total	\$ 151,027	\$ -

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:

Fiscal Year Ended September 30	Pension Expense
2019	\$ 20,871
2020	38,286
2021	(1,838)
2022	(9,006)
Total	\$ 48,313

D. Other Postemployment Benefits

1. Healthcare Plan

Plan Description

The City provides medical benefits (the "Plan") to eligible retirees through an unfunded 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. Eligibility is based on retirement at, or after, age 55 and 20 years of service (age plus years of service equals 80). If age 56 or older on or before December 31, 2003, an employee may retire with 10 years of service if age plus years of service equals 75. If hired prior to October 1, 2001, an employee may retire with 25 years of service without regard to age. There is no City subsidy for dependent coverage and the cost

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

of elected dependent coverage is paid entirely by the retiree. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits

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 the actuarial valuation. The retiree pays a percentage of the contribution for individual pre-65 medical coverage based on points (retirement age plus years of service). This contribution ranges from 25% for 80 or more points to 92.5% for 71 or less points. The retiree pays 20% of the individual Medicare supplement benefit contribution for any dependent coverage elected. Pre-65 medical benefits are provided through the TML Intergovernmental Employee Benefits Pool and Medicare supplement benefits are provided through United Healthcare.

Participation in the SDBF as of September 30, 2018 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	67
Inactive employees entitled to, but not yet receiving, benefits	-
Active employees	131
Total	<u><u>198</u></u>

Total OPEB Liability

The City's total OPEB liability of \$16,819,085 was measured as of September 30, 2018 and was determined by an actuarial valuation as of that date.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.50%
Discount rate	4.06%*
Health care trend rate	5.00%
Actuarial cost method	Individual entry-age
Service cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each participant's service between date of hire and date of expected termination.
Average per capita claim cost	The City is using 195% of the active employee rate for pre-65 retiree coverage and the Medicare supplement rate for the age 65 and later coverage. Since these rates are not subsidized by the active employee rates, they are used for the fiscal year 2017 claims costs rates.
Mortality	RPB-2014 Total Table with Projection MP-2018
Turnover	Rates varying based on gender, age, and select and ultimate at 9 years. Rates based on the TMRS actuarial assumptions from the 2017 retirement plan valuation report.
Retiree contributions	Retirees pay a portion of the monthly contribution rate for individual medical coverage and 100% of the contribution for dependent coverage.
Disability	None assumed.
Participation rates (coverage)	100% of all retirees who currently have healthcare coverage will continue with the same coverage. 75% of all actives who currently have individual healthcare coverage will continue with individual coverage upon retirement. 75% of actives who have family coverage will continue with individual coverage and the balance will keep family coverage.

* The discount rate is based on the Bond Buyer GO Bond 20 Index as of September 30, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 361,607
Interest	664,510
Changes of assumptions	-
Benefit payments	(425,313)
Net Changes	600,804
Balance at September 30, 2017	16,218,281
Balance at September 30, 2018	\$ 16,819,085

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Costs Trend Rate Assumptions

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (3.06%)	Discount Rate (4.06%)	1% Increase in Discount Rate (5.06%)
City's Total OPEB Liability	\$ 20,196,244	\$ 16,819,085	\$ 14,216,991

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using the assumed trend rates if that rate was one percentage point lower or one percentage point higher than the current trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
City's Total OPEB Liability	\$ 14,048,652	\$ 16,819,085	\$ 20,487,271

OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended September 30, 2018, the City recognized OPEB expense of \$1,026,117. The City had no deferred items to report as of September 30, 2018 related to this OPEB plan.

2. TMRS Supplemental Death Benefits Plan

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a five percent interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2017 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	159
Inactive employees entitled to, but not yet receiving, benefits	34
Active employees	305
Total	<u><u>498</u></u>

Total OPEB Liability

The City's total OPEB liability of \$973,595 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	3.31%*
Retirees' share of benefit-related costs	Zero
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates-service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projects on a fully generational basis with scale BB.
Mortality rates-disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rate are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Changes for the year:	
Service cost	\$ 26,417
Interest	32,262
Changes of assumptions	78,416
Benefit payments*	(7,548)
	<u>Net Changes</u>
	129,547
Balance at December 31, 2016	844,048
Balance at December 31, 2017	<u>\$ 973,595</u>

* Benefit payments are treated as being equal to the employer's yearly contributions for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.

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

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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (3.06%)	Discount Rate (4.06%)	1% Increase in Discount Rate (5.06%)
City's Total OPEB Liability	\$ 1,176,129	\$ 973,595	\$ 817,659

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$70,688.

The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 66,407	\$ -
Contributions subsequent to the measurement date	5,821	-
	<u>\$ 72,228</u>	<u>\$ -</u>

\$5,821 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2019.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30	OPEB Expense Amount
2019	\$ 12,009
2020	12,009
2021	12,009
2022	12,009
2023	12,009
Thereafter	6,362
Total	<u>\$ 66,407</u>

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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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; 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 \$11,316,198 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.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2018

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, 2018, the total estimated closure costs for the City's Transfer Station are \$52,627. 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 \$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. During fiscal year 2018, the City recognized expenditures of \$389,558 related to this Agreement.

I. Subsequent Events

In December 2018, the City Council approved the issuance of Certificates of Obligation, Series 2018 (the "Certificates") in the amount of \$6,300,000. 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, 2038. The interest rates will range from 3.25 percent to 5.00 percent.

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, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 13,625,217	\$ 13,625,217	\$ 13,661,972	\$ 36,755
Industrial district taxes	11,321,524	11,321,524	11,316,198	(5,326)
Sales taxes	5,850,000	5,850,000	6,639,058	789,058
Franchise fees	1,950,000	1,950,000	2,093,316	143,316
Fees and fines	1,504,200	1,504,200	1,422,619	(81,581)
Licenses and permits	536,300	536,300	530,559	(5,741)
Intergovernmental	60,000	60,000	335,974	275,974
Charges for services	3,454,250	3,454,250	3,959,196	504,946
Investment earnings	150,000	150,000	916,088	766,088
Miscellaneous	9,000	9,000	105,726	96,726
Total Revenues	38,460,491	38,460,491	40,980,706	2,520,215
<u>Expenditures</u>				
Current:				
General Government:				
Mayor and council	63,550	63,550	31,118	32,432
City manager	951,810	951,810	902,363	49,447
Boards and commissions	15,408	15,408	12,777	2,631
Municipal court	444,901	444,901	424,508	20,393
General government	4,522,271	4,475,491	3,140,926	1,334,565
Legal services	152,000	157,400	109,620	47,780
Human resources	382,418	382,418	352,975	29,443
Information technology services	1,512,167	1,512,167	1,418,557	93,610
Finance	687,220	687,220	653,018	34,202
City secretary	402,643	402,643	381,152	21,491
Warehouse	77,954	77,954	76,825	1,129
Disaster declarations	-	-	36,237	(36,237) *
Total General Government	9,212,342	9,170,962	7,540,076	1,630,886
Community Development:				
Planning and development	1,923,794	1,943,794	1,736,996	206,798
Beautification	45,000	45,000	6,865	38,135
Park maintenance	1,988,414	2,002,814	1,866,547	136,267
Recreation	1,614,593	1,614,593	1,369,749	244,844
Athletics and aquatics	875,642	875,642	844,296	31,346
Senior services	564,077	654,077	467,581	186,496
After-school program	370,988	370,988	289,476	81,512
Drama	503,232	503,232	446,930	56,302
Library	1,128,197	1,137,837	1,004,008	133,829
Total Community Development	9,013,937	9,147,977	8,032,448	1,115,529

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, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Public Works:				
Building maintenance	\$ 657,180	\$ 657,180	\$ 640,580	\$ 16,600
Sanitation	3,744,236	3,744,236	3,724,163	20,073
Street maintenance	1,906,725	1,906,725	1,169,854	736,871
Fleet maintenance	687,477	687,477	519,048	168,429
Humane division	263,072	263,472	263,421	51
Total Public Works	7,258,690	7,259,090	6,317,066	942,024
Public Safety:				
Police	9,797,120	9,797,120	9,469,286	327,834
Emergency management	460,660	460,660	434,510	26,150
Fire department	592,608	592,608	533,897	58,711
Ambulance	1,340,986	1,340,986	1,340,884	102
Fire marshal	157,653	158,253	158,248	5
Total Public Safety	12,349,027	12,349,627	11,936,825	412,802
Parks and Recreation:				
Golf course lease	106,000	106,000	63,211	42,789
Total Parks and Recreation	106,000	106,000	63,211	42,789
Debt service:				
Principal	378,595	437,628	386,668	50,960
Interest and other charges	17,305	17,305	17,305	-
Total Debt Service	395,900	454,933	403,973	50,960
Capital outlay	844,576	1,741,645	1,317,876	423,769
Total Expenditures	39,180,472	40,230,234	35,611,475	4,618,759
Excess (Deficiency) of Revenues Over (Under) Expenditures	(719,981)	(1,769,743)	5,369,231	7,138,974
Other Financing Sources (Uses):				
Transfers in	4,102,560	5,092,982	415,089	(4,677,893)
Transfers (out)	(3,792,579)	(4,512,526)	(4,482,244)	30,282
Proceeds from sale of capital assets	10,000	10,000	105,732	95,732
Capital lease proceeds	-	418,829	418,825	(4)
Total Other Financing Sources (Uses)	319,981	1,009,285	(3,542,598)	(4,551,883)
Net Change in Fund Balance	\$ (400,000)	\$ (760,458)	1,826,633	\$ 2,587,091
Beginning fund balance			36,520,799	
Ending Fund Balance			\$ 38,347,432	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Disaster declarations is a sub-fund of the general fund and the City does not adopt a budget for this sub-fund.

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, 2018

	Measurement Year*			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 2,681,792	\$ 3,011,767	\$ 3,179,205	\$ 3,285,191
Interest (on the total pension liability)	7,460,704	7,763,831	7,931,982	8,293,823
Difference between expected and actual experience	(718,727)	108,094	(18,490)	(107,539)
Change of assumptions	-	1,074,743	-	-
Benefit payments, including refunds of employee contributions	(5,388,710)	(5,128,029)	(5,758,334)	(5,811,848)
Net Change in Total Pension Liability	4,035,059	6,830,406	5,334,363	5,659,627
 Beginning total pension liability	 107,934,947	 111,970,006	 118,800,412	 124,134,775
Ending Total Pension Liability	\$ 111,970,006	\$ 118,800,412	\$ 124,134,775	\$ 129,794,402
 Plan Fiduciary Net Position				
Contributions - employer	\$ 2,442,022	\$ 2,545,558	\$ 2,519,299	\$ 2,709,671
Contributions - employee	1,172,340	1,233,609	1,276,057	1,320,869
Net investment income	5,837,195	156,470	7,078,549	15,213,811
Benefit payments, including refunds of employee contributions	(5,388,710)	(5,128,029)	(5,758,334)	(5,811,848)
Administrative expense	(60,949)	(95,310)	(79,953)	(78,855)
Other	(5,011)	(4,708)	(4,308)	(3,995)
Net Change in Plan Fiduciary Net Position	3,996,887	(1,292,410)	5,031,310	13,349,653
 Beginning plan fiduciary net position	 102,048,717	 106,045,604	 104,753,194	 109,784,504
Ending Plan Fiduciary Net Position	\$ 106,045,604	\$ 104,753,194	\$ 109,784,504	\$ 123,134,157
 Net Pension Liability	\$ 5,924,402	\$ 14,047,218	\$ 14,350,271	\$ 6,660,245
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 94.71%	 88.18%	 88.44%	 94.87%
 Covered Payroll	 \$ 16,747,712	 \$ 17,622,979	 \$ 18,229,388	 \$ 18,869,562
 Net Pension Liability as a Percentage of Covered Payroll	 35.37%	 79.71%	 78.72%	 35.30%

* Only four years of information is currently available. The City will build this schedule over the next six-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, 2018

	Measurement Year*			
	2014	2015	2016	2017
City's proportion of the net pension liability	2.115%	1.927%	2.152%	1.848%
City's proportionate share of the net pension liability	\$ 384,385	\$ 514,241	\$ 626,893	\$ 443,551
State's proportionate share of the net pension liability	129,211	178,251	216,723	145,246
Total	\$ 513,596	\$ 692,492	\$ 843,616	\$ 588,797
Number of active members**	80	76	82	62
City's net pension liability per active member	\$ 4,805	\$ 6,766	\$ 7,645	\$ 7,154
Plan fiduciary net position as a percentage of the total pension liability	83.50%	76.90%	76.30%	81.40%

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 four year's worth 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.

CITY OF DEER PARK, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2018

	Fiscal Year*				
	2014	2015	2016	2017	2018
Actuarially determined contribution	\$ 2,407,731	\$ 2,527,680	\$ 2,632,998	\$ 2,650,445	\$ 2,767,719
Contributions in relation to the actuarially determined contribution	2,407,731	2,527,680	2,632,998	2,650,445	2,767,719
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 16,455,020	\$ 17,449,288	\$ 18,824,716	\$ 18,622,310	\$ 19,192,732
Contributions as a percentage of covered payroll	14.63%	14.49%	13.99%	14.23%	14.42%

*Only five years of information is currently available. The City will build this schedule over the next five-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	28 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, 2018

	Fiscal Year*				
	2014	2015	2016	2017	2018
Contractually required contribution	\$ 96,300	\$ 91,000	\$ 98,600	\$ 89,400	\$ 102,714
Contributions in relation to the contractually required contribution	96,300	91,000	98,600	89,400	102,714
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Number of active members**	80	76	82	75	71
Contributions per active member	\$ 1,204	\$ 1,197	\$ 1,202	\$ 1,192	\$ 1,447

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

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

CITY OF DEER PARK, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFIT FUND (TMRS SDBF)
For the Year Ended September 30, 2018

	Measurement Year*
	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 26,417
Interest (on the total pension liability)	32,262
Changes of assumptions	78,416
Benefit payments	<u>(7,548)</u>
Net Change in Total OPEB Liability	<u>129,547</u>
 Beginning total OPEB liability	 <u>844,048</u>
Ending Total OPEB Liability	<u>\$ 973,595</u>
 Covered Payroll	 \$ 18,869,562
 Total OPEB Liability as a Percentage of Covered Payroll	 5.16%

* Only one year of information is currently available. The City will build this schedule over the next nine-year period.

CITY OF DEER PARK, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTH PLAN
For the Year Ended September 30, 2018

	Measurement Year*
	2017
Total OPEB Liability	
Service cost	\$ 361,607
Interest (on the total pension liability)	664,510
Benefit payments	(425,313)
Net Change in Total OPEB Liability	600,804
 Beginning total OPEB liability	 <u>16,218,281</u>
 Ending Total OPEB Liability	 <u>\$ 16,819,085</u>
 Covered Payroll	 \$ 16,778,986
 Total OPEB Liability as a Percentage of Covered Payroll	 100.24%

* Only one year of information is currently available. The City will build this schedule over the next nine-year period.

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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, 2018

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 4,539,566	\$ 4,539,566	\$ 4,722,084	\$ 182,518
Intergovernmental	2,394,362	2,394,362	2,024,358	(370,004)
Investment earnings	10,000	10,000	30,021	20,021
Miscellaneous	-	-	7	7
Total Revenues	6,943,928	6,943,928	6,776,470	(167,458)
Expenditures				
Debt service:				
Principal	5,240,425	5,240,425	4,303,024	937,401
Interest and other charges	1,778,503	1,778,503	986,031	792,472
Total Expenditures	7,018,928	7,018,928	5,289,055	1,729,873
Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,000)	(75,000)	1,487,415	1,562,415
Other Financing Sources (Uses)				
Transfers in	75,000	75,000	151,489	76,489
Transfer out	-	-	(1,091,528)	(1,091,528) *
Total Other Financing Sources (Uses)	75,000	75,000	(940,039)	(1,015,039)
Net Change in Fund Balance	\$ -	\$ -	547,376	\$ 547,376
Beginning fund balance			4,634,050	
Ending Fund Balance			\$ 5,181,426	

Notes to Supplementary Information:

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

CITY OF DEER PARK, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2018

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, 2018

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, 2018

Special Revenue Funds				
	Hotel/Motel Occupancy Tax	Grants	Police Forfeiture	Municipal Court
Assets				
Cash and cash equivalents	\$ 965,369	\$ 376,571	\$ 41,311	\$ 211,102
Accounts receivable	142,840	23,235	-	2,786
Total Assets	\$ 1,108,209	\$ 399,806	\$ 41,311	\$ 213,888
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 37,400	\$ 787	\$ -	\$ 1,534
Accrued liabilities	-	-	-	3,128
Total Liabilities	37,400	787	-	4,662
Fund balances:				
Restricted				
Enabling legislation	1,070,809	-	41,311	209,226
Special projects	-	399,019	-	-
Capital projects	-	-	-	-
Total Fund Balances	1,070,809	399,019	41,311	209,226
Total Liabilities and Fund Balances	\$ 1,108,209	\$ 399,806	\$ 41,311	\$ 213,888

Special Revenue Funds	Capital Projects Funds				
FEMA Hurricane Ike	Capital Projects	1997 Streets	Streets	General Obligation Series 2005	CIBF 2007
\$ -	\$ -	\$ 26,975	\$ 96,372	\$ 321,268	\$ 1,004,800
-	-	-	-	-	-
\$ -	\$ -	\$ 26,975	\$ 96,372	\$ 321,268	\$ 1,004,800
\$ -	\$ -	\$ -	\$ -	\$ 643	\$ 59,702
-	-	-	-	-	-
-	-	-	-	643	59,702
-	-	-	-	-	-
-	-	-	-	-	-
-	-	26,975	96,372	320,625	945,098
-	-	26,975	96,372	320,625	945,098
\$ -	\$ -	\$ 26,975	\$ 96,372	\$ 321,268	\$ 1,004,800

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CITY OF DEER PARK, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
September 30, 2018

	<u>Capital Projects Funds</u>			Total Nonmajor Governmental Funds
	<u>CIBF 2010</u>	<u>CIBF 2014</u>	<u>CIBF 2015</u>	
<u>Assets</u>				
Cash and cash equivalents	\$ 435,384	\$ -	\$ 5,656,574	\$ 9,135,726
Accounts receivable	-	-	-	168,861
Total Assets	<u>\$ 435,384</u>	<u>\$ -</u>	<u>\$ 5,656,574</u>	<u>\$ 9,304,587</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 197,199	\$ 297,265
Accrued liabilities	-	-	-	3,128
Total Liabilities	<u>-</u>	<u>-</u>	<u>197,199</u>	<u>300,393</u>
Fund balances:				
Restricted				
Enabling legislation	-	-	-	1,321,346
Special projects	-	-	-	399,019
Capital projects	<u>435,384</u>	<u>-</u>	<u>5,459,375</u>	<u>7,283,829</u>
Total Fund Balances	<u>435,384</u>	<u>-</u>	<u>5,459,375</u>	<u>9,004,194</u>
Total Liabilities and Fund Balances	<u>\$ 435,384</u>	<u>\$ -</u>	<u>\$ 5,656,574</u>	<u>\$ 9,304,587</u>

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, 2018

	Special Revenue Funds			
	Hotel/Motel Occupancy Tax	Grants	Police Forfeiture	Municipal Court
<u>Revenues</u>				
Hotel/motel taxes	\$ 661,435	\$ -	\$ -	\$ -
Fees and fines	-	-	-	204,177
Intergovernmental	-	10,000	-	-
Charges for services	-	-	-	92,866
Investment earnings	-	-	445	-
Miscellaneous	1,650	122,652	26,548	3,748
Total Revenues	663,085	132,652	26,993	300,791
<u>Expenditures</u>				
Current:				
General government	-	279,652	-	58,927
Community development	410,121	80,772	-	-
Public safety	-	24,725	14,375	112,943
Debt service:				
Interest and other charges	-	-	-	-
Capital outlay	35,393	-	-	-
Total Expenditures	445,514	385,149	14,375	171,870
Excess (Deficiency) of Revenues Over (Under) Expenditures	217,571	(252,497)	12,618	128,921
<u>Other Financing (Uses)</u>				
Transfers (out)	(153,494)	-	-	(162,174)
Total Other Financing (Uses)	(153,494)	-	-	(162,174)
Net Change in Fund Balances	64,077	(252,497)	12,618	(33,253)
Beginning fund balances	1,006,732	651,516	28,693	242,479
Ending Fund Balances	\$ 1,070,809	\$ 399,019	\$ 41,311	\$ 209,226

Special Revenue Funds	Capital Projects Funds				
FEMA Hurricane Ike	Capital Projects	1997 Streets	Streets	General Obligation Series 2005	CIBF 2007
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	417	1,165	4,962	25,680
-	-	-	-	-	-
-	-	417	1,165	4,962	25,680
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	5,400
-	-	-	-	643	768,678
-	-	-	-	643	774,078
-	-	417	1,165	4,319	(748,398)
-	-	(417)	-	(4,962)	(25,680)
-	-	(417)	-	(4,962)	(25,680)
-	-	-	1,165	(643)	(774,078)
-	-	26,975	95,207	321,268	1,719,176
\$ -	\$ -	\$ 26,975	\$ 96,372	\$ 320,625	\$ 945,098

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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, 2018

	Capital Projects Funds			Total Nonmajor Governmental Funds
	CIBF 2010	CIBF 2014	CIBF 2015	
<u>Revenues</u>				
Hotel/motel taxes	\$ -	\$ -	\$ -	\$ 661,435
Fees and fines	-	-	-	204,177
Intergovernmental	-	-	-	10,000
Charges for services	-	-	-	92,866
Investment earnings	15,290	690	104,451	153,100
Miscellaneous	-	-	-	154,598
Total Revenues	15,290	690	104,451	1,276,176
<u>Expenditures</u>				
Current:				
General government	-	-	-	338,579
Community development	-	-	-	490,893
Public safety	-	-	-	152,043
Debt service:				
Interest and other charges	-	-	-	5,400
Capital outlay	2,149,568	-	1,598,468	4,552,750
Total Expenditures	2,149,568	-	1,598,468	5,539,665
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,134,278)	690	(1,494,017)	(4,263,489)
<u>Other Financing (Uses)</u>				
Transfers (out)	(15,290)	(690)	(104,450)	(467,157)
Total Other Financing (Uses)	(15,290)	(690)	(104,450)	(467,157)
Net Change in Fund Balances	(2,149,568)	-	(1,598,467)	(4,730,646)
Beginning fund balances	2,584,952	-	7,057,842	13,734,840
Ending Fund Balances	\$ 435,384	\$ -	\$ 5,459,375	\$ 9,004,194

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, 2018

Hotel/Motel Occupancy Tax				Variance with Final Budget Positive (Negative)
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	
Revenues				
Hotel/motel occupancy taxes	\$ 620,091	\$ 620,091	\$ 661,435	\$ 41,344
Miscellaneous	-	-	1,650	1,650
Total Revenues	620,091	620,091	663,085	42,994
Expenditures				
Current:				
Community development	559,182	559,182	410,121	149,061
Capital outlay	342,950	342,950	35,393	307,557
Total Expenditures	902,132	902,132	445,514	456,618
Excess (Deficiency) of Revenues Over (Under) Expenditures	(282,041)	(282,041)	217,571	499,612
Other Financing (Uses)				
Transfers (out)	(173,850)	(173,850)	(153,494)	20,356
Total Other Financing (Uses)	(173,850)	(173,850)	(153,494)	20,356
Net Change in Fund Balance	\$ (455,891)	\$ (455,891)	64,077	\$ 519,968
Beginning fund balance			1,006,732	
Ending Fund Balance			\$ 1,070,809	

Grants				Variance with Final Budget Positive (Negative)
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	
Revenues				
Intergovernmental	\$ 529,585	\$ 529,585	\$ 10,000	\$ (519,585)
Miscellaneous	-	-	122,652	122,652
Total Revenues	529,585	529,585	132,652	(396,933)
Expenditures				
Current:				
General government	279,652	279,652	279,652	-
Community development	225,208	225,208	80,772	144,436
Public works	24,725	24,725	24,725	-
Total Expenditures	529,585	529,585	385,149	144,436
Net Change in Fund Balance	\$ -	\$ -	(252,497)	\$ (252,497)
Beginning fund balance			651,516	
Ending Fund Balance			\$ 399,019	

Notes to Supplementary Information:

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

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, 2018

		Police Forfeiture			Variance with Final Budget Positive (Negative)
		Original Budget Amounts	Final Budget Amounts	Actual Amounts	
Revenues					
Investment earnings		\$ -	\$ -	\$ 445	\$ 445
Miscellaneous		1,000	1,000	26,548	25,548
Total Revenues		<u>1,000</u>	<u>1,000</u>	<u>26,993</u>	<u>25,993</u>
Expenditures					
Current:					
Public safety		14,403	14,403	14,375	28
Total Expenditures		<u>14,403</u>	<u>14,403</u>	<u>14,375</u>	<u>28</u>
Other Financing Sources					
Transfers in		13,403	13,403	-	(13,403)
Total Other Financing Sources		<u>13,403</u>	<u>13,403</u>	<u>-</u>	<u>(13,403)</u>
Net Change in Fund Balance		<u>\$ -</u>	<u>\$ -</u>	<u>12,618</u>	<u>\$ 12,618</u>
Beginning fund balance				28,693	
Ending Fund Balance				<u>\$ 41,311</u>	
		Municipal Court			Variance with Final Budget Positive (Negative)
		Original Budget Amounts	Final Budget Amounts	Actual Amounts	
Revenues					
Fees and fines		\$ 197,500	\$ 197,500	\$ 204,177	\$ 6,677
Charges for services		110,000	110,000	92,866	(17,134)
Miscellaneous		-	-	3,748	3,748
Total Revenues		<u>307,500</u>	<u>307,500</u>	<u>300,791</u>	<u>(6,709)</u>
Expenditures					
Current:					
General government		62,636	62,636	58,927	3,709
Public safety		130,938	130,938	112,943	17,995
Total Expenditures		<u>193,574</u>	<u>193,574</u>	<u>171,870</u>	<u>21,704</u>
Excess of Revenues Over Expenditures		<u>113,926</u>	<u>113,926</u>	<u>128,921</u>	<u>14,995</u>
Other Financing (Uses)					
Transfers (out)		(162,174)	(162,174)	(162,174)	-
Total Other Financing (Uses)		<u>(162,174)</u>	<u>(162,174)</u>	<u>(162,174)</u>	<u>-</u>
Net Change in Fund Balance		<u>\$ (48,248)</u>	<u>\$ (48,248)</u>	<u>(33,253)</u>	<u>\$ 14,995</u>
Beginning fund balance				242,479	
Ending Fund Balance				<u>\$ 209,226</u>	

Notes to Supplementary Information:

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

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

For the Year Ended September 30, 2018

	LEPC			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 146,688	\$ 52,603	\$ 199,243	\$ 48
Total Assets	<u>\$ 146,688</u>	<u>\$ 52,603</u>	<u>\$ 199,243</u>	<u>\$ 48</u>
<u>Liabilities</u>				
Accounts payable	\$ 11,381	\$ 187,224	\$ 198,605	\$ -
Due to others	<u>135,307</u>	<u>52,603</u>	<u>187,862</u>	<u>48</u>
Total Liabilities	<u>\$ 146,688</u>	<u>\$ 239,827</u>	<u>\$ 386,467</u>	<u>\$ 48</u>

See Notes to Financial Statements.

CITY OF DEER PARK, TEXAS
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS

September 30, 2018

	Governmental Activities			
	Crime Control District	Fire Control District	Deer Park Community Development Corporation	Total
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 1,720,207	\$ 1,869,695	\$ 3,231,879	\$ 6,821,781
Accounts receivable, net	266,825	273,029	547,693	1,087,547
Noncurrent assets:				
Construction in progress	2,692,429	210,660	-	2,903,089
Building	-	87,641	-	87,641
Improvements	-	115,182	-	115,182
Machinery and equipment	2,022,069	3,020,289	-	5,042,358
Less: accumulated depreciation	(1,350,641)	(1,040,974)	-	(2,391,615)
Total Assets	5,350,889	4,535,522	3,779,572	13,665,983
<u>Deferred Outflows of Resources</u>				
Deferred outflows of resources - pensions	27,517	41,539	-	69,056
Total Deferred Outflows of Resources	27,517	41,539	-	69,056
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	17,073	70,977	-	88,050
Accrued liabilities	94,389	11,618	-	106,007
Capital leases payable	-	137,775	-	137,775
Noncurrent liabilities:				
Capital leases payable	-	913,241	-	913,241
Net pension liability	95,854	27,492	-	123,346
Total OPEB liability	134,013	338,631	-	472,644
Total Liabilities	341,329	1,499,734	-	1,841,063
<u>Deferred Inflows of Resources</u>				
Deferred inflows of resources - pensions	21,867	92,500	-	114,367
Total Deferred Inflows of Resources	21,867	92,500	-	114,367
<u>Net Position</u>				
Net investment in capital assets	3,363,857	1,341,782	-	4,705,639
Restricted for:				
Special projects - restricted contributions	1,651,353	1,643,045	3,779,572	7,073,970
Total Net Position	\$ 5,015,210	\$ 2,984,827	\$ 3,779,572	\$ 11,779,609

CITY OF DEER PARK, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION DISCRETELY PRESENTED COMPONENT UNITS

For the Year Ended September 30, 2018

	Governmental Activities			Total
	Crime Control District	Fire Control District	Deer Park Community Development Corporation	
<u>Operating Revenues</u>				
Sales taxes	\$ 1,636,210	\$ 1,691,438	\$ 3,314,040	\$ 6,641,688
Total Operating Revenues	<u>1,636,210</u>	<u>1,691,438</u>	<u>3,314,040</u>	<u>6,641,688</u>
<u>Operating Expenses</u>				
Personnel services	341,146	783,231	-	1,124,377
Contractual services	3,324	238,388	2,000	243,712
Repairs and maintenance	160,125	128,901	751,480	1,040,506
Other supplies and expenses	96,655	97,485	2,024,358	2,218,498
Depreciation	286,113	242,087	-	528,200
Total Operating Expenses	<u>887,363</u>	<u>1,490,092</u>	<u>2,777,838</u>	<u>5,155,293</u>
Operating Income	<u>748,847</u>	<u>201,346</u>	<u>536,202</u>	<u>1,486,395</u>
<u>Nonoperating Revenues</u>				
Investment earnings	1,030	1,368	1,497	3,895
Miscellaneous	5,550	-	-	5,550
Total Nonoperating Revenues	<u>6,580</u>	<u>1,368</u>	<u>1,497</u>	<u>9,445</u>
Change in Net Position	<u>755,427</u>	<u>202,714</u>	<u>537,699</u>	<u>1,495,840</u>
Beginning net position	<u>4,259,783</u>	<u>2,782,113</u>	<u>3,241,873</u>	<u>10,283,769</u>
Ending Net Position	<u>\$ 5,015,210</u>	<u>\$ 2,984,827</u>	<u>\$ 3,779,572</u>	<u>\$ 11,779,609</u>

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.

Contents	Page
Financial Trends	124
<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	134
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	
Debt Capacity	144
<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	154
<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	157
<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			
	2009	2010	2011	2012
Governmental Activities				
Net investment in capital assets	\$ 32,072,611	\$ 29,888,865	\$ 30,587,182	\$ 29,597,630
Restricted	4,788,311	4,491,224	4,102,964	4,574,770
Unrestricted	15,775,137	12,191,299	11,159,636	13,180,581
Total Governmental Activities Net Position	<u>\$ 52,636,059</u>	<u>\$ 46,571,388</u>	<u>\$ 45,849,782</u>	<u>\$ 47,352,981</u>
Business-Type Activities				
Net investment in capital assets	\$ 12,218,032	\$ 12,218,032	\$ 15,512,082	\$ 20,056,649
Restricted	-	-	-	-
Unrestricted	2,778,534	5,684,466	5,293,599	5,869,151
Total Business-Type Activities Net Position	<u>\$ 14,996,566</u>	<u>\$ 17,902,498</u>	<u>\$ 20,805,681</u>	<u>\$ 25,925,800</u>
Primary Government				
Net investment in capital assets	\$ 44,290,643	\$ 42,106,897	\$ 46,099,264	\$ 49,654,279
Restricted	4,788,311	4,491,224	4,102,964	4,574,770
Unrestricted	18,553,671	17,875,765	16,453,235	19,049,732
Total Primary Government Net Position	<u>\$ 67,632,625</u>	<u>\$ 64,473,886</u>	<u>\$ 66,655,463</u>	<u>\$ 73,278,781</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					
2013*	2014	2015	2016	2017	2018
\$ 35,765,964	\$ 41,639,757	\$ 44,597,669	\$ 47,111,755	\$ 56,664,574	\$ 65,700,068
7,982,104	5,508,456	5,487,510	6,544,124	6,658,676	6,998,162
17,087,208	19,126,447	23,162,700	25,809,239	23,326,217	23,025,196
<u>\$ 60,835,276</u>	<u>\$ 66,274,660</u>	<u>\$ 73,247,879</u>	<u>\$ 79,465,118</u>	<u>\$ 86,649,467</u>	<u>\$ 95,723,426</u>
\$ 16,499,908	\$ 16,377,808	\$ 15,978,461	\$ 15,837,484	\$ 16,822,172	\$ 18,011,665
984,962	152,344	147,896	147,229	146,542	-
5,186,325	6,877,343	7,828,651	8,636,643	6,675,062	8,400,675
<u>\$ 22,671,195</u>	<u>\$ 23,407,495</u>	<u>\$ 23,955,008</u>	<u>\$ 24,621,356</u>	<u>\$ 23,643,776</u>	<u>\$ 26,412,340</u>
\$ 52,265,872	\$ 58,017,565	\$ 60,576,130	\$ 62,949,239	\$ 73,486,746	\$ 83,711,733
8,967,066	5,660,800	5,635,406	6,691,353	6,805,218	6,998,162
22,273,533	26,003,790	30,991,351	34,445,882	30,001,279	31,425,871
<u>\$ 83,506,471</u>	<u>\$ 89,682,155</u>	<u>\$ 97,202,887</u>	<u>\$ 104,086,474</u>	<u>\$ 110,293,243</u>	<u>\$ 122,135,766</u>

CITY OF DEER PARK, TEXAS

CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental activities				
General government	\$ 10,966,814	\$ 14,132,823	\$ 13,666,778	\$ 11,708,476
Public safety	10,285,816	9,585,147	8,927,783	9,077,372
Public works	5,925,540	6,030,222	5,592,366	6,053,467
Parks and recreation	2,690,654	2,158,444	2,154,431	2,436,909
Community development	6,921,903	6,578,378	6,443,264	6,483,611
Interest on long-term debt	1,390,366	1,437,830	1,606,938	1,642,422
Total Governmental Activities Expenses	38,181,093	39,922,844	38,391,560	37,402,257
Business-type activities				
Water and sewer	8,061,221	7,690,164	7,822,999	7,490,715
Storm water utility	-	-	-	-
Total Business-Type Activities Expenses	8,061,221	7,690,164	7,822,999	7,490,715
Total Expenses	\$ 46,242,314	\$ 47,613,008	\$ 46,214,559	\$ 44,892,972
Program Revenues				
Governmental activities				
Charges for services:				
General government	\$ 677,102	\$ 40,164	\$ 50,603	\$ 82,593
Public safety	1,972,693	1,738,943	1,967,043	2,535,052
Public works	378,650	401,748	502,163	535,228
Parks and recreation	2,268,422	1,487,907	1,601,366	1,645,362
Community development	-	1,202,284	1,498,581	1,567,354
Operating grants and contributions	2,884,838	161,293	398,737	279,697
Capital grants and contributions	-	-	56,237	1,460,218
Total Governmental Activities Program Revenues	8,181,705	5,032,339	6,074,730	8,105,504
Business-type activities				
Charges for services:				
Water and sewer	8,084,177	8,041,795	10,942,116	9,873,528
Storm water utility	-	-	-	-
Total Business-Type Activities Program Revenues	8,084,177	8,041,795	10,942,116	9,873,528
Total Program Revenues	\$ 16,265,882	\$ 13,074,134	\$ 17,016,846	\$ 17,979,032
Net (Expense)/Revenue				
Governmental activities	\$ (29,999,388)	\$ (34,890,505)	\$ (32,316,830)	\$ (29,296,753)
Business-type activities	22,956	351,631	3,119,117	2,382,813
Total Net Expense	\$ (29,976,432)	\$ (34,538,874)	\$ (29,197,713)	\$ (26,913,940)

Fiscal Year					
2013*	2014	2015	2016	2017	2018
\$ 11,004,030	\$ 6,875,093	\$ 7,431,081	\$ 7,716,429	\$ 8,221,386	\$ 8,991,472
8,749,188	11,085,867	11,607,606	12,732,761	13,054,883	12,987,761
5,763,687	7,167,383	7,826,672	8,328,808	8,112,235	7,683,728
2,289,706	879,371	712,949	371,619	351,435	398,187
6,348,454	8,093,613	8,799,109	9,942,091	9,973,129	9,649,900
1,120,112	1,042,305	1,143,350	1,183,483	1,020,878	908,599
35,275,177	35,143,632	37,520,767	40,275,191	40,733,946	40,619,647
7,879,276	8,403,676	8,787,474	9,240,162	10,006,970	9,894,062
105,578	72,824	488,127	647,044	112,159	36,726
7,984,854	8,476,500	9,275,601	9,887,206	10,119,129	9,930,788
\$ 43,260,031	\$ 43,620,132	\$ 46,796,368	\$ 50,162,397	\$ 50,853,075	\$ 50,550,435
\$ 473,000	\$ 369,003	\$ 416,554	\$ 372,307	\$ 290,859	\$ 386,289
2,777,714	2,595,857	2,546,299	3,061,713	3,304,936	3,030,763
585,090	1,086,752	1,283,358	1,305,293	1,329,797	1,376,163
1,821,617	787,249	922,879	112,973	71,678	73,761
391,143	473,884	483,288	1,418,284	1,485,021	1,401,979
160,389	62,772	68,991	144,965	2,349,238	2,347,843
3,053,828	874,867	447,810	658,600	986,324	1,464,298
9,262,781	6,250,384	6,169,179	7,074,135	9,817,853	10,081,096
9,538,392	9,341,087	9,628,146	10,300,618	10,810,651	11,037,737
278,577	275,336	275,453	278,250	301,983	337,663
9,816,969	9,616,423	9,903,599	10,578,868	11,112,634	11,375,400
\$ 19,079,750	\$ 15,866,807	\$ 16,072,778	\$ 17,653,003	\$ 20,930,487	\$ 21,456,496
\$ (26,012,396)	\$ (28,893,248)	\$ (31,351,588)	\$ (33,201,056)	\$ (30,916,093)	\$ (30,538,551)
1,832,115	1,139,923	627,998	691,662	993,505	1,444,612
\$ (24,180,281)	\$ (27,753,325)	\$ (30,723,590)	\$ (32,509,394)	\$ (29,922,588)	\$ (29,093,939)

CITY OF DEER PARK, TEXAS

CHANGES IN NET POSITION (Continued)

Last Ten Years

(accrual basis of accounting)

	Fiscal Year			
	2009	2010	2011	2012
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes and fees:				
Property	\$ 11,807,444	\$ 12,000,370	\$ 12,234,105	\$ 13,099,300
Industrial district	17,988,792	12,986,530	12,346,943	12,894,626
Franchise	1,748,053	2,063,774	1,932,237	2,209,371
Sales and use	4,564,184	4,069,523	4,221,452	4,746,096
Hotel occupancy	404,561	403,983	455,166	526,387
Investment earnings	225,077	65,499	41,978	47,460
Miscellaneous	479,596	222,660	83,875	11,714
Gain on sales of assets	233,525	66,794	60,948	-
Transfers	-	(2,550,000)	218,520	(2,735,002)
Total Governmental Activities	<u>37,451,232</u>	<u>29,329,133</u>	<u>31,595,224</u>	<u>30,799,952</u>
Business-type activities				
Investment earnings	18,164	4,301	2,586	2,304
Transfers in (out)	-	2,550,000	(218,520)	2,735,002
Total Business-Type Activities	<u>18,164</u>	<u>2,554,301</u>	<u>(215,934)</u>	<u>2,737,306</u>
Total Primary Government	<u>\$ 37,469,396</u>	<u>\$ 31,883,434</u>	<u>\$ 31,379,290</u>	<u>\$ 33,537,258</u>
Change in Net Position				
Governmental activities	\$ 7,451,844	\$ (5,561,372)	\$ (721,606)	\$ 1,503,199
Business-type activities	41,120	2,905,932	2,903,183	5,120,119
Total Change in Net Position	<u>\$ 7,492,964</u>	<u>\$ (2,655,440)</u>	<u>\$ 2,181,577</u>	<u>\$ 6,623,318</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					
2013*	2014	2015	2016	2017	2018
\$ 13,002,159	\$ 14,219,581	\$ 15,143,994	\$ 16,338,414	\$ 17,845,389	\$ 18,423,349
14,106,107	14,250,173	13,649,200	13,058,596	11,255,235	11,316,198
2,315,334	2,338,146	2,321,036	2,129,053	2,095,518	2,093,316
5,037,072	5,201,364	6,246,868	6,553,553	6,425,345	6,639,058
607,709	679,646	711,406	663,147	622,146	661,435
40,416	23,014	30,502	202,351	601,325	1,210,930
210,969	53,644	86,050	276,011	306,592	260,331
-	214,571	44,411	102,690	42,405	-
96,988	84,509	91,340	94,480	98,200	(992,107)
<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>	<u>39,612,510</u>
12,647	4,702	10,855	69,166	150,971	331,845
(96,988)	(84,509)	(91,340)	(94,480)	(98,200)	992,107
(84,341)	(79,807)	(80,485)	(25,314)	52,771	1,323,952
<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>	<u>\$ 40,936,462</u>
\$ 9,404,358	\$ 8,171,400	\$ 6,973,219	\$ 6,217,239	\$ 8,376,062	\$ 9,073,959
1,747,774	1,060,116	547,513	666,348	1,046,276	2,768,564
<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>	<u>\$ 11,842,523</u>

CITY OF DEER PARK, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years

	Fiscal Year			
	2009	2010	2011*	2012
General Fund				
Reserved	\$ 236,031	\$ 207,006	\$ -	\$ -
Unreserved	16,188,960	15,247,265	-	-
Nonspendable	-	-	196,355	197,244
Assigned	-	-	3,526,731	257,974
Committed	-	-	-	-
Unassigned	-	-	10,825,327	17,011,377
Total General Fund	<u>\$ 16,424,991</u>	<u>\$ 15,454,271</u>	<u>\$ 14,548,413</u>	<u>\$ 17,466,595</u>
All Other Governmental Funds				
Unreserved, reported in:				
Special revenue funds	\$ 2,563,441	\$ 2,402,716	\$ -	\$ -
Capital projects funds	10,392,992	14,657,635	-	-
Debt service funds	2,081,520	2,088,508	-	-
Nonspendable	-	-	-	2,914
Restricted	-	-	17,947,247	19,349,008
Assigned	-	-	2,118,012	2,995,806
Total All Other Governmental Funds	<u>\$ 15,037,953</u>	<u>\$ 19,148,859</u>	<u>\$ 20,065,259</u>	<u>\$ 22,347,728</u>

Notes:

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

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

Fiscal Year					
2013**	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
151,122	144,805	119,159	121,649	111,479	119,183
320,216	1,304,600	5,491,532	5,491,532	2,341,465	969,365
-	2,500,000	2,500,000	3,000,000	3,000,000	-
24,158,718	26,052,496	26,433,452	29,891,673	31,067,855	37,258,884
<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>	<u>\$ 38,347,432</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16,118,927	14,754,786	20,899,783	29,066,724	26,850,130	15,218,654
1,818,845	2,877,003	3,307,213	4,728,864	8,114,128	6,675,667
<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>	<u>\$ 21,894,321</u>

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

		Fiscal Year			
		2009	2010	2011	2012
Revenues					
Taxes and fees	\$	36,553,195	\$ 31,905,813	\$ 31,189,903	\$ 33,551,435
Licenses and permits		307,496	314,313	436,015	510,790
Fines and fees		821,479	877,761	1,092,230	1,481,641
Charges for services		3,852,637	3,379,201	3,709,536	4,087,613
Intergovernmental		2,872,735	148,847	389,558	1,681,588
Donations		-	-	-	100,000
Investment earnings		225,077	65,499	41,978	47,460
Other revenues		492,997	525,932	401,843	330,965
Total Revenues		45,125,616	37,217,366	37,261,063	41,791,492
Expenditures					
General government		10,596,083	11,430,086	11,016,985	10,935,746
Community development		6,385,331	6,183,270	6,038,050	5,940,733
Public works		4,161,980	4,534,506	4,172,122	4,298,938
Parks and recreation		2,095,437	1,846,217	1,940,202	1,965,054
Public safety		9,112,933	8,845,527	8,216,278	7,965,646
Debt service:					
Principal		2,496,678	2,366,966	2,894,789	6,727,393
Payments to escrow account		-	-	-	-
Interest		1,409,628	1,527,530	1,694,234	1,862,015
Capital outlay		5,152,641	6,126,024	1,807,005	4,968,526
Total Expenditures		41,410,711	42,860,126	37,779,665	44,664,051
Excess (Deficiency) of Revenues					
Over (Under) Expenditures		3,714,905	(5,642,760)	(518,602)	(2,872,559)
Other Financing Sources (Uses)					
Proceeds from issuance of debt	-	7,805,000	-	3,390,000	
Proceeds from capital leases	-	1,005,441	249,676	-	
Proceeds from sale of capital assets	-	84,469	60,948	91,082	
Refunding bonds issued	-	6,295,000	-	3,490,000	
Premium on issuance of bonds	-	650,160	-	353,878	
Payments to escrow account	-	(4,007,637)	-	-	
Proceeds from insurance recovery	268,575	3,812	-	23,252	
Transfers in	1,728,615	2,092,866	3,822,395	3,326,889	
Transfers out	(1,728,615)	(4,642,866)	(3,603,875)	(2,601,891)	
Total Other Financing Sources (Uses)		268,575	9,286,245	529,144	8,073,210
Net Change in Fund Balances	\$	3,983,480	\$ 3,643,485	\$ 10,542	\$ 5,200,651
Debt service as a percentage					
of noncapital expenditures		10.77%	10.60%	12.76%	21.64%

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						
2013*	2014	2015	2016	2017	2018	
\$ 35,060,741	\$ 36,666,969	\$ 38,051,387	\$ 38,637,863	\$ 38,321,196	\$ 39,094,063	
565,191	513,697	531,262	569,766	451,948	530,559	
1,694,146	1,540,650	1,416,195	1,869,286	1,900,229	1,626,796	
3,695,964	3,212,842	3,643,881	3,864,460	4,110,702	4,052,062	
3,184,982	937,639	106,319	243,093	3,301,475	3,121,812	
150,202	-	-	-	-	-	
40,416	23,013	30,502	202,351	601,325	1,210,930	
82,107	54,333	86,050	195,711	271,353	260,331	
<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>	<u>49,896,553</u>	
10,576,393	6,253,704	6,940,527	7,179,021	7,787,658	7,878,655	
5,826,669	7,500,975	8,226,493	8,463,417	8,511,067	8,523,341	
3,951,743	5,648,506	6,083,080	6,039,369	6,336,588	6,318,066	
1,528,443	87,990	98,108	386,318	55,861	63,211	
7,999,354	10,275,560	10,626,031	10,972,864	11,273,797	12,088,868	
3,014,913	3,006,105	3,160,253	3,327,539	5,552,620	4,689,692	
-	-	781,027	-	-	-	
1,294,928	1,077,422	1,208,254	1,270,664	1,110,542	1,008,736	
<u>5,477,993</u>	<u>4,448,943</u>	<u>5,430,507</u>	<u>4,390,702</u>	<u>12,492,735</u>	<u>20,101,738</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>	<u>60,672,307</u>	
4,803,313	4,649,938	1,311,316	3,552,636	(4,162,640)	(10,775,754)	
-	-	8,315,000	9,450,000	2,700,000	-	
213,295	-	103,455	178,500	471,411	418,825	
126,362	331,415	93,629	102,690	42,405	105,732	
4,510,000	-	732,901	6,260,000	-	-	
316,894	-	469,809	540,737	-	-	
(4,715,674)	-	-	(6,710,040)	-	-	
2,500	-	-	80,300	35,239	-	
344,856	1,443,425	2,333,636	4,424,273	9,141,408	5,048,822	
<u>(129,851)</u>	<u>(1,358,916)</u>	<u>(2,242,296)</u>	<u>(4,329,793)</u>	<u>(9,043,208)</u>	<u>(6,040,929)</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>(467,550)</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>	<u>\$ (11,243,304)</u>	
12.58%	12.29%	11.81%	12.53%	16.60%	13.88%	

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

	Fiscal Year			
	2009	2010	2011	2012
Residential Property	\$ 1,319,584,117	\$ 1,315,124,845	\$ 1,306,933,609	\$ 1,318,375,083
Commercial Property	732,397,906	858,463,574	857,667,514	905,226,326
Industrial Property	150,255,998	156,543,513	152,160,115	189,306,565
Less: Tax Exempt Property	<u>(529,066,640)</u>	<u>(581,449,244)</u>	<u>(585,462,472)</u>	<u>(605,716,400)</u>
Total Taxable Assessed Value	\$ 1,673,171,381	\$ 1,748,682,688	\$ 1,731,298,766	\$ 1,807,191,574
Total Direct Tax Rate	\$ 0.705000	\$ 0.705000	\$ 0.705000	\$ 0.720000

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

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 1,313,329,562	\$ 1,340,643,775	\$ 1,433,044,472	\$ 1,565,085,837	\$ 1,700,369,650	\$ 1,837,484,616
934,825,965	1,000,810,663	1,089,149,570	1,180,302,082	1,255,053,340	1,295,797,510
192,957,836	249,479,757	234,654,586	246,351,857	254,575,118	235,922,222
(626,932,382)	(630,145,444)	(653,703,145)	(683,610,501)	(716,019,833)	(743,456,319)
<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>	<u>\$ 2,625,748,029</u>
\$ 0.720000	\$ 0.720000	\$ 0.720000	\$ 0.714352	\$ 0.720000	\$ 0.720000

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

	Fiscal Year			
	2009	2010	2011	2012
Approximate Taxable Value*	\$ 4,050,195,673	\$ 2,923,906,219	\$ 2,779,913,092	\$ 2,842,731,040
Industrial District % Taxable Per Contract	63%	63%	63%	63%
Approximate Adjusted Taxable Value *	\$ 2,551,623,274	\$ 1,842,060,918	\$ 1,751,345,248	\$ 1,790,920,555
Tax Rate	\$ 0.705000	\$ 0.705000	\$ 0.705000	\$ 0.720000
Amount Billed	\$ 17,988,944	\$ 12,986,529	\$ 12,346,984	\$ 12,894,628
Amount Collected	\$ 17,988,792	\$ 12,986,529	\$ 12,346,943	\$ 12,894,625
% Collected	99.999%	100.000%	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.

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 3,109,962,743	\$ 3,141,572,531	\$ 3,009,235,229	\$ 3,033,027,646	\$ 2,486,112,079	\$ 3,009,235,229
63%	63%	63%	63%	63%	63%
\$ 1,959,276,528	\$ 1,979,190,695	\$ 1,895,818,194	\$ 1,910,807,417	\$ 1,566,250,610	\$ 1,895,818,194
\$ 0.720000	\$ 0.720000	\$ 0.720000	\$ 0.714532	\$ 0.720000	\$ 0.720000
\$ 14,106,791	\$ 14,250,173	\$ 13,649,891	\$ 13,058,614	\$ 11,277,005	\$ 11,316,198
\$ 14,106,107	\$ 14,250,173	\$ 13,628,122	\$ 13,058,596	\$ 11,276,238	\$ 11,316,198
99.995%	100.000%	99.841%	100.000%	99.993%	100.000%

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

		Fiscal Year			
		2009	2010	2011	2012
City of Deer Park by fund:					
General		\$ 0.511000	\$ 0.511000	\$ 0.498100	\$ 0.498100
Debt service		0.194000	0.194000	0.206900	0.221900
Total Direct Rates		\$ 0.705000	\$ 0.705000	\$ 0.705000	\$ 0.720000
Deer Park Independent School District					
Harris County		\$ 1.317650	\$ 1.366700	\$ 1.396700	\$ 1.396700
Harris County Department of Education		0.389230	0.392240	0.388050	0.391170
Harris County Flood Control District		0.005840	0.006050	0.006581	0.006581
Harris County Hospital District		0.030860	0.029220	0.029230	0.028090
Harris County Port of Houston Authority		0.192160	0.192160	0.192160	0.192160
San Jacinto Community College District		0.017730	0.016360	0.020540	0.018560
		0.163410	0.170800	0.176277	0.185602
Total Direct and Overlapping Rates		\$ 2.821880	\$ 2.878530	\$ 2.914538	\$ 2.938863

Source: Harris County Appraisal District

Note:

Tax rates are per \$100 of assessed valuation.

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 0.498100	\$ 0.498100	\$ 0.518000	\$ 0.515711	\$ 0.519943	\$ 0.533514
0.221900	0.221900	0.202000	0.198641	0.200057	0.186486
<u>\$ 0.720000</u>	<u>\$ 0.720000</u>	<u>\$ 0.720000</u>	<u>\$ 0.714352</u>	<u>\$ 0.720000</u>	<u>\$ 0.720000</u>
\$ 1.526700	\$ 1.556700	\$ 1.556700	\$ 1.556700	\$ 1.556700	\$ 1.556700
0.400210	0.414550	0.417310	0.419230	0.416560	0.418010
0.006617	0.006358	0.005999	0.005422	0.005200	0.005195
0.028090	0.028270	0.027360	0.027330	0.028290	0.028310
0.182160	0.170000	0.170000	0.170000	0.171790	0.171100
0.019520	0.017160	0.015310	0.013420	0.013340	0.012560
0.185602	0.185602	0.185602	0.175783	0.182379	0.183335
<u>\$ 3.068899</u>	<u>\$ 3.098640</u>	<u>\$ 3.098281</u>	<u>\$ 3.082237</u>	<u>\$ 3.094259</u>	<u>\$ 3.095210</u>

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CITY OF DEER PARK, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Quarter Turn Resources, Inc.	\$ 32,621,053	1	1.19%	\$ 10,166,702	9	-
Deer Park Apts. LLC	22,475,000	2	0.82%	-	N/A	-
BFT Parktown LLC Et Al	21,550,577	3	0.79%	-	N/A	-
CenterPoint Energy, Inc.	18,995,316	4	0.69%	17,600,659	4	1.13%
Dresser Inc.	18,372,310	5	0.67%	-	N/A	-
Enterprise FM Trust	16,807,042	6	0.61%	-	N/A	-
Hydrochem	16,472,649	7	0.60%	17,835,153	3	1.14%
Partnership Underwood LP	15,806,512	8	0.58%	-	N/A	-
Clay Partners Deerwood Office III LP	14,112,122	9	0.52%	-	N/A	-
Wal-Mart	13,865,696	10	0.51%	18,854,445	1	1.21%
Laufen International, Inc.	-	N/A	-	18,788,920	2	1.20%
ITCR Deer Park Ltd Partnership	-	N/A	-	14,843,941	5	0.95%
GSL Constructors, Ltd.	-	N/A	-	14,684,373	6	0.94%
Insignia Management	-	N/A	-	13,367,179	7	-
Catalyst Distillation Technologies	-	N/A	-	10,551,838	8	-
Shell Oil Company	-	N/A	-	9,591,029	10	0.61%
Subtotal	191,078,277		6.98%	146,284,239		7.18%
Other Taxpayers	2,542,230,672		93.02%	1,417,657,926		92.82%
Total	\$ 2,733,308,949		100.00%	\$ 1,563,942,165		100.00%

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

CITY OF DEER PARK, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Years

	Fiscal Year			
	2009	2010	2011	2012
Tax levy	\$ 11,897,387	\$ 12,366,491	\$ 12,228,677	\$ 13,043,054
Current tax collected	\$ 11,579,783	\$ 12,159,307	\$ 12,036,460	\$ 12,841,027
Percentage of current tax collections	97.33%	98.32%	98.43%	98.45%
Delinquent tax collections	289,887	175,915	160,815	171,530
Total tax collections	<u>\$ 11,869,670</u>	<u>\$ 12,335,222</u>	<u>\$ 12,197,275</u>	<u>\$ 13,012,557</u>
Total collections as a percentage of current levy	99.77%	99.75%	99.74%	99.77%

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

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 13,019,648	\$ 14,063,714	\$ 14,991,306	\$ 16,363,090	\$ 17,598,722	\$ 18,401,462
\$ 12,836,742	\$ 13,863,961	\$ 14,858,925	\$ 16,035,281	\$ 17,443,588	\$ 18,119,939
98.60%	98.58%	99.12%	98.00%	99.12%	98.47%
148,569	144,841	62,575	243,535	53,573	-
<u>\$ 12,985,311</u>	<u>\$ 14,008,802</u>	<u>\$ 14,921,500</u>	<u>\$ 16,278,816</u>	<u>\$ 17,497,161</u>	<u>\$ 18,119,939</u>
99.74%	99.61%	99.53%	99.48%	99.42%	98.47%

CITY OF DEER PARK, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Years

		Fiscal Year			
		2009	2010	2011	2012
Governmental Activities:					
General obligation bonds	\$	28,725,000	\$ 29,200,000	\$ 26,785,000	\$ 27,750,000
Certificates of obligation		2,230,000	9,965,000	9,890,000	12,960,000
Capital leases		1,130,649	1,834,124	1,679,561	1,257,169
Business-Type Activities:					
General obligation bonds		-	-	-	-
Certificates of obligation		-	-	-	-
Water revenue bonds		12,400,000	8,645,000	7,745,000	3,395,000
Capital leases		-	-	216,834	168,743
Total Primary Government	\$	44,485,649	\$ 49,644,124	\$ 46,316,395	\$ 45,530,912
Debt as a Percentage of Personal Income		N/A	N/A	N/A	N/A
Debt Per Capita		\$ 1,428	\$ 1,551	\$ 1,447	\$ 1,408

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					
2013*	2014	2015	2016	2017	2018
\$ 20,334,132	\$ 17,979,969	\$ 16,587,180	\$ 16,239,210	\$ 14,053,513	\$ 12,676,107
9,683,246	9,283,100	16,483,264	23,243,219	22,769,126	19,690,033
1,082,960	741,227	489,772	743,670	868,776	900,933
5,207,260	4,557,742	5,194,671	4,560,455	3,938,036	3,382,329
8,408,633	15,297,035	21,912,475	28,464,920	34,891,757	38,917,927
2,820,000	2,250,000	750,000	500,000	250,000	-
119,506	69,093	266,014	534,382	361,489	200,722
<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>	<u>\$ 75,768,051</u>
N/A	N/A	N/A	N/A	N/A	N/A
<u>\$ 1,436</u>	<u>\$ 1,493</u>	<u>\$ 1,801</u>	<u>\$ 2,147</u>	<u>\$ 2,214</u>	<u>\$ 2,148</u>

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

	Fiscal Year			
	2009	2010	2011	2012
General Obligation Bonds (1)	\$ 28,725,000	\$ 29,200,000	\$ 26,785,000	\$ 27,750,000
Less: Amounts Restricted to Repaying Principal	<u>(2,278,722)</u>	<u>(2,088,508)</u>	<u>(1,734,892)</u>	<u>(1,988,204)</u>
Total	<u>\$ 26,446,278</u>	<u>\$ 27,111,492</u>	<u>\$ 25,050,108</u>	<u>\$ 25,761,796</u>
Percentage of Actual Taxable Value of Property	1.58%	1.55%	1.45%	1.43%
Net Bonded Debt Per Capita	<u>\$ 866</u>	<u>\$ 847</u>	<u>\$ 783</u>	<u>\$ 797</u>

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					
2013*	2014	2015	2016	2017	2018
\$ 25,541,392	\$ 22,537,711	\$ 21,781,851	\$ 20,799,665	\$ 17,991,549	\$ 16,058,436
(2,321,730)	(2,932,183)	(3,351,483)	(3,736,160)	(4,634,050)	(5,181,426)
<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>\$ 10,877,010</u>
1.28%	1.00%	0.88%	0.74%	0.54%	0.41%
<u>\$ 699</u>	<u>\$ 583</u>	<u>\$ 538</u>	<u>\$ 493</u>	<u>\$ 383</u>	<u>\$ 308</u>

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CITY OF DEER PARK, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2018

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Deer Park Independent School District	\$ 248,665,000	21.17%	\$ 52,642,381
Harris County	2,200,173,022	0.61%	13,421,055
Harris County Department of Education	6,555,000	0.61%	39,986
Harris County Flood Control District	83,075,000	0.61%	506,758
Harris County Hospital District	59,490,000	0.61%	362,889
La Porte Independent School District	335,450,000	11.58%	38,845,110
Port of Houston Authority of Harris County	613,699,397	0.61%	3,743,566
San Jacinto Community College District	<u>381,881,805</u>	5.21%	<u>19,896,042</u>
Subtotal, overlapping debt	3,928,989,224		129,457,787
City Direct Debt	\$ 74,666,396	100.00%	<u>74,666,396</u>
		Total Direct and Overlapping Debt	<u><u>\$ 204,124,183</u></u>

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			
	2009	2010	2011	2012
Debt limit	\$ 168,338,508	\$ 174,868,269	\$ 173,129,877	\$ 180,719,157
Total net debt applicable to limit	26,446,278	27,111,492	25,050,108	25,761,796
Legal debt margin	<u>\$ 141,892,230</u>	<u>\$ 147,756,777</u>	<u>\$ 148,079,769</u>	<u>\$ 154,957,361</u>
Total net debt applicable to the limit as a percentage of debt limit	15.71%	15.50%	14.47%	14.26%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 2,625,748,029
Debt limit (10% of assessed value)	262,574,803
Debt applicable to limit:	
General obligation bonds	16,058,436
Less: amount set aside for repayment of general obligation debt	<u>(5,181,426)</u>
Total net debt applicable to limit	<u>10,877,010</u>
Legal debt margin	<u><u>\$ 251,697,793</u></u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 181,418,098	\$ 196,078,875	\$ 210,314,548	\$ 230,812,928	\$ 249,397,828	\$ 262,574,803
23,219,662	19,605,528	18,430,368	17,063,505	13,357,499	10,877,010
<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>	<u>\$ 251,697,793</u>
12.80%	10.00%	8.76%	7.39%	5.36%	4.14%

CITY OF DEER PARK, TEXAS
PLEDGED REVENUE COVERAGE
Last Ten Years

	Fiscal Year			
	2009	2010	2011	2012
Utility Service Charges	\$ 8,084,177	\$ 8,041,795	\$ 10,942,116	\$ 9,873,258
Less: Operating Expenses (1)	6,197,174	5,951,271	6,119,717	5,890,927
Net Available Revenue	<u>\$ 1,887,003</u>	<u>\$ 2,090,524</u>	<u>\$ 4,822,399</u>	<u>\$ 3,982,331</u>
Debt Service Requirements (2)				
Principal	\$ 1,210,000	\$ 1,205,000	\$ 900,000	\$ 890,000
Interest	532,804	426,798	327,057	296,649
Total	<u>\$ 1,742,804</u>	<u>\$ 1,631,798</u>	<u>\$ 1,227,057</u>	<u>\$ 1,186,649</u>
Coverage	1.08	1.28	3.93	3.36

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					
2013	2014	2015	2016	2017	2018
\$ 9,529,392	\$ 9,341,087	\$ 9,628,146	\$ 10,300,618	\$ 10,810,651	\$ 11,369,582
5,758,791	6,030,193	6,162,029	6,421,511	6,931,288	6,676,372
<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>	<u>\$ 4,693,210</u>
\$ 575,000	\$ 570,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ -
106,449	87,653	28,563	20,750	12,625	-
<u>\$ 681,449</u>	<u>\$ 657,653</u>	<u>\$ 278,563</u>	<u>\$ 270,750</u>	<u>\$ 262,625</u>	<u>\$ -</u>
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
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
2018	35,270	N/A	N/A	3.8%	13,050

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	2018		2009	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Shell Deer Park	3,200	14.97%	2,000	11.28%
Deer Park ISD	2,651	12.40%	1,246	7.03%
Universal Plant Services	1,353	6.33%	-	-
Lubrizol Specialty Chemicals	1,360	6.36%	832	4.69%
Dow Chemical Co.	1,330	6.22%	-	-
Mistras Group	783	3.66%	-	-
Clean Harbors	654	3.69%	269	1.52%
Wal-Mart	432	2.02%	430	2.43%
City of Deer Park	423	1.98%	408	2.30%
Minh Foods, Inc.	400	1.87%	360	2.03%
Rohm and Hass	-	-	979	5.52%
Oxy Vinyl	-	-	267	1.51%
Intercontinental Terminals	-	-	212	1.20%
Total	12,586	59.50%	7,003	39.51%
Estimated total jobs in the City	21,372		17,728	

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	8.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Planning	14.0	14.0	14.0	13.0	14.0	14.0	14.0	13.0	12.0	12.0
Other	29.5	33.5	30.5	30.5	30.5	32.0	35.5	35.5	35.0	35.5
Police										
Officers	61.0	61.0	59.0	60.0	60.0	60.0	61.0	61.0	61.0	61.0
Civilians	26.0	25.0	24.0	25.0	25.0	25.0	26.0	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	9.5	13.5	13.5	13.0	13.0	15.5	14.5	13.0	15.0	18.0
Sanitation	23.0	23.0	23.0	23.0	23.0	22.0	22.0	22.0	22.0	22.0
Other public works										
Engineering	5.0	5.0	5.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0
Other	25.0	27.0	27.0	27.0	27.0	28.0	28.0	29.0	29.0	29.0
Golf operations	26.0	26.0	25.0	26.0	24.0	-	-	-	-	-
Parks and recreation	61.5	73.5	73.5	74.0	69.5	70.5	73.0	77.0	77.0	82.5
Library	12.0	12.5	13.0	13.0	13.5	14.0	14.0	14.0	14.0	14.0
Water	15.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Wastewater	12.0	12.0	12.0	12.0	12.0	13.0	12.0	12.0	12.0	12.0
Total	328.5	353.0	344.5	345.5	341.5	324.0	330.0	332.5	333.0	342.0

Source: Adopted City Budget

CITY OF DEER PARK, TEXAS
OPERATING INDICATORS BY FUNCTION
Last Ten Years

	Fiscal Year			
	2009	2010	2011	2012
Function/Program				
General government				
Annual permits	1,152	1,290	1,583	1,616
Annual inspections	3,611	4,410	3,324	3,671
Police				
Physical arrests	2,596	1,975	2,690	2,843
Parking violations	13	6	192	143
Traffic violations	7,990	9,122	15,505	13,338
Fire				
Emergency responses	1,843	1,950	1,887	2,032
Fires extinguished	352	387	580	588
Inspections	N/A	N/A	N/A	1,353
Sanitation				
Refuse collected (tons per day)*	101	818	75	71
Recyclables collected (tons per day)	1	1	1	2
Streets				
Street resurfacing (miles)**	-	-	1	-
Potholes repaired	50	150	49	62
Parks and recreation				
Community center admissions	510	520	521	N/A
Program enrollments	N/A	10,722	17,877	18,081
Library				
Volumes in collection	82,159	82,200	80,593	79,897
Total volumes borrowed	174,058	174,100	173,409	165,620
Water				
New connections	125	31	27	34
Water main breaks	14	60	261	73
Sewer main breaks	N/A	N/A	N/A	N/A
Average daily consumption (thousands of gallons)	3,900,000	4,199,000	4,646,400	4,501,100
Peak daily consumption (thousands of gallons)	6,961,000	6,566,000	7,722,000	6,350,000
Wastewater				
Average daily sewage treatment (thousands of gallons)	3,650	3,058	2,572	3,129

Source: Various City departments

N/A - This information is currently not available.

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

** Majority of streets are concrete.

Fiscal Year					
2013	2014	2015	2016	2017	2018
1,777	2,414	2,610	2,644	2,420	2,187
1,017	1,204	1,494	4,932	3,855	3,219
3,296	3,258	3,068	3,445	4,050	3,309
114	81	101	92	71	58
14,601	13,205	14,049	14,322	16,826	12,354
2,100	2,193	2,401	2,467	2,761	2,211
648	655	862	775	790	687
1,392	1,288	1,523	1,676	1,862	1,650
81	83	81	82	83	84
3	4	4	4	4	4
2	-	-	-	1	-
50	50	55	65	60	62
N/A	N/A	N/A	N/A	N/A	4,611
17,527	15,300	16,309	21,034	21,262	17,077
83,346	84,296	87,171	90,408	101,960	104,738
164,962	168,852	167,012	157,955	157,902	146,943
78	39	77	137	100	31
76	62	46	32	39	18
N/A	N/A	N/A	N/A	N/A	29
4,661,000	4,507,000	4,286,000	3,893,750	3,995,225	3,985,508
6,438,000	5,826,000	6,700,000	5,281,000	5,541,000	5,931,000
2,960	2,595	4,299	4,575	3,082	3,201

CITY OF DEER PARK, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Years

Function/Program	Fiscal Year			
	2009	2010	2011	2012
Police				
Stations	1	1	1	1
Patrol units	40	40	40	41
Fire				
Stations	3	3	3	3
Sanitation				
Collection trucks	6	6	6	5
Streets				
Streets (miles)	105	105	106	106
Streetlights	2,557	2,557	2,583	2,583
Traffic signals	43	43	43	43
Parks and recreation				
Acreage	270	270	270	270
Parks with play structures	17	17	17	19
Baseball / softball diamonds	16	16	16	24
Soccer/football fields	9	9	9	6
Golf course	1	1	1	1
Community centers	7	7	7	7
Water				
Water lines (miles)	103	132	133	133
Fire hydrants	889	890	895	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
Wastewater				
Sanitary sewers (miles)	114	123	124	124
Storm sewers (miles)	62	66	67	67
Treatment capacity (millions of gallons)	6	6	6	6

Source: Various City departments

Fiscal Year					
2013	2014	2015	2016	2017	2018
1	1	1	1	1	1
41	42	41	44	44	47
3	3	3	3	3	3
5	6	6	6	6	6
107	107	109	111	111	111
2,622	2,623	2,661	2,694	2,709	2,709
43	43	44	44	44	45
270	270	270	270	279	355
19	19	19	19	20	20
24	19	19	20	21	23
6	7	7	7	7	9
1	1	1	1	1	1
7	7	7	7	7	7
134	135	137	138	139	140
906	914	934	950	958	976
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
125	125	127	130	130	131
68	68	69	70	70	70
6	6	6	6	6	6

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