

**CITY OF DEER PARK
MARCH 21, 2017 - 7:00 PM
CITY COUNCIL WORKSHOP -
FINAL**

Sherry Garrison, Council Position 1
Thane Harrison, Council Position 2
Tommy Ginn, Council Position 3

James Stokes, City Manager
Gary Jackson, Assistant City Manager



Jerry Mouton Jr., Mayor

**COUNCIL CHAMBERS
710 E SAN AUGUSTINE
DEER PARK, TX 77536**

Bill Patterson, Council Position 4
Ron Martin, Council Position 5
Rae A. Sinor, Council Position 6

Shannon Bennett, TRMC, City Secretary
Jim Fox, City Attorney

CALL TO ORDER

1. Presentation of the FY 2015-2016 Annual Audit.

[PRE 17-007](#)

Recommended Action: Discussion only. Action will be taken during the regular meeting.

Department: Finance

Attachments: [CAFR - Final 2016](#)
[Management Letter - 2016](#)
[RAD Letter - 2016](#)

2. Discussion of issues relating to a request from Wal-Mart regarding use of external shipping containers.

[DIS 17-022](#)

Recommended Action: Discussion only in Workshop.

Department: City Manager's Office and Public Works

ADJOURN

Shannon Bennett, TRMC
City Secretary

Posted on Bulletin Board
March 16, 2017

City Hall is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 72 hours prior to any meeting. Please contact the City Secretary's office at 281.478.7248 for further information.

The Mission of the City of Deer Park is to deliver exemplary municipal services that provide the community a high quality of life consistent with our history, culture and unique character.



Legislation Details (With Text)

File #: PRE 17-007 **Version:** 1 **Name:**
Type: Presentation **Status:** Agenda Ready
File created: 3/3/2017 **In control:** City Council Workshop
On agenda: 3/21/2017 **Final action:**
Title: Presentation of the FY 2015-2016 Annual Audit.
Sponsors: Finance
Indexes:
Code sections:
Attachments: [CAFR - Final 2016](#)
[Management Letter - 2016](#)
[RAD Letter - 2016](#)

Date	Ver.	Action By	Action	Result
3/21/2017	1	City Council Workshop		

Presentation of the FY 2015-2016 Annual Audit.

Summary: Pursuant to state statute and City ordinance, the City shall have its records and accounts audited annually and shall prepare an annual financial statement and report. The audit shall be performed by a certified public accounting (CPA) firm, licensed to practice in the State of Texas. The annual financial statement and report, including the auditor's opinion, shall be part of an official Comprehensive Annual Financial Report (CAFR), which shall be filed within 180 days after the last day of the City's fiscal year.

For Fiscal Year 2015-2016 (October 1, 2015 - September 30, 2016), the CAFR must be filed by March 31, 2017. The audit firm of Belt Harris Pechacek, LLLP performed the annual audit for the City. The auditors will review the results of the annual audit with the Finance Committee prior to the workshop. They will be at the workshop meeting to present their findings to the City Council.

Fiscal/Budgetary Impact:

N/A.

Discussion only. Action will be taken during the regular meeting.

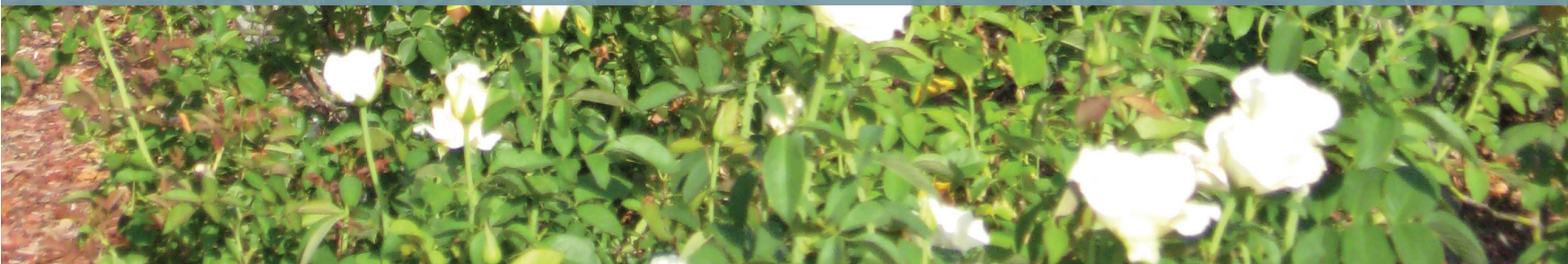
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Comprehensive Annual Financial Report

City of Deer Park, Texas

Fiscal Year Ended September 30, 2016



***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

CITY OF DEER PARK, TEXAS

**For the Year Ended
September 30, 2016**

**Prepared by
Finance Department**

**Donna Todd
Director of Finance**

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CITY OF DEER PARK, TEXAS

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CITY OF DEER PARK, TEXAS

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INTRODUCTORY SECTION

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DONNA TODD
Director of Finance

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

March 8, 2017

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

Texas law and the City charter require that the City of Deer Park (the “City”) publishes a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City for the fiscal year ended September 30, 2016. 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 34,604. 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.

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. With more than \$35 billion in planned chemical plant expansions in the Deer Park area over the next five years, the region is experiencing unprecedented capital investment and job creation.

The City welcomed 38 store-front businesses and over 150 home-based businesses in 2016. Employment growth continues because of the massive plant expansions occurring throughout the region.

Residential growth continues with the development of 55 new homes constructed in subdivisions on the City's east side.

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

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

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

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

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

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

Independent Audit

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

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Deer Park for its CAFR for the fiscal year ended September 30, 2015. This was the 29th 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

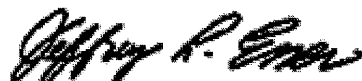
**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Deer Park
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

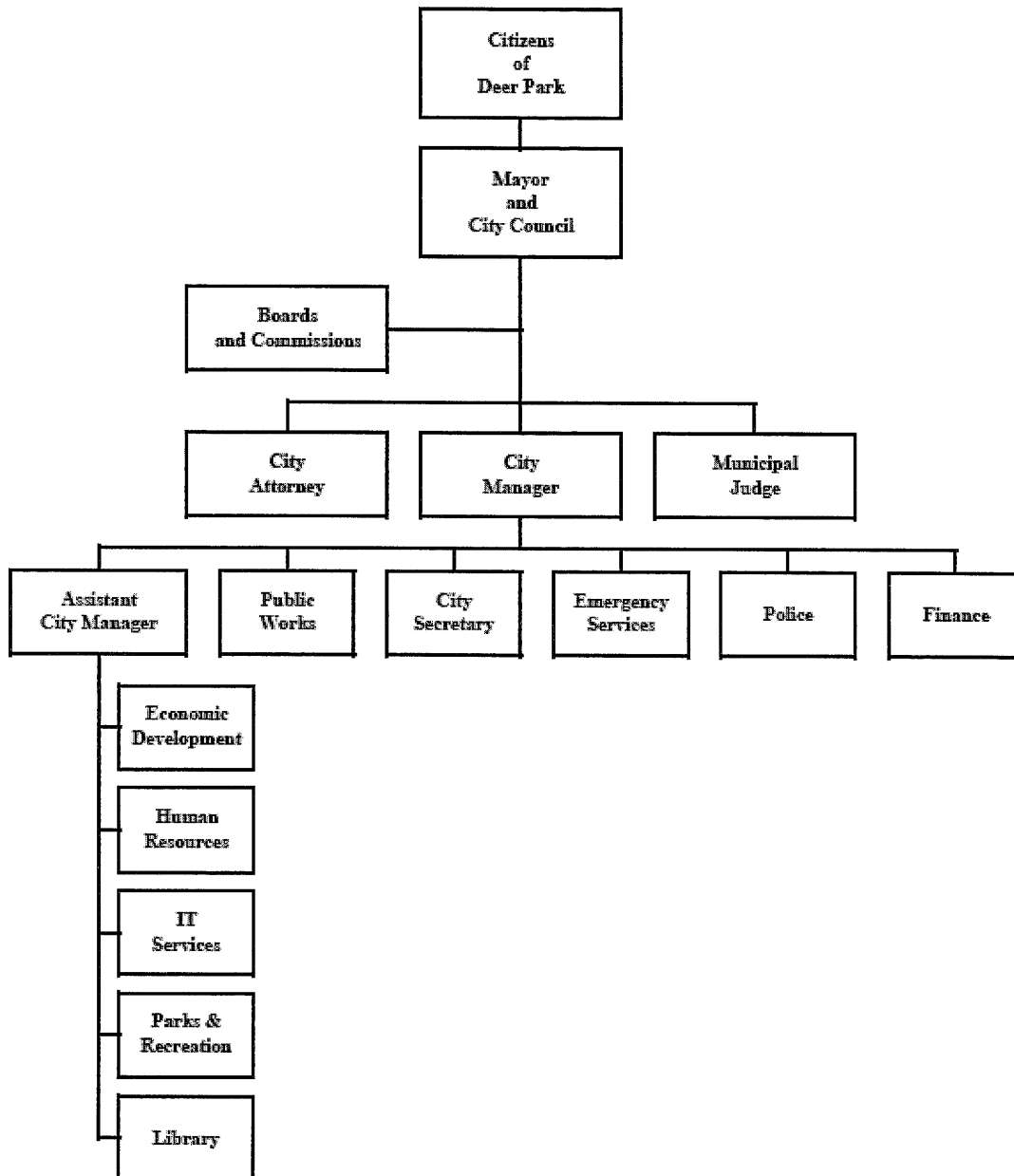


Executive Director/CEO

CITY OF DEER PARK, TEXAS

ORGANIZATIONAL CHART

September 30, 2016



CITY OF DEER PARK, TEXAS

PRINCIPAL OFFICIALS

September 30, 2016

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
Sandra Watkins	City Secretary
Jim Fox	City Attorney
Donna Todd	Director of Finance
Bill Pedersen	Director of Public Works
Greg Grigg	Chief of Police
Scott Swigert	Director of Parks and Recreation
Bill Philbert	Director of Human Resources
Robert Hemminger	Emergency Services Director
Rebecca Pool	Director of Library Services
James Lewis	Director of Information Technology

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Deer Park, Texas (the "City") as of and for the year ended September 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
March 8, 2017

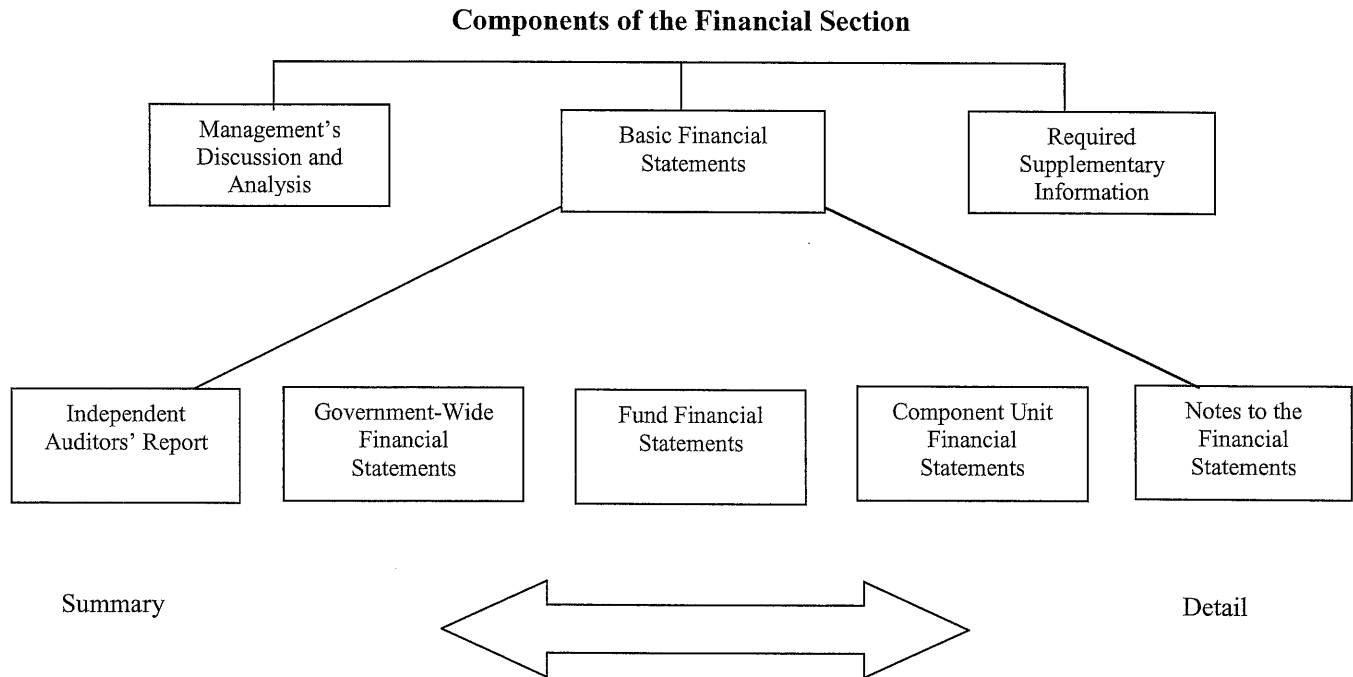
***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2016

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, 2016. 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 non-financial 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, 2016

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

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, schedule of changes in net pension liability and related ratios, schedule of the City's proportionate share of the net pension liability, schedules of contributions, and the schedule of funding progress for other postemployment benefits for healthcare. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows by \$104,066,317 as of September 30, 2016. This compares with \$97,202,887 from the prior fiscal year. The largest portion of the City's net position, 60.47 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, 2016

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 76,665,581	\$ 63,081,703	\$ 25,416,941	\$ 24,510,002	\$ 102,082,522	\$ 87,591,705
Capital assets, net	64,016,074	62,326,887	36,696,587	29,508,328	100,712,661	91,835,215
Total Assets	140,681,655	125,408,590	62,113,528	54,018,330	202,795,183	179,426,920
Deferred charge on refunding	445,411	418,725	85,954	99,826	531,365	518,551
Deferred outflows - pensions	8,278,139	2,554,272	1,154,087	344,479	9,432,226	2,898,751
Total Deferred Outflows of Resources	8,723,550	2,972,997	1,240,041	444,305	9,963,591	3,417,302
Long-term liabilities	66,109,304	47,223,359	34,199,885	27,523,018	100,309,189	74,746,377
Other liabilities	3,420,421	7,312,995	4,478,882	2,914,618	7,899,303	10,227,613
Total Liabilities	69,529,725	54,536,354	38,678,767	30,437,636	108,208,492	84,973,990
Deferred inflows - pensions	430,519	597,354	53,446	69,991	483,965	667,345
Total Deferred Inflows of Resources	430,519	597,354	53,446	69,991	483,965	667,345
Net Position:						
Net investment in capital assets	47,091,598	44,597,669	15,837,484	15,978,461	62,929,082	60,576,130
Restricted	29,066,724	20,899,783	147,229	147,896	29,213,953	21,047,679
Unrestricted	3,286,639	7,750,427	8,636,643	7,828,651	11,923,282	15,579,078
Total Net Position	\$ 79,444,961	\$ 73,247,879	\$ 24,621,356	\$ 23,955,008	\$ 104,066,317	\$ 97,202,887

A portion of the City's net position, \$29,213,953 or 28.07 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$11,923,282 or 11.46 percent, may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by \$6,863,430 during the current fiscal year, an increase of 7.06 percent in comparison to the prior year net position. Compared to the prior year, total assets increased \$23,368,263 largely due to the current year operating surplus and the issuance of two new bonds in the current year. Deferred outflows of resources increased \$6,546,289 compared to the prior year due to increases in the net difference between projected and actual investment earnings on pension plan assets and changes in actuarial assumptions. Long-term liabilities increased \$25,562,812 compared to the prior year due to the issuance of two new bonds, two new capital leases, an increase in the compensated absences liability related to a new vacation accrual policy, and increases in the net pension liabilities and net OPEB obligations as calculated by the respective actuaries.

CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

Statement of Activities:

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

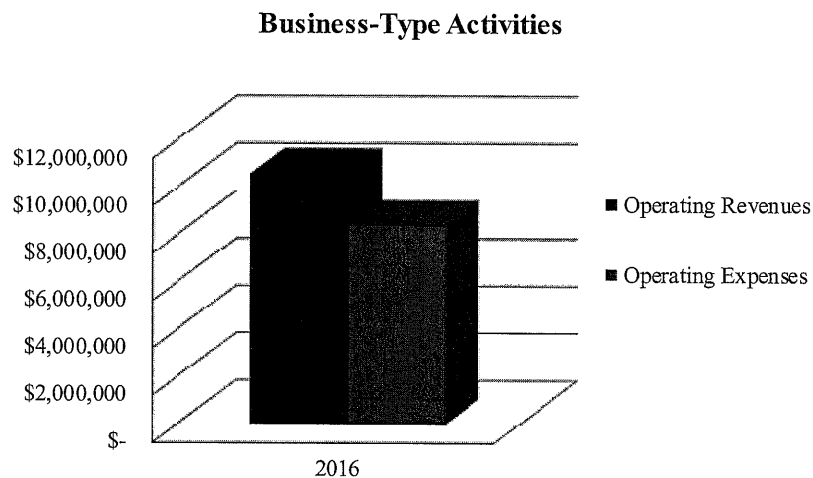
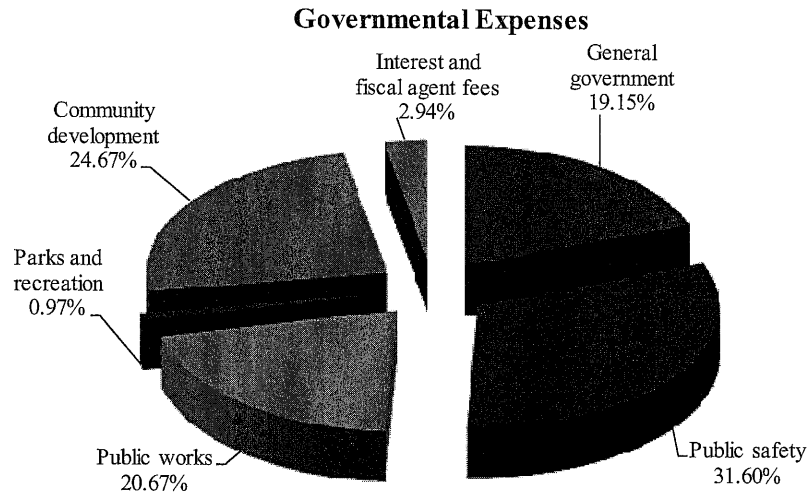
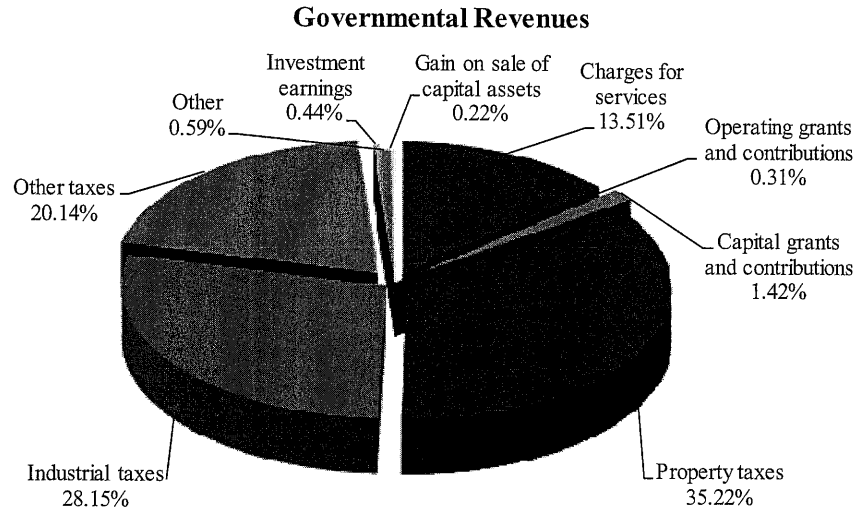
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 6,270,570	\$ 5,652,378	\$ 10,578,868	\$ 9,903,599	\$ 16,849,438	\$ 15,555,977
Operating grants and contributions	144,965	68,991	-	-	144,965	68,991
Capital grants and contributions	658,600	447,810	-	-	658,600	447,810
General revenues:						
Property taxes	16,338,414	15,143,994	-	-	16,338,414	15,143,994
Industrial taxes	13,058,596	13,649,200	-	-	13,058,596	13,649,200
Other taxes	9,345,753	9,279,310	-	-	9,345,753	9,279,310
Investment earnings	202,351	30,502	69,166	10,855	271,517	41,357
Other	276,011	86,050	-	-	276,011	86,050
Gain on sale of capital assets	102,690	44,411	-	-	102,690	44,411
Total Revenues	46,397,950	44,402,646	10,648,034	9,914,454	57,045,984	54,317,100
Expenses						
General government	7,716,429	7,431,081	-	-	7,716,429	7,431,081
Public safety	12,732,761	11,607,606	-	-	12,732,761	11,607,606
Public works	8,328,808	7,826,672	-	-	8,328,808	7,826,672
Parks and recreation	391,776	712,949	-	-	391,776	712,949
Community development	9,942,091	8,799,109	-	-	9,942,091	8,799,109
Interest on long-term debt	1,183,483	1,143,350	-	-	1,183,483	1,143,350
Water and sewer	-	-	9,240,162	8,787,474	9,240,162	8,787,474
Storm water utility	-	-	647,044	488,127	647,044	488,127
Total Expenses	40,295,348	37,520,767	9,887,206	9,275,601	50,182,554	46,796,368
Increase in Net Position Before Transfers	6,102,602	6,881,879	760,828	638,853	6,863,430	7,520,732
Transfers in (out)	94,480	91,340	(94,480)	(91,340)	-	-
Change in Net Position	6,197,082	6,973,219	666,348	547,513	6,863,430	7,520,732
Beginning net position	73,247,879	66,274,660	23,955,008	23,407,495	97,202,887	89,682,155
Ending Net Position	\$ 79,444,961	\$ 73,247,879	\$ 24,621,356	\$ 23,955,008	\$ 104,066,317	\$ 97,202,887

CITY OF DEER PARK, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2016

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, 2016

For the year ended September 30, 2016, revenues from governmental activities totaled \$46,397,950, an increase of \$1,995,304 compared to the prior year. This increase is primarily due to an increase in sales tax revenues from improved economic conditions within the City, an increase in property tax revenues from an increase in the assessed values of properties, an increase in contributions from the storm water utility fund and the Deer Park Community Development Corporation, an increase in court fines and fees, an increase in charges for services related to ambulance revenues (from an increase in service calls and improved collection rates) and Maxwell Adult Center program fees, and the receipt of Public, Educational, and Government fees, and, lastly, an increase in investment earnings. These increases in revenues were partially offset by decreases in franchise fee revenues and industrial district taxes assessed compared to the prior year.

For the year ended September 30, 2016, expenses for governmental activities totaled \$40,295,348, an increase of \$2,774,581. This increase is mainly due to increases in personnel related costs, pension expense, operating supplies, contract labor, and insurance premiums.

Total revenues for business-type activities increased by a total of \$733,580 compared to the prior year. This was due to an increase in water and sewer rates coupled with an increase in customer consumption. Total expenses for business-type activities increased by \$611,605. This increase is primarily due to an increase in expenses related to personnel costs, pension expense, and noncapital 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 \$72,300,442. Of this, \$121,649 is nonspendable, \$29,066,724 is restricted, \$10,220,396 is assigned, \$3,000,000 is committed, and \$29,891,673 is unassigned.

There was an increase in the combined fund balance of \$13,549,303 compared to the prior year. Compared to the prior year change in fund balance, the current year change in fund balance increased \$2,431,853. This is largely attributable to an increase in property tax revenues from an increase in the assessed values of properties, an increase in sales tax revenues from improved sales within the City, an increase in court fines and fees, an increase in charges for services (related to an increase in ambulance service calls and improved collection rates) and Maxwell Adult Center program revenues, and the issuance of new bonds in the current year. Expenditures were comparable to the prior year decreasing slightly mainly due to a decrease in capital outlay.

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 \$29,891,673, while total fund balance reached \$38,504,854. 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 88.76 percent of total general fund expenditures, while total fund balance represents 114.33 percent of the total general fund expenditures. The general fund demonstrated an overall increase in fund balance of \$3,960,711. The current year change in fund balance decreased \$581,531, which is largely attributable to an increase in transfers to the capital improvement fund. Revenues increased roughly three percent compared to the prior year due to increases in property tax revenues, sales tax revenues, court fines and fees revenue, charges for services, and investment earnings for the reasons previously noted.

CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

The debt service fund has a total fund balance of \$3,736,160, all of which is restricted for the payment of debt service. The City experienced a net increase in revenues of \$249,705, due to property tax collections in excess of debt service payments, before a transfer in of \$44,275 and proceeds and premiums net of payments of \$90,697 to the escrow agent from a bond refunding.

The capital improvement bond fund (CIBF) 2016 is a new fund resulting from the issuance of new bonds during the current 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

There had been a planned decrease in budgeted fund balance in the amount of \$2,179,710 in the general fund. However, the net change in fund balance increased by \$3,960,711, resulting in a positive variance of \$6,140,421 from actual over budgeted as amended.

Actual general fund revenues were greater than the amended budgeted revenues by \$1,278,393 during the fiscal year. The largest positive variances were from property tax revenues, industrial district taxes, sales tax revenues, fees and fines, and charges for services.

Actual expenditures were less than budgeted amounts in total by \$4,558,955 for the fiscal year. The largest positive variances were in general government, park maintenance, sanitation, 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 \$100,712,661 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of \$8,877,446.

Major capital asset events during the year included the following:

- Roof replacement at golf course for \$172,000
- Purchase of a Gradall excavator for \$435,228
- Purchase of a garbage truck for \$178,500
- Completion of the Gateway – City Monuments project for \$587,018
- Completion of the drainage improvements – 8th Street Bridge project for \$1,044,049
- Completion of the drainage improvements – Norwood project for \$1,397,981
- Completion of the drainage improvements – Academy and College Park project for \$148,577
- Completion of the Minchen Baseball Field project for \$1,673,579
- Completion of the 2015 sidewalk improvement project for \$257,443
- Completion of the Transfer Switch project for \$285,547
- Completion of the Manhole Rehabilitation project for \$132,685

CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

- Completion of the South Plant LS Force Main Bypass project for \$910,214
- Completion of the Water Line Improvements – Phase III project for \$545,711
- Completion of the South Plant Lift Trunk/Manhole Rehabilitation project for \$296,236
- Completion of the Water Line Improvements - Ivy project for \$267,513

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds and certificates of obligation outstanding of \$70,415,001. Of this amount, \$19,680,001 was general obligation debt, \$500,000 was revenue bond debt, and certificates of obligation accounted for \$50,235,000.

During the year, the City had a net increase in bonds and certificates of obligation of \$11,900,000 as the result of two new bond issuances.

State statutes limit the amount of general obligation debt a governmental entity may issue to ten percent of its total assessed valuation. The current debt limitation for the City is \$230,812,928, 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	Aa2	AAA

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City budgeted for an increase in property tax revenues of \$1,171,897, which is a 7.85 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 2017 fiscal year budget, the total tax rate of \$0.720 per \$100 of assessed value is an increase from the prior year rate of \$0.714352. Compared to the prior year budget, the City budgeted for an increase in total general fund revenues/expenditures and other resources of approximately \$1,476,998, which represents a 3.99 percent increase.

City Council approved a current year budget increase of revenues/expenses of \$1,332,554 compared to the prior year budget for the water and sewer fund.

CITY OF DEER PARK, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2016

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF DEER PARK, TEXAS

STATEMENT OF NET POSITION

September 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Crime Control District
Assets				
Cash and cash equivalents	\$ 73,764,841	\$ 23,485,454	\$ 97,250,295	\$ 2,444,463
Restricted cash and cash equivalents	-	1,020,313	1,020,313	-
Receivables, net of allowances	2,826,038	848,763	3,674,801	295,189
Internal balances	(62,411)	62,411	-	-
Due from component units	15,464	-	15,464	-
Due from primary government	-	-	-	167
Inventories	118,022	-	118,022	-
Prepaid items	3,627	-	3,627	-
Capital assets:				
Nondepreciable capital assets	24,599,201	8,659,697	33,258,898	493,986
Depreciable capital assets, net	39,416,873	28,036,890	67,453,763	564,932
Total Assets	140,681,655	62,113,528	202,795,183	3,798,737
Deferred Outflows of Resources				
Deferred charge on refunding	445,411	85,954	531,365	-
Deferred outflows of resources - TMRS	8,083,956	1,154,087	9,238,043	111,494
Deferred outflows of resources - TESRS	194,183	-	194,183	-
Total Deferred Outflows of Resources	8,723,550	1,240,041	9,963,591	111,494
Liabilities				
Accounts payable	1,336,446	1,799,428	3,135,874	131,224
Accrued liabilities	1,006,487	142,228	1,148,715	36,011
Customer deposits	8,180	757,688	765,868	-
Due to component units	524,204	-	524,204	-
Due to primary government	-	-	-	284
Other payables	404,943	77,078	482,021	-
Accrued interest payable	46,405	3,769	50,174	-
Unearned revenue	93,756	-	93,756	-
Noncurrent liabilities:				
Due within one year	6,562,960	1,698,691	8,261,651	-
Due in more than one year	47,015,982	32,496,747	79,512,729	-
Net pension liability - TMRS	12,016,121	1,703,138	13,719,259	168,980
Net pension liability - TESRS	514,241	-	514,241	-
Total Liabilities	69,529,725	38,678,767	108,208,492	336,499
Deferred Inflows of Resources				
Deferred inflows of resources - TMRS	384,887	53,446	438,333	5,717
Deferred inflows of resources - TESRS	45,632	-	45,632	-
Total Deferred Inflows of Resources	430,519	53,446	483,965	5,717
Net Position				
Net investment in capital assets	47,091,598	15,837,484	62,929,082	1,058,918
Restricted for:				
Debt service	3,736,160	147,229	3,883,389	-
Grants - FEMA Hurricane Ike	816,407	-	816,407	-
Enabling legislation:				
Hotel/motel occupancy tax	1,083,742	-	1,083,742	-
Police forfeiture	27,931	-	27,931	-
Municipal court	240,302	-	240,302	-
Special projects - restricted contributions	544,895	-	544,895	2,509,097
Capital projects	22,617,287	-	22,617,287	-
Unrestricted	3,286,639	8,636,643	11,923,282	-
Total Net Position	\$ 79,444,961	\$ 24,621,356	\$ 104,066,317	\$ 3,568,015

See Notes to Financial Statements.

Component Units	
Fire Control District	Deer Park Community Development Corporation
\$ 1,414,978	\$ 1,982,478
-	-
289,420	536,175
-	-
-	-
-	524,037
-	-
-	-
-	-
1,156,860	-
2,861,258	3,042,690
-	-
116,945	-
-	-
116,945	-
8,607	-
18,060	-
-	-
-	-
15,180	-
-	-
-	-
-	-
-	-
-	-
158,979	-
-	-
200,826	-
3,781	-
-	-
3,781	-
1,156,860	-
-	-
-	-
-	-
-	-
1,616,736	3,042,690
-	-
-	-
\$ 2,773,596	\$ 3,042,690

CITY OF DEER PARK, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 7,716,429	\$ 372,307	\$ -	\$ -
Public safety	12,732,761	3,061,713	-	31,543
Public works	8,328,808	1,305,293	-	564,788
Parks and recreation	391,776	112,973	-	-
Community development	9,942,091	1,418,284	144,965	62,269
Interest on long-term debt	1,183,483	-	-	-
Total Governmental Activities	40,295,348	6,270,570	144,965	658,600
Business-Type Activities				
Water and sewer	9,240,162	10,300,618	-	-
Storm water utility	647,044	278,250	-	-
Total Business-Type Activities	9,887,206	10,578,868	-	-
Total Primary Government	\$ 50,182,554	\$ 16,849,438	\$ 144,965	\$ 658,600
Component Units				
Crime Control District	\$ 778,842	\$ -	\$ -	\$ -
Fire Control District	920,245	-	-	-
Deer Park Community Development Corporation	229,606	-	-	-
Total Component Units	\$ 1,928,693	\$ -	\$ -	\$ -

General Revenues:

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

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net Revenue (Expense) and Changes in Net Position

Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	Crime Control District	Fire Control District	Deer Park Community Development Corporation
\$ (7,344,122)	\$ -	\$ (7,344,122)	\$ -	\$ -	\$ -
(9,639,505)	-	(9,639,505)	-	-	-
(6,458,727)	-	(6,458,727)	-	-	-
(278,803)	-	(278,803)	-	-	-
(8,316,573)	-	(8,316,573)	-	-	-
(1,183,483)	-	(1,183,483)	-	-	-
(33,221,213)	-	(33,221,213)	-	-	-
-	1,060,456	1,060,456	-	-	-
-	(368,794)	(368,794)	-	-	-
-	691,662	691,662	-	-	-
(33,221,213)	691,662	(32,529,551)	-	-	-
-	-	-	(778,842)	-	-
-	-	-	-	(920,245)	-
-	-	-	-	-	(229,606)
-	-	-	(778,842)	(920,245)	(229,606)
16,338,414	-	16,338,414	-	-	-
13,058,596	-	13,058,596	-	-	-
2,129,053	-	2,129,053	-	-	-
6,553,553	-	6,553,553	1,688,740	1,674,270	3,271,782
663,147	-	663,147	-	-	-
202,351	69,166	271,517	2,135	1,123	514
276,011	-	276,011	-	-	-
102,690	-	102,690	-	-	-
94,480	(94,480)	-	-	-	-
39,418,295	(25,314)	39,392,981	1,690,875	1,675,393	3,272,296
6,197,082	666,348	6,863,430	912,033	755,148	3,042,690
73,247,879	23,955,008	97,202,887	2,655,982	2,018,448	-
\$ 79,444,961	\$ 24,621,356	\$ 104,066,317	\$ 3,568,015	\$ 2,773,596	\$ 3,042,690

CITY OF DEER PARK, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2016

	General	Debt Service	CIBF 2016	Nonmajor Governmental
<u>Assets</u>				
Cash and cash equivalents	\$ 39,262,393	\$ 3,753,442	\$ 9,454,737	\$ 21,294,269
Receivables, net	2,408,463	92,723	-	324,852
Due from other funds	-	17,913	-	616,372
Due from component units	15,464	-	-	-
Inventories	118,022	-	-	-
Prepaid items	3,627	-	-	-
Total Assets	\$ 41,807,969	\$ 3,864,078	\$ 9,454,737	\$ 22,235,493
<u>Liabilities</u>				
Accounts payable	\$ 918,437	\$ -	\$ 94,638	\$ 323,371
Accrued liabilities	993,578	-	-	12,909
Due to other funds	-	35,195	-	661,501
Due to component units	-	-	524,037	167
Customer deposits	8,180	-	-	-
Other payables	390,764	-	-	14,179
Unearned revenue	93,756	-	-	-
Total Liabilities	2,404,715	35,195	618,675	1,012,127
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - court fines and warrants	175,964	-	-	-
Unavailable revenue - ambulance	466,251	-	-	-
Unavailable revenue - industrial district taxes	21,079	-	-	-
Unavailable revenue - property taxes	235,106	92,723	-	-
Total Deferred Inflows of Resources	898,400	92,723	-	-
<u>Fund Balances</u>				
Nonspendable:				
Inventories	118,022	-	-	-
Prepaid items	3,627	-	-	-
Restricted for:				
Debt service	-	3,736,160	-	-
Grants	-	-	-	816,407
Enabling legislation	-	-	-	1,351,975
Special projects	-	-	-	544,895
Capital projects	-	-	8,836,062	13,781,225
Assigned:				
Beautification	22,000	-	-	-
Park maintenance	75,500	-	-	-
Information technology	35,618	-	-	-
Municipal court	6,314	-	-	-
Patrick's Bayou	1,300,000	-	-	-
City hall renovations	4,000,000	-	-	-
Gateway project	50,000	-	-	-
Special events	2,100	-	-	-
Capital projects	-	-	-	4,728,864
Committed:				
City hall renovations	2,500,000	-	-	-
Furnishing new City Hall	500,000	-	-	-
Unassigned	29,891,673	-	-	-
Total Fund Balances	38,504,854	3,736,160	8,836,062	21,223,366
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 41,807,969	\$ 3,864,078	\$ 9,454,737	\$ 22,235,493

See Notes to Financial Statements.

Total Governmental Funds	
\$	73,764,841
	2,826,038
	634,285
	15,464
	118,022
	3,627
\$	<u>77,362,277</u>
\$	1,336,446
	1,006,487
	696,696
	524,204
	8,180
	404,943
	93,756
	<u>4,070,712</u>
	175,964
	466,251
	21,079
	<u>327,829</u>
	<u>991,123</u>
	118,022
	3,627
	3,736,160
	816,407
	1,351,975
	544,895
	<u>22,617,287</u>
	22,000
	75,500
	35,618
	6,314
	1,300,000
	4,000,000
	50,000
	2,100
	<u>4,728,864</u>
	2,500,000
	500,000
	<u>29,891,673</u>
	<u>72,300,442</u>
\$	<u>77,362,277</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, 2016

Total fund balances for governmental funds \$ 72,300,442

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	24,599,201	
Capital assets, net depreciable	<u>39,416,873</u>	
		64,016,074

Other long-term assets are not available to pay for current period expenditures
and, therefore, are deferred in the funds. 991,123

Long-term liabilities and deferred outflows and deferred inflows related to
pensions are not due and payable in the current period and, therefore, are
not reported in the funds.

Accrued interest	(46,405)	
Deferred charge on refunding	445,411	
Net pension liability - TMRS	(12,016,121)	
Net pension liability - TESRS	(514,241)	
Deferred outflows - pensions (TMRS)	8,083,956	
Deferred outflows - pensions (TESRS)	194,183	
Deferred inflows - pensions (TMRS)	(384,887)	
Deferred inflows - pensions (TESRS)	(45,632)	
Noncurrent liabilities due in one year	(6,562,960)	
Noncurrent liabilities due in more than one year	<u>(47,015,982)</u>	
		(57,862,678)
		<u><u>\$ 79,444,961</u></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, 2016

	General	Debt Service	CIBF 2016	Nonmajor Governmental
Revenues				
Property taxes	\$ 11,750,378	\$ 4,483,136	\$ -	\$ -
Industrial district taxes	13,058,596	-	-	-
Sales taxes	6,553,553	-	-	-
Franchise taxes	2,129,053	-	-	-
Hotel/motel occupancy taxes	-	-	-	663,147
Fees and fines	1,627,580	-	-	241,706
Licenses and permits	569,766	-	-	-
Intergovernmental	57,734	87,231	62,269	35,859
Charges for services	3,601,108	-	-	263,352
Investment earnings	146,850	5,401	5,162	44,938
Miscellaneous	43,929	-	-	151,782
Total Revenues	39,538,547	4,575,768	67,431	1,400,784
Expenditures				
Current:				
General government	7,096,844	-	-	82,177
Community development	8,093,017	-	-	370,400
Public works	6,039,369	-	-	-
Parks and recreation	386,318	-	-	-
Public safety	10,614,514	-	-	358,350
Capital outlay	1,178,043	-	681,369	2,531,290
Debt service:				
Principal	258,214	3,069,325	-	-
Interest and other charges	11,726	1,256,738	-	2,200
Total Expenditures	33,678,045	4,326,063	681,369	3,344,417
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,860,502	249,705	(613,938)	(1,943,633)
Other Financing Sources (Uses)				
Transfers in	335,471	44,275	-	4,044,527
Transfers (out)	(2,596,752)	-	-	(1,733,041)
Proceeds from sale of capital assets	102,690	-	-	-
Insurance proceeds	80,300	-	-	-
Debt issued	-	6,260,000	9,450,000	-
Premium on debt issued	-	540,737	-	-
Payment to refunded bond escrow agent	-	(6,710,040)	-	-
Capital lease	178,500	-	-	-
Total Other Financing Sources (Uses)	(1,899,791)	134,972	9,450,000	2,311,486
Net Change in Fund Balances	3,960,711	384,677	8,836,062	367,853
Beginning fund balances	34,544,143	3,351,483	-	20,855,513
Ending Fund Balances	\$ 38,504,854	\$ 3,736,160	\$ 8,836,062	\$ 21,223,366

See Notes to Financial Statements.

Total Governmental Funds	
<hr/>	
\$	16,233,514
	13,058,596
	6,553,553
	2,129,053
	663,147
	1,869,286
	569,766
	243,093
	3,864,460
	202,351
	195,711
	<hr/>
	45,582,530
	<hr/>
	7,179,021
	8,463,417
	6,039,369
	386,318
	10,972,864
	4,390,702
	3,327,539
	1,270,664
	<hr/>
	42,029,894
	<hr/>
	3,552,636
	<hr/>
	4,424,273
	(4,329,793)
	102,690
	80,300
	15,710,000
	540,737
	(6,710,040)
	178,500
	<hr/>
	9,996,667
	<hr/>
	13,549,303
	58,751,139
	<hr/>
\$	72,300,442
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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, 2016

Net changes in fund balances - total governmental funds \$ 13,549,303

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

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

Capital asset expenditures	5,325,157
Depreciation expense	(3,635,970)

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

Principal payments	3,327,539
Amortization of deferred loss on refunding	(67,401)
Amortization of premiums on bonds	153,474
Amortization of deferred outflows - pensions (TMRS)	5,620,684
Amortization of deferred outflows - pensions (TESRS)	200,052
Amortization of deferred inflows - pensions (TMRS)	115,598
Amortization of deferred inflows - pensions (TESRS)	(45,632)
Compensated absences	(594,673)
Bonds issued	(15,710,000)
Capital lease activity	(178,500)
Premium on bonds issued	(540,737)
Closure cost	(649)
Net pension liability - TMRS	(6,932,394)
Net pension liability - TESRS	(129,856)
Net OPEB obligation	(1,042,019)
Payment to refunded bond escrow agent	6,710,040
Accrued interest	1,108

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

71,958

Change in Net Position of Governmental Activities **\$ 6,197,082**

See Notes to Financial Statements.

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CITY OF DEER PARK, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2016

		Business-Type Activities		
		Water and Sewer	Storm Water Utility	Total
Assets				
Current assets:				
Cash and cash equivalents		\$ 23,159,528	\$ 325,926	\$ 23,485,454
Accounts receivable, net		825,086	23,677	848,763
Due from other funds		62,411	-	62,411
	Total Current Assets	24,047,025	349,603	24,396,628
Restricted cash and cash equivalents:				
Current portion of bonds payable		262,625	-	262,625
Customer deposits		757,688	-	757,688
	Total Restricted Cash and Cash Equivalents	1,020,313	-	1,020,313
Noncurrent assets:				
Capital assets:				
Land		591,397	-	591,397
Buildings		3,861,540	-	3,861,540
Utility system		53,164,672	-	53,164,672
Machinery and equipment		4,490,962	-	4,490,962
Construction in progress		8,068,300	-	8,068,300
Less: accumulated depreciation		(33,480,284)	-	(33,480,284)
	Total Noncurrent Assets	36,696,587	-	36,696,587
	Total Assets	61,763,925	349,603	62,113,528
Deferred Outflows of Resources				
Deferred outflows of resources - pensions		1,119,240	34,847	1,154,087
Deferred charge on refunding		85,954	-	85,954
	Total Deferred Outflows of Resources	1,205,194	34,847	1,240,041
Liabilities				
Current liabilities:				
Accounts payable		1,797,715	1,713	1,799,428
Accrued liabilities		142,228	-	142,228
Accrued interest payable		-	3,769	3,769
Customer deposits		757,688	-	757,688
Other payables		77,078	-	77,078
Compensated absences		119,754	2,359	122,113
Bonds payable - current		1,403,685	-	1,403,685
Capital leases payable		-	172,893	172,893
	Total Current Liabilities	4,298,148	180,734	4,478,882
Noncurrent liabilities:				
Net pension liability - TMRS		1,659,160	43,978	1,703,138
Compensated absences		13,306	262	13,568
Bonds payable, net of deferred charges		32,121,690	-	32,121,690
Capital leases payable		-	361,489	361,489
	Total Noncurrent Liabilities	33,794,156	405,729	34,199,885
	Total Liabilities	38,092,304	586,463	38,678,767
Deferred Inflows of Resources				
Deferred inflows of resources - pensions		52,772	674	53,446
	Total Deferred Inflows of Resources	52,772	674	53,446
Net Position				
Net investment in capital assets		15,837,484	-	15,837,484
Restricted for:				
Debt service		147,229	-	147,229
Unrestricted		8,839,330	(202,687)	8,636,643
	Total Net Position	\$ 24,824,043	\$ (202,687)	\$ 24,621,356

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, 2016

	Business-Type Activities		
	Water and Sewer	Storm Water Utility	Total
<u>Operating Revenues</u>			
Charges for services	\$ 10,300,618	\$ 278,250	\$ 10,578,868
Total Operating Revenues	<u>10,300,618</u>	<u>278,250</u>	<u>10,578,868</u>
<u>Operating Expenses</u>			
Personnel services	3,243,742	96,372	3,340,114
Contractual services	1,110,078	5,533	1,115,611
Repairs and maintenance	421,083	97,798	518,881
Other supplies and expenses	1,646,608	3,622	1,650,230
Depreciation	1,783,760	-	1,783,760
Total Operating Expenses	<u>8,205,271</u>	<u>203,325</u>	<u>8,408,596</u>
Operating Income	<u>2,095,347</u>	<u>74,925</u>	<u>2,170,272</u>
<u>Nonoperating Revenues (Expenses)</u>			
Investment earnings	69,166	-	69,166
Interest and fiscal agent fees	(1,034,891)	(8,491)	(1,043,382)
Loss on disposal of property	-	(435,228)	(435,228)
Total Nonoperating (Expenses)	<u>(965,725)</u>	<u>(443,719)</u>	<u>(1,409,444)</u>
Income (Loss) Before Transfers	<u>1,129,622</u>	<u>(368,794)</u>	<u>760,828</u>
Transfers (out)	<u>(94,480)</u>	<u>-</u>	<u>(94,480)</u>
Total Transfers	<u>(94,480)</u>	<u>-</u>	<u>(94,480)</u>
Change in Net Position	<u>1,035,142</u>	<u>(368,794)</u>	<u>666,348</u>
Beginning net position	<u>23,788,901</u>	<u>166,107</u>	<u>23,955,008</u>
Ending Net Position	<u>\$ 24,824,043</u>	<u>\$ (202,687)</u>	<u>\$ 24,621,356</u>

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, 2016

	Business-Type Activities		
	Water and Sewer	Storm Water Utility	Total
<u>Cash Flows from Operating Activities</u>			
Receipts from customers and users	\$ 10,341,304	\$ 277,066	\$ 10,618,370
Payments to suppliers for goods and services	(1,952,559)	(107,471)	(2,060,030)
Payments to employees for services	(2,996,787)	(98,827)	(3,095,614)
Net Cash Provided by Operating Activities	5,391,958	70,768	5,462,726
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfer to other funds	(94,480)	-	(94,480)
Net Cash (Used) by Noncapital Financing Activities	(94,480)	-	(94,480)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition and construction of capital assets	(8,972,019)	-	(8,972,019)
Proceeds from debt issuance	7,127,771	-	7,127,771
Principal paid on capital debt	(1,388,152)	(149,383)	(1,537,535)
Interest and fiscal agent fees paid	(1,123,758)	(8,491)	(1,132,249)
Net Cash (Used) by Capital and Related Financing Activities	(4,356,158)	(157,874)	(4,514,032)
<u>Cash Flows from Investing Activities</u>			
Earnings on investments	69,166	-	69,166
Net Cash Provided by Investing Activities	69,166	-	69,166
Net Increase (Decrease) in Cash and Cash Equivalents	1,010,486	(87,106)	923,380
Beginning cash and cash equivalents	23,169,355	413,032	23,582,387
Ending Cash and Cash Equivalents	\$ 24,179,841	\$ 325,926	\$ 24,505,767
Ending Cash and Cash Equivalents			
Unrestricted cash and cash equivalents	\$ 23,159,528	\$ 325,926	\$ 23,485,454
Restricted cash and cash equivalents	1,020,313	-	1,020,313
	\$ 24,179,841	\$ 325,926	\$ 24,505,767

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, 2016

	Business-Type Activities		
	Water and Sewer	Storm Water Utility	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 2,095,347	\$ 74,925	\$ 2,170,272
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,783,760	-	1,783,760
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in Assets:			
Accounts receivable	52,820	(1,184)	51,636
Due from other funds	(35,195)	-	(35,195)
Deferred outflows of resources	(766,793)	(28,943)	(795,736)
Increase (Decrease) in Liabilities:			
Accounts payable	1,226,132	(4,287)	1,221,845
Accrued liabilities	(60,754)	-	(60,754)
Accrued interest payable	(17,055)	3,769	(13,286)
Other payables	76,887	(7,145)	69,742
Compensated absences payable	69,095	2,621	71,716
Net pension liability	960,672	31,538	992,210
Deferred inflows of resources	(16,019)	(526)	(16,545)
Customer deposits	23,061	-	23,061
Net Cash Provided by Operating Activities	\$ 5,391,958	\$ 70,768	\$ 5,462,726
Noncash investing, capital, and financing activities:			
Capital lease	\$ -	\$ 435,228	\$ 435,228
Noncash investing, capital, and financing activities	\$ -	\$ 435,228	\$ 435,228

See Notes to Financial Statements.

CITY OF DEER PARK, TEXAS

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

September 30, 2016

	<u>Senior Citizens Trust</u>	<u>LEPC</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 112,329	\$ 133,864
Total Assets	<u>\$ 112,329</u>	<u>\$ 133,864</u>
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 6,980
Due to others	<u>-</u>	<u>126,884</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 133,864</u>
<u>Net Position</u>		
Restricted	<u>\$ 112,329</u>	<u>-</u>
Total Net Position	<u>\$ 112,329</u>	<u>\$ -</u>

See Notes to Financial Statements.

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

For the Year Ended September 30, 2016

	<u>Senior Citizens Trust</u>
<u>Additions</u>	
Investment earnings	\$ 321
Other income	<u>751</u>
Total Additions	<u>1,072</u>
Change in Net Position	<u>1,072</u>
Beginning net position	<u>111,257</u>
Ending Net Position	<u><u>\$ 112,329</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, 2016

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, 2016

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, 2016

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

The City reports the following governmental funds:

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

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

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

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

The City reports the following enterprise funds:

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

Additionally, the City reports the following fiduciary fund types:

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

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

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

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

E. Measurement Focus and Basis of Accounting

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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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

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

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

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

1. Cash and Cash Equivalents

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

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

2. Investments

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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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

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

3. Inventories and Prepaid Items

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

4. 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 estimated fair 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, 2016

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 six items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows have been recognized for the net difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. Another deferred outflow is recognized for the differences between the actuarial expectations and the actual economic experience related to the City's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge has been recognized for the changes in actuarial assumptions. This amount is deferred and amortized over the average of the expected service lives of pension plan members. Another deferred charge has been recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions. 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 employer pension plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has 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. Another deferred inflow has been recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from court fines and warrants, ambulance fees, and property taxes. These amounts are deferred and recognized as inflows of resources in the period that the amount becomes available.

7. Compensated Absences

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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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. 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.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except the capital projects funds, which adopt project length budgets. The original budget is adopted by the City Council prior to the beginning of the fiscal year. The legal level of budgetary control, as defined by the charter, is the department level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. The City Council may transfer any unencumbered funds from one department to another. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2016.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2016, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexSTAR	\$ 21,079,044	0.12
TexPool	33,972,907	0.12
Money market	2,001,206	0.40
Certificates of deposits	16,827,350	0.41
Total Fair Value	<u><u>\$ 73,880,507</u></u>	
Portfolio weighted average maturity		0.19

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, 2016, 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, 2016, market values of pledged securities were \$18,550,665 and bank balances were \$24,948,875. The collateral deficiency was due to a timing issue that was corrected the following business day by the bank.

As of September 30, 2016, the discretely presented component units' bank balances of \$6,040,997 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.

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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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.

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, respectively. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services. Standard and Poor's rates TexSTAR "AAAm".

TexPool and TexSTAR operate in compliance with the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools state all investments at amortized cost and follow the criteria established by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* for the use of amortized cost. Deposits and withdrawals can be made on any business day of the week. The investment pools have a redemption notice of one day that may be redeemed daily. The investment pools may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or a national state of emergency that affects the investment pool's liquidity. There are no limits on the number of accounts a participant can have or the number of transactions. The City has no unfunded commitments related to the investment pools.

B. Receivables

Amounts recorded as receivable as of September 30, 2016 for the City's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Nonmajor Governmental	Water and Sewer	Storm Water Utility
Taxes	\$ 2,251,296	\$ 370,890	\$ -	\$ -	\$ -
Accounts	948,143	-	324,852	1,239,327	33,393
Ambulance	2,540,321	-	-	-	-
Less allowance	(3,331,297)	(278,167)	-	(414,241)	(9,716)
Total	\$ 2,408,463	\$ 92,723	\$ 324,852	\$ 825,086	\$ 23,677

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

C. Capital Assets

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

	Primary Government			Ending Balance
	Beginning Balance	Increases	(Decreases)	
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 22,791,056	\$ -	\$ -	\$ 22,791,056
Construction in progress	3,536,388	3,122,961	(4,851,204)	1,808,145
Total capital assets not being depreciated	<u>26,327,444</u>	<u>3,122,961</u>	<u>(4,851,204)</u>	<u>24,599,201</u>
Other capital assets:				
Buildings	23,035,533	172,000	-	23,207,533
Improvements	56,677,436	5,480,095	-	62,157,531
Machinery and equipment	17,503,750	1,401,305	(604,719)	18,300,336
Total other capital assets	<u>97,216,719</u>	<u>7,053,400</u>	<u>(604,719)</u>	<u>103,665,400</u>
Less accumulated depreciation for:				
Buildings	(10,566,971)	(560,336)	-	(11,127,307)
Improvements	(38,138,441)	(1,840,402)	-	(39,978,843)
Machinery and equipment	(12,511,864)	(1,235,232)	604,719	(13,142,377)
Total accumulated depreciation	<u>(61,217,276)</u>	<u>(3,635,970)</u>	<u>604,719</u>	<u>(64,248,527)</u>
Other capital assets, net	<u>35,999,443</u>	<u>3,417,430</u>	<u>-</u>	<u>39,416,873</u>
Governmental Activities Capital Assets, Net	<u>\$ 62,326,887</u>	<u>\$ 6,540,391</u>	<u>\$ (4,851,204)</u>	<u>64,016,074</u>
			Less associated debt	(39,892,487)
			Plus deferred charge on refunding	445,411
			Plus unspent bond proceeds	22,522,600
			Net Investment in Capital Assets	<u>\$ 47,091,598</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 280,476
Public safety	519,947
Public works	1,821,659
Parks and recreation	192,141
Community development	821,747
Total Governmental Activities Depreciation Expense	<u>\$ 3,635,970</u>

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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
Drainage Improvements - Golf Course	\$ 203,583	\$ 201,065	\$ 2,518
City Hall Expansion	6,577,966	342,227	6,235,739
Dow Park Pavilion	119,500	85,306	34,194
Maxwell Center/Parking	225,000	16,867	208,133
Girls Softball Renovation	284,033	14,876	269,157
Deer Park Baseball	3,009,000	444,948	2,564,052
Soccer Field	334,032	107,509	226,523
Community Center & Gym	26,000	11,439	14,561
Animal Shelter	158,000	7,683	150,317
Wetlands Project	692,479	410,813	281,666
Total	\$ 11,629,593	\$ 1,642,733	\$ 9,986,860

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	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 591,397	\$ -	\$ -	\$ 591,397
Construction in progress	2,088,209	7,315,883	(1,335,792)	8,068,300
Total capital assets not being depreciated	2,679,606	7,315,883	(1,335,792)	8,659,697
Other capital assets:				
Buildings	3,861,540	-	-	3,861,540
Improvements	50,235,847	2,928,825	-	53,164,672
Machinery and equipment	4,469,600	63,103	(41,741)	4,490,962
Total other capital assets	58,566,987	2,991,928	(41,741)	61,517,174
Less accumulated depreciation for:				
Buildings	(1,000,703)	(96,088)	-	(1,096,791)
Improvements	(28,004,884)	(1,373,664)	-	(29,378,548)
Machinery and equipment	(2,732,678)	(314,008)	41,741	(3,004,945)
Total accumulated depreciation	(31,738,265)	(1,783,760)	41,741	(33,480,284)
Other capital assets, net	26,828,722	1,208,168	-	28,036,890
Business-Type Activities Capital Assets, Net	\$ 29,508,328	\$ 8,524,051	\$ (1,335,792)	36,696,587
			Less associated debt	(34,059,757)
			Plus deferred charge on refunding	85,954
			Plus unspent bond proceeds	13,114,700
			Net Investment in Capital Assets	\$ 15,837,484

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 1,783,760
Total Business-Type Activities Depreciation Expense	\$ 1,783,760

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
Force Main Header - 13th St Lift Station	\$ 109,500	\$ 14,723	\$ 94,777
Waste Water Treatment Plant - Expansion	8,333,784	6,876,197	1,457,587
Waste Water Treatment Plant - Lagoon Project	486,000	750	485,250
Switch Gear B	74,510	13,397	61,113
10" Force Main HCFC	24,700	2,446	22,254
Backwash System Improvements	14,500	5,938	8,562
Water/Sewer Maintenance Building	442,512	2,550	439,962
Water Line Improvements - Hillshire & Estate	649,798	278,081	371,717
SSO	710,984	430,518	280,466
Total	\$ 10,846,288	\$ 7,624,600	\$ 3,221,688

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	\$ 85,073	\$ 408,913	\$ -	\$ 493,986
Total capital assets not being depreciated	85,073	408,913	-	493,986
Capital assets, being depreciated:				
Building	87,641	-	-	87,641
Improvements	115,182	-	-	115,182
Machinery and equipment	2,320,882	741,844	-	3,062,726
Total capital assets, being depreciated	2,523,705	741,844	-	3,265,549
Less accumulated depreciation for:				
Building	(2,191)	(2,191)	-	(4,382)
Improvements	(17,746)	(8,380)	-	(26,126)
Machinery and equipment	(1,045,294)	(467,955)	-	(1,513,249)
Total accumulated depreciation	(1,065,231)	(478,526)	-	(1,543,757)
Capital assets, being depreciated, net	1,458,474	263,318	-	1,721,792
Discretely Presented Component Units Capital Assets, Net	\$ 1,543,547	\$ 672,231	\$ -	2,215,778
Net Investment in Capital Assets				\$ 2,215,778

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Depreciation was charged to component units as follows:

Crime control district	\$ 301,098
Fire control district	177,428
Total Component Units Depreciation Expense	<u>\$ 478,526</u>

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	\$ 16,134,338	\$ 6,260,000	\$ 7,049,325	\$ 15,345,013 *	\$ 2,086,315
Certificates of obligation	15,770,000	9,450,000	2,500,000	22,720,000 *	3,120,000
Capital leases	489,772	178,500	258,214	410,058 *	228,450
Premium on bond issuance	1,166,106	540,737	289,427	1,417,416 *	153,475
Compensated absences	488,350	1,892,716	1,298,043	1,083,023	974,720
Net pension liability - TMRS	5,083,727	6,932,394	-	12,016,121	-
Net pension liability - TESRS	384,385	129,856	-	514,241	-
Net OPEB obligation	11,510,879	1,505,502	463,483	12,552,898	-
Closure cost	49,885	649	-	50,534	-
Total Governmental Activities	<u>\$ 51,077,442</u>	<u>\$ 26,890,354</u>	<u>\$ 11,858,492</u>	<u>\$ 66,109,304</u>	<u>\$ 6,562,960</u>
Long-term debt due in more than one year				<u>\$ 59,546,344</u>	
*Debt associated with governmental activity capital assets				<u>\$ 39,892,487</u>	
Business-Type Activities:					
General obligation bonds	\$ 4,935,663	\$ -	\$ 600,675	\$ 4,334,988 **	\$ 588,685
Certificates of obligation	20,925,000	7,110,000	520,000	27,515,000 **	588,685
Revenue bonds	750,000	-	250,000	500,000 **	250,000
Capital leases	266,014	435,228	166,860	534,382 **	172,893
Premium on bond issuance	1,246,483	17,771	88,867	1,175,387 **	88,870
Net pension liability	710,928	992,210	-	1,703,138	-
Compensated absences	63,965	252,565	180,849	135,681	122,113
Total Business-Type Activities	<u>\$ 28,898,053</u>	<u>\$ 8,807,774</u>	<u>\$ 1,807,251</u>	<u>\$ 35,898,576</u>	<u>\$ 1,811,246</u>
Long-term debt due in more than one year				<u>\$ 34,087,330</u>	
**Debt associated with business-type activity capital assets				<u>\$ 34,059,757</u>	
Discretely Presented Component Units:					
Capital leases	\$ 48,934	\$ -	\$ 48,934	\$ -	\$ -
Net pension liability	129,747	198,212	-	327,959	-
Total Discretely Presented Component Units	<u>\$ 178,681</u>	<u>\$ 198,212</u>	<u>\$ 48,934</u>	<u>\$ 327,959</u>	<u>\$ -</u>

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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

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

Description	Interest Rates	Balance
Governmental Activities		
General Obligation Bonds		
2007 General Obligation Bonds	3.80-5.00%	\$ 795,000
2008 General Obligation Refunding Bonds	3.49%	575,000
2010 General Obligation Refunding Bonds	4.00-4.50%	1,637,111
2012 General Obligation Refunding Bonds	2.00-3.00%	4,420,000
2014 General Obligation Bonds	2.00-4.00%	925,000
2014 General Obligation Refunding Bonds	2.00-4.00%	732,902
2016 Limited Tax Refunding Bonds	2.25-4.00%	6,260,000
Total General Obligation Bonds		15,345,013
Certificates of Obligation		
2007 Certificates of Obligation	4.25-6.00%	205,000
2010 Certificates of Obligation	4.00-5.00%	6,400,000
2015 Certificates of Obligation	2.00-4.00%	6,665,000
2016 Certificates of Obligation	1.59%	9,450,000
Total Certificates of Obligation		22,720,000
Total Bonds and Certificates of Obligations		38,065,013
Capital Leases		
100' Pierce Velocity Platform	3.64%	164,980
2013 Freightliner Trash Truck	1.38%	40,777
2014 Freightliner Tractor Truck	1.59%	50,098
2016 Freightliner Trash Truck	1.55%	154,203
Total Capital Leases		410,058
Total Governmental Activities Long-Term Debt		\$ 38,475,071

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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

Description	Interest Rates	Balance
Business-Type Activities		
General Obligation Bonds		
2010 General Obligation Refunding Bonds	4.00-4.50%	\$ 1,082,889
2011 General Obligation Refunding Bonds	2.00-3.00%	2,070,000
2014 General Obligation Refunding Bonds	2.00-3.00%	1,182,099
Total General Obligation Bonds		4,334,988
Certificates of Obligation		
2011 Certificates of Obligation	2.00-4.00%	3,000,000
2012 Certificates of Obligation	2.00-3.00%	4,605,000
2013 Certificates of Obligation	2.00-3.35%	6,820,000
2014 Certificates of Obligation	2.00-4.00%	6,130,000
2015-A Certificates of Obligation	2.00-3.50%	6,960,000
Total Certificates of Obligation		27,515,000
Revenue Bonds		
2002 Waterworks and Sewer System	3.20-3.40%	500,000
Total Revenue Bonds		500,000
Capital Leases		
2014 Freightliner Street Sweeper	1.42%	161,960
Gradall XL5100 Excavator	1.81%	372,422
Total Capital Leases		534,382
Total Business-Type Activities Long-Term Debt		\$ 32,884,370

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

Annual debt service requirements for governmental activities are as follows:

Year Ending Sep 30	Governmental Activities				
	General Obligation Bonds		Certificates of Obligation		Total
	Principal	Interest	Principal	Interest	
2017	\$ 2,086,315	\$ 453,869	\$ 3,120,000	\$ 597,184	\$ 6,257,368
2018	1,278,025	397,424	2,965,000	532,642	5,173,091
2019	1,512,962	353,133	1,770,000	478,936	4,115,031
2020	1,564,953	303,642	1,820,000	428,131	4,116,726
2021	1,539,671	254,861	1,870,000	373,439	4,037,971
2022-2026	5,903,087	631,234	9,180,000	1,081,625	16,795,946
2027-2031	1,260,000	88,463	1,995,000	207,625	3,551,088
2032-2034	200,000	12,200	-	-	212,200
Total	\$ 15,345,013	\$ 2,494,826	\$ 22,720,000	\$ 3,699,582	\$ 44,259,421

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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

Year Ending Sep 30	Business-Type Activities						
	General Obligation Bonds		Certificates of Obligation		Revenue Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 588,685	\$ 129,300	\$ 565,000	\$ 867,053	\$ 250,000	\$ 12,625	\$ 2,412,663
2018	521,976	111,931	900,000	850,490	250,000	4,250	2,638,647
2019	667,038	92,367	960,000	827,640	-	-	2,547,045
2020	660,047	69,983	1,015,000	801,453	-	-	2,546,483
2021	590,329	48,839	1,215,000	768,978	-	-	2,623,146
2022-2026	1,306,913	24,696	7,790,000	3,217,774	-	-	12,339,383
2027-2031	-	-	9,795,000	1,795,596	-	-	11,590,596
2032-2035	-	-	5,275,000	280,281	-	-	5,555,281
Total	\$ 4,334,988	\$ 477,116	\$ 27,515,000	\$ 9,409,265	\$ 500,000	\$ 16,875	\$ 42,253,244

General Obligation Bonds

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

Certificates of Obligations

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

Revenue Bonds

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

Advance Refunding

The City issued \$6,260,000 of Limited Tax Refunding Bonds, Series 2016 to provide resources for all future debt service payments of \$5,040,000 of General Obligation Bonds, Series 2007 and \$1,440,000 of Certificates of Obligation, Series 2007. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$94,087. This amount is being amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This current refunding was undertaken to reduce total debt service payments over the

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

next 12 years by \$710,601 and resulted in an economic gain of \$620,073. At September 30, 2016, \$5,040,000 of the defeased General Obligation Bonds, Series 2007 and \$1,440,000 of the defeased Certificates of Obligation, Series 2007 remain outstanding.

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment, principally consisting of vehicles and equipment. These leases qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Capital leases bear interest rates ranging from 1.38 percent to 3.64 percent and have maturity dates ranging from 2017 to 2021. Annual requirements to satisfy these obligations are as follows:

Year Ending Sep 30	Governmental Activities		
	Capital Leases		
	Principal	Interest	Total
2017	\$ 228,450	\$ 7,115	\$ 235,565
2018	146,246	1,806	148,052
2019	35,362	183	35,545
Total	\$ 410,058	\$ 9,104	\$ 419,162

Year Ending Sep 30	Business-Type Activities		
	Capital Leases		
	Principal	Interest	Total
2017	\$ 172,893	\$ 7,762	\$ 180,655
2018	160,768	4,962	165,730
2019	88,204	2,899	91,103
2020	89,811	1,292	91,103
2021	22,706	68	22,774
Total	\$ 534,382	\$ 16,983	\$ 551,365

The assets acquired through capital leases are as follows:

Assets:

Machinery and equipment	\$ 2,036,292
Less: accumulated depreciation	(746,624)
Total	\$ 1,289,668

Federal Arbitrage

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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

E. Interfund Receivables, Payables, and Transfers

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

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

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

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amounts</u>
General	Water and sewer	\$ 94,480
General	Nonmajor governmental	240,991
Debt service	Nonmajor governmental	44,275
Nonmajor governmental	General	2,596,752
Nonmajor governmental	Nonmajor governmental	1,447,775
		<u>\$ 4,424,273</u>

Amounts transferred between funds relate to the following activities:

- Transfers to the debt service fund were made to transfer interest earned from bond funds for the repayment of debt service and debt service related expenditures in accordance with applicable ordinances and federal regulations.
- The general fund transferred \$2,596,752 to the capital improvement fund (a nonmajor governmental fund) to fund 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 between the nonmajor governmental funds were made between capital project funds for various capital projects.

F. Fund Equity

As of September 30, 2016, \$1,351,975 of the City’s total fund balance is restricted by enabling legislation.

Deficit Net Position

The storm water utility fund has a deficit net position balance of \$202,687 at September 30, 2016.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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 Pool (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

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

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

C. Pension Plans

1. Texas Municipal Retirement System

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees (the "Board"). Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.com.

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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Benefits Provided

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

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

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

	<u>2016</u>	<u>2015</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, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	193
Inactive employees entitled to, but not yet receiving, benefits	111
Active employees	291
Total	<u><u>595</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 13.82 percent and 14.45 percent in calendar years 2016 and 2015, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2016 were \$2,632,998, which were equal to the required contributions.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree 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 projects on a fully generational basis by scale BB to account for future mortality improvements subject to the three percent floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the EAN actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7.00 percent to 6.75 percent. 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 weighing the expected future real rates of return by the target 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). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
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	\$ 3,011,767	\$ -	\$ 3,011,767
Interest	7,763,831	-	7,763,831
Difference between expected and actual experience	108,094	-	108,094
Changes of assumptions	1,074,743	-	1,074,743
Contributions - employer	-	2,545,558	(2,545,558)
Contributions - employee	-	1,233,609	(1,233,609)
Net investment income	-	156,470	(156,470)
Benefit payments, including refunds of employee contributions	(5,128,029)	(5,128,029)	-
Administrative expense	-	(95,310)	95,310
Other changes	-	(4,708)	4,708
Net Changes	6,830,406	(1,292,410)	8,122,816
Balance at December 31, 2014	111,970,006	106,045,604	5,924,402
Balance at December 31, 2015	\$ 118,800,412	\$ 104,753,194	\$ 14,047,218

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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 net pension liability 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	\$ 30,588,925	\$ 14,047,218	\$ 493,071

Pension Plan Fiduciary Net Position

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

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

For the fiscal year ended September 30, 2016, the City recognized net pension expense of \$4,023,686.

At September 30, 2016, 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	\$ 87,465	\$ 447,831
Changes in actuarial assumptions	869,639	-
Difference between projected and actual investment earnings	6,597,106	-
Contributions subsequent to the measurement date	1,912,272	-
Total	\$ 9,466,482	\$ 447,831

\$1,912,272 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2017. 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
2017	\$ 1,804,872
2018	1,804,872
2019	1,804,872
2020	1,637,592
2021	54,171
Total	\$ 7,106,379

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

2. Texas Emergency Services Retirement System

Plan Description

The City participates in a cost-sharing multiple employer pension plan that has a special funding situation. The plan is administered by the Texas Emergency Services Retirement System (TESRS) and established and administered by the State of Texas (the "State") to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2015, there were 197 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, 2015, the pension system membership consisted of:

Retirees and beneficiaries currently receiving benefits	2,991
Terminated members entitled to, but not yet receiving, benefits	2,211
Active participants	4,016

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.

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 post retirement 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.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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, 2014, the Part Two contribution rate was zero percent, since the first actuarial valuation report after adoption of the rules showed TESRS to have an adequate contribution arrangement without any Part Two contributions.

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 there is no maximum contribution rate. For the fiscal year ending August 31, 2015, total contributions (dues, prior service, and interest on prior service financing) of \$91,000 were paid by the City. The State appropriated \$1,637,308 for the fiscal year ending August 31, 2015 to the plan as a whole.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	8/31/2014
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	3.50%
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 2018 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 4.45%) and by adding expected inflation (3.50%). In addition, the final 7.75 percent assumption reflected a reduction of 0.20 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%	5.20%
Small cap domestic	10.0%	5.80%
Developed international	21.0%	5.50%
Emerging markets	6.0%	5.40%
Master limited partnership	5.0%	7.10%
Fixed income		
Domestic	21.0%	1.40%
International	5.0%	1.60%
Total	<u>100.0%</u>	
Weighted average		4.45%

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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, 2014 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. That UAAL was based on an actuarial value of assets that was \$7.9 million less than the plan fiduciary net position as of August 31, 2014. 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 net pension liability (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:	<u>\$ 899,769</u>	<u>\$ 514,241</u>	<u>\$ 292,080</u>

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

At August 31, 2015, the City reported a liability of \$545,886 for its proportionate share of TESRS's NPL. The amount recognized by the City as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the City were as follows:

City's proportionate share of the collective net pension liability	\$ 514,241
*State's proportionate share that is associated with the City	178,251
Total	<u><u>\$ 692,492</u></u>

**Calculated using the City's proportionate share of contributions multiplied by the State's share of the collective net pension liability.*

The TPL used to calculate the NPL was determined by an actuarial valuation as of August 31, 2014 and rolled forward to August 31, 2015. 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, 2015. The City used the assumption that any differences in the NPL measured as of August 31, 2015 versus September 30, 2015 would be immaterial. The employer's proportion of the NPL was based on the

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015, the employer's proportion of the collective NPL was 1.927 percent, which was a decrease of 0.189 percent from its proportion measured as of August 31, 2014.

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, 2015, the City recognized pension expense of \$78,975. The City recognized on-behalf revenues of \$31,543 calculated by taking the State's total contributions to TESRS multiplied by the City's proportionate share.

At August 31, 2015, 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	\$ 87,977	\$ -
Changes in proportion and employer and proportionate share of contributions	7,606	45,632
Contributions paid to TESRS subsequent to the measurement date	98,600	-
Total	\$ 194,183	\$ 45,632

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
2017	\$ 11,001
2018	11,001
2019	11,001
2020	35,219
2021	(4,938)
Thereafter	(13,333)
Total	\$ 49,951

D. Other Post Employment Benefits

1. Healthcare Plan

Plan Description

The City provides medical benefits to eligible retirees. The City pays a portion of the current monthly contribution rate for individual medical benefits for retirees meeting certain eligibility requirements. All active employees who retire directly from the City and meet the eligibility criteria may participate. There is no City subsidy for dependent coverage and the cost of elected dependent

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

coverage is paid entirely by the retiree. Medical benefits continue after age 65 with the medical coverage offered as a supplement to Medicare benefits. Dental and life insurance benefits are also made available to retirees, but these benefits are not subsidized by the City and are not included in this valuation.

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

Annual required contribution	\$ 1,697,815
Interest on prior year net OPEB obligation	460,435
Amortization of prior year net OPEB obligation	<u>(652,748)</u>
Annual OPEB cost (expense)	1,505,502
Contributions made	<u>(463,483)</u>
Increase in net OPEB obligation	1,042,019
Net OPEB obligation-beginning of year	<u>11,510,879</u>
Net OPEB obligation-end of year	<u><u>\$ 12,552,898</u></u>

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost (APC)</u>	<u>Employer Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 2,170,659	\$ 400,377	18.44%	\$ 9,980,086
2015	\$ 1,961,395	\$ 430,602	21.95%	\$ 11,510,879
2016	\$ 1,505,502	\$ 463,483	30.79%	\$ 12,552,898

Funded Status and Funding Progress

As of October 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$17,996,698 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,996,698. The annual covered payroll as of September 30, 2016 was \$18,463,403 and the UAAL as a percentage of this number was 97.47 percent.

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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Actuarial Methods and Assumptions

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

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

The following is a summary of the actuarial assumptions:

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

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

2. TMRS Supplemental Death Benefits Plan

Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB. For the year ended September 30, 2016, the City offered the supplemental death benefit to both active and retired employees.

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

Contributions

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

The City's contribution rates to the TMRS SDBF, for the retiree portion, for the years ended September 30, 2016, 2015, and 2014 are shown below. Annual SDBF costs were \$7,530, \$6,980, and \$6,582 for 2016, 2015, and 2014, respectively.

	2016	2015	2014
Annual Req. Contrib. (Rate)	0.04%	0.04%	0.04%
Actual Contribution Made	0.04%	0.04%	0.04%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

3. Deferred Compensation Plan

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

E. Industrial District Contracts

A significant portion of the City's revenue is derived from separate contractual agreements 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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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 \$13,058,596 related to these contracts.

F. Operating Leases

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

G. Transfer Station Closure Cost

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

As of September 30, 2016, the total estimated closure cost for the City's Transfer Station is \$50,534. 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 cost. 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

CITY OF DEER PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2016

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.

I. Subsequent Events

In October 2016, the City Council approved the issuance of Certificates of Obligation, Series 2016-A in the amount of \$6,885,000. 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, 2036. The interest rates will range from 2.00 percent to 4.00 percent.

In January 2017, the City Council approved the issuance of Certificates of Obligation, Series 2017 in the amount of \$2,700,000. Proceeds from the sale of the Certificates will be used for the renovation of the girls' softball facilities at the City's Youth Sports Complex. The Certificates will mature on March 15, 2024. The Certificates shall bear an interest rate of 1.89 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, 2016

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 11,257,578	\$ 11,257,578	\$ 11,750,378	\$ 492,800
Industrial district taxes	12,798,700	12,798,700	13,058,596	259,896
Sales taxes	5,600,000	5,600,000	6,553,553	953,553
Franchise taxes	2,200,000	2,200,000	2,129,053	(70,947)
Fees and fines	1,207,500	1,207,500	1,627,580	420,080
Licenses and permits	513,450	513,450	569,766	56,316
Intergovernmental	61,420	61,420	57,734	(3,686)
Charges for services	3,168,800	3,183,800	3,601,108	417,308
Investment earnings	72,000	72,000	146,850	74,850
Miscellaneous	6,500	1,365,706	43,929	(1,321,777)
Total Revenues	36,885,948	38,260,154	39,538,547	1,278,393
<u>Expenditures</u>				
Current:				
General Government:				
Mayor and council	60,966	60,966	48,268	12,698
City manager	820,552	841,711	840,251	1,460
Boards and commissions	15,408	15,408	10,725	4,683
Municipal court	433,976	439,448	389,165	50,283
General government	3,859,918	4,122,818	3,076,334	1,046,484
Legal services	152,000	152,000	91,932	60,068
Human resources	383,091	388,057	342,889	45,168
Information technology services	1,393,714	1,406,214	1,209,904	196,310
Finance	648,736	657,241	615,417	41,824
City secretary	444,227	449,255	416,929	32,326
Warehouse	81,074	82,062	55,030	27,032
Total General Government	8,293,662	8,615,180	7,096,844	1,518,336
Community Development:				
Planning and development	1,958,303	1,981,953	1,844,739	137,214
Beautification	25,000	26,500	26,479	21
Park maintenance	2,036,688	2,054,635	1,819,871	234,764
Recreation	1,556,423	1,568,950	1,416,076	152,874
Athletics and aquatics	728,457	764,487	779,449	(14,962) *
Senior services	555,750	558,211	511,832	46,379
After-school program	356,134	356,134	293,461	62,673
Drama	492,441	495,596	430,265	65,331
Library	1,030,580	1,050,042	970,845	79,197
Total Community Development	8,739,776	8,856,508	8,093,017	763,491

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, 2016

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Public Works:				
Building maintenance	\$ 625,866	\$ 633,079	\$ 566,972	\$ 66,107
Sanitation	4,238,313	4,259,833	3,488,621	771,212
Street maintenance	1,368,762	1,380,866	1,058,139	322,727
Fleet maintenance	927,349	935,928	689,230	246,698
Humane division	242,080	245,010	236,407	8,603
Total Public Works	7,402,370	7,454,716	6,039,369	1,415,347
Public Safety:				
Police	8,937,764	9,101,079	8,674,632	426,447
Emergency management	428,523	433,723	400,299	33,424
Fire department	542,608	542,608	411,682	130,926
Ambulance	934,441	977,779	965,173	12,606
Fire marshal	161,005	162,793	162,728	65
Total Public Safety	11,004,341	11,217,982	10,614,514	603,468
Parks and Recreation:				
Golf course lease	120,000	402,931	386,318	16,613
Total Parks and Recreation	120,000	402,931	386,318	16,613
Debt service:				
Principal	305,773	305,773	258,214	47,559
Interest and other charges	11,726	11,726	11,726	-
Total Debt Service	317,499	317,499	269,940	47,559
Capital outlay	1,289,426	1,372,184	1,178,043	194,141
Total Expenditures	37,167,074	38,237,000	33,678,045	4,558,955
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(281,126)	23,154	5,860,502	5,837,348
Other Financing Sources (Uses):				
Transfers in	337,126	337,126	335,471	(1,655)
Transfers (out)	-	(2,549,990)	(2,596,752)	(46,762) **
Proceeds from sale of capital assets	10,000	10,000	102,690	92,690
Insurance proceeds	-	-	80,300	80,300
Capital lease proceeds	-	-	178,500	178,500
Total Other Financing Sources (Uses)	347,126	(2,202,864)	(1,899,791)	303,073
Net Change in Fund Balance	\$ 66,000	\$ (2,179,710)	3,960,711	\$ 6,140,421
Beginning fund balance			34,544,143	
Ending Fund Balance			\$ 38,504,854	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Athletics and aquatics expenditures did not exceed appropriations at the legal level of control as capital outlay accounts are budgeted by department but presented separately for reporting purposes.
3. **Transfers (out) did not exceed appropriations at the legal level of control as transfer (out) accounts are budgeted by department but presented separately for reporting purposes.

CITY OF DEER PARK, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2016

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

* Only two years of information is currently available. The City will build this schedule over the next eight-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, 2016

	Measurement Year*	
	2014	2015
City's proportion of the net pension liability	2.115%	1.927%
City's proportionate share of the net pension liability	\$ 384,385	\$ 514,241
State's proportionate share of the net pension liability	129,211	178,251
Total	\$ 513,596	\$ 692,492
Number of active members**	80	76
City's net pension liability per active member	\$ 4,805	\$ 6,766
Plan fiduciary net position as a percentage of the total pension liability	83.50%	76.90%

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 two year's worth of information is currently available. The City will build this schedule over the next eight-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, 2016

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

*Only three years of information is currently available. The City will build this schedule over the next seven-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	30 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, 2016

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

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

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

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CITY OF DEER PARK, TEXAS
SCHEDULE OF FUNDING PROGRESS
POST EMPLOYMENT HEALTHCARE BENEFITS
For the Year Ended September 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/13	\$ -	\$ 25,360,116	\$ 25,360,116	0.0%	\$ 15,907,069	159.4%
10/01/14	\$ -	\$ 23,180,676	\$ 23,180,676	0.0%	\$ 17,110,560	135.5%
10/01/15	\$ -	\$ 17,996,698	\$ 17,996,698	0.0%	\$ 18,463,403	97.5%

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***COMBINING STATEMENTS
AND SCHEDULES***

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, 2016

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 4,326,493	\$ 4,326,493	\$ 4,483,136	\$ 156,643
Intergovernmental	-	283,869	87,231	(196,638)
Investment earnings	1,000	1,000	5,401	4,401
Total Revenues	<u>4,327,493</u>	<u>4,611,362</u>	<u>4,575,768</u>	<u>(35,594)</u>
<u>Expenditures</u>				
Debt service:				
Principal	3,026,948	3,026,948	3,069,325	(42,377)
Interest and other charges	1,327,804	1,611,673	1,256,738	354,935
Total Expenditures	<u>4,354,752</u>	<u>4,638,621</u>	<u>4,326,063</u>	<u>312,558</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(27,259)</u>	<u>(27,259)</u>	<u>249,705</u>	<u>276,964</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	6,000	6,000	44,275	38,275
Debt issued	-	-	6,260,000	6,260,000
Premium on bonds issued	-	-	540,737	540,737
Payment to refunded bond escrow agent	-	(6,710,040)	(6,710,040)	-
Total Other Financing Sources (Uses)	<u>6,000</u>	<u>(6,704,040)</u>	<u>134,972</u>	<u>6,839,012</u>
Net Change in Fund Balance	<u>\$ (21,259)</u>	<u>\$ (6,731,299)</u>	<u>384,677</u>	<u>\$ 7,115,976</u>
Beginning fund balance			<u>3,351,483</u>	
Ending Fund Balance			<u>\$ 3,736,160</u>	

Notes to Supplementary Information:

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

CITY OF DEER PARK, TEXAS

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2016

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, 2016

Capital Improvements Fund

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

General Obligations Series 2005 Fund

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

Capital Improvements Bond Fund 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, 2016

		Special Revenue Funds			
		Hotel/Motel Occupancy Tax	Grants	Police Forfeiture	Municipal Court
Assets					
Cash and cash equivalents	\$	976,868	\$ 1,136,783	\$ 27,931	\$ 109,114
Accounts receivable		155,514	24,484	-	144,854
Due from other funds		-	-	-	-
Total Assets	\$	1,132,382	\$ 1,161,267	\$ 27,931	\$ 253,968
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$	48,473	\$ -	\$ -	\$ 757
Accrued liabilities		-	-	-	12,909
Due to other funds		-	616,372	-	-
Due to component units		167	-	-	-
Other payables		-	-	-	-
Total Liabilities		48,640	616,372	-	13,666
Fund balances:					
Restricted					
Grants		-	-	-	-
Enabling legislation		1,083,742	-	27,931	240,302
Special projects		-	544,895	-	-
Capital projects		-	-	-	-
Assigned					
Capital projects		-	-	-	-
Total Fund Balances		1,083,742	544,895	27,931	240,302
Total Liabilities and Fund Balances	\$	1,132,382	\$ 1,161,267	\$ 27,931	\$ 253,968

Special Revenue Funds	Capital Projects Funds				
FEMA Hurricane Ike	Capital Projects	1997 Streets	Streets	Capital Improvements	General Obligation Series 2005
\$ 816,407	\$ -	\$ 26,975	\$ 94,687	\$ 5,012,439	\$ 640,181
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 816,407</u>	<u>\$ -</u>	<u>\$ 26,975</u>	<u>\$ 94,687</u>	<u>\$ 5,012,439</u>	<u>\$ 640,181</u>
\$ -	\$ -	\$ -	\$ -	\$ 269,396	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	14,179	-
-	-	-	-	283,575	-
816,407	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	26,975	94,687	-	640,181
-	-	-	-	4,728,864	-
<u>816,407</u>	<u>-</u>	<u>26,975</u>	<u>94,687</u>	<u>4,728,864</u>	<u>640,181</u>
<u>\$ 816,407</u>	<u>\$ -</u>	<u>\$ 26,975</u>	<u>\$ 94,687</u>	<u>\$ 5,012,439</u>	<u>\$ 640,181</u>

CITY OF DEER PARK, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)
September 30, 2016

	Capital Projects Funds			
	CIBF 2007	CIBF 2010	CIBF 2014	CIBF 2015
<u>Assets</u>				
Cash and cash equivalents	\$ 2,737,443	\$ 2,172,140	\$ 45,129	\$ 7,498,172
Accounts receivable	-	-	-	-
Due from other funds	-	616,372	-	-
Total Assets	\$ 2,737,443	\$ 2,788,512	\$ 45,129	\$ 7,498,172
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 4,745	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	-	-	45,129	-
Due to component units	-	-	-	-
Other payables	-	-	-	-
Total Liabilities	4,745	-	45,129	-
Fund balances:				
Restricted				
Grants	-	-	-	-
Enabling legislation	-	-	-	-
Special projects	-	-	-	-
Capital projects	2,732,698	2,788,512	-	7,498,172
Assigned				
Capital projects	-	-	-	-
Total Fund Balances	2,732,698	2,788,512	-	7,498,172
Total Liabilities and Fund Balances	\$ 2,737,443	\$ 2,788,512	\$ 45,129	\$ 7,498,172

**Total
Nonmajor
Governmental
Funds**

\$	21,294,269
	324,852
	<u>616,372</u>
\$	<u><u>22,235,493</u></u>

\$	323,371
	12,909
	661,501
	167
	<u>14,179</u>
	<u>1,012,127</u>

	816,407
	1,351,975
	544,895
	13,781,225
	<u>4,728,864</u>
	<u>21,223,366</u>
\$	<u><u>22,235,493</u></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, 2016

	Special Revenue Funds			
	Hotel/Motel Occupancy Tax	Grants	Police Forfeiture	Municipal Court
Revenues				
Hotel/motel taxes	\$ 663,147	\$ -	\$ -	\$ -
Fees and fines	-	-	-	241,706
Intergovernmental	-	35,859	-	-
Charges for services	-	-	-	263,352
Investment earnings	-	-	55	-
Miscellaneous	16,396	115,201	16,804	-
Total Revenues	679,543	151,060	16,859	505,058
Expenditures				
Current:				
General government	-	4,076	-	78,101
Community development	355,900	14,500	-	-
Public safety	-	10,828	6,859	340,663
Debt service:				
Interest and other charges	-	-	-	-
Capital outlay	57,438	-	-	-
Total Expenditures	413,338	29,404	6,859	418,764
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	266,205	121,656	10,000	86,294
Other Financing Sources (Uses)				
Transfers in	-	368,671	-	-
Transfers (out)	(144,345)	-	-	(96,646)
Total Other Financing Sources (Uses)	(144,345)	368,671	-	(96,646)
Net Change in Fund Balances	121,860	490,327	10,000	(10,352)
Beginning fund balances	961,882	54,568	17,931	250,654
Ending Fund Balances	\$ 1,083,742	\$ 544,895	\$ 27,931	\$ 240,302

Special Revenue Funds	Capital Projects Funds				
FEMA Hurricane Ike	Capital Projects	1997 Streets	Streets	Capital Improvements	General Obligation Series 2005
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	173	78	215	394	2,405
-	-	-	-	-	-
-	173	78	215	394	2,405
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	2,200
-	-	-	-	648,855	1,363,459
-	-	-	-	648,855	1,365,659
-	173	78	215	(648,461)	(1,363,254)
-	49,277	-	-	2,130,000	1,344,145
-	(109,338)	(78)	-	-	(47,086)
-	(60,061)	(78)	-	2,130,000	1,297,059
-	(59,888)	-	215	1,481,539	(66,195)
816,407	59,888	26,975	94,472	3,247,325	706,376
\$ 816,407	\$ -	\$ 26,975	\$ 94,687	\$ 4,728,864	\$ 640,181

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, 2016

	Capital Projects Funds			
	CIBF 2007	CIBF 2010	CIBF 2014	CIBF 2015
<u>Revenues</u>				
Hotel/motel taxes	\$ -	\$ -	\$ -	\$ -
Fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	10,430	4,843	3,316	23,029
Miscellaneous	-	3,381	-	-
Total Revenues	10,430	8,224	3,316	23,029
<u>Expenditures</u>				
Current:				
General government	-	-	-	-
Community development	-	-	-	-
Public safety	-	-	-	-
Debt service:				
Interest and other charges	-	-	-	-
Capital outlay	453,855	-	-	7,683
Total Expenditures	453,855	-	-	7,683
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(443,425)	8,224	3,316	15,346
<u>Other Financing Sources (Uses)</u>				
Transfers in	152,434	-	-	-
Transfers (out)	(265,892)	(4,843)	(1,041,784)	(23,029)
Total Other Financing Sources (Uses)	(113,458)	(4,843)	(1,041,784)	(23,029)
Net Change in Fund Balances	(556,883)	3,381	(1,038,468)	(7,683)
Beginning fund balances	3,289,581	2,785,131	1,038,468	7,505,855
Ending Fund Balances	\$ 2,732,698	\$ 2,788,512	\$ -	\$ 7,498,172

**Total
Nonmajor
Governmental
Funds**

\$	663,147
	241,706
	35,859
	263,352
	44,938
	<u>151,782</u>
	<u>1,400,784</u>
	82,177
	370,400
	358,350
	2,200
	<u>2,531,290</u>
	<u>3,344,417</u>
	<u>(1,943,633)</u>
	4,044,527
	<u>(1,733,041)</u>
	<u>2,311,486</u>
	367,853
	<u>20,855,513</u>
\$	<u><u>21,223,366</u></u>

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, 2016

		Hotel/Motel Occupancy Tax			
		Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive Positive (Negative)
Revenues					
Hotel/motel occupancy taxes		\$ 669,560	\$ 669,560	\$ 663,147	\$ (6,413)
Miscellaneous		-	-	16,396	16,396
Total Revenues		669,560	669,560	679,543	9,983
Expenditures					
Current:					
Community development		1,015,100	1,015,100	355,900	659,200
Capital outlay		35,000	35,000	57,438	(22,438) *
Total Expenditures		1,050,100	1,050,100	413,338	636,762
Excess (Deficiency) of Revenues Over (Under) Expenditures		(380,540)	(380,540)	266,205	646,745
Other Financing (Uses)					
Transfers (out)		(146,000)	(153,600)	(144,345)	9,255
Total Other Financing (Uses)		(146,000)	(153,600)	(144,345)	9,255
Net Change in Fund Balance		\$ (526,540)	\$ (534,140)	121,860	\$ 656,000
Beginning fund balance				961,882	
Ending Fund Balance				\$ 1,083,742	
		Grants			
		Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive Positive (Negative)
Revenues					
Intergovernmental		\$ 595,000	\$ 595,000	\$ 35,859	\$ (559,141)
Total Revenues		595,000	595,000	35,859	(559,141)
Expenditures					
Community development		595,000	595,000	14,500	580,500
Total Expenditures		595,000	595,000	14,500	580,500
Net Change in Fund Balance		\$ -	\$ -	21,359	\$ 21,359
Other special revenue fund net change in fund balance				468,968	
Beginning fund balance				54,568	
Ending Fund Balance				\$ 544,895	

Notes to Supplementary Information:

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

CITY OF DEER PARK, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS (Continued)
For the Year Ended September 30, 2016

Police Forfeiture				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive Negative
Revenues				
Investment earnings	\$ -	\$ -	\$ 55	\$ 55
Miscellaneous	13,684	13,684	16,804	3,120
Total Revenues	<u>13,684</u>	<u>13,684</u>	<u>16,859</u>	<u>3,175</u>
Expenditures				
Current:				
Public safety	13,684	13,684	6,859	6,825
Total Expenditures	<u>13,684</u>	<u>13,684</u>	<u>6,859</u>	<u>6,825</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>10,000</u>	<u>\$ 10,000</u>
Beginning fund balance			17,931	
Ending Fund Balance			<u>\$ 27,931</u>	
Municipal Court				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive Negative
Revenues				
Fees and fines	\$ 177,100	\$ 177,100	\$ 241,706	\$ 64,606
Charges for services	270,000	270,000	263,352	(6,648)
Total Revenues	<u>447,100</u>	<u>447,100</u>	<u>505,058</u>	<u>57,958</u>
Expenditures				
Current:				
General government	56,330	79,144	78,101	1,043
Public safety	366,370	366,370	340,663	25,707
Total Expenditures	<u>422,700</u>	<u>445,514</u>	<u>418,764</u>	<u>26,750</u>
Excess of Revenues Over Expenditures	<u>24,400</u>	<u>1,586</u>	<u>86,294</u>	<u>84,708</u>
Other Financing (Uses)				
Transfers (out)	(96,646)	(96,646)	(96,646)	-
Total Other Financing (Uses)	<u>(96,646)</u>	<u>(96,646)</u>	<u>(96,646)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (72,246)</u>	<u>\$ (95,060)</u>	<u>(10,352)</u>	<u>\$ 84,708</u>
Beginning fund balance			250,654	
Ending Fund Balance			<u>\$ 240,302</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
September 30, 2016

	LEPC			
	Beginning Balance	Additions	Deductions	Ending Balance
<u>Assets</u>				
Cash and cash equivalents	\$ 129,123	\$ 119,211	\$ 114,470	\$ 133,864
Total Assets	<u>\$ 129,123</u>	<u>\$ 119,211</u>	<u>\$ 114,470</u>	<u>\$ 133,864</u>
<u>Liabilities</u>				
Accounts payable	\$ 1,096	\$ 94,956	\$ 89,072	\$ 6,980
Due to others	128,027	122,229	123,372	126,884
Total Liabilities	<u>\$ 129,123</u>	<u>\$ 217,185</u>	<u>\$ 212,444</u>	<u>\$ 133,864</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	114
<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	124
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	
Debt Capacity	134
<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	144
<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	147
<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			
	2007	2008	2009	2010
Governmental Activities				
Net investment in capital assets	\$ 23,625,083	\$ 28,350,164	\$ 32,072,611	\$ 29,888,865
Restricted	2,850,158	3,460,684	4,788,311	4,491,224
Unrestricted	9,701,580	13,373,367	15,775,137	12,191,299
Total Governmental Activities Net Position	<u>\$ 36,176,821</u>	<u>\$ 45,184,215</u>	<u>\$ 52,636,059</u>	<u>\$ 46,571,388</u>
Business-Type Activities				
Net investment in capital assets	\$ 11,447,994	\$ 11,928,085	\$ 12,218,032	\$ 12,218,032
Restricted	-	-	-	-
Unrestricted	3,159,901	3,027,361	2,778,534	5,684,466
Total Business-Type Activities Net Position	<u>\$ 14,607,895</u>	<u>\$ 14,955,446</u>	<u>\$ 14,996,566</u>	<u>\$ 17,902,498</u>
Primary Government				
Net investment in capital assets	\$ 35,073,077	\$ 40,278,249	\$ 44,290,643	\$ 42,106,897
Restricted	2,850,158	3,460,684	4,788,311	4,491,224
Unrestricted	12,861,481	16,400,728	18,553,671	17,875,765
Total Primary Government Net Position	<u>\$ 50,784,716</u>	<u>\$ 60,139,661</u>	<u>\$ 67,632,625</u>	<u>\$ 64,473,886</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					
2011	2012	2013*	2014	2015	2016
\$ 30,587,182	\$ 29,597,630	\$ 35,765,964	\$ 41,639,757	\$ 44,597,669	\$ 47,091,598
4,102,964	4,574,770	16,249,861	14,754,786	20,899,783	29,066,724
11,159,636	13,180,581	8,819,451	9,880,117	7,750,427	3,286,639
<u>\$ 45,849,782</u>	<u>\$ 47,352,981</u>	<u>\$ 60,835,276</u>	<u>\$ 66,274,660</u>	<u>\$ 73,247,879</u>	<u>\$ 79,444,961</u>
\$ 15,512,082	\$ 20,056,649	\$ 16,499,908	\$ 16,377,808	\$ 15,978,461	\$ 15,837,484
-	-	984,962	152,344	147,896	147,229
5,293,599	5,869,151	5,186,325	6,877,343	7,828,651	8,636,643
<u>\$ 20,805,681</u>	<u>\$ 25,925,800</u>	<u>\$ 22,671,195</u>	<u>\$ 23,407,495</u>	<u>\$ 23,955,008</u>	<u>\$ 24,621,356</u>
\$ 46,099,264	\$ 49,654,279	\$ 52,265,872	\$ 58,017,565	\$ 60,576,130	\$ 62,929,082
4,102,964	4,574,770	17,234,823	14,907,130	21,047,679	29,213,953
16,453,235	19,049,732	14,005,776	16,757,460	15,579,078	11,923,282
<u>\$ 66,655,463</u>	<u>\$ 73,278,781</u>	<u>\$ 83,506,471</u>	<u>\$ 89,682,155</u>	<u>\$ 97,202,887</u>	<u>\$ 104,066,317</u>

CITY OF DEER PARK, TEXAS

CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities				
General government	\$ 8,846,111	\$ 9,470,146	\$ 10,966,814	\$ 14,132,823
Public safety	6,885,057	7,921,413	10,285,816	9,585,147
Public works	6,297,724	5,332,621	5,925,540	6,030,222
Parks and recreation	2,121,981	2,092,772	2,690,654	2,158,444
Community development	5,280,164	6,486,732	6,921,903	6,578,378
Interest on long-term debt	1,168,616	1,482,204	1,390,366	1,437,830
Total Governmental Activities Expenses	<u>30,599,653</u>	<u>32,785,888</u>	<u>38,181,093</u>	<u>39,922,844</u>
Business-type activities				
Water and sewer	6,996,091	7,168,771	8,061,221	7,690,164
Storm water utility	-	-	-	-
Total Business-Type Activities Expenses	<u>6,996,091</u>	<u>7,168,771</u>	<u>8,061,221</u>	<u>7,690,164</u>
Total Expenses	<u><u>\$ 37,595,744</u></u>	<u><u>\$ 39,954,659</u></u>	<u><u>\$ 46,242,314</u></u>	<u><u>\$ 47,613,008</u></u>
Program Revenues				
Governmental activities				
Charges for services:				
General government	\$ 726,640	\$ 941,187	\$ 677,102	\$ 40,164
Public safety	1,260,784	1,485,861	1,972,693	1,738,943
Public works	299,569	340,962	378,650	401,748
Parks and recreation	1,645,628	1,901,120	2,268,422	1,487,907
Community development	-	-	-	1,202,284
Operating grants and contributions	201,151	732,275	2,884,838	161,293
Capital grants and contributions	-	-	-	-
Total Governmental Activities Program Revenues	<u>4,133,772</u>	<u>5,401,405</u>	<u>8,181,705</u>	<u>5,032,339</u>
Business-type activities				
Charges for services:				
Water and sewer	7,126,559	7,497,682	8,084,177	8,041,795
Storm water utility	-	-	-	-
Total Business-Type Activities Program Revenues	<u>7,126,559</u>	<u>7,497,682</u>	<u>8,084,177</u>	<u>8,041,795</u>
Total Program Revenues	<u><u>\$ 11,260,331</u></u>	<u><u>\$ 12,899,087</u></u>	<u><u>\$ 16,265,882</u></u>	<u><u>\$ 13,074,134</u></u>
Net (Expense)/Revenue				
Governmental activities	\$ (26,465,881)	\$ (27,384,483)	\$ (29,999,388)	\$ (34,890,505)
Business-type activities	130,468	328,911	22,956	351,631
Total Net Expense	<u><u>\$ (26,335,413)</u></u>	<u><u>\$ (27,055,572)</u></u>	<u><u>\$ (29,976,432)</u></u>	<u><u>\$ (34,538,874)</u></u>

Fiscal Year					
2011	2012	2013*	2014	2015	2016
\$ 13,666,778	\$ 11,708,476	\$ 11,004,030	\$ 6,875,093	\$ 7,431,081	\$ 7,716,429
8,927,783	9,077,372	8,749,188	11,085,867	11,607,606	12,732,761
5,592,366	6,053,467	5,763,687	7,167,383	7,826,672	8,328,808
2,154,431	2,436,909	2,289,706	879,371	712,949	391,776
6,443,264	6,483,611	6,348,454	8,093,613	8,799,109	9,942,091
1,606,938	1,642,422	1,120,112	1,042,305	1,143,350	1,183,483
38,391,560	37,402,257	35,275,177	35,143,632	37,520,767	40,295,348
7,822,999	7,490,715	7,879,276	8,403,676	8,787,474	9,240,162
-	-	105,578	72,824	488,127	647,044
7,822,999	7,490,715	7,984,854	8,476,500	9,275,601	9,887,206
\$ 46,214,559	\$ 44,892,972	\$ 43,260,031	\$ 43,620,132	\$ 46,796,368	\$ 50,182,554
\$ 50,603	\$ 82,593	\$ 473,000	\$ 369,003	\$ 416,554	\$ 372,307
1,967,043	2,535,052	2,777,714	2,595,857	2,546,299	3,061,713
502,163	535,228	585,090	1,086,752	1,283,358	1,305,293
1,601,366	1,645,362	1,821,617	787,249	922,879	112,973
1,498,581	1,567,354	391,143	473,884	483,288	1,418,284
398,737	279,697	160,389	62,772	68,991	144,965
56,237	1,460,218	3,053,828	874,867	447,810	658,600
6,074,730	8,105,504	9,262,781	6,250,384	6,169,179	7,074,135
10,942,116	9,873,528	9,538,392	9,341,087	9,628,146	10,300,618
-	-	278,577	275,336	275,453	278,250
10,942,116	9,873,528	9,816,969	9,616,423	9,903,599	10,578,868
\$ 17,016,846	\$ 17,979,032	\$ 19,079,750	\$ 15,866,807	\$ 16,072,778	\$ 17,653,003
\$ (32,316,830)	\$ (29,296,753)	\$ (26,012,396)	\$ (28,893,248)	\$ (31,351,588)	\$ (33,221,213)
3,119,117	2,382,813	1,832,115	1,139,923	627,998	691,662
\$ (29,197,713)	\$ (26,913,940)	\$ (24,180,281)	\$ (27,753,325)	\$ (30,723,590)	\$ (32,529,551)

CITY OF DEER PARK, TEXAS

CHANGES IN NET POSITION (Continued)

Last Ten Years
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes:				
Property	\$ 9,757,032	\$ 11,292,933	\$ 11,807,444	\$ 12,000,370
Industrial district	14,428,111	16,185,476	17,988,792	12,986,530
Franchise	1,668,001	1,839,383	1,748,053	2,063,774
Sales and use	3,715,143	4,109,314	4,564,184	4,069,523
Hotel occupancy	277,471	334,112	404,561	403,983
Investment earnings	1,084,019	906,857	225,077	65,499
Miscellaneous	616,253	439,524	479,596	222,660
Gain on sales of assets	-	-	233,525	66,794
Transfers	413,490	73,914	-	(2,550,000)
Total Governmental Activities	<u>31,959,520</u>	<u>35,181,513</u>	<u>37,451,232</u>	<u>29,329,133</u>
Business-type activities				
Investment earnings	184,498	92,554	18,164	4,301
Transfers in (out)	(413,490)	(73,914)	-	2,550,000
Total Business-Type Activities	<u>(228,992)</u>	<u>18,640</u>	<u>18,164</u>	<u>2,554,301</u>
Total Primary Government	<u>\$ 31,730,528</u>	<u>\$ 35,200,153</u>	<u>\$ 37,469,396</u>	<u>\$ 31,883,434</u>
Change in Net Position				
Governmental activities	\$ 5,493,639	\$ 7,797,030	\$ 7,451,844	\$ (5,561,372)
Business-type activities	(98,524)	347,551	41,120	2,905,932
Total Change in Net Position	<u>\$ 5,395,115</u>	<u>\$ 8,144,581</u>	<u>\$ 7,492,964</u>	<u>\$ (2,655,440)</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					
2011	2012	2013*	2014	2015	2016
\$ 12,234,105	\$ 13,099,300	\$ 13,002,159	\$ 14,219,581	\$ 15,143,994	\$ 16,338,414
12,346,943	12,894,626	14,106,107	14,250,173	13,649,200	13,058,596
1,932,237	2,209,371	2,315,334	2,338,146	2,321,036	2,129,053
4,221,452	4,746,096	5,037,072	5,201,364	6,246,868	6,553,553
455,166	526,387	607,709	679,646	711,406	663,147
41,978	47,460	40,416	23,014	30,502	202,351
83,875	11,714	210,969	53,644	86,050	276,011
60,948	-	-	214,571	44,411	102,690
218,520	(2,735,002)	96,988	84,509	91,340	84,480
31,595,224	30,799,952	35,416,754	37,064,648	38,324,807	39,408,295
2,586	2,304	12,647	4,702	10,855	69,166
(218,520)	2,735,002	(96,988)	(84,509)	(91,340)	(94,480)
(215,934)	2,737,306	(84,341)	(79,807)	(80,485)	(25,314)
\$ 31,379,290	\$ 33,537,258	\$ 35,332,413	\$ 36,984,841	\$ 38,244,322	\$ 39,382,981
\$ (721,606)	\$ 1,503,199	\$ 9,404,358	\$ 8,171,400	\$ 6,973,219	\$ 6,187,082
2,903,183	5,120,119	1,747,774	1,060,116	547,513	666,348
\$ 2,181,577	\$ 6,623,318	\$ 11,152,132	\$ 9,231,516	\$ 7,520,732	\$ 6,853,430

CITY OF DEER PARK, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Reserved	\$ 190,484	\$ 271,282	\$ 236,031	\$ 207,006
Unreserved	9,255,848	11,715,534	16,188,960	15,247,265
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 9,446,332</u>	<u>\$ 11,986,816</u>	<u>\$ 16,424,991</u>	<u>\$ 15,454,271</u>
All Other Governmental Funds				
Unreserved, reported in:				
Special revenue funds	\$ 1,337,703	\$ 1,339,195	\$ 2,563,441	\$ 2,402,716
Capital projects funds	4,359,127	12,099,991	10,392,992	14,657,635
Debt service funds	1,343,259	2,053,462	2,081,520	2,088,508
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Total All Other Governmental Funds	<u>\$ 7,040,089</u>	<u>\$ 15,492,648</u>	<u>\$ 15,037,953</u>	<u>\$ 19,148,859</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					
2011*	2012	2013**	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
196,355	197,244	151,122	144,805	119,159	121,649
3,526,731	257,974	320,216	1,304,600	5,491,532	5,491,532
-	-	-	2,500,000	2,500,000	3,000,000
10,825,327	17,011,377	24,158,718	26,052,496	26,433,452	29,891,673
<u>\$ 14,548,413</u>	<u>\$ 17,466,595</u>	<u>\$ 24,630,056</u>	<u>\$ 30,001,901</u>	<u>\$ 34,544,143</u>	<u>\$ 38,504,854</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	2,914	-	-	-	-
17,947,247	19,349,008	16,118,927	14,754,786	20,899,783	29,066,724
2,118,012	2,995,806	1,818,845	2,877,003	3,307,213	4,728,864
<u>\$ 20,065,259</u>	<u>\$ 22,347,728</u>	<u>\$ 17,937,772</u>	<u>\$ 17,631,789</u>	<u>\$ 24,206,996</u>	<u>\$ 33,795,588</u>

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

		Fiscal Year			
		2007	2008	2009	2010
Revenues					
Taxes	\$	29,935,611	\$ 33,749,045	\$ 36,553,195	\$ 31,905,813
Licenses and permits		384,435	470,155	307,496	314,313
Fines and fees		786,887	997,669	821,479	877,761
Charges for services		2,746,918	3,048,303	3,852,637	3,379,201
Intergovernmental		207,765	862,631	2,872,735	148,847
Donations		-	-	-	-
Investment earnings		1,084,019	906,857	225,077	65,499
Other revenues		616,253	439,524	492,997	525,932
Total Revenues		35,761,888	40,474,184	45,125,616	37,217,366
Expenditures					
General government		8,679,456	9,318,538	10,596,083	11,430,086
Community development		5,173,478	5,884,062	6,385,331	6,183,270
Public works		5,046,305	4,064,345	4,161,980	4,534,506
Parks and recreation		1,625,298	1,954,878	2,095,437	1,846,217
Public safety		6,459,075	7,413,815	9,112,933	8,845,527
Debt service:					
Principal		2,427,894	2,441,398	2,496,678	2,366,966
Payments to escrow account		-	-	-	-
Interest		1,185,640	1,640,406	1,409,628	1,527,530
Capital outlay		3,542,429	7,794,339	5,152,641	6,126,024
Total Expenditures		34,139,575	40,511,781	41,410,711	42,860,126
Excess (Deficiency) of Revenues					
Over (Under) Expenditures		1,622,313	(37,597)	3,714,905	(5,642,760)
Other Financing Sources (Uses)					
Proceeds from issuance of debt		-	14,305,000	-	7,805,000
Proceeds from capital lease		751,104	947,434	-	1,005,441
Proceeds from sale of capital assets		-	-	-	84,469
Refunding bonds issued		-	-	-	6,295,000
Premium on issuance of bonds		-	261,555	-	650,160
Payments to escrow account		-	(4,557,262)	-	(4,007,637)
Proceeds from insurance recovery		-	-	268,575	3,812
Transfers in		835,855	2,921,623	1,728,615	2,092,866
Transfers out		(422,365)	(2,847,709)	(1,728,615)	(4,642,866)
Total Other Financing Sources		1,164,594	11,030,641	268,575	9,286,245
Net Change in Fund Balances	\$	2,786,907	\$ 10,993,044	\$ 3,983,480	\$ 3,643,485
Debt service as a percentage					
of noncapital expenditures		11.81%	12.48%	10.77%	10.60%

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					
2011	2012	2013*	2014	2015	2016
\$ 31,189,903	\$ 33,551,435	\$ 35,060,741	\$ 36,666,969	\$ 38,051,387	\$ 38,637,863
436,015	510,790	565,191	513,697	531,262	569,766
1,092,230	1,481,641	1,694,146	1,540,650	1,416,195	1,869,286
3,709,536	4,087,613	3,695,964	3,212,842	3,643,881	3,864,460
389,558	1,681,588	3,184,982	937,639	106,319	243,093
-	100,000	150,202	-	-	-
41,978	47,460	40,416	23,013	30,502	202,351
401,843	330,965	82,107	54,333	86,050	195,711
37,261,063	41,791,492	44,473,749	42,949,143	43,865,596	45,582,530
11,016,985	10,935,746	10,576,393	6,253,704	6,940,527	7,179,021
6,038,050	5,940,733	5,826,669	7,500,975	8,226,493	8,463,417
4,172,122	4,298,938	3,951,743	5,648,506	6,083,080	6,039,369
1,940,202	1,965,054	1,528,443	87,990	98,108	386,318
8,216,278	7,965,646	7,999,354	10,275,560	10,626,031	10,972,864
2,894,789	6,727,393	3,014,913	3,006,105	3,160,253	3,327,539
-	-	-	-	781,027	-
1,694,234	1,862,015	1,294,928	1,077,422	1,208,254	1,270,664
1,807,005	4,968,526	5,477,993	4,448,943	5,430,507	4,390,702
37,779,665	44,664,051	39,670,436	38,299,205	42,554,280	42,029,894
(518,602)	(2,872,559)	4,803,313	4,649,938	1,311,316	3,552,636
-	3,390,000	-	-	8,315,000	9,450,000
249,676	-	213,295	-	103,455	178,500
60,948	91,082	126,362	331,415	93,629	102,690
-	3,490,000	4,510,000	-	732,901	6,260,000
-	353,878	316,894	-	469,809	540,737
-	-	(4,715,674)	-	-	(6,710,040)
-	23,252	2,500	-	-	80,300
3,822,395	3,326,889	344,856	1,443,425	2,333,636	4,424,273
(3,603,875)	(2,601,891)	(129,851)	(1,358,916)	(2,242,296)	(4,329,793)
529,144	8,073,210	668,382	415,924	9,806,134	9,996,667
\$ 10,542	\$ 5,200,651	\$ 5,471,695	\$ 5,065,862	\$ 11,117,450	\$ 13,549,303
12.76%	21.64%	12.58%	12.29%	11.81%	12.53%

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

	Fiscal Year			
	2007	2008	2009	2010
Residential Property	\$ 1,137,850,873	\$ 1,244,699,984	\$ 1,319,584,117	\$ 1,315,124,845
Commercial Property	562,065,036	705,981,148	732,397,906	858,463,574
Industrial Property	110,248,289	88,869,368	150,255,998	156,543,513
Less: Tax Exempt Property	<u>(453,353,254)</u>	<u>(491,174,863)</u>	<u>(529,066,640)</u>	<u>(581,449,244)</u>
Total Taxable Assessed Value	<u>\$ 1,356,810,944</u>	<u>\$ 1,548,375,637</u>	<u>\$ 1,673,171,381</u>	<u>\$ 1,748,682,688</u>
Total Direct Tax Rate	\$ 0.720000	\$ 0.720000	\$ 0.705000	\$ 0.705000

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

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 1,306,933,609	\$ 1,318,375,083	\$ 1,313,329,562	\$ 1,340,643,775	\$ 1,433,044,472	\$ 1,565,085,837
857,667,514	905,226,326	934,825,965	1,000,810,663	1,089,149,570	1,180,302,082
152,160,115	189,306,565	192,957,836	249,479,757	234,654,586	246,351,857
(585,462,472)	(605,716,400)	(626,932,382)	(630,145,444)	(653,703,145)	(683,610,501)
<u>\$ 1,731,298,766</u>	<u>\$ 1,807,191,574</u>	<u>\$ 1,814,180,981</u>	<u>\$ 1,960,788,751</u>	<u>\$ 2,103,145,483</u>	<u>\$ 2,308,129,275</u>
\$ 0.705000	\$ 0.720000	\$ 0.720000	\$ 0.720000	\$ 0.720000	\$ 0.714352

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

	Fiscal Year			
	2007	2008	2009	2010
Approximate Taxable Value*	\$ 3,181,290,507	\$ 3,569,008,272	\$ 4,050,195,673	\$ 2,923,906,219
Industrial District % Taxable Per Contract	63%	63%	63%	63%
Approximate Adjusted Taxable Value *	\$ 2,004,213,019	\$ 2,248,475,211	\$ 2,551,623,274	\$ 1,842,060,918
Tax Rate	\$ 0.720000	\$ 0.720000	\$ 0.705000	\$ 0.705000
Amount Billed	\$ 14,430,334	\$ 16,189,022	\$ 17,988,944	\$ 12,986,529
Amount Collected	\$ 14,428,293	\$ 16,185,295	\$ 17,988,792	\$ 12,986,529
% Collected	99.986%	99.977%	99.999%	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					
2011	2012	2013	2014	2015	2016
\$ 2,779,913,092	\$ 2,842,731,040	\$ 3,109,962,743	\$ 3,141,572,531	\$ 3,009,235,229	\$ 3,033,027,646
63%	63%	63%	63%	63%	63%
\$ 1,751,345,248	\$ 1,790,920,555	\$ 1,959,276,528	\$ 1,979,190,695	\$ 1,895,818,194	\$ 1,910,807,417
\$ 0.705000	\$ 0.720000	\$ 0.720000	\$ 0.720000	\$ 0.720000	\$ 0.714532
\$ 12,346,984	\$ 12,894,628	\$ 14,106,791	\$ 14,250,173	\$ 13,649,891	\$ 13,058,614
\$ 12,346,943	\$ 12,894,625	\$ 14,106,107	\$ 14,250,173	\$ 13,628,122	\$ 13,058,596
100.000%	100.000%	99.995%	100.000%	99.841%	100.000%

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

		Fiscal Year			
		2007	2008	2009	2010
City of Deer Park by fund:					
General		\$ 0.540000	\$ 0.511000	\$ 0.511000	\$ 0.511000
Debt service		0.180000	0.209000	0.194000	0.194000
Total Direct Rates		\$ 0.720000	\$ 0.720000	\$ 0.705000	\$ 0.705000
Deer Park Independent School District					
Harris County		\$ 1.662300	\$ 1.336700	\$ 1.317650	\$ 1.366700
Harris County Department of Education		0.402390	0.392390	0.389230	0.392240
Harris County Flood Control District		0.006290	0.005850	0.005840	0.006050
Harris County Hospital District		0.032410	0.031060	0.030860	0.029220
Harris County Port of Houston Authority		0.192160	0.192160	0.192160	0.192160
San Jacinto Community College District		0.013020	0.014370	0.017730	0.016360
		0.145370	0.145370	0.163410	0.170800
Total Direct and Overlapping Rates		\$ 3.173940	\$ 2.837900	\$ 2.821880	\$ 2.878530

Source: Harris County Appraisal District

Note:

Tax rates are per \$100 of assessed valuation

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 0.498100	\$ 0.498100	\$ 0.498100	\$ 0.498100	\$ 0.518000	\$ 0.515711
0.206900	0.221900	0.221900	0.221900	0.202000	0.198641
<u>\$ 0.705000</u>	<u>\$ 0.720000</u>	<u>\$ 0.720000</u>	<u>\$ 0.720000</u>	<u>\$ 0.720000</u>	<u>\$ 0.714352</u>
\$ 1.396700	\$ 1.396700	\$ 1.526700	\$ 1.556700	\$ 1.556700	\$ 1.556700
0.388050	0.391170	0.400210	0.414550	0.417310	0.419230
0.006581	0.006581	0.006617	0.006358	0.005999	0.005422
0.029230	0.028090	0.028090	0.028270	0.027360	0.027330
0.192160	0.192160	0.182160	0.170000	0.170000	0.170000
0.020540	0.018560	0.019520	0.017160	0.015310	0.013420
0.176277	0.185602	0.185602	0.185602	0.185602	0.175783
<u>\$ 2.914538</u>	<u>\$ 2.938863</u>	<u>\$ 3.068899</u>	<u>\$ 3.098640</u>	<u>\$ 3.098281</u>	<u>\$ 3.082237</u>

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CITY OF DEER PARK, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Quarter Turn Resources, Inc.	\$ 23,164,181	1	1.00%	\$ -	N/A	-
Deer Park Apts. LLC	22,896,077	2	0.99%	-	N/A	-
Wal-Mart	20,381,431	3	0.88%	15,644,558	3	1.15%
CenterPoint Energy, Inc.	19,157,804	4	0.83%	16,564,012	2	1.22%
Siemens Energy Inc.	17,216,140	5	0.75%	-	N/A	-
Dresser Inc.	16,057,747	6	0.70%	-	N/A	-
GSL Constructors, Ltd.	13,801,339	7	0.60%	11,594,223	6	0.85%
Hydrochem Industrial Services, Inc.	13,088,542	8	0.57%	17,235,195	1	1.28%
Partnership Underwood LP	12,727,756	9	0.55%	-	N/A	-
Clay Partners - 405 Deerwood Glen LP	11,472,373	10	0.50%	-	N/A	-
The Musgrave-Grohman Group	-	N/A	-	14,824,085	4	1.09%
ITCR Deer Park Ltd Partnership	-	N/A	-	12,806,376	5	0.94%
Clay Development & Construction, Inc.	-	N/A	-	11,366,429	7	0.84%
The Dow Chemical Company	-	N/A	-	10,928,760	8	0.81%
Schwan's Global Supply Chain, Inc.	-	N/A	-	10,775,990	9	0.79%
Hertz Equipment Rental	-	N/A	-	8,979,083	10	0.66%
Subtotal	169,963,390		7.37%	130,718,711		9.63%
Other Taxpayers	2,138,165,885		92.63%	1,226,092,233		90.37%
Total	\$ 2,308,129,275		100.00%	\$ 1,356,810,944		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			
	2007	2008	2009	2010
Tax levy	\$ 9,769,039	\$ 11,172,300	\$ 11,897,387	\$ 12,366,491
Current tax collected	\$ 9,563,436	\$ 10,973,053	\$ 11,579,783	\$ 12,159,307
Percentage of current tax collections	97.90%	98.22%	97.33%	98.32%
Delinquent tax collections	186,601	178,523	286,445	172,751
Total tax collections	<u>\$ 9,750,037</u>	<u>\$ 11,151,576</u>	<u>\$ 11,866,228</u>	<u>\$ 12,332,058</u>
Total collections as a percentage of current levy	99.81%	99.81%	99.74%	99.72%

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

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 12,228,677	\$ 13,043,054	\$ 13,019,648	\$ 14,063,714	\$ 14,991,306	\$ 16,363,090
\$ 12,036,460	\$ 12,841,027	\$ 12,836,742	\$ 13,863,961	\$ 14,858,925	\$ 16,035,281
98.43%	98.45%	98.60%	98.58%	99.12%	98.00%
156,149	143,587	120,385	111,920	8,749	-
<u>\$ 12,192,609</u>	<u>\$ 12,984,614</u>	<u>\$ 12,957,127</u>	<u>\$ 13,975,881</u>	<u>\$ 14,867,674</u>	<u>\$ 16,035,281</u>
99.71%	99.55%	99.52%	99.38%	99.18%	98.00%

CITY OF DEER PARK, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	Fiscal Year			
	2007	2008	2009	2010
Governmental Activities:				
General obligation bonds	\$ 22,205,000	\$ 30,590,000	\$ 28,725,000	\$ 29,200,000
Certificates of obligation	2,700,000	2,300,000	2,230,000	9,965,000
Capital leases	1,325,293	1,695,189	1,130,649	1,834,124
Business-Type Activities:				
General obligation bonds	-	-	-	-
Certificates of obligation	-	-	-	-
Water revenue bonds	14,825,000	13,610,000	12,400,000	8,645,000
Capital leases	-	-	-	-
Total Primary Government	<u>\$ 41,055,293</u>	<u>\$ 48,195,189</u>	<u>\$ 44,485,649</u>	<u>\$ 49,644,124</u>
Debt as a Percentage of Personal Income	N/A	N/A	N/A	N/A
Debt Per Capita	<u>\$ 1,371</u>	<u>\$ 1,578</u>	<u>\$ 1,428</u>	<u>\$ 1,551</u>

N/A -This information is currently not available.

Notes:

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

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

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

Fiscal Year					
2011	2012	2013*	2014	2015	2016
\$ 26,785,000	\$ 27,750,000	\$ 20,334,132	\$ 17,979,969	\$ 16,587,180	\$ 16,239,210
9,890,000	12,960,000	9,683,246	9,283,100	16,483,264	23,243,219
1,679,561	1,257,169	1,082,960	741,227	489,772	410,058
-	-	5,207,260	4,557,742	5,194,671	4,560,455
-	-	8,408,633	15,297,035	21,912,475	28,464,920
7,745,000	3,395,000	2,820,000	2,250,000	750,000	500,000
216,834	168,743	119,506	69,093	266,014	534,382
<u>\$ 46,316,395</u>	<u>\$ 45,530,912</u>	<u>\$ 47,655,737</u>	<u>\$ 50,178,166</u>	<u>\$ 61,683,376</u>	<u>\$ 73,952,244</u>
N/A	N/A	N/A	N/A	N/A	N/A
<u>\$ 1,447</u>	<u>\$ 1,408</u>	<u>\$ 1,436</u>	<u>\$ 1,493</u>	<u>\$ 1,801</u>	<u>\$ 2,137</u>

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

	Fiscal Year			
	2007	2008	2009	2010
General Obligation Bonds (1)	\$ 24,905,000	\$ 30,590,000	\$ 28,725,000	\$ 29,200,000
Less: Amounts Restricted to Repaying Principal	(1,343,259)	(2,053,462)	(2,278,722)	(2,088,508)
Total	\$ 23,561,741	\$ 28,536,538	\$ 26,446,278	\$ 27,111,492
Percentage of Actual Taxable Value of Property	1.92%	1.84%	1.58%	1.55%
Net Bonded Debt Per Capita	\$ 787	\$ 934	\$ 866	\$ 847

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					
2011	2012	2013*	2014	2015	2016
\$ 26,785,000	\$ 27,750,000	\$ 25,541,392	\$ 22,537,711	\$ 21,781,851	\$ 20,799,665
(1,734,892)	(1,988,204)	(2,321,730)	(2,932,183)	(3,351,483)	(3,736,160)
<u>\$ 25,050,108</u>	<u>\$ 25,761,796</u>	<u>\$ 23,219,662</u>	<u>\$ 19,605,528</u>	<u>\$ 18,430,368</u>	<u>\$ 17,063,505</u>
1.45%	1.43%	1.28%	1.00%	0.88%	0.74%
<u>\$ 783</u>	<u>\$ 797</u>	<u>\$ 699</u>	<u>\$ 583</u>	<u>\$ 538</u>	<u>\$ 493</u>

CITY OF DEER PARK, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2016

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes:			
Deer Park Independent School District	\$ 240,070,000	18.62%	\$ 44,701,034
Harris County	2,678,076,350	0.59%	15,800,650
Harris County Department of Education	7,210,000	0.59%	42,539
Harris County Flood Control District	87,400,000	0.59%	515,660
La Porte Independent School District	346,380,000	11.58%	40,110,804
Port of Houston Authority of Harris County	690,219,397	0.59%	4,072,294
San Jacinto Community College District	278,419,848	4.69%	13,057,891
	<hr/>		<hr/>
Subtotal, overlapping debt	\$ 4,327,775,595		\$ 118,300,872
City Direct Debt	\$ 39,892,487	100.00%	\$ 39,892,487
			<hr/>
	Total Direct and Overlapping Debt		\$ 158,193,359
			<hr/>

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			
	2007	2008	2009	2010
Debt limit	\$ 135,681,094	\$ 154,837,564	\$ 168,338,508	\$ 174,868,269
Total net debt applicable to limit	23,561,741	28,536,538	26,446,278	27,111,492
Legal debt margin	<u>\$ 112,119,353</u>	<u>\$ 126,301,026</u>	<u>\$ 141,892,230</u>	<u>\$ 147,756,777</u>
Total net debt applicable to the limit as a percentage of debt limit	17.37%	18.43%	15.71%	15.50%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$ 2,308,129,275
Debt limit (10% of assessed value)	230,812,928
Debt applicable to limit:	
General obligation bonds	20,799,665
Less: amount set aside for repayment of general obligation debt	<u>(3,736,160)</u>
Total net debt applicable to limit	<u>17,063,505</u>
Legal debt margin	<u><u>\$ 213,749,423</u></u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 173,129,877	\$ 180,719,157	\$ 181,418,098	\$ 196,078,875	\$ 210,314,548	\$ 230,812,928
25,050,108	25,761,796	23,219,662	19,605,528	18,430,368	17,063,505
<u>\$ 148,079,769</u>	<u>\$ 154,957,361</u>	<u>\$ 158,198,436</u>	<u>\$ 176,473,347</u>	<u>\$ 191,884,180</u>	<u>\$ 213,749,423</u>
14.47%	14.26%	12.80%	10.00%	8.76%	7.39%

CITY OF DEER PARK, TEXAS

PLEDGED REVENUE COVERAGE

Last Ten Years

	Fiscal Year			
	2007	2008	2009	2010
Utility Service Charges	\$ 7,126,559	\$ 7,497,682	\$ 8,084,177	\$ 8,041,795
Less: Operating Expenses (1)	<u>5,122,467</u>	<u>5,327,121</u>	<u>6,197,174</u>	<u>5,951,271</u>
Net Available Revenue	<u>\$ 2,004,092</u>	<u>\$ 2,170,561</u>	<u>\$ 1,887,003</u>	<u>\$ 2,090,524</u>
Debt Service Requirements (2)				
Principal	\$ 721,516	\$ 1,215,000	\$ 1,210,000	\$ 1,205,000
Interest	643,892	645,008	532,804	426,798
Total	<u>\$ 1,365,408</u>	<u>\$ 1,860,008</u>	<u>\$ 1,742,804</u>	<u>\$ 1,631,798</u>
 Coverage	 1.47	 1.17	 1.08	 1.28

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					
2011	2012	2013	2014	2015	2016
\$ 10,942,116	\$ 9,873,258	\$ 9,529,392	\$ 9,341,087	\$ 9,628,146	\$ 10,300,618
6,119,717	5,890,927	5,758,791	6,030,193	6,162,029	6,421,511
<u>\$ 4,822,399</u>	<u>\$ 3,982,331</u>	<u>\$ 3,770,601</u>	<u>\$ 3,310,894</u>	<u>\$ 3,466,117</u>	<u>\$ 3,879,107</u>
\$ 900,000	\$ 890,000	\$ 575,000	\$ 570,000	\$ 250,000	\$ 250,000
327,057	296,649	106,449	87,653	28,563	20,750
<u>\$ 1,227,057</u>	<u>\$ 1,186,649</u>	<u>\$ 681,449</u>	<u>\$ 657,653</u>	<u>\$ 278,563</u>	<u>\$ 270,750</u>
3.93	3.36	5.53	5.03	12.44	14.33

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

Calendar Year	Population	Per Capita Income	Personal Income	Unemployment Rate	School Enrollment
2007	29,946	N/A	N/A	4.4%	12,096
2008	30,544	N/A	N/A	5.6%	12,206
2009	31,154	N/A	N/A	8.2%	12,352
2010*	32,010	N/A	N/A	8.5%	12,500
2011	32,010	N/A	N/A	8.5%	12,593
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

Source: 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	2016		2007	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Shell Deer Park	3,100	14.94%	-	-
Deer Park ISD	1,850	8.92%	1,600	9.58%
Universal Plant Services	1,364	6.57%	-	-
Dow Chemical Co.	1,330	6.41%	-	-
Lubrizol Specialty Chemicals	1,300	6.27%	-	-
Mistras Group	700	3.37%	-	-
Wal-Mart	425	2.05%	460	2.75%
City of Deer Park	411	1.98%	417	2.50%
Minh Foods, Inc.	400	1.93%	330	1.97%
Siemens Energy	350	1.69%	-	-
Flexitallic LP	-	-	250	1.50%
Amber LP	-	-	327	1.96%
Hydrochem Industrial Services	-	-	266	1.59%
Triad Electric & Controls	-	-	200	1.20%
Food Town/Gerlands Food Fair	-	-	175	1.05%
SGS North America	-	-	162	0.97%
Total	11,230	54.13%	4,187	25.07%
Estimated total jobs in the City	20,746		16,710	

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	7.0	6.0	6.0	8.0	6.0	6.0	6.0	6.0	6.0	6.0
Planning	13.0	13.0	14.0	14.0	14.0	13.0	14.0	14.0	14.0	13.0
Other	20.0	23.5	29.5	33.5	30.5	30.5	30.5	32.0	35.5	35.5
Police										
Officers	57.0	58.0	61.0	61.0	59.0	60.0	60.0	60.0	61.0	61.0
Civilians	32.0	25.0	26.0	25.0	24.0	25.0	25.0	25.0	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
Civilians	4.5	5.5	9.5	13.5	13.5	13.0	13.0	15.5	14.5	13.0
Sanitation	24.0	23.0	23.0	23.0	23.0	23.0	23.0	22.0	22.0	22.0
Other public works										
Engineering	4.0	4.0	5.0	5.0	5.0	4.0	5.0	5.0	5.0	5.0
Other	26.5	26.0	25.0	27.0	27.0	27.0	27.0	28.0	28.0	29.0
Golf operations	25.5	26.0	26.0	26.0	25.0	26.0	24.0	-	-	-
Parks and recreation	58.5	60.5	61.5	73.5	73.5	74.0	69.5	70.5	73.0	77.0
Library	10.0	11.0	12.0	12.5	13.0	13.0	13.5	14.0	14.0	14.0
Water	14.0	14.0	15.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Wastewater	12.0	13.0	12.0	12.0	12.0	12.0	12.0	13.0	12.0	12.0
Total	310.0	311.5	328.5	353.0	344.5	345.5	341.5	324.0	330.0	332.5

Source: Adopted City Budget

CITY OF DEER PARK, TEXAS

OPERATING INDICATORS BY FUNCTION

Last Ten Years

	Fiscal Year			
	2007	2008	2009	2010
Function/Program				
General government				
Building permits issued	588	576	431	546
Building inspections conducted	1,933	1,251	1,201	1,351
Police				
Physical arrests	2,559	2,637	2,596	1,975
Parking violations	19	18	13	6
Traffic violations	11,647	10,167	7,990	9,122
Fire				
Emergency responses	1,871	1,992	1,843	1,950
Fires extinguished	326	418	352	387
Inspections	N/A	N/A	N/A	N/A
Sanitation				
Refuse collected (tons per day)*	97	111	101	818
Recyclables collected (tons per day)	2	1	1	1
Streets				
Street resurfacing (miles)**	-	-	-	-
Potholes repaired	35	45	50	150
Parks and recreation				
Community center admissions	429	500	510	520
Program enrollments	N/A	N/A	N/A	10,722
Library				
Volumes in collection	81,072	82,386	82,159	82,200
Total volumes borrowed	158,973	169,395	174,058	174,100
Water				
New connections	240	114	125	31
Water main breaks	31	41	14	60
Average daily consumption (thousands of gallons)	3,661,000	3,900,000	3,900,000	4,199,000
Peak daily consumption (thousands of gallons)	5,279,000	6,086,000	6,961,000	6,566,000
Wastewater				
Average daily sewage treatment (thousands of gallons)	3,700	3,500	3,650	3,058

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					
2011	2012	2013	2014	2015	2016
506	670	663	665	739	725
989	1,127	1,017	1,204	1,494	1,626
2,690	2,843	3,296	3,258	3,068	3,445
192	143	114	81	101	92
15,505	13,338	14,601	13,205	14,049	14,322
1,887	2,032	2,100	2,193	2,401	2,467
580	588	648	655	862	775
N/A	1,353	1,392	1,288	1,523	1,676
75	71	81	83	81	82
1	2	3	4	4	4
1	-	2	-	-	-
49	62	50	50	55	65
521	N/A	N/A	N/A	N/A	N/A
17,877	18,081	17,527	15,300	16,309	21,034
80,593	79,897	83,346	84,296	87,171	90,408
173,409	165,620	164,962	168,852	167,012	157,955
27	34	78	39	77	137
261	73	76	62	46	32
4,646,400	4,501,100	4,661,000	4,507,000	4,286,000	3,893,750
7,722,000	6,350,000	6,438,000	5,826,000	6,700,000	5,281,000
2,572	3,129	2,960	2,595	4,299	4,575

CITY OF DEER PARK, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Years

Function/Program	Fiscal Year			
	2007	2008	2009	2010
Police				
Stations	1	1	1	1
Patrol units	37	39	40	40
Fire				
Stations	2	3	3	3
Sanitation				
Collection trucks	6	6	6	6
Streets				
Streets (miles)	105	105	105	105
Streetlights	2,541	2,557	2,557	2,557
Traffic signals	43	43	43	43
Parks and recreation				
Acreage	270	270	270	270
Parks with play structures	17	17	17	17
Baseball / softball diamonds	16	16	16	16
Soccer/football fields	9	9	9	9
Golf course	1	1	1	1
Community centers	7	7	7	7
Water				
Water lines (miles)	103	103	103	132
Fire hydrants	889	889	889	890
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	114	114	123
Storm sewers (miles)	61	62	62	66
Treatment capacity (millions of gallons)	6	6	6	6

Source: Various City departments

Fiscal Year					
2011	2012	2013	2014	2015	2016
1	1	1	1	1	1
40	41	41	42	41	44
3	3	3	3	3	3
6	5	5	6	6	6
106	106	107	107	109	111
2,583	2,583	2,622	2,623	2,661	2,694
43	43	43	43	44	44
270	270	270	270	270	270
17	19	19	19	19	19
16	24	24	19	19	20
9	6	6	7	7	7
1	1	1	1	1	1
7	7	7	7	7	7
133	133	134	135	137	138
895	895	906	914	934	950
3.0	3.0	3.0	3.0	3.0	3.0
1.5	1.5	1.5	1.5	1.5	1.5
2.0	2.0	2.0	2.0	2.0	2.0
124	124	125	125	127	130
67	67	68	68	69	70
6	6	6	6	6	6

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710 E. San Augustine • Deer Park, Texas 77536
(281) 479-2394
www.deerparktx.gov



Management Letter

March 8, 2017

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

The American Institute of Certified Public Accountants Statement on Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit* (SAS 115), provides guidance to auditors on communicating internal control matters to management and the governing body, board of directors, or equivalent body.

It is important to note when reviewing findings reported within this letter that classification of the findings is based on the definitions required by SAS 115 as further discussed below. Please note that these classifications are based on the potential impact to the financial statements, not necessarily the likelihood of actual loss to the City. Accordingly, the City's assessment of the "significance" or ranking of severity will likely be substantially different based on a number of factors including, but not limited to, its assessment of risk and the cost benefit of making the change.

Our report is as follows:

In planning and performing our audit of the 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, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be an other matter.

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

enough to merit attention by those charged with governance.

Our findings and additional comments are as follows:

MATTERS PREVIOUSLY REPORTED

Other Matter:

2016.001. ESCHEATING CHECKS

Background

Under Texas State *Property Code Chapter 72, Subchapter B. § 72.101*, property is presumed abandoned if the owner of the property does not claim the property within three years. Under Texas State *Property Code Chapter 74, Subchapter D. § 74.301*, each holder who on March 1 holds property that is presumed abandoned under Chapter 72 shall deliver the property to the comptroller on or before the following July 1 accompanied by the report required to be filed under Section 74.101. Under Texas State *Property Code Chapter 74, Subchapter B. § 74.101*, each holder who on March 1 holds property that is presumed abandoned under Chapter 72 of this code shall file a report of that property on or before the following July 1.

Findings

It was noted during the audit that the City has outstanding checks dating back to 2001 that have not been escheated. This is a repeat of prior year finding 2013.003.

Recommendation

The City should remit and report applicable unclaimed property to the State by the July 1, 2017 reporting deadline.

Management's Response

Previous management elected not to escheat unclaimed property to the State of Texas and outstanding checks dating back to 2001 have not been turned over to the State. The Financial Management Policy was updated in 2014 to include a policy for filing the necessary reports on an annual basis to turn over any checks outstanding more than three years to the State Comptroller. The Finance Department continues to work to identify and report all unclaimed property not previously filed with the State. However, because of the volume of outstanding checks under review, the City was unable to file a report in 2016 but is working toward the July 1, 2017 deadline.

This communication is intended solely for the information and use of management, City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the City Council and the City's management for their cooperation during the course of our audit. Please feel free to contact us at your convenience to discuss this report or any other concerns that you may have.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas



Required Auditor Disclosure Letter

March 8, 2017

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

We have audited the 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") for the year ended September 30, 2016. Professional standards require that we provide the City Council (the "governing body") with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit.

I. Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 8, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with the governing body's oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve the governing body or management of its responsibilities.

II. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our engagement letter dated March 8, 2016.

III. Significant Audit Findings

1. Qualitative Aspects of Accounting Practices

- A. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

- B. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of capital assets is based on industry standards relating to capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Estimates are used in the calculation of the pension liability and the required annual contribution. The Texas Municipal Retirement System (TMRS) and the Texas Emergency Services Retirement System (TESRS) hire licensed actuaries to make key assumptions and to perform calculations, as well as independent auditors to review those assumptions and calculations. We evaluate the reasonableness of the employee data provided by the City to TMRS and TESRS.

Estimates are used in the calculation of the health care liability for other postemployment benefits. The City hires a licensed actuary to perform the calculation. We evaluated the key factors and assumptions used to develop the liability in relation to the financial statements taken as a whole.

- C. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in the financial statements is significant to financial statement users because it discloses the City's long-term financial obligations.

2. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes both material and immaterial misstatements detected as a result of our audit procedures.

4. Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

5. Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 8, 2017.

6. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

IV. Other Matters

We applied certain limited procedures to the Required Supplementary Information (RSI), as identified on the table of contents, which supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the other supplementary information, which accompanies the financial statements but is not RSI. Such information has 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 it.

V. Restrictions on Use

This information is intended solely for the use of the Mayor, City Council, and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

Client: City of Deer Park, Texas
Engagement: City of Deer Park 09/30/16
Period Ending: 9/30/2016
Trial Balance: 2.2.01 - TB
Workpaper: 2.6.06 - Adjusting Journal Entries Report

3/15/2017
8:26 AM

Account	Description	Debit	Credit
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Adjusting Journal Entries JE # 1

To adjust property tax receivable, allowance, and deferred revenue as of 9/30/16.

10 000-1110	AD VALOREM TAXES	88,154.18	
20 000-1120	TAXES RECEIVABLE DELINQUENT	33,980.42	
10 000-1121	ALLOWANCE FOR UNCOLL DELINQ		35,001.27
10 000-2500	DEFERRED REVENUES-PROPERTY TAX		53,152.91
20 000-1121	ALLOWANCE FOR UNCOLL DELINQ		13,467.47
20 000-2500	DEFERRED REVENUES-PROPERTY TAX		20,512.95
Total		122,134.60	122,134.60

Adjusting Journal Entries JE # 2

To adjust penalty and interest receivable, allowance, and deferral as of 9/30/16.

10 000-1125	PENALTIES/INTEREST RECEIVABLE	89,465.77	
20 000-1125	PENALTIES/INTEREST RECEIVABLE	35,466.51	
10 000-1126	ALLOWANCE FOR P&I RECEIVABLE		67,099.33
10 000-2505	DEFERRED REVENUE-P&I		22,366.44
20 000-1126	ALLOWANCE FOR P&I RECEIVABLE		26,599.88
20 000-2505	DEFERRED REVENUE-P&I		8,866.63
Total		124,932.28	124,932.28

Adjusting Journal Entries JE # 3

To reclass governmental portion of the 2010 GO Ref bonds 9/15/16 interest payment.

20 900-4528	INTEREST PAYMENTS	35,194.89	
47 000-1420	Due From Fund 20	35,194.89	
20 000-2447	Due To Fund 47		35,194.89
47 900-4528	INTEREST EXPENSE		35,194.89
Total		70,389.78	70,389.78

Adjusting Journal Entries JE # 4

To reclass accrued interest from 2016 Refunding bonds to net against interest expense.

20 900-4525	PAYING AGENT FEES	14,411.46	
20 900-4528	INTEREST PAYMENTS		14,411.46
Total		14,411.46	14,411.46

Adjusting Journal Entries JE # 5

To reverse client entry for Sep. accrual of CSA Constr App#15 (fund 48). To recognize reclass of retainage for change in percentage from 10% to 5%. To recognize Sep. activity separate of retainage reclass.

48 000-2125	RETAINAGE PAYABLE	240,250.98	
48 000-2150	ACCOUNTS PAYABLE - POOLED	162,649.35	
48 505-4903	IMPROVEMENTS OTHER THAN BLDGS	55,510.83	
48 000-2125	RETAINAGE PAYABLE		2,775.54
48 000-2125	RETAINAGE PAYABLE		107,138.52
48 000-2150	ACCOUNTS PAYABLE - POOLED		52,735.29
48 000-2150	ACCOUNTS PAYABLE - POOLED		240,250.98
48 505-4903	IMPROVEMENTS OTHER THAN BLDGS		55,510.83
Total		458,411.16	458,411.16

Adjusting Journal Entries JE # 6

GASB68 JE#1: To reverse prior year D.O. - Contributions After The Measurement Date.

25 750-4197	PENSION EXPENSE	3,754.68	
40 750-4197	PENSION EXPENSE	215,332.30	
82 750-4197	PENSION EXPENSE	22,851.58	
83 750-4197	PENSION EXPENSE	17,225.53	
25 000-1811	DEF OUT - CONTRIBUTIONS		3,754.68
40 000-1811	DEF OUT - CONTRIBUTIONS		215,332.30
82 000-1811	DEF OUT - CONTRIBUTIONS		22,851.58
83 000-1811	DEF OUT - CONTRIBUTIONS		17,225.53
Total		259,164.09	259,164.09

Client: **City of Deer Park, Texas**
Engagement: **City of Deer Park 09/30/16**
Period Ending: **9/30/2016**
Trial Balance: **2.2.01 - TB**
Workpaper: **2.6.06 - Adjusting Journal Entries Report**

3/15/2017
8:26 AM

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 7			
GASB68 JE#2: To recognize the current year amortization of prior year deferred items.			
25 000-2810	DEF IN-ACT EXP VS ASSUMPTION	525.90	
25 750-4197	PENSION EXPENSE	488.43	
40 000-2810	DEF IN-ACT EXP VS ASSUMPTION	16,019.18	
40 750-4197	PENSION EXPENSE	14,877.57	
82 000-2810	DEF IN-ACT EXP VS ASSUMPTION	1,582.87	
82 750-4197	PENSION EXPENSE	1,470.06	
83 000-2810	DEF IN-ACT EXP VS ASSUMPTION	1,722.33	
83 750-4197	PENSION EXPENSE	1,599.58	
25 000-1810	DEF OUT-INVESTMENT EXPERIENCE		1,014.33
40 000-1810	DEF OUT-INVESTMENT EXPERIENCE		30,896.75
82 000-1810	DEF OUT-INVESTMENT EXPERIENCE		3,052.93
83 000-1810	DEF OUT-INVESTMENT EXPERIENCE		3,321.91
Total		38,285.92	38,285.92

Adjusting Journal Entries JE # 8			
GASB68 JE#3: To recognize new deferred items.			
25 000-1810	DEF OUT-INVESTMENT EXPERIENCE	28,214.46	
25 000-1812	D.O. Expected and Actual Experience	419.70	
25 000-1813	D.O. Changes in Assumptions	4,172.90	
40 000-1810	DEF OUT-INVESTMENT EXPERIENCE	859,422.32	
40 000-1812	D.O. Expected and Actual Experience	12,784.09	
40 000-1813	D.O. Changes in Assumptions	127,107.95	
82 000-1810	DEF OUT-INVESTMENT EXPERIENCE	84,920.27	
82 000-1812	D.O. Expected and Actual Experience	1,263.21	
82 000-1813	D.O. Changes in Assumptions	12,559.65	
83 000-1810	DEF OUT-INVESTMENT EXPERIENCE	92,402.18	
83 000-1812	D.O. Expected and Actual Experience	1,374.50	
83 000-1813	D.O. Changes in Assumptions	13,666.22	
25 000-2325	NET PENSION OBLIGATION		32,807.06
40 000-2325	NET PENSION OBLIGATION		999,314.36
82 000-2325	NET PENSION OBLIGATION		98,743.13
83 000-2325	NET PENSION OBLIGATION		107,442.90
Total		1,238,307.45	1,238,307.45

Adjusting Journal Entries JE # 9			
GASB68 JE#4: To recognize pension expense and current year amortizations.			
25 000-2325	NET PENSION OBLIGATION	1,268.64	
25 750-4197	PENSION EXPENSE	5,250.69	
40 000-2325	NET PENSION OBLIGATION	38,643.31	
40 750-4197	PENSION EXPENSE	159,938.10	
82 000-2325	NET PENSION OBLIGATION	3,818.38	
82 750-4197	PENSION EXPENSE	15,803.62	
83 000-2325	NET PENSION OBLIGATION	4,154.80	
83 750-4197	PENSION EXPENSE	17,196.01	
25 000-1810	DEF OUT-INVESTMENT EXPERIENCE		5,642.89
25 000-1812	D.O. Expected and Actual Experience		80.09
25 000-1813	D.O. Changes in Assumptions		796.35
40 000-1810	DEF OUT-INVESTMENT EXPERIENCE		171,884.46
40 000-1812	D.O. Expected and Actual Experience		2,439.71
40 000-1813	D.O. Changes in Assumptions		24,257.24
82 000-1810	DEF OUT-INVESTMENT EXPERIENCE		16,984.05
82 000-1812	D.O. Expected and Actual Experience		241.07
82 000-1813	D.O. Changes in Assumptions		2,396.88
83 000-1810	DEF OUT-INVESTMENT EXPERIENCE		18,480.44
83 000-1812	D.O. Expected and Actual Experience		262.31
83 000-1813	D.O. Changes in Assumptions		2,608.06
Total		246,073.55	246,073.55

Adjusting Journal Entries JE # 10			
GASB68 JE#5: To recognize current year D.O. - Contributions After The Measurement Date.			
25 000-1811	DEF OUT - CONTRIBUTIONS	7,424.77	
40 000-1811	DEF OUT - CONTRIBUTIONS	226,160.97	

Client: **City of Deer Park, Texas**
Engagement: **City of Deer Park 09/30/16**
Period Ending: **9/30/2016**
Trial Balance: **2.2.01 - TB**
Workpaper: **2.6.06 - Adjusting Journal Entries Report**

3/15/2017
8:26 AM

Account	Description	Debit	Credit
82 000-1811	DEF OUT - CONTRIBUTIONS	22,347.16	
83 000-1811	DEF OUT - CONTRIBUTIONS	24,316.06	
25 750-4197	PENSION EXPENSE		7,424.77
40 750-4197	PENSION EXPENSE		226,160.97
82 750-4197	PENSION EXPENSE		22,347.16
83 750-4197	PENSION EXPENSE		24,316.06
Total		280,248.96	280,248.96

Adjusting Journal Entries JE # 11

To reclass allowance related to clients bad debt AR reclass. Adjustment necessary so inactive AR and allowance net to zero.

10 000-1211	ALLOWANCE FOR DOUBTFUL ACCTS	864.98	
40 000-1211	ALLOWANCE FOR DOUBTFUL ACCTS	23,014.66	
10 000-1221	ALLOWANCE FOR INACTIVE ACCTS		864.98
40 000-1221	ALLOWANCE FOR INACTIVE ACCTS		23,014.66
Total		23,879.64	23,879.64

Adjusting Journal Entries JE # 12

PBC - Accrue Touchstone Receivable JE# 037134.

84 000-1210	ACCOUNTS RECEIVABLE	55,305.31	
84 000-3716	GOLF COURSE RENT PAYMENT	10,000.00	
84 000-3718	GOLF COURSE EQUIPMENT REIMB		20,050.14
84 703-4212	UTILITIES ELECTRICITY		43,485.00
84 703-4303	OPERATIONAL SUPPLIES		29.10
84 703-4404	BUILDING		1,532.14
84 703-4409	AIR CONDITIONER		123.29
84 703-4412	GROUNDS		85.64
Total		65,305.31	65,305.31

Adjusting Journal Entries JE # 13

PBC - Reclass entry fund 22 JE# 037097.

22 659-4240	CONSULTANT FEE	1,530.00	
22 658-4240	CONSULTANT FEE		1,530.00
Total		1,530.00	1,530.00

Adjusting Journal Entries JE # 14

PBC - Reclass entry JE Packet # 04186.

10 000-1483	DUE FROM FUND 83	15,180.00	
10 000-1613	TRAVEL ADVANCES	1,000.00	
10 000-3119	ATTORNEY FEES	42,722.09	
10 000-3510	INSTRUCTION CLASS FEES	10,070.00	
10 000-3511	BUILDING RENTAL FEE	600.00	
10 000-3513	ADMISSION FEE	7,332.00	
10 000-3517	ATHLETIC LEAGUE FEES	13,250.00	
10 103-4348	BOOKS	99.49	
10 105-4530	OPERATING TRANSFERS	196,218.14	
10 202-4201	PUBLIC NOTICES	555.90	
10 202-4303	OPERATIONAL SUPPLIES	723.90	
10 202-4348	BOOKS	101.00	
10 300-4405	RADIO	2,737.78	
10 305-4303	OPERATIONAL SUPPLIES	8,060.57	
10 401-4231	EQUIPMENT & OTHER RENTALS	1,554.89	
10 415-4303	OPERATIONAL SUPPLIES	17,300.88	
10 415-4904	MACHINERY & EQUIPMENT	6,662.67	
14 000-1000	CLAIM ON POOLED CASH	196,218.14	
28 000-1780	CONSTRUCTION IN PROGRESS	86,593.00	
48 000-1000	CLAIM ON POOLED CASH	86,593.00	
83 304-4290	CONTRACT LABOR	15,180.00	
10 000-1000	CLAIM ON POOLED CASH		196,218.14
10 000-3529	AQUATIC PROGRAM FEES		25,977.00
10 000-3530	POOL RENTAL FEES		5,275.00
10 101-4250	TRAINING & TRAVEL		1,000.00
10 103-4252	DUES & FEES		99.49
10 106-4293	SPECIAL SERVICES CITY ATTORNEY		42,722.09

Client: **City of Deer Park, Texas**
Engagement: **City of Deer Park 09/30/16**
Period Ending: **9/30/2016**
Trial Balance: **2.2.01 - TB**
Workpaper: **2.6.06 - Adjusting Journal Entries Report**

3/15/2017
8:26 AM

Account	Description	Debit	Credit
10 202-4250	TRAINING & TRAVEL		530.00
10 202-4252	DUES & FEES		101.00
10 202-4301	OFFICE SUPPLIES		749.80
10 300-4402	MACHINERY & EQUIPMENT		2,737.78
10 304-4290	CONTRACT LABOR		15,180.00
10 304-4303	OPERATIONAL SUPPLIES		8,060.57
10 404-4231	EQUIPMENT & OTHER RENTALS		1,554.89
10 415-4290	CONTRACT LABOR		12,169.16
10 415-4308	SMALL TOOLS & MINOR EQUIPMENT		11,794.39
14 000-3640	PRIOR YEAR REVENUE		196,218.14
28 000-1000	CLAIM ON POOLED CASH		86,593.00
48 000-1780	CONSTRUCTION IN PROGRESS		86,593.00
83 000-2410	DUE TO FUND 10		15,180.00
Total		708,753.45	708,753.45

Adjusting Journal Entries JE # 15

To adjust accumulated depreciation/depreciation expense to tie to capital asset detail.

40 900-4536	DEPRECIATION	300.34	
46 900-4536	DEPRECIATION	251,754.95	
40 000-1741	ACCUM DEPR IMPROVEMENTS		300.34
46 000-1741	ACCUM DEPR IMPROVEMENTS		251,754.95
Total		252,055.29	252,055.29

Adjusting Journal Entries JE # 16

PBC - Reclass entry. Packet # 04215.

10 000-1000	CLAIM ON POOLED CASH	36,485.68	
10 415-4303	OPERATIONAL SUPPLIES	338.09	
10 417-4311	UNIFORMS	1,715.44	
11 603-4303	OPERATIONAL SUPPLIES	36,485.68	
10 417-4303	OPERATIONAL SUPPLIES		38,539.21
11 000-1000	CLAIM ON POOLED CASH		36,485.68
Total		75,024.89	75,024.89

Adjusting Journal Entries JE # 17

PBC - Reclass entry. JE Packet # 04213.

10 300-4101	SALARIES FULL TIME	2,569.18	
10 300-4104	SALARIES OVERTIME	26,964.82	
19 000-1000	CLAIM ON POOLED CASH	23,220.89	
19 104-4903	Improvements Other Than Bldgs	6,313.11	
23 410-4942	CONSULTING ARCHITECT FEE	425.00	
10 000-1000	CLAIM ON POOLED CASH		22,795.89
10 200-4903	IMPROVEMENTS OTHER THAN BLDGS		6,313.11
10 410-4290	CONTRACT LABOR		425.00
19 300-4101	SALARIES FULL TIME		2,569.18
19 300-4104	SALARIES OVERTIME		26,964.82
23 000-1000	CLAIM ON POOLED CASH		425.00
Total		59,493.00	59,493.00

Adjusting Journal Entries JE # 18

PBC - Bond fund expenditure Adjs. JE Packet # 04216.

10 105-4108	HEALTH/LIFE INSURANCE	41,257.27	
10 105-4530	OPERATING TRANSFERS	98,081.44	
27 900-4530	OPERATING TRANSFERS	1,038,467.64	
31 900-4530	OPERATING TRANSFERS	109,164.56	
34 900-4530	OPERATING TRANSFERS	255,461.27	
35 000-1000	CLAIM ON POOLED CASH	1,299,464.27	
35 900-4530	OPERATING TRANSFERS	44,681.04	
40 506-4108	HEALTH/LIFE INSURANCE	7,919.28	
10 000-1000	CLAIM ON POOLED CASH		98,081.44
10 750-4108	HOSPITALIZATION		41,257.27
27 000-1000	CLAIM ON POOLED CASH		1,038,467.64
31 000-1000	CLAIM ON POOLED CASH		59,887.92
31 000-3640	TRANSFER FROM OTHER FUNDS		49,276.64
34 000-1000	CLAIM ON POOLED CASH		103,027.27

Client: **City of Deer Park, Texas**
Engagement: **City of Deer Park 09/30/16**
Period Ending: **9/30/2016**
Trial Balance: **2.2.01 - TB**
Workpaper: **2.6.06 - Adjusting Journal Entries Report**

3/15/2017
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Account	Description	Debit	Credit
34 000-3640	Transfer From Other Funds		152,434.00
35 000-3640	Transfer From Other Funds		1,344,145.31
40 750-4108	HOSPITALIZATION		7,919.28
Total		2,894,496.77	2,894,496.77

Adjusting Journal Entries JE # 19

To adjust ambulance AR/allowance at 9/30/16.

10 000-1331	ALLOWANCE-AMBULANCE	485,946.93	
10 000-2530	DEFERRED REVENUE-AMBULANCE	50,816.48	
10 000-1330	ACCOUNTS RECEIVABLE-AMBULANCE		536,763.41
Total		536,763.41	536,763.41

Adjusting Journal Entries JE # 20

To adjust court fines/fees receivable and allowance accounts to tie to court's system as of 9/30/16.

10 000-1651	ACCOUNTS RECEIVABLE-FINES	71,499.06	
10 000-1650	ALLOWANCE-FINES & FORFEITURES		53,624.29
10 000-2560	DEFERRED REVENUE-FINES		17,874.77
Total		71,499.06	71,499.06

Adjusting Journal Entries JE # 21

To reclass transfers from fiduciary fund to net against related expenditures the fund is reimbursing for.

10 000-3642	TRANSFER FROM SPECIAL REVENUE	25,000.00	
10 900-4999	PR YR EXPENDITURE		25,000.00
Total		25,000.00	25,000.00



Legislation Details (With Text)

File #: DIS 17-022 **Version:** 2 **Name:**
Type: Discussion **Status:** Agenda Ready
File created: 3/9/2017 **In control:** City Council Workshop
On agenda: 3/21/2017 **Final action:**
Title: Discussion of issues relating to a request from Wal-Mart regarding use of external shipping containers.
Sponsors: City Manager's Office, Public Works
Indexes:
Code sections:
Attachments:

Date	Ver.	Action By	Action	Result
3/21/2017	2	City Council Workshop		

Discussion of issues relating to a request from Wal-Mart regarding use of external shipping containers.

Summary:

The City's Zoning Ordinance prohibits the use of shipping containers for external storage in a commercial zoning district. Historically, the only exception to this rule is the Public Works Director on occasion has granted commercial businesses the ability to use one (1) shipping container for external storage during the Holiday Season. This generally entailed the unit arriving no earlier than mid-October and being removed by mid-January.

Through 2015, enforcement of this zoning restriction has been a low priority, to the benefit of Wal-Mart. During the 2015 Holiday Season Wal-Mart used as 30-40 shipping containers in support of its holiday layaway program. These were placed along the western and northern boundaries of their property. In early 2016, City staff informed Wal-Mart officials the shipping containers were not allowed by Code, the 30-40 containers used during the 2015 Holiday Season needed to be removed, and our zoning restrictions forbidding these shipping containers would enforced during the 2016 Holiday season. Wal-Mart officials then complied by removing the containers, and did not bring them back last fall.

Over the past year or so, Wal-Mart staff has made numerous inquiries regarding the future possibilities of allowing them to utilize external shipping containers for their storage needs. Several times they have questioned the definition of a "shipping container" and have questioned if the Zoning Ordinance as presently written allows for the use of shipping containers via a Specific Use Permit (SUP). Chief Building Official Larry Brotherton, City Attorney Jim Fox, and I on many occasions have informed Wal-Mart officials that our Zoning Ordinance presently contains no mechanism for Council to allow this in a commercial district, though shipping containers may be permitted via SUP in an industrial zoning district. Further, we have

consistently reiterated only the City Council could make such a change to the Zoning Ordinance which would allow the use of shipping containers in a commercial zoning district.

Last month Mr. Daniel Morales with Wal-Mart asked if he could discuss this matter with Council during Workshop on March 21st. The full contents of the email seeking this request are italicized and listed below:

Walmart would like to discuss at an upcoming City Council Workshop our inability to fully serve our Deer Park area customers during the holiday season. Walmart's Layaway program is so successful with our Deer Park customers that our backrooms are unable to hold all the Holiday merchandise put on layaway. Normally at other stores and previously in Deer Park we have employed storage units to allow us to keep the merchandise at our stores so that we can quickly retrieve it.

We would like to discuss during the workshop the necessary steps that would allow us to maintain a temporary presence of these storage containers for a period of four months from September to December. We understand that under Section 8.29 to the code of Ordinances of the City of Deer Park, Texas it would be necessary to obtain a Specific Use Permit. We are open to listening and finding a solution that will allow us to serve our Deer Park customers while abiding by the City's ordinances.

We are available to attending a City Council Workshop on or after March 21st. Thank you in advance for your willingness to work with us on this issue.

This item will give Council the opportunity to discuss this request openly with Wal-Mart officials to gauge whether or not there is interest in amending our Zoning Ordinance to accommodate their request.

Fiscal/Budgetary Impact:

N/A

Discussion only in Workshop.