

CITY OF TOMBALL, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2014

City Manager

George Shackelford

Prepared by:

Glenn Windsor, CPA, CGFO

Finance Director

Kacie Richardson, CGFO

Senior Accountant

**CITY OF TOMBALL, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2014**

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INTRODUCTORY SECTION



City of Tomball

Gretchen Fagan

Mayor

George Shackelford

City Manager

March 25, 2015

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

It is with great pleasure that we present to you a copy of the Comprehensive Annual Financial Report (CAFR) of the City of Tomball, Texas (the “City”) for the fiscal year ended September 30, 2014. The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the results of operations of the various funds of the City, as well as the fund balances. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

The CAFR is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the City’s organizational chart, and a list of principal officials, elected and appointed. The Financial Section includes Management’s Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplementary Information, Combining and Individual Fund Financial Statements and Other Supplemental Information, as well as the independent auditor’s report. The Statistical Section includes selected financial and demographic information generally presented on a multi-year basis.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City, incorporated on July 18, 1933, is located northwest of Houston, Texas, in a rapidly growing area of Harris County. The City currently occupies a land area of 12.29 square miles and serves an estimated population of 11,124. The City of Tomball is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the governing council.

The City has operated under the council-manager form of government since 1980. Policy-making and legislative authority are vested in a governing council consisting of the mayor and five council members. The council is elected on a non-partisan basis. Council members serve three-year terms, with two council members elected every year. The mayor is elected to serve a three-year term. The mayor and council are elected at large. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The City provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; recreational activities and cultural events. Solid waste services are provided through a contract with Waste Corporation of America.

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 Finance Director. These requests serve as a starting point for developing a proposed budget. The Finance Director provides the information to the City Manager who then presents this proposed budget to the council for review. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function, and department. Department heads may make requests to the City Manager for transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 59 as part of required supplementary information. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the non-major governmental fund subsection of this report, which starts on page 65.

Factors Affecting Financial Condition

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

Local Economy

The City is located approximately 32 miles northwest of Houston and is primarily surrounded by municipal utility districts, making it one of the few incorporated areas in this portion of Harris County. As a result, the City has evolved into the area's principal commercial center. Assessed values for Fiscal 2014 reflect an increase of 7.6% to \$1.47 billion. This property value increase is the result of continued commercial development within the City including the expansion of the training facility at Baker-Hughes, continued development of the medical complex, and additional growth in the retail sector. New single-family residential developments were under construction at the end of the fiscal year, including The Reserve at Spring Lake with 95 individual lots and homes with an average value of \$500,000.

Sales tax revenues continued to increase with the City experiencing a 11.59% increase during 2013-2014. Additionally, new retail businesses continued to open in the retail district located on the City's west side.

The region (which covers an area within a five-mile radius from the center of the City) has an employed labor force of approximately 26,000 within a 5 mile radius which is expected to grow for the next several years. The largest groups of employers are in the service and retail trade.

Long-Term Financial Planning

The City continued the design and construction of Medical Complex Drive and the M121 drainage channel which was designed to mitigate flooding in the downtown area. Funding for both of these projects came from the issuance of \$14.5 million in Certificates of Obligation issued January, 2012. At September 30, 2014, Medical Complex Drive construction was progressing with completion expected during FY 2015. Additionally, the development of the downtown area was progressing with an appropriation of \$400,000 included in the FY 2015 budget. Other major projects for the near future include Four Corners Development, Lighting at the Depot, Park Development, and an appropriation of \$220,000 for sidewalk improvements in FY 2015.

In conjunction with the Tomball Economic Development Corporation, the City issued \$8,500,000 in Certificates of Obligation (May 2013) to finance the construction of infrastructure to service a new business park on the southeast corner of the City. At September 30, 2014, the design phase of the infrastructure was progressing and the issues relating to an abandoned pipeline located on the site were being resolved.

Additionally, infrastructure projects for water, sewer, drainage, and natural gas distribution continue to be funded through the budget process. All capital projects and major infrastructure needs are reviewed periodically during the year to assess both the progress of construction and the actual versus projected costs.

Major Initiatives

The largest revenue source in the General Fund is sales tax. The City has experienced significant commercial and retail growth over the last several years. However, because of the recession experienced in 2008-2009, the City continued a conservative approach in budgeting sales tax revenues. For fiscal 2014, sales tax revenues were projected at \$8,750,000 but with expected growth, the 2015 fiscal year projection is \$10,400,000.

In January 2008, the City Council completed a visioning and strategic planning session to chart a course for the City. In that session, the council decided that it wanted Tomball to be a destination city offering various activities and festivals throughout the year to draw people to town. In addition to being a destination, council indicated that economic development efforts should focus on making Tomball a regional hub for retail, medical, financial, and high-tech business. Infrastructure improvements and improving customer service were also slated as goals.

The City initiated a number of actions during 2008 aimed at responsibly planning for the City's future. In November 2008, the City completed an FM 2920 Access Management Study, in conjunction with the Texas Department of Transportation and the Houston Galveston Area Council, to address safety and mobility along the FM 2920 corridor from US 290 to Interstate 45. The City also completed a Livable Centers Downtown Plan in cooperation with a grant received through the Houston Galveston Area Council. The Plan addressed public improvements to preserve, promote, and enhance Tomball's Downtown as the identifiable physical, social, and cultural heart of Tomball. In 2009 the City completed its first citywide Comprehensive Plan to guide and shape the community's future physical growth and development. The Comprehensive Plan was the result of a year-long community involvement process that involved over 1,700 stakeholders. The City approved a Professional Services agreement for the development of a Downtown Specific Plan during 2011, which will address land use and zoning regulations for the downtown area. This plan continued to be updated and modified during the fiscal year.

Financial Information

The City's management team is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of the controls should not exceed the benefits likely to be derived and (2) the valuation of cost and benefits requires estimates and judgments to be made by management.

Budgeting Controls

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Debt Service Fund, Special Revenue Funds, Utility Fund, and Internal Service Funds are included in the annual operating budget. The Tomball Economic Development Corporation, a component unit of the City, is budgeted separately. A capital improvement plan is approved each year by the city council and funded through a separate capital projects fund. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is established at the division level within an individual fund. The City maintains an encumbrance accounting system as a means of accomplishing budgetary controls and a technique of budgetary “lock out” which will prevent a transaction from exceeding legally appropriated budgetary amounts. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Debt Administration

The City may issue General Obligation bonds that are approved by voters in a capital improvements plan. Certificates of Obligation can be used for major construction projects and for the financing of vehicles and equipment.

When available, sales tax revenue in excess of budgeted projections can be dedicated to one-time capital purchases.

Independent Audit

The City Charter requires an independent audit of the accounts of the City by an independent auditor. The firm of Weaver and Tidwell, LLP, Certified Public Accountants, has issued an unmodified (“clean”) opinion on the City of Tomball’s financial statements for the year ended September 30, 2014. The independent auditor’s report is located at the front of the financial section of this report.

Awards

The Government Finance Officers’ Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year September 30, 2013. This was the 24th consecutive year that the City has received this award. In order to be awarded the Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is held for a period of one year only. Our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement requirements, and will be submitted to GFOA to determine its eligibility for another certificate.

The City also received the Distinguished Budget Presentation Award for the fiscal year beginning October 1, 2013. This is the sixth consecutive year that the City has received this award from the GFOA. The award is made to those cities whose budget presentations meet very stringent presentation guidelines. The budget document must be of the very highest quality that reflects both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA’s recommended practices on budgeting.

Transmittal Letter
City of Tomball, Texas

For the third consecutive year, the City was also awarded the Leadership Award as part of the “Texas Transparency” program from the Texas Comptroller of Public Accounts. The City received the Gold award the first two years and the Platinum award this year. his program involves publishing financial information such as CAFRs, budgets, and check registers to demonstrate transparent government to both the citizens and other members of the public.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the administrative staff of the City and the members of the Finance Department. We also would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Tomball’s finances.

Respectfully submitted,



Glenn Windsor, CPA, CFE, CGFO
Finance Director

**CITY OF TOMBALL, TEXAS
PRINCIPAL OFFICIALS AS OF
SEPTEMBER 30, 2014**

City Officials	Elected Position	Term Expires
Gretchen Fagan	Mayor	2016
F. S. "Field" Hudgens	Councilman Position 1	2017
Mark Stoll	Councilman Position 2	2015
Chad Degges	Councilman Position 3	2016
Derek Townsend, Sr.	Councilman Position 4	2015
Lori Klein Quinn	Councilman Position 5	2017

Department Heads	Appointive Position
George Shackelford	City Manager
Robert Hauck	Assistant City Manager
Doris Speer	City Secretary
Vacant	Chief of Police
David Kauffman	Director of Public Works
Randall Parr	Fire Chief
Craig Meyers	Community Development Director
Glenn Windsor	Finance Director



Government Finance Officers Association

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

Presented to

**City of Tomball
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

Staff Organizational Chart

Tomball Citizens



Mayor and City Council

- Economic Development
- Planning Commission
- Municipal Judge
- City Attorney
- Other Boards & Commissions

City Manager

- City Secretary
 - Reception/Vital Statistics
- Human Resources
 - Personnel
 - Payroll
 - Risk Management
- Director of Finance
 - Accounting
 - Budgeting
 - Purchasing
 - Utility Billing
- Fire Chief
 - Fire Marshal
 - Firefighters
 - Emergency Management
- Police Chief
 - Investigations
 - Patrol
 - Special Services

Assistant City Manager

- Director of Community Development
 - Engineering
 - Planning
 - Construction Inspection
 - Building Official
 - Code Enforcement
 - Building Inspections
 - Permits
- Director of Public Works
 - General Services
 - Facilities
 - Streets
 - Parks
 - Garage
 - Sanitation
 - Utility Services
 - Water
 - Sewer
 - Gas
- Director of IT
 - GIS
- Municipal Court
- Community Center

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
City Council Members of the
City of Tomball, 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 unit, each major fund, and the aggregate remaining fund information of the City of Tomball, Texas (the City) as of and for the year ended September 30, 2014, 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

The City's 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity'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.

To the Honorable Mayor and
City Council Members of the
City of Tomball, Texas

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 unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, 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.

Change in Accounting Principle

As discussed in Note 1 to the basic financial statements, the City has adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Beginning net position on the government-wide Statement of Activities and proprietary funds Statement of Revenues, Expenses and Changes in Fund Net Position has been restated to reflect the effect of implementation of this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Funding Progress for Participation in Texas Municipal Retirement System, Schedule of Funding Progress – Post Employment Benefits Plan Other Than Pensions and Schedule of Revenues Expenditures, and Changes in Fund Balance, Budget and Actual – General Fund 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 and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Honorable Mayor and
City Council Members of the
City of Tomball, Texas

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
March 25, 2015

Management's Discussion and Analysis (Unaudited)

As Management of the City of Tomball, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014. This information is not intended to be a complete statement of the City's financial condition. We recommend and encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Tomball exceeded its liabilities at the close of the most recent fiscal year by \$88,615,860 (net position). Of this amount, \$13,566,745 is unrestricted net position for governmental activities and \$11,354,769 for business-type activities.
- The City's net position increased by \$6,184,183. This included an increase of \$1,661,968 in unrestricted net position, an increase of \$2,673,652 in net investment in capital assets, and an increase of \$1,848,563 in restricted net position.
- As of the close of the current fiscal year, the City of Tomball's governmental funds reported combined ending fund balances of \$40,053,013. Of the ending fund balance, \$26,470,729 is restricted for specific purposes (e.g., capital projects, debt service); \$168,245 is committed for specific purposes; \$322,702 is assigned by the City for specific purposes; \$15,984 is non-spendable and \$13,075,443 is unassigned and available to meet the government's ongoing obligations in accordance with the City's fund designation and fiscal policies.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position serve as useful indicators of whether the financial position of the City is improving or deteriorating. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm sewer, gas distribution, water distribution and sewer collection lines, etc.), to assess the overall financial condition of the City.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used compensated absences). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in the governmental fund statements.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees (business-type activities).

- Governmental activities include most of the City's basic services, (general government, public safety, public works and community services). Property taxes, sales taxes, and franchise fees primarily finance these activities.
- Business-type activities include the City's water, sewer, and gas system. Charges for services cover all or most of the costs for these services.
- Component Unit activities include activities of The Tomball Economic Development Corporation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used by state and local governments to control and manage money for particular purposes and to ensure finance-related legal requirements. The City uses two fund types – governmental and proprietary.

- **Governmental funds** – Similar to the governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds focus on current sources and uses of spendable resources. The governmental fund statements provide a detailed short-term view of the City's general government operations and help you to determine whether resources are available in the near future to finance City programs. Comparing the information presented for governmental funds with the information presented for governmental activities in the government-wide financial statements will help the reader to better understand the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances include a reconciliation to provide such comparison.

The City maintains nine governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund and the Capital Projects Fund; these funds are considered to be major funds. The other six funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found in this report.

- **Proprietary funds** – The City maintains two types of proprietary funds. The City uses the Enterprise Fund for water, sewer, and gas operations. The Enterprise Fund reports the same functions presented as business-type activities in the government-wide financial statements. The second proprietary fund is the Internal Service Fund. This fund is used to account for fleet replacements and employee benefits. The Internal Service Fund is included within the governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, with more detail, and include the Internal Service Fund type activity.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules that further support the information in the financial statements. These statements are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's assets exceed liabilities by \$88.6 million as of September 30, 2014. The largest portion of the City's net assets (67%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF TOMBALL'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 44,326,885	\$ 43,549,351	\$ 14,250,852	\$ 12,264,206	\$ 58,577,737	\$ 55,813,557
Capital assets	<u>37,259,410</u>	<u>35,157,062</u>	<u>38,068,770</u>	<u>39,020,473</u>	<u>75,328,180</u>	<u>74,177,535</u>
Total assets	<u>81,586,295</u>	<u>78,706,413</u>	<u>52,319,622</u>	<u>51,284,679</u>	<u>133,905,917</u>	<u>129,991,092</u>
Total Deferred Outflows of Resources	<u>394,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>394,282</u>	<u>-</u>
Long-term liabilities	31,928,599	33,255,791	6,358,235	7,456,550	38,286,834	40,712,341
Other liabilities	<u>4,737,895</u>	<u>4,387,249</u>	<u>2,659,610</u>	<u>2,459,825</u>	<u>7,397,505</u>	<u>6,847,074</u>
Total liabilities	<u>36,666,494</u>	<u>37,643,040</u>	<u>9,017,845</u>	<u>9,916,375</u>	<u>45,684,339</u>	<u>47,559,415</u>
Net position:						
Net investment in capital assets	28,189,848	25,646,519	30,851,835	30,721,512	59,041,683	56,368,031
Restricted	3,557,490	2,804,100	1,095,173	-	4,652,663	2,804,100
Unrestricted	<u>13,566,745</u>	<u>12,612,754</u>	<u>11,354,769</u>	<u>10,646,792</u>	<u>24,921,514</u>	<u>23,259,546</u>
Total net position	<u>\$ 45,314,083</u>	<u>\$ 41,063,373</u>	<u>\$ 43,301,777</u>	<u>\$ 41,368,304</u>	<u>\$ 88,615,860</u>	<u>\$ 82,431,677</u>

Combined governmental and business-type activities increased the City's net position by \$6,741,676 in 2014. The following table provides a summary of the City's operations for the year ended September 30, 2014. Governmental activities increased the City of Tomball's net position by \$4,706,888. This increase is primarily related to the increase in sales tax revenues over the fiscal year in the Retail and Services industries. Business-type activities increased the City's net position by \$2,034,788. This increase is related primarily to a relatively small excess of revenues over inter-fund transfers.

CITY OF TOMBALL'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 3,762,025	\$ 3,794,785	\$ 11,336,758	\$ 11,096,756	\$ 15,098,783	\$ 14,891,541
Operating grants and contributions	1,844,224	1,313,128	670,000	670,000	2,514,224	1,983,128
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	5,009,955	4,708,329	-	-	5,009,955	4,708,329
Sales taxes	10,532,691	9,442,376	-	-	10,532,691	9,442,376
Franchise taxes	1,253,077	1,267,302	-	-	1,253,077	1,267,302
Other taxes	590,910	428,208	-	-	590,910	428,208
Investment earnings	30,636	44,877	(1,417)	13,088	29,219	57,965
Miscellaneous	253,375	227,592	45,800	50,567	299,175	278,159
Total revenues	<u>23,276,893</u>	<u>21,226,597</u>	<u>12,051,141</u>	<u>11,830,411</u>	<u>35,328,034</u>	<u>33,057,008</u>
Expenses:						
General government	4,789,051	5,131,879	909,211	955,026	5,698,262	6,086,905
Public safety	8,069,621	7,508,811	-	-	8,069,621	7,508,811
Public Works	6,137,989	5,456,886	-	-	6,137,989	5,456,886
Community services	338,381	302,564	-	-	338,381	302,564
Water	-	-	2,962,612	3,262,366	2,962,612	3,262,366
Sewer	-	-	1,978,197	1,736,531	1,978,197	1,736,531
Gas	-	-	2,229,583	1,743,258	2,229,583	1,743,258
Interest on long-term debt, fiscal agent fees	926,584	830,054	245,129	321,443	1,171,713	1,151,497
Total expenses	<u>20,261,626</u>	<u>19,230,194</u>	<u>8,324,732</u>	<u>8,018,624</u>	<u>28,586,358</u>	<u>27,248,818</u>
Increases/(Decrease) in net position before transfers	3,015,267	1,996,403	3,726,409	3,811,787	6,741,676	5,808,190
Transfers	<u>1,691,621</u>	<u>2,448,842</u>	<u>(1,691,621)</u>	<u>(2,448,842)</u>	<u>-</u>	<u>-</u>
Change in net position	4,706,888	4,445,245	2,034,788	1,362,945	6,741,676	5,808,190
Net position, beginning- as originally reported	41,063,373	36,618,128	41,368,304	40,005,359	82,431,677	76,623,487
Implementation of change in accounting principle	<u>(456,178)</u>	<u>-</u>	<u>(101,315)</u>	<u>-</u>	<u>(557,493)</u>	<u>-</u>
Net position, beginning- restated	<u>40,607,195</u>	<u>36,618,128</u>	<u>41,266,989</u>	<u>40,005,359</u>	<u>81,874,184</u>	<u>76,623,487</u>
Net position, ending	<u>\$ 45,314,083</u>	<u>\$ 41,063,373</u>	<u>\$ 43,301,777</u>	<u>\$ 41,368,304</u>	<u>\$ 88,615,860</u>	<u>\$ 82,431,677</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$40,053,013. Approximately 33% of this amount (\$13,075,443) is unassigned fund balance; however, \$322,702 is assigned for encumbrances at year-end for the General Fund and \$168,245 is committed in the Special Revenue Funds for City functions; \$26,486,623 is non-spendable or restricted as follows:

Non-spendable (.04%)

- Prepaid items \$ 15,894

Restricted (66%)

- Debt service \$ 2,636,855
- Construction 22,796,926
- Enabling legislation 1,036,948

In the General Fund, fund balance increased by \$1,661,922. This increase was primarily due to an increase in Sales Tax revenues. The Debt Service Fund Balance increased by \$733,171 primarily from an increase in property tax revenues.

Proprietary Fund

Unrestricted net position of the respective proprietary funds are Enterprise (water, sewer, gas) of \$11,172,196 and Internal Service Fund (fleet replacement fund and employee benefits trust fund) of \$2,586,609. The net position of the water, sewer, and gas fund increased \$1,940,504 primarily because of increases in operating revenues. Inter-fund transfers were less than the previous year. Actual revenues from water, sewer, and gas sales increased because of growth within the city. Net position of the internal service fund increased \$720,881. This was due primarily to an increase in the participants' cost of group health insurance coverage.

General Fund Budgetary Highlights

The budget for the 2013-2014 General Fund increased from the previous year, 2012-2013. Additional supplemental expenditures in the amount of \$191,435 were approved together with vehicle replacements of \$593,802 and cash funded capital expenditures of \$139,065.

A reduction in fund balance had been expected but with the substantial increase in sales tax revenues, fund balance increased \$1,661,922 from a beginning amount of \$11,752,117 to \$13,414,039.

CAPITAL ASSETS

The City of Tomball's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2014 is \$75,328,180. The investment in capital assets includes land, buildings and improvements, equipment, infrastructure, and construction in progress.

Major capital projects during the year included the completion of sidewalks in the medical center area, construction of public restrooms in the historic downtown area, and the purchase of a portion of the right-of-way for Medical Complex Drive. Additionally, a significant portion of the design was completed for the component unit's (Tomball Economic Development Corporation) Business Park.

CITY OF TOMBALL'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 5,651,056	\$ 5,637,581	\$ 1,403,735	\$ 1,403,735	\$ 7,054,791	\$ 7,041,316
Buildings and improvements	7,581,664	7,577,842	-	-	7,581,664	7,577,842
Gas system			3,206,261	3,232,725	3,206,261	3,232,725
Water and Sewer system			29,776,108	30,235,987	29,776,108	30,235,987
Equipment	1,407,784	1,409,781	2,530,434	2,643,135	3,938,218	4,052,916
Vehicles	394,421	216,521	-	-	394,421	216,521
Infrastructure	15,228,191	14,512,576	-	-	15,228,191	14,512,576
Construction in progress	<u>6,996,294</u>	<u>5,802,761</u>	<u>1,152,232</u>	<u>1,504,891</u>	<u>8,148,526</u>	<u>7,307,652</u>
Total capital assets	<u>\$ 37,259,410</u>	<u>\$ 35,157,062</u>	<u>\$ 38,068,770</u>	<u>\$ 39,020,473</u>	<u>\$ 75,328,180</u>	<u>\$ 74,177,535</u>

Additional information on the City's capital assets can be found in the notes on pages 41 through 43 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Tomball had a total bonded debt and capital lease obligation of \$38,945,464.

CITY OF TOMBALL'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General obligations	\$ 9,710,500	\$ 10,985,250	\$ 4,669,500	\$ 5,304,750	\$ 14,380,000	\$ 16,290,000
Certificates of Obligation	21,565,000	22,435,000	-	-	21,565,000	22,435,000
Revenue bonds payable	-	-	2,465,000	2,900,000	2,465,000	2,900,000
Capital leases	<u>535,464</u>	<u>601,044</u>	<u>-</u>	<u>-</u>	<u>535,464</u>	<u>601,044</u>
	<u>\$ 31,810,964</u>	<u>\$ 34,021,294</u>	<u>\$ 7,134,500</u>	<u>\$ 8,204,750</u>	<u>\$ 38,945,464</u>	<u>\$ 42,226,044</u>

The City's General Obligation, Revenue Bond, and Certificates of Obligation ratings are listed below:

	<u>Standard & Poor's</u>
General Obligation Bonds	AA+
Revenue Bonds	AA-
Certificates of Obligation	AA+

Additional information on the City's outstanding debt can be found on pages 44 through 47 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Tomball continues to experience growth, both within the corporate City limits and the surrounding area. The City's current population is estimated to be 11,124. However, within a 3 mile radius it is estimated to be 15,789. Within a 5 mile radius, the estimate rises to 77,560.

The City is continuing to focus on Economic Development initiatives, including the revitalization of the historic downtown area and the continuing development of two major retail developments on the west side of the City. On the north side, two new residential developments were under construction at the close of the fiscal year.

The City's largest source of revenue continues to be sales taxes. During the fiscal year the City experienced an increase in this resource of over 11%. With the continuing expansion of the local and surrounding economy, this trend is expected to continue.

At the end of fiscal year, construction of the state highway 249 expansion through the city had started with completion of Phase 1 expected in 2015. Additionally, State Highway 99, also known as the Grand Parkway, was under construction just south of the city's extraterritorial jurisdiction. When it is completed, it will be the longest beltway in the U.S., and the third (outer) loop within the Houston-The Woodlands-Sugar Land metropolitan area. Additional development within the city is expected when these two major corridors are finished.

The city's largest taxpayer, Baker-Hughes (formerly B J Services), continues the development of its Western Hemisphere training facility on the northeast corner of the city. The training facility building was completed during the fiscal year and an estimated 70,000 individuals are expected to attend the center on an annual basis. This major addition to our city will serve to encourage new development along the northeast quadrant of Tomball.

The ad valorem property tax rate remained at \$ 0.341455, one of the lowest in Harris County.

Pursuant to the City's financial management policy, fund balances in all funds exceeded the charter requirement of 25 per cent of annual expenditures.

For the 2014-2015 annual budget the City expects continued growth in sales tax revenues along with no changes to the existing tax rates or utility fees. Construction will continue on several capital projects, including the extension of Medical Complex Drive and the M-121 drainage channel.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to, Finance Department, 501 James Street, Tomball, Texas, 77375, telephone 281-351-5484, or for general City information, please visit the City's web-site at <http://www.tomballtx.gov>.

BASIC FINANCIAL STATEMENTS

**CITY OF TOMBALL, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 30,658,001	\$ 9,479,348	\$ 40,137,349	\$ 3,177,407
Investments	1,396,844	2,240,679	3,637,523	5,231,206
Receivables, net	2,471,993	1,174,909	3,646,902	584,970
Internal balances	(182,573)	182,573	-	-
Inventory	-	78,170	78,170	-
Prepaid expenses	16,527	-	16,527	-
Cash and cash equivalents restricted for:				
Debt service	1,660,605	1,095,173	2,755,778	-
Construction	8,305,488	-	8,305,488	-
Capital assets:				
Nondepreciable	12,647,350	2,555,967	15,203,317	2,797,976
Depreciable capital assets, net	24,612,060	35,512,803	60,124,863	-
Total assets	81,586,295	52,319,622	133,905,917	11,791,559
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on issuance of refunding bonds	394,282	-	394,282	-
Total deferred outflows of resources	394,282	-	394,282	-
Total assets and deferred outflows of resources	81,980,577	52,319,622	134,300,199	11,791,559
LIABILITIES				
Accounts payable and other current liabilities	1,867,986	678,023	2,546,009	61,669
Accrued interest payable	116,313	30,491	146,804	-
Customer deposits	1,850	808,582	810,432	-
Noncurrent liabilities:				
Due within one year	2,751,746	1,142,514	3,894,260	-
Due in more than one year	31,928,599	6,358,235	38,286,834	-
Total liabilities	36,666,494	9,017,845	45,684,339	61,669
NET POSITION				
Net investment in capital assets	28,189,848	30,851,835	59,041,683	2,797,976
Restricted for:				
Debt service	2,520,542	1,095,173	3,615,715	-
Enabling legislation	1,036,948	-	1,036,948	-
Unrestricted	13,566,745	11,354,769	24,921,514	8,931,914
Total net position	\$ 45,314,083	\$ 43,301,777	\$ 88,615,860	\$ 11,729,890

The Notes to the Basic Financial Statements
are an integral part of this statement.

**CITY OF TOMBALL, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014**

Program Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business - Type Activities	Total	
Primary government							
Governmental activities							
General government	\$ 4,789,051	\$ -	\$ 904,363	\$ (3,884,688)	\$ -	\$ (3,884,688)	\$ -
Public safety	8,069,621	1,066,313	939,861	(6,063,447)	-	(6,063,447)	-
Public works	6,137,989	2,695,712	-	(3,442,277)	-	(3,442,277)	-
Community services	338,381	-	-	(338,381)	-	(338,381)	-
Interest and fiscal agent fees	926,584	-	-	(926,584)	-	(926,584)	-
Total governmental activities	20,261,626	3,762,025	1,844,224	(14,655,377)	-	(14,655,377)	-
Business-type activities							
General government	909,211	807,673	670,000	-	568,462	568,462	-
Water	2,962,612	4,578,777	-	-	1,616,165	1,616,165	-
Sewer	1,978,197	2,372,163	-	-	393,966	393,966	-
Gas	2,229,583	3,578,145	-	-	1,348,562	1,348,562	-
Interest and fiscal agent fees	245,129	-	-	-	(245,129)	(245,129)	-
Total business-type activities	8,324,732	11,336,758	670,000	-	3,682,026	3,682,026	-
Total primary government	\$ 28,586,358	\$ 15,098,783	\$ 2,514,224	(14,655,377)	3,682,026	(10,973,351)	-
Component unit							
Tomball Economic Development Corporation	2,573,998	-	-	-	-	-	(2,573,998)
	<u>\$ 2,573,998</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,573,998)</u>
GENERAL REVENUES							
Taxes:							
Property taxes				5,009,955	-	5,009,955	-
Sales taxes				10,532,691	-	10,532,691	3,510,754
Franchise taxes				1,253,077	-	1,253,077	-
Other taxes				590,910	-	590,910	-
Miscellaneous				253,375	45,800	299,175	-
Unrestricted investment earnings				30,636	(1,417)	29,219	22,390
TRANSFERS				1,691,621	(1,691,621)	-	-
Total general revenues and transfers				19,362,265	(1,647,238)	17,715,027	3,533,144
Change in net position				4,706,888	2,034,788	6,741,676	959,146
NET POSITION, beginning of year - as originally reported				41,063,373	41,368,304	82,431,677	10,770,744
Implementation of change in accounting principle (Note 1)				(456,178)	(101,315)	(557,493)	-
NET POSITION, beginning of year - as restated				40,607,195	41,266,989	81,874,184	10,770,744
NET POSITION, end of year				<u>\$ 45,314,083</u>	<u>\$ 43,301,777</u>	<u>\$ 88,615,860</u>	<u>\$ 11,729,890</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

**CITY OF TOMBALL, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General Fund	Debt Service
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,791,088	\$ 975,590
Investments	1,396,844	-
Receivables, net	2,375,353	660
Cash and cash equivalents restricted for:		
Debt service	-	1,660,605
Construction	-	-
Prepaid items	15,894	-
Total assets	\$ 14,579,179	\$ 2,636,855
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,163,290	\$ -
Customer deposits	1,850	-
Total liabilities	1,165,140	-
FUND BALANCES		
Nonspendable		
Prepaid items	15,894	-
Restricted for		
Debt service	-	2,636,855
Construction	-	-
Enabling legislation	-	-
Committed		
City functions	-	-
Assigned		
Encumbrances	322,702	-
Unassigned	13,075,443	-
Total fund balances	13,414,039	2,636,855
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,579,179	\$ 2,636,855

The Notes to the Basic Financial Statements
are an integral part of this statement.

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 14,969,196	\$ 1,343,885	\$ 28,079,759
-	-	1,396,844
43,898	42,739	2,462,650
-	-	1,660,605
8,305,488	-	8,305,488
-	-	15,894
\$ 23,318,582	\$ 1,386,624	\$ 41,921,240
\$ 521,656	\$ 181,431	\$ 1,866,377
-	-	1,850
521,656	181,431	1,868,227
-	-	15,894
-	-	2,636,855
22,796,926	-	22,796,926
-	1,036,948	1,036,948
-	168,245	168,245
-	-	322,702
-	-	13,075,443
22,796,926	1,205,193	40,053,013
\$ 23,318,582	\$ 1,386,624	\$ 41,921,240

**CITY OF TOMBALL, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Total fund balances - governmental funds \$ 40,053,013

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

Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds balance sheet. 36,534,903

Deferred loss on issuance of refunding bonds is not recorded in the fund financial statements but is recorded as a deferred outflow of resources on the statement of net position. 394,282

The accrual for other post employment benefits does not require the use of current financial resources and is therefore not recorded in the governmental fund financial statements. (528,232)

Interest payable on long term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet. (116,313)

Internal service funds are used by management to charge the cost of certain activities, such as fleet management, to individual funds. A portion of the assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 3,128,543

Long-term liabilities, including bonds payable, capital leases payable, bond premiums and compensated absences are not due and payable in the current period, and therefore are not reported in the fund financial statements. The components of long-term liabilities at September 30, 2014 are:

Bonded debt payable	(31,275,500)	
Capital lease payable	(535,464)	
Landfill post closure costs	(473,000)	
Compensated absences payable	(1,418,343)	
Premiums received on issuance of bonds	(449,806)	<u>(34,152,113)</u>

Net position of governmental activities \$ 45,314,083

CITY OF TOMBALL, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Debt Service	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 1,638,673	\$ 3,371,282	\$ -	\$ -	\$ 5,009,955
Sales, franchise, and other taxes	11,846,100	-	-	530,578	12,376,678
Permits and licenses	446,292	-	-	-	446,292
Fines and forfeitures	842,703	-	-	223,610	1,066,313
Service revenue	2,249,420	-	-	-	2,249,420
Intergovernmental	939,861	-	-	-	939,861
Contributions from component unit	35,000	534,816	334,547	-	904,363
Interest on investments	10,016	1,333	17,450	805	29,604
Other revenue	195,714	-	-	46,647	242,361
Total revenues	18,203,779	3,907,431	351,997	801,640	23,264,847
Expenditures					
Current					
Administrative	4,649,184	-	-	280,111	4,929,295
Police	5,083,135	-	163,808	253,188	5,500,131
Fire	2,423,234	-	-	-	2,423,234
Court	307,340	-	-	-	307,340
Public works	1,358,927	-	16,422	-	1,375,349
Sanitation	1,989,160	-	-	-	1,989,160
Streets	839,391	-	2,485,070	-	3,324,461
Permits	357,123	-	-	-	357,123
Garage	134,321	-	-	-	134,321
Parks	454,632	-	-	-	454,632
Community services	166,459	-	-	187,277	353,736
Debt service					
Principal	-	2,210,330	-	-	2,210,330
Interest	-	955,817	-	-	955,817
Bond issuance costs and fees	-	8,113	-	-	8,113
Total expenditures	17,762,906	3,174,260	2,665,300	720,576	24,323,042
Excess (deficiency) of revenues over expenditures	440,873	733,171	(2,313,303)	81,064	(1,058,195)
Other financing sources (uses)					
Transfers out	(585,000)	-	(114,428)	(100,000)	(799,428)
Transfers in	1,806,049	-	675,000	10,000	2,491,049
Total other financing sources (uses)	1,221,049	-	560,572	(90,000)	1,691,621
Net change in fund balances	1,661,922	733,171	(1,752,731)	(8,936)	633,426
Fund balances, beginning of year	11,752,117	1,903,684	24,549,657	1,214,129	39,419,587
Fund balances, end of year	\$ 13,414,039	\$ 2,636,855	\$ 22,796,926	\$ 1,205,193	\$ 40,053,013

The Notes to the Basic Financial Statements
are an integral part of this statement.

**CITY OF TOMBALL, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds \$ 633,426

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. This is the amount of capital assets recorded in the current period. 2,996,663

Depreciation expense on capital assets is reported in the statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. (1,092,596)

The issuance of long term debt (e.g. bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items was:

Amortization of premium on bonds payable	43,056	
Amortization of deferred loss on refunding	(59,674)	
Repayment of long term debt	<u>2,210,330</u>	2,193,712

Current year changes in the long term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. (120,770)

Current year changes in the long term liability for landfill post-closure costs do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. (473,000)

Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as an expenditure in the governmental funds. 53,964

The accrual for other post employment benefits does not require the use of current financial resources and is, therefore, not recorded in the governmental fund financial statements. (111,108)

An internal service fund is used by management to charge the cost of certain activities, such as fleet management, to individual funds. A portion of the change in net position of the internal service funds is included in governmental activities in the statement of activities. 626,597

Change in net position of governmental activities \$ 4,706,888

CITY OF TOMBALL, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2014

ASSETS	Business Type Activities	Governmental Activities
	Enterprise Fund	Internal Service
Current assets		
Cash and cash equivalents	\$ 9,479,348	\$ 2,578,242
Investments	2,240,679	-
Accounts receivable, net	1,174,909	9,343
Inventory	78,170	-
Other assets	-	633
Cash and cash equivalents restricted for:		
Debt service	1,095,173	-
Total current assets	14,068,279	2,588,218
Noncurrent assets		
Nondepreciable capital assets	2,555,967	-
Depreciable capital assets	57,693,402	2,061,653
Less: accumulated depreciation	(22,329,731)	(1,188,014)
Net capital assets	37,919,638	873,639
Total noncurrent assets	37,919,638	873,639
Total assets	51,987,917	3,461,857

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF TOMBALL, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2014
(CONTINUED)

LIABILITIES	Business Type Activities Enterprise Fund	Governmental Activities Internal Service
Current liabilities		
Accounts payable and accrued liabilities	\$ 678,023	\$ 1,609
Customer deposits	808,582	-
Current portion of bonds and other debt	1,093,776	-
Compensated absences	48,738	-
Accrued interest payable	30,491	-
Total current liabilities	2,659,610	1,609
Noncurrent liabilities		
Compensated absences	146,214	-
Long-term portion of bonds payable	6,212,021	-
Total noncurrent liabilities	6,358,235	-
Total liabilities	9,017,845	1,609
NET POSITION		
Net investment in capital assets	30,702,703	873,639
Restricted for debt service	1,095,173	-
Unrestricted	11,172,196	2,586,609
Total net position	\$ 42,970,072	\$ 3,460,248
Reconciliation to government-wide statement of net position:		
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds	331,705	
Net position of business-type activities	\$ 43,301,777	

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF TOMBALL, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
OPERATING REVENUES		
Charges for services	\$ 10,529,085	\$ 2,927,232
Taps and connections	244,454	-
Penalties	107,898	-
Capital recovery fees	455,321	-
Miscellaneous	45,800	-
Total operating revenues	<u>11,382,558</u>	<u>2,927,232</u>
OPERATING EXPENSES		
Costs of sales and services	6,766,405	2,007,982
Depreciation	1,407,482	264,401
Total operating expenses	<u>8,173,887</u>	<u>2,272,383</u>
Operating income	3,208,671	654,849
NONOPERATING REVENUES (EXPENSES)		
Investment income	7,920	1,032
Unrealized loss on investments	(9,337)	-
Interest expense	(245,129)	-
Gain on disposal of capital assets	-	11,014
Internal contribution	-	53,986
Contribution from component unit	670,000	-
Total nonoperating revenues (expenses)	<u>423,454</u>	<u>66,032</u>
Income before transfers	3,632,125	720,881
Transfers in	114,428	-
Transfers out	<u>(1,806,049)</u>	<u>-</u>
Change in net position	1,940,504	720,881
NET POSITION, beginning of year - as originally reported	41,130,883	2,739,367
Implementation of change in accounting principle (Note 1)	<u>(101,315)</u>	<u>-</u>
NET POSITION, beginning of year - as restated	<u>41,029,568</u>	<u>2,739,367</u>
NET POSITION, end of year	<u>\$ 42,970,072</u>	<u>\$ 3,460,248</u>
Reconciliation to government-wide statement of activities:		
Change in net position	\$ 1,940,504	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	<u>94,284</u>	
Change in net position of business-type activities	<u>\$ 2,034,788</u>	

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF TOMBALL, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Business Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
OPERATING ACTIVITIES		
Cash received from customers	\$ 11,317,909	\$ 2,926,578
Cash payments to suppliers for goods and services	(5,059,405)	(2,006,156)
Cash payments to employees for services	(1,555,974)	-
Net cash provided by operating activities	4,702,530	920,422
NONCAPITAL FINANCING ACTIVITIES		
Transfers	(1,691,621)	-
Contribution from component unit	670,000	-
Net cash used in noncapital financing activities	(1,021,621)	-
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(502,144)	(461,081)
Proceeds from sale of capital assets	-	65,000
Principal paid on capital debt	(1,070,250)	-
Interest paid on capital debt	(259,810)	-
Net cash used in capital and related financing activities	(1,832,204)	(396,081)
INVESTING ACTIVITIES		
Purchases of investments, net	(1,249,717)	-
Investment income	7,920	1,032
Net cash provided by (used in) investing activities	(1,241,797)	1,032
Net change in cash and cash equivalents	606,908	525,373
CASH AND CASH EQUIVALENTS, beginning of year	9,967,613	2,052,869
CASH AND CASH EQUIVALENTS, end of year	\$ 10,574,521	\$ 2,578,242

The Notes to the Basic Financial Statements
are an integral part of this statement.

CITY OF TOMBALL, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

	Business Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
Reconciliation of operating income to net cash cash provided by operating activities		
Operating income	\$ 3,208,671	\$ 654,849
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	1,407,482	264,401
Change in assets and liabilities		
Accounts receivable	(110,021)	(654)
Inventory	9,997	-
Other assets	-	1,826
Accounts payable and accrued liabilities	141,029	-
Customer deposits	45,372	-
	<u>45,372</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 4,702,530</u>	<u>\$ 920,422</u>
Reconciliation of cash to statement of net position		
Cash and cash equivalents	\$ 9,479,348	\$ 2,578,242
Restricted cash and cash equivalents	1,095,173	-
	<u>1,095,173</u>	<u>-</u>
CASH AND CASH EQUIVALENTS	<u>\$ 10,574,521</u>	<u>\$ 2,578,242</u>

CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Tomball, Texas (the City) was incorporated on July 18, 1933. The City has operated under a "Home Rule Charter," which provides for a Council-City Manager form of government, since 1987. The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety to include police and fire services; municipal court; streets; drainage; water and sewer services; solid waste collection and disposal; community development; and general administration.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Tomball Economic Development Corporation, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria 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.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Reporting Entity – Continued

Discretely Presented Component Unit

Tomball Economic Development Corporation – This Corporation was formed in 1994 pursuant to the Development Corporation Act of 1979, governed under Section 4B of the Act. It receives and utilizes the proceeds of a one-half cent sales tax to promote and assist in the economic development of the City. The seven directors of the Corporation are appointed by the governing body of the City. Directors are removable by the governing body of the City at any time without cause.

Financial information for the Tomball Economic Development Corporation may be obtained from the following address:

Tomball Economic Development Corporation
401 West Market Street
Tomball, Texas 77375

Blended Component Unit

Employee Benefits Trust – Employee Benefits Trust (the Trust) has been included in the reporting entity as a blended component unit. The Trust is a not-for-profit entity and is organized under Section 222.002(c)(5) of the Texas Insurance Code. The Trust's Board of Trustees are the members of City Council. The Trust is organized for the purpose of providing or offering City officers, employees, and qualified retirees and their dependents with life, disability, sickness, accident, and other health benefits either directly or through the purchase of insurance. The operations of the Trust are presented as a proprietary fund type in an internal service fund.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide and Fund Financial Statements – Continued

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for and report all financial resources not accounted for and reported in another fund. 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 administrative, police, fire, municipal court, public works, sanitation, streets, permits, garage, parks, and community services.

Special Revenue Funds

The special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The special revenue funds include Court Security Fund, Court Technology Fund, Hotel Occupancy Tax Fund, Red Light Camera Fund, Bunny Run Fund, and the Special General Fund. The special revenue funds are considered nonmajor funds for reporting purposes.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide and Fund Financial Statements – Continued

Governmental Funds – Continued

Debt Service Fund

The debt service fund is used to account for and report 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.

Capital Projects Fund

The capital projects fund is used to account for and report the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The capital projects fund is considered a major fund for reporting purposes.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, net position, revenues, expenses, and transfers relating to the government's business-type activities are accounted for through proprietary funds. The proprietary funds used by the City include the following:

Enterprise Fund

The enterprise fund is used to account for the operations that provide water and wastewater collection, wastewater treatment operations, and solid waste collection and disposal. 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 enterprise fund is considered a major fund for reporting purposes.

Internal Service Funds

Internal service funds account for services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The fleet replacement and health benefits funds are used to account for vehicle and equipment replacement and employee benefits.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting

The government-wide statement of net position and statement of activities and all proprietary funds are accounted for with a flow of economic resources measurement focus on the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the statement of net position. Proprietary fund equity consists of net position. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in changes in net position.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net change in fund balances.

The City uses the modified accrual basis of accounting in the governmental funds. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined, and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual, and have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government, and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

The accrual basis of accounting is used for the proprietary fund types. The statement of net position, statement of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

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

Implementation of Change in Accounting Principle

During the year ended September 30, 2014, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities. The effects of implementation of GASB 65 are reflected in the accompanying financial statements.

Pursuant to GASB 65, bond issuance costs which previously had been capitalized and amortized over the term of the bonds in the government-wide financial statements are now accounted for as expense in the period incurred. Therefore, the beginning net position on the government-wide statement of activities and the proprietary funds statement of revenues, expenses and changes in fund net position has been adjusted to reflect the portion of deferred charges that were incurred in prior years.

Deposits and Investments

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

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deposits and Investments – Continued

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

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 Governmental Code. In summary, the City is authorized to invest in the following:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities;
5. Certificates of deposit, repurchase agreements, and commercial paper that meet certain criteria;
6. An eligible investment pool authorized by the governing body.

Property Taxes

Property taxes are levied during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Receivables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles.

Inventory and Prepaid Items

The costs of governmental fund type inventory are recorded as expenditures when the related liability is included (i.e., the purchase method). Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures), and are recognized as expenditures when utilized.

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 government as assets with an initial, individual cost of more than \$20,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets – Continued

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:

Buildings and improvements	20 - 50 years
Machinery and equipment	3 - 10 years
Vehicles	5 years
Water, sewer and gas system	20 - 30 years
Infrastructure	40 - 50 years

Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits, and compensatory time. Amounts accumulated, up to certain limits, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are recorded on the government-wide statement of net position and represent a reconciling item between the fund and government-wide presentations.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payments of principal and interest are reported as expenditures. Claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate fund's financial statements. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Long-Term Obligations – Continued

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 interest earned in the debt service fund. Though 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 capital leases 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 governmental fund financial statements. 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.

Landfill Post-Closure Care Costs

The City reports municipal solid waste landfill costs in accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs*. The liability for landfill post-closure costs is reported in long-term debt.

Deferred Inflows and Deferred Outflows of Resources

In accordance with GASB 65, deferred inflows of resources represent an acquisition of resources that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represent a consumption of resources that applies to a future period and therefore will not be recognized as an outflow of resources (expense/expenditure) until that time.

The City's deferred loss on issuance of refunding bonds, which is recognized only under the accrual basis of accounting, qualifies for reporting as a deferred outflow of resources. Accordingly, the deferred loss on issuance of refunding bonds is reported only in the statement of net position. This item represents the difference between the carrying value of the refunded debt and its reacquisition price and is deferred and amortized as a component of interest expense over the shorter of the life of the refunded debt or the life of the refunding debt.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Equity

Government – Wide and Proprietary Fund Net Position

Net position on the statement of net position includes the following categories:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Governmental Funds Fund Balance

Fund balances of governmental funds are classified as follows:

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

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

Committed fund balance – represents amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. The commitment must be made prior to year end.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Equity – Continued

Governmental Funds Fund Balance – Continued

Assigned fund balance – represents amounts the City intends to use for a specific purpose. Fund balance can be assigned by the City Manager, pursuant to the City's fund balance policy. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. Assignments can be made at any time.

Unassigned fund balance – represents amounts that are available for any purpose. Positive amounts are reported only in the general fund. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

The City Council is the government's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

The Council has also authorized the City Manager to assign fund balance. Assignments of fund balance by the City Manager do not require formal action by the City Council.

The City strives to maintain an unassigned fund balance of not less than 25% of the budgeted operational expenditures in all City funds. Due to the volatile nature of a majority of its revenues, it is not deemed excessive for the City to maintain an unassigned fund balance in the general fund at levels greater than 33% of the budgeted operational expenditures. The purpose of this unassigned balance is to alleviate significant unanticipated budget shortfalls and to ensure the orderly provisions of services to citizens. 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.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are legally adopted on a basis consistent with GAAP for the general fund, debt service fund, court security fund, court technology fund, hotel occupancy tax fund, and the special general fund. All other adopted budgets are used as a management tool. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter in the approved budget is the department level in the general fund, and all others are the fund level. The City Manager may transfer appropriations between divisions within a department without seeking the approval of City Council. Appropriations lapse at the end of the year.

Excess of Expenditures Over Appropriations

General fund:		
Community services	\$	2,436

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits and investments as of September 30, 2014 are classified in the accompanying financial statements as follows:

Governmental activities	\$ 42,020,938
Business-type activities	12,815,200
Component unit	<u>8,408,613</u>
Total	<u><u>\$ 63,244,751</u></u>

Deposits and investments as of September 30, 2014 consist of the following:

City	
Deposits with financial institutions	\$ 1,010,248
Investments	<u>53,825,890</u>
Total city	<u><u>\$ 54,836,138</u></u>
Component unit	
Deposits with financial institutions	\$ 206,614
Investments	<u>8,201,999</u>
Total component unit	<u><u>\$ 8,408,613</u></u>

At September 30, 2014, the City and component unit had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
City		
U.S. Agencies	\$ 3,637,523	902
TexPool	42,934,218	47
Texas CLASS	<u>7,254,149</u>	<u>60</u>
Total fair value	<u><u>\$ 53,825,890</u></u>	
Portfolio weighted average maturity		<u><u>107</u></u>
Component unit		
U.S. Agencies	\$ 4,736,359	781
Municipal Bonds	494,847	695
TexPool	2,063,094	48
Texas CLASS	<u>907,699</u>	<u>60</u>
Total fair value	<u><u>\$ 8,201,999</u></u>	
Portfolio weighted average maturity		<u><u>512</u></u>

CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED

Investment Pools

The City's investment pools are 2a7-like pools. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The value of the City's investments in these pools are the same as the value of the pool shares, which are valued based on quoted market rates.

The City invests in Texas Local Government Investment Pool (TexPool), which was created under the Interlocal Cooperation Act, Texas Government Code Ann. Chapter 791 and the Texas Public Funds Investment Act. The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is sole officer, director and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Texas Public Funds Investment Act.

The City invests in Texas CLASS Investment Pool which was established in 1996 pursuant to the Texas Public Funds Investment Act. The pool is governed by a 7-member board of trustees, who are elected by pool participants. Public Trust Advisors, LLC serves as the pool's program administrator and Wells Fargo Bank Texas, NA, serves as custodian.

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. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2014, all of the City's and component unit's combined balance on deposit with financial institutions was fully collateralized with securities held by the pledging financial institution in the City's name.

Interest rate risk. In compliance with the City's Investment Policy, as of year-end, the City minimized the interest rate risk related to the decline in market value of securities due to rising interest rates in the portfolio by limiting the effective duration of security types not to exceed two years, with the exception of securities purchased related to reserve funds; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar government investment pools.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED

Credit risk. The City's investment policy limits investments in external investment pools to 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. Obligations of states, agencies, counties, cities, and other political subdivisions of any state must be rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent. The City's investments as of September 30, 2014 were rated as follows:

Investment Type	Rating	Rating Agency
U.S. Agencies	AA+	Standard & Poor's
Municipal Bonds	AAA / AA+	Standard & Poor's
TexPool	AAAm	Standard & Poor's
Texas CLASS	AAAm	Standard & Poor's

NOTE 4. RECEIVABLES

The following comprise receivable balances at year end:

	General	Debt Service	Capital Projects	Nonmajor Governmental	Enterprise	Internal Service	Component Unit
Receivables:							
Property taxes	\$ 107,788	\$ 178,246	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,754,911	-	-	-	-	-	584,970
Other taxes	115,228	-	-	-	-	-	-
Customer accounts	293,996	-	-	-	1,321,674	-	-
Interest	1,403	-	-	-	2,305	-	-
Other	246,812	660	43,898	42,739	-	9,343	-
Gross receivables	2,520,138	178,906	43,898	42,739	1,323,979	9,343	584,970
Less: allowance for uncollectibles	(144,785)	(178,246)	-	-	(149,070)	-	-
Net total receivables	<u>\$ 2,375,353</u>	<u>\$ 660</u>	<u>\$ 43,898</u>	<u>\$ 42,739</u>	<u>\$ 1,174,909</u>	<u>\$ 9,343</u>	<u>\$ 584,970</u>

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5. CAPITAL ASSETS

Changes in capital assets for governmental activities for the year ended September 30, 2014 are summarized as follows:

	Beginning Balance	Increases	Reclassifications/ Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 5,637,581	\$ 13,475	\$ -	\$ 5,651,056
Construction in progress	5,802,761	2,517,619	(1,324,086)	6,996,294
Total capital assets not being depreciated	11,440,342	2,531,094	(1,324,086)	12,647,350
Other capital assets				
Buildings and improvements	10,720,464	275,887	-	10,996,351
Machinery and equipment	6,087,788	351,105	(205,622)	6,233,271
Vehicles	3,460,140	336,662	-	3,796,802
Infrastructure	21,396,535	1,296,304	-	22,692,839
Total other capital assets	41,664,927	2,259,958	(205,622)	43,719,263
Less accumulated depreciation				
Buildings and improvements	3,142,622	272,065	-	3,414,687
Machinery and equipment	4,678,007	299,116	(151,636)	4,825,487
Vehicles	3,243,619	158,762	-	3,402,381
Infrastructure	6,883,959	580,689	-	7,464,648
Total accumulated depreciation	17,948,207	1,310,632	(151,636)	19,107,203
Total capital assets being depreciated, net	23,716,720	949,326	(53,986)	24,612,060
Governmental activities capital assets, net	<u>\$ 35,157,062</u>	<u>\$ 3,480,420</u>	<u>\$ (1,378,072)</u>	<u>\$ 37,259,410</u>

Depreciation was charged to governmental functions as follows:

Police	\$ 307,699
Streets	272,065
Public works	512,832
Internal service	<u>218,036</u>
Total governmental activities depreciation expense	<u><u>\$ 1,310,632</u></u>

CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS – CONTINUED

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

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Agg R. Extension (Med. Complex Drive)	\$ 6,581,721	\$ 3,357,373	\$ 3,224,348
M124 Willow Creek Tributaries	1,348,145	1,060,522	287,623
M121 Drainage Channel	1,480,400	1,054,487	425,913
M121 Final Phase	1,480,400	979,500	500,900
Tomball Business Park	339,971	216,350	123,621
Rudolph Road and Utilities	212,045	139,896	72,149
M118 Drainage Channels	70,336	70,336	-
City Hall Fire Alarm System	41,000	36,900	4,100
Michel Rd./Holderrieth Blvd.	35,130	35,130	-
Pine St. Drainage / Sidewalk	29,300	29,300	-
Downtown Sidewalks	27,500	16,500	11,000
Total	\$ 11,645,948	\$ 6,996,294	\$ 4,649,654

Changes in capital assets for business-type activities for the year ended September 30, 2014 are summarized as follows:

	Beginning Balance	Increases	Reclassifications/ Decreases	Ending Balance
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 1,403,735	\$ -	\$ -	\$ 1,403,735
Construction in progress	1,504,891	441,538	(794,197)	1,152,232
Total capital assets not being depreciated	2,908,626	441,538	(794,197)	2,555,967
Other capital assets				
Gas system	5,806,157	115,188	-	5,921,345
Water and sewer system	46,825,092	700,534	(3,196)	47,522,430
Machinery and equipment	4,564,183	40,426	-	4,604,609
Total other capital assets	57,195,432	856,148	(3,196)	58,048,384
Less accumulated depreciation:				
Gas system	2,573,432	141,652	-	2,715,084
Water and sewer system	16,589,105	1,159,068	(1,851)	17,746,322
Machinery and equipment	1,921,048	153,127	-	2,074,175
Total accumulated depreciation	21,083,585	1,453,847	(1,851)	22,535,581
Total capital assets being depreciated, net	36,111,847	(597,699)	(1,345)	35,512,803
Business-type activities capital assets, net	\$ 39,020,473	\$ (156,161)	\$ (795,542)	\$ 38,068,770

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 5. CAPITAL ASSETS – CONTINUED

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 1,312,195
Gas	<u>141,652</u>
 Total business-type activities depreciation expense	 <u><u>\$ 1,453,847</u></u>

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

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Medical Complex Drive	\$ 1,140,787	\$ 526,584	\$ 614,203
Hufsmith Water and Gas Improvement	390,106	359,438	30,668
Rudolph Road	169,538	138,888	30,650
24" Sanitary Sewer - E. Hufsmith	136,537	105,522	31,015
NWTP Generator Addition	323,000	17,000	306,000
Neal Road Utilities	4,800	4,800	-
 Total	 <u><u>\$ 2,164,768</u></u>	 <u><u>\$ 1,152,232</u></u>	 <u><u>\$ 1,012,536</u></u>

Changes in capital assets for the component unit for the year ended September 30, 2014 are summarized as follows:

	Beginning Balance	Increases	Reclassifications/ Decreases	Ending Balance
Component Unit				
Capital assets not being depreciated				
Land	\$ 1,653,664	\$ -	\$ -	\$ 1,653,664
Construction in progress	843,523	300,789	-	1,144,312
Total capital assets not being depreciated	<u><u>\$ 2,497,187</u></u>	<u><u>\$ 300,789</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,797,976</u></u>

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

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Tomball Business and Technology Park	\$ 1,756,452	\$ 1,144,312	\$ 612,140
 Total	 <u><u>\$ 1,756,452</u></u>	 <u><u>\$ 1,144,312</u></u>	 <u><u>\$ 612,140</u></u>

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM DEBT

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2014. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

Long-term liabilities applicable to 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. The governmental activities compensated absences and net other postemployment benefit obligation (OPEB) are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds, notes and other payables					
Bonded debt payable	\$ 33,420,250	\$ -	\$ 2,144,750	\$ 31,275,500	\$ 2,198,000
Premiums	492,862	-	43,056	449,806	43,056
	<u>33,913,112</u>	<u>-</u>	<u>2,187,806</u>	<u>31,725,306</u>	<u>2,241,056</u>
Other liabilities					
Capital lease obligation	601,044	-	65,580	535,464	68,104
Net OPEB obligation	417,124	145,268	34,160	528,232	-
Compensated absences	1,297,573	951,217	830,447	1,418,343	354,586
Landfill post closure costs	-	473,000	-	473,000	88,000
Total governmental activities	<u>\$ 36,228,853</u>	<u>\$ 1,569,485</u>	<u>\$ 3,117,993</u>	<u>\$ 34,680,345</u>	<u>\$ 2,751,746</u>
Long-term debt due in more than one year				<u>\$ 31,928,599</u>	
Business-Type Activities					
Revenue bonds	\$ 8,204,750	\$ -	\$ 1,070,250	\$ 7,134,500	\$ 1,082,000
Premiums	94,211	-	11,776	82,435	11,776
	<u>8,298,961</u>	<u>-</u>	<u>1,082,026</u>	<u>7,216,935</u>	<u>1,093,776</u>
Other liabilities					
Net OPEB obligation	74,188	20,420	5,746	88,862	-
Compensated absences	220,569	44,965	70,582	194,952	48,738
Total business-type activities	<u>\$ 8,593,718</u>	<u>\$ 65,385</u>	<u>\$ 1,158,354</u>	<u>\$ 7,500,749</u>	<u>\$ 1,142,514</u>
Long-term debt due in more than one year				<u>\$ 6,358,235</u>	

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM DEBT – CONTINUED

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

<u>Series and Original Issue Amount</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
<u>Certificates of Obligation</u>					
Series 2012	\$ 14,500,000	2032	3.00 - 4.25%	\$ 13,360,000	\$ -
Series 2013	8,500,000	2033	2.00 - 3.00%	8,205,000	-
				<u>21,565,000</u>	<u>-</u>
<u>General Obligation Bonds</u>					
Series 2010	2,120,000	2018	1.50 - 2.20%	1,105,000	-
Series 2011	8,650,000	2022	2.00 - 4.00%	3,820,500	4,669,500
Series 2013	6,370,000	2023	1.00 - 1.65%	4,785,000	-
				<u>9,710,500</u>	<u>4,669,500</u>
<u>Revenue Bonds</u>					
Series 1999	7,550,000	2019	2.20 - 4.10%	-	2,465,000
				<u>-</u>	<u>2,465,000</u>
				<u>\$31,275,500</u>	<u>\$ 7,134,500</u>

The annual requirements to amortize bond and certificate debt issues outstanding at year end were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,198,000	\$ 835,674	\$ 1,082,000	\$ 228,783
2016	2,216,750	785,666	1,083,250	196,574
2017	2,248,250	737,311	1,086,750	162,127
2018	2,274,250	686,280	1,100,750	125,401
2019	2,015,250	636,544	1,109,750	86,468
2020-2024	9,083,000	2,428,322	1,672,000	99,770
2025-2029	6,360,000	1,419,365	-	-
2030-2033	4,880,000	302,231	-	-
	<u>\$ 31,275,500</u>	<u>\$ 7,831,393</u>	<u>\$ 7,134,500</u>	<u>\$ 899,123</u>

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM DEBT – CONTINUED

Defeasance of Bonds

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On September 30, 2014, \$14,685,000 of bonds considered defeased are still outstanding.

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 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 IRS's rules and regulations.

Obligations under Capital Leases

The City has entered into capital lease agreements in order to purchase machinery and equipment. The assets acquired through these lease agreements are classified as follows:

Asset:	<u>Governmental Activities</u>
Machinery and equipment	<u>\$ 725,000</u>

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 6. LONG-TERM DEBT – CONTINUED

Obligations under Capital Leases – Continued

The following is a summary of future lease payments due on this machinery and equipment:

<u>Year Ending September 30,</u>	<u>Lease Obligation</u>
2015	\$ 88,719
2016	88,719
2017	88,719
2018	88,719
2019	88,719
2020 - 2021	<u>177,439</u>
Total	621,034
Less: interest portion	<u>(85,570)</u>
Obligations under capital leases	<u>\$ 535,464</u>

Landfill Post-Closure Liability

The City's municipal solid waste landfill is in the post-closure process as the landfill has been closed. State and federal regulations required the City to place a final cover on the landfill site when it stopped accepting waste and to perform certain post-closure care and monitoring functions at the site until approved for final regulatory closure by the Texas Commission on Environmental Quality.

During the year ended September 30, 2014, the City's estimated liability for landfill post-closure costs increased by \$473,000 due to changes in post-closure care requirements and the extent of environmental remediation required. The effect of this change in estimate is included in current period governmental activities expenses on the statement of activities for the year ended September 30, 2014. The balance of \$473,000 reported as the liability for landfill post-closure costs at year end represents the remaining estimated post-closure costs required to achieve regulatory approval for closure. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 7. INTERFUND TRANSACTIONS

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

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General	Enterprise	\$ 1,806,049	To fund indirect costs for administrative expenses
Enterprise	Capital projects	114,428	To fund miscellaneous projects
Capital projects	Nonmajor governmental	100,000	To fund miscellaneous projects
Capital projects	General	575,000	To fund miscellaneous projects
Nonmajor governmental	General	<u>10,000</u>	To fund miscellaneous projects
		<u>\$ 2,605,477</u>	

NOTE 8. COMMITMENTS AND CONTINGENCIES

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

Contingent Liabilities

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 on 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 September 30, 2014.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 9. PENSION PLAN

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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

	Plan Year 2013	Plan Year 2014
	<hr/>	<hr/>
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 retirement eligibility (expressed as age / years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 9. PENSION PLAN – CONTINUED

Contributions – Continued

The normal cost contribution rate for an employee is the contribution rate which, if applied to a member’s compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

The annual pension cost and net pension obligation are as follows:

Annual Required Contribution (ARC)	\$ 1,091,994
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	1,091,994
Contributions made	(1,091,994)
Increase in net pension obligation	-
Net Pension Obligation, beginning of year	-
Net Pension Obligation, end of year	\$ -

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

Fiscal Year	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation at September 30
2012	\$ 1,062,771	\$ 1,062,771	100%	\$ -
2013	1,127,486	1,127,486	100%	-
2014	1,091,994	1,091,994	100%	-

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 9. PENSION PLAN – CONTINUED

Contributions – Continued

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.2 years; closed period	25.2 years; closed period	30.0 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial assumptions:			
Investment rate of return *	7.00%	7.00%	7.00%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.00%	3.00%	3.00%
Cost-of-living adjustments	2.10%	2.10%	2.10%

Funded Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 9. PENSION PLAN – CONTINUED

Funded Status and Funding Progress – Continued

The funded status as of December 31, 2013, the most recent valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2013	\$24,445,827	\$30,172,851	81.0%	\$5,727,024	\$8,642,842	66.3%

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

In order to recognize and reward long-term employees, as well as to provide an incentive for remaining in the City's employment, the City administers a single-employer defined benefit Other Post-Employment Benefits (OPEB) plan that will pay a portion of the premium for continuation of the medical and dental insurance coverage of certain retirees. The plan is known as the City of Tomball Retirement Health Care Plan. Enrollment for retiree coverage must be completed no later than 30 days after the date of retirement. Later enrollment is not permitted. Any retiree eligible for medical coverage with another group plan shall not qualify for medical coverage with the City.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Plan Description – Continued

In order to be eligible for this benefit, the retiree must be vested, age 55 or older and a current recipient of retirement benefits from the Texas Municipal Retirement System; have been a full-time employee of the City for ten consecutive years immediately prior to retirement; and satisfy the applicable plan requirements for the extension of retiree coverage under the medical and dental insurance benefit plan offered by the City at the time of retirement.

Beginning with retirement and ending when the person is eligible for Medicare coverage, the City shall pay a portion of the retiree medical and dental coverage premiums in accordance with the following: 40 percent of the premium costs for retirees having at least ten years, but less than 15 years, of full-time service with the City; 55 percent of the premium costs for retirees having at least 15 years, but less than 20 years, of full-time service with the City; 70 percent of the premium costs for retirees having at least 20 years, but less than 25 years, of full-time service with the City; or 85 percent of the premium costs for retirees having at least 25 years of full-time service with the City. To cover their spouses, eligible retirees must pay 100 percent of the cost for their eligible spouse. Eligible retirees shall pay 100 percent of the premiums for basic life insurance.

Benefit continuation of medical, dental, and life insurance coverage provided at the City's expense to retirees ends when the retiree is eligible for Medicare coverage. Retirees who are eligible for Medicare coverage may, at their sole expense, continue to purchase coverage for themselves and their eligible dependents as provided under the applicable terms of the City's policies. A separate postemployment benefit plan report is not available for the City of Tomball Retirement Health Care Plan.

Funding Policy and Annual OPEB Cost

The City has elected to finance the OPEB plan on a pay-as-you-go basis. The City paid \$18,677 in premiums related to the plan for retirees during the year.

The City's annual OPEB cost 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 accrual that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize the unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Funding Policy and Annual OPEB Cost – Continued

The City's annual OPEB cost for the current year is as follows:

Annual required contribution	\$	164,063
Interest on OPEB obligation		22,109
Adjustment to ARC		(20,484)
Annual OPEB cost (expense) end of year		165,688
Net estimated employer contributions		(39,906)
Increase in net OPEB obligation		125,782
Net OPEB obligation – as of beginning of the year		491,312
Net OPEB obligation – as of end of year	\$	617,094

The City's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2014 and the preceding two fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution Made	Percentage of OPEB Cost Contributed	Net OPEB Obligation at September 30
2012	\$ 155,394	\$ 30,793	20%	\$ 351,136
2013	160,445	20,269	13%	491,312
2014	165,688	39,906	24%	617,094

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2011, the most recent valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2011	\$ -	\$1,157,549	-	\$1,157,549	\$7,382,599	16%

Under the reporting parameters, the City's retiree health plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$1,157,549 at December 31, 2011. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 16%.

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health plan. Using the plan benefits, the present health premiums and a 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.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

Actuarial cost method	Projected unit credit
Amortization method	Level % of payroll
Remaining amortization period	30 years - open amortization
Asset valuation method	Market value smoothed
Investment rate of return	4.5% per annum, net of expenses
Inflation rate	3.0% per annum
Projected salary increases	3.0% per annum
Healthcare cost trend rate (initial/ultimate)	8.5% / 4.5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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

**CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

TMRS – Supplemental Death Benefit Fund

Plan Description

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

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

Contributions

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

The City's contributions to the TMRS SDBF for the years ended September 30, 2014, 2013, and 2012 were \$2,613, \$2,574, and \$1,547, respectively, which equaled the required contributions each year.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITY OF TOMBALL, TEXAS
SCHEDULE OF FUNDING PROGRESS FOR PARTICIPATION
IN TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2011	\$ 19,902,858	\$ 25,038,151	79.5%	\$ 5,135,293	\$ 7,382,599	69.6%
12/31/2012	21,929,255	26,443,767	82.9%	4,514,512	7,888,487	57.2%
12/31/2013	24,445,827	30,172,851	81.0%	5,727,024	8,642,842	66.3%

**CITY OF TOMBALL, TEXAS
SCHEDULE OF FUNDING PROGRESS
POST EMPLOYMENT BENEFITS PLAN OTHER THAN PENSIONS
SEPTEMBER 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2011	\$ -	\$ 1,157,549	0.0%	\$ 1,157,549	\$ 7,382,599	15.7%
12/31/2012 *	-	1,157,549	0.0%	1,157,549	7,382,599	15.7%
12/31/2013 *	-	1,157,549	0.0%	1,157,549	7,382,599	15.7%

* In accordance with GASB Statement No. 45 for plans with a total membership of fewer than 200, the City has an actuarial valuation performed at least triennially, which was performed as of December 31, 2011. Therefore data for 2012 and 2013 is the same as 2011.

**CITY OF TOMBALL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
Revenues				
Property taxes	\$ 1,550,000	\$ 1,678,000	\$ 1,638,673	\$ (39,327)
Sales, franchise, and other taxes	10,017,300	11,643,050	11,846,100	203,050
Permits and licenses	307,500	411,700	446,292	34,592
Fines and forfeitures	867,000	895,100	842,703	(52,397)
Services revenue	2,119,030	2,186,305	2,249,420	63,115
Intergovernmental	883,868	892,424	939,861	47,437
Contributions from component unit	10,000	35,000	35,000	-
Interest on investments	30,000	12,000	10,016	(1,984)
Other revenues	130,800	136,913	195,714	58,801
Total revenues	15,915,498	17,890,492	18,203,779	313,287
Expenditures				
Administrative	4,976,238	4,943,607	4,649,184	294,423
Police	5,285,852	5,235,761	5,083,135	152,626
Fire	2,573,094	2,502,072	2,423,234	78,838
Court	338,242	336,620	307,340	29,280
Public works	1,311,868	1,426,741	1,358,927	67,814
Sanitation	1,962,300	2,006,080	1,989,160	16,920
Streets	1,044,773	965,117	839,391	125,726
Permits	388,545	381,618	357,123	24,495
Garage	138,289	139,306	134,321	4,985
Parks	481,107	481,269	454,632	26,637
Community services	169,147	164,023	166,459	(2,436) *
Total expenditures	18,669,455	18,582,214	17,762,906	819,308
Excess of revenues over (under) expenditures	(2,753,957)	(691,722)	440,873	1,132,595
Other financing sources				
Transfers in	1,806,049	1,806,049	1,806,049	-
Transfers out	(510,000)	(585,000)	(585,000)	-
Total other financing sources	1,296,049	1,221,049	1,221,049	-
Net change in fund balance	\$ (1,457,908)	\$ 529,327	1,661,922	\$ 1,132,595
Fund balance, beginning of year			11,752,117	
Fund balance, end of year			\$ 13,414,039	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations at the legal level of control.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted or committed to expenditures for particular purposes.

**CITY OF TOMBALL, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

ASSETS	Special General	Court Security	Court Technology
CURRENT ASSETS			
Cash and cash equivalents	\$ 149,547	\$ 226,977	\$ 270,297
Accounts receivable	-	-	-
TOTAL ASSETS	\$ 149,547	\$ 226,977	\$ 270,297
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Total liabilities	-	-	-
FUND BALANCES			
Restricted for enabling legislation	-	226,977	270,297
Committed for city functions	149,547	-	-
Total fund balances	149,547	226,977	270,297
TOTAL LIABILITIES AND FUND BALANCES	\$ 149,547	\$ 226,977	\$ 270,297

<u>Hotel Occupancy Tax</u>	<u>Red Light Camera</u>	<u>Bunny Run</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 419,881	\$ 257,728	\$ 19,455	\$ 1,343,885
3,400	39,339	-	42,739
<u>\$ 423,281</u>	<u>\$ 297,067</u>	<u>\$ 19,455</u>	<u>\$ 1,386,624</u>

<u>\$ 34,806</u>	<u>\$ 145,868</u>	<u>\$ 757</u>	<u>\$ 181,431</u>
34,806	145,868	757	181,431
388,475	151,199	-	1,036,948
-	-	18,698	168,245
<u>388,475</u>	<u>151,199</u>	<u>18,698</u>	<u>1,205,193</u>
<u>\$ 423,281</u>	<u>\$ 297,067</u>	<u>\$ 19,455</u>	<u>\$ 1,386,624</u>

**CITY OF TOMBALL, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014**

	Special General	Court Security	Court Technology	Hotel Occupancy Tax
Revenues				
Other taxes	\$ -	\$ -	\$ -	\$ 530,578
Fines and forfeitures	-	18,044	24,058	-
Interest on investments	93	133	122	187
Other revenues	20,637	-	-	-
Total revenues	20,730	18,177	24,180	530,765
Expenditures				
Current:				
Administrative	7,217	-	1,500	271,220
Police	-	-	-	-
Community services	-	-	-	172,735
Total expenditures	7,217	-	1,500	443,955
Excess (deficiency) of revenues over (under) expenditures	13,513	18,177	22,680	86,810
Other financing sources (uses)				
Transfers in	-	-	-	10,000
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	10,000
Net change in fund balances	13,513	18,177	22,680	96,810
Fund balances, beginning of year	136,034	208,800	247,617	291,665
Fund balances, end of year	\$ 149,547	\$ 226,977	\$ 270,297	\$ 388,475

Red Light Camera	Bunny Run	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 530,578
181,508	-	223,610
268	2	805
-	26,010	46,647
181,776	26,012	801,640
-	174	280,111
253,188	-	253,188
-	14,542	187,277
253,188	14,716	720,576
(71,412)	11,296	81,064
-	-	10,000
(100,000)	-	(100,000)
(100,000)	-	(90,000)
(171,412)	11,296	(8,936)
322,611	7,402	1,214,129
<u>\$ 151,199</u>	<u>\$ 18,698</u>	<u>\$ 1,205,193</u>

**CITY OF TOMBALL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2014**

	Special General			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest on investments	\$ 200	\$ 60	\$ 93	\$ 33
Other revenues	13,000	18,500	20,637	2,137
Total revenues	13,200	18,560	20,730	2,170
Expenditures				
Administrative	40,000	26,000	7,217	18,783
Total expenditures	40,000	26,000	7,217	18,783
Net change in fund balance	<u>\$ (26,800)</u>	<u>\$ (7,440)</u>	13,513	<u>\$ 20,953</u>
Fund balance, beginning of year			136,034	
Fund balance, end of year			<u>\$ 149,547</u>	

	Court Security			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 25,000	\$ 20,000	\$ 18,044	\$ (1,956)
Interest on investments	300	100	133	33
Total revenues	25,300	20,100	18,177	(1,923)
Expenditures				
Administrative	1,000	1,000	-	1,000
Total expenditures	1,000	1,000	-	1,000
Net change in fund balance	<u>\$ 24,300</u>	<u>\$ 19,100</u>	18,177	<u>\$ (923)</u>
Fund balance, beginning of year			208,800	
Fund balance, end of year			<u>\$ 226,977</u>	

**CITY OF TOMBALL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 3,085,420	\$ 3,400,000	\$ 3,371,282	\$ (28,718)
Contributions from Component Unit	534,816	534,816	534,816	-
Interest on investments	2,500	1,500	1,333	(167)
Total revenues	3,622,736	3,936,316	3,907,431	(28,885)
Expenditures				
Debt service				
Principal	2,275,910	2,210,330	2,210,330	-
Interest and fiscal agent fees	990,957	967,817	963,930	3,887
Total expenditures	3,266,867	3,178,147	3,174,260	3,887
Excess (deficiency) of revenues over expenditures	355,869	758,169	733,171	(24,998)
Net change in fund balances	\$ 355,869	\$ 758,169	733,171	\$ (24,998)
Fund balance, beginning of year			1,903,684	
Fund balance, end of year			\$ 2,636,855	

INTERNAL SERVICE FUNDS

FLEET REPLACEMENT FUND

This internal service fund is used to account for fleet replacement to departments or agencies of the City on a cost reimbursement basis.

HEALTH BENEFITS FUND

This internal service fund is used to account for the costs associated with health benefits to departments or agencies of the City on a cost reimbursement basis as well as costs associated with retiring or separating employees.

**CITY OF TOMBALL, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2014**

ASSETS	Fleet Replacement	Health Benefits	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,603,597	\$ 974,645	\$ 2,578,242
Accounts receivable, net	-	9,343	9,343
Other assets	-	633	633
Total current assets	1,603,597	984,621	2,588,218
NONCURRENT ASSETS			
Depreciable capital assets	2,061,653	-	2,061,653
Less: accumulated depreciation	(1,188,014)	-	(1,188,014)
Total noncurrent assets	873,639	-	873,639
Total assets	2,477,236	984,621	3,461,857
LIABILITIES			
LIABILITIES			
Accounts payable and accrued liabilities	1,609	-	1,609
Total liabilities	1,609	-	1,609
NET POSITION			
Net investment in capital assets	873,639	-	873,639
Unrestricted	1,601,988	984,621	2,586,609
TOTAL NET POSITION	\$ 2,475,627	\$ 984,621	\$ 3,460,248

**CITY OF TOMBALL, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2014**

	Fleet Replacement	Health Benefits	Total
Operating revenues			
Charges for sales and services	\$ 746,302	\$ 2,180,930	\$ 2,927,232
Total revenues	746,302	2,180,930	2,927,232
Operating expenditures			
Costs of sales and services	40,617	1,967,365	2,007,982
Depreciation	264,401	-	264,401
Total operating expenditures	305,018	1,967,365	2,272,383
Operating income	441,284	213,565	654,849
Non-operating revenues			
Investment income	733	299	1,032
Internal contribution	53,986	-	53,986
Gain on disposal of capital assets	11,014	-	11,014
Total non-operating revenues	65,733	299	66,032
Change in net position	507,017	213,864	720,881
Net position, beginning of year	1,968,610	770,757	2,739,367
Net position, end of year	\$ 2,475,627	\$ 984,621	\$ 3,460,248

**CITY OF TOMBALL, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2014**

	Fleet Replacement	Health Benefits	Total
OPERATING ACTIVITIES			
Cash received from customers	\$ 746,302	\$ 2,180,276	\$ 2,926,578
Payments to suppliers	(40,617)	(1,965,539)	(2,006,156)
Net cash provided by operating activities	705,685	214,737	920,422
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(461,081)	-	(461,081)
Proceeds from sale of capital assets	65,000	-	65,000
Net cash used in capital and related financing activities	(396,081)	-	(396,081)
INVESTING ACTIVITIES			
Investment income	733	299	1,032
Net cash provided by investing activities	733	299	1,032
Net change in cash and cash equivalents	310,337	215,036	525,373
CASH AND CASH EQUIVALENTS, beginning of year	1,293,260	759,609	2,052,869
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,603,597</u>	<u>\$ 974,645</u>	<u>\$ 2,578,242</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 441,284	\$ 213,565	\$ 654,849
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	264,401	-	264,401
Changes in assets and liabilities			
Accounts receivable	-	(654)	(654)
Other assets	-	1,826	1,826
Net cash provided by operating activities	<u>\$ 705,685</u>	<u>\$ 214,737</u>	<u>\$ 920,422</u>

STATISTICAL SECTION
(Unaudited)

STATISTICAL SECTION

(Unaudited)

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	72
<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	77
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	
Debt Capacity	83
<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	88
<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	90
<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>	

Table 1
City of Tomball
Net Position by Component
Last Ten Fiscal Years
 (accrual basis of accounting)
 (unaudited)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 4,007,407	\$ 2,886,256	\$ 7,175,862	\$ 10,206,785	\$ 16,143,552	\$ 16,790,199	\$ 18,306,705	\$ 23,370,524	\$ 25,646,519	\$ 28,189,848
Restricted	4,802,952	2,323,077	3,686,000	1,835,397	2,278,695	1,423,521	1,895,850	2,675,627	2,804,100	3,557,490
Unrestricted	13,761,452	20,707,302	17,884,555	16,282,148	11,362,902	13,048,317	12,518,847	10,571,977	12,612,754	13,566,745
Total governmental activities net position	<u>\$ 22,571,811</u>	<u>\$ 25,916,635</u>	<u>\$ 28,746,417</u>	<u>\$ 28,324,330</u>	<u>\$ 29,785,149</u>	<u>\$ 31,262,037</u>	<u>\$ 32,721,402</u>	<u>\$ 36,618,128</u>	<u>\$ 41,063,373</u>	<u>\$ 45,314,083</u>
Business-type activities										
Net investment in capital assets	\$ 16,178,138	\$ 23,478,199	\$ 25,045,502	\$ 24,774,972	\$ 26,080,707	\$ 29,073,794	\$ 29,338,053	\$ 30,368,908	\$ 30,721,512	\$ 30,851,835
Restricted	7,760,255	2,305,729	876,468	-	-	-	-	-	-	1,095,173
Unrestricted	5,379,709	6,386,872	7,493,793	9,610,968	10,555,994	8,753,794	10,299,638	9,636,451	10,646,792	11,354,769
Total business-type activities net position	<u>\$ 29,318,102</u>	<u>\$ 32,170,800</u>	<u>\$ 33,415,763</u>	<u>\$ 34,385,940</u>	<u>\$ 36,636,701</u>	<u>\$ 37,827,588</u>	<u>\$ 39,637,691</u>	<u>\$ 40,005,359</u>	<u>\$ 41,368,304</u>	<u>\$ 43,301,777</u>
Primary government										
Net investment in capital assets	\$ 20,185,545	\$ 26,364,455	\$ 32,221,364	\$ 34,981,757	\$ 42,224,259	\$ 45,863,993	\$ 47,644,758	\$ 53,739,432	\$ 56,368,031	\$ 59,041,683
Restricted	12,563,207	4,628,806	4,562,468	1,835,397	2,278,695	1,423,521	1,895,850	2,675,627	2,804,100	4,652,663
Unrestricted	19,141,161	27,094,174	25,378,348	25,893,116	21,918,896	21,802,111	22,818,485	20,208,428	23,259,546	24,921,514
Total primary government net position	<u>\$ 51,889,913</u>	<u>\$ 58,087,435</u>	<u>\$ 62,162,180</u>	<u>\$ 62,710,270</u>	<u>\$ 66,421,850</u>	<u>\$ 69,089,625</u>	<u>\$ 72,359,093</u>	<u>\$ 76,623,487</u>	<u>\$ 82,431,677</u>	<u>\$ 88,615,860</u>

Table 2
City of Tomball
Changes in Net Position
Last Ten Fiscal Years
 (accrual basis of accounting)
 (unaudited)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities										
General government	\$ 1,878,285	\$ 1,889,935	\$ 1,438,117	\$ 1,734,307	\$ 3,091,652	\$ 3,476,001	\$ 4,472,541	\$ 4,077,633	\$ 5,131,879	\$ 4,789,051
Public safety	5,053,045	5,057,268	5,449,912	7,224,244	6,720,247	5,907,235	6,546,562	6,845,653	7,508,811	8,069,621
Public works	3,435,589	3,709,054	5,076,429	6,325,789	5,692,269	5,205,824	4,739,268	5,794,907	5,456,886	6,137,989
Community services	510,454	512,679	355,348	471,539	260,561	272,034	255,764	287,085	302,564	338,381
Interest and fiscal agent fees on long-term debt	938,772	873,035	824,168	790,736	708,109	658,304	353,188	821,705	830,054	926,584
Total governmental activities expenses	<u>11,816,145</u>	<u>12,041,971</u>	<u>13,143,974</u>	<u>16,546,615</u>	<u>16,472,838</u>	<u>15,519,398</u>	<u>16,367,323</u>	<u>17,826,983</u>	<u>19,230,194</u>	<u>20,261,626</u>
Business-type activities										
General government	1,670,035	1,309,655	2,744,139	2,775,923	2,235,193	1,843,501	2,207,488	979,390	955,026	909,211
Water	1,742,380	1,488,771	1,259,961	1,720,131	2,215,841	2,197,679	2,549,230	3,003,537	3,262,366	2,962,612
Sewer	2,089,770	2,575,820	1,081,343	1,164,702	1,402,558	1,134,907	1,226,582	1,757,176	1,736,531	1,978,197
Gas	1,223,218	2,048,247	2,496,747	2,727,066	2,486,336	2,374,227	1,801,364	1,600,490	1,743,258	2,229,583
Interest and fiscal agent fees	-	-	630,735	585,710	-	512,851	481,542	272,406	321,443	245,129
Total business-type activities expenses	<u>6,725,403</u>	<u>7,422,493</u>	<u>8,212,925</u>	<u>8,973,532</u>	<u>8,339,928</u>	<u>8,063,165</u>	<u>8,266,206</u>	<u>7,612,999</u>	<u>8,018,624</u>	<u>8,324,732</u>
Total primary government expenses	<u>\$ 18,541,548</u>	<u>\$ 19,464,464</u>	<u>\$ 21,356,899</u>	<u>\$ 25,520,147</u>	<u>\$ 24,812,766</u>	<u>\$ 23,582,563</u>	<u>\$ 24,633,529</u>	<u>\$ 25,439,982</u>	<u>\$ 27,248,818</u>	<u>\$ 28,586,358</u>
Program Revenues										
Governmental activities										
Charges for services										
Public safety	\$ 1,203,548	\$ 1,443,068	\$ 1,352,444	\$ 922,073	\$ 1,044,706	\$ 1,204,099	\$ 1,083,408	\$ 1,143,981	\$ 1,181,742	\$ 1,066,313
Public works	1,787,578	1,749,695	1,938,750	2,612,619	2,596,344	2,231,777	2,284,482	2,384,406	2,613,043	2,695,712
Operating grants and contributions	93,897	93,042	135,750	259,047	278,350	83,130	268,675	1,295,653	1,313,128	1,844,224
Total governmental activities program revenues	<u>3,085,023</u>	<u>3,285,805</u>	<u>3,426,944</u>	<u>3,793,739</u>	<u>3,919,400</u>	<u>3,519,006</u>	<u>3,636,565</u>	<u>4,824,040</u>	<u>5,107,913</u>	<u>5,606,249</u>
Business-type activities										
Charges for services										
General government	-	-	-	118,192	-	427,519	413,523	622,320	1,001,306	807,673
Water	2,637,614	3,041,240	3,208,398	3,317,403	4,547,803	3,985,231	5,199,565	4,470,657	4,668,205	4,578,777
Sewer	1,309,939	1,587,786	1,401,640	1,725,839	2,468,377	2,233,364	2,368,469	2,262,268	2,365,611	2,372,163
Gas	2,173,694	2,460,885	3,675,752	3,792,717	4,426,091	4,011,635	3,538,152	2,894,447	3,061,634	3,578,145
Operating grants and contributions	-	-	-	-	720,000	720,000	798,300	720,000	670,000	670,000
Capital grants and contributions	2,439,084	137,444	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>8,560,331</u>	<u>7,227,355</u>	<u>8,285,790</u>	<u>8,954,151</u>	<u>12,162,271</u>	<u>11,377,749</u>	<u>12,318,009</u>	<u>10,969,692</u>	<u>11,766,756</u>	<u>12,006,758</u>
Total primary government program revenues	<u>\$ 11,645,354</u>	<u>\$ 10,513,160</u>	<u>\$ 11,712,734</u>	<u>\$ 12,747,890</u>	<u>\$ 16,081,671</u>	<u>\$ 14,896,755</u>	<u>\$ 15,954,574</u>	<u>\$ 15,793,732</u>	<u>\$ 16,874,669</u>	<u>\$ 17,613,007</u>
Net (Expense)/Revenue										
Governmental activities	\$ (8,731,122)	\$ (8,756,166)	\$ (9,717,030)	\$ (12,752,876)	\$ (12,553,438)	\$ (12,000,392)	\$ (12,730,758)	\$ (13,002,943)	\$ (14,122,281)	\$ (14,655,377)
Business-type activities	1,834,928	(195,138)	72,865	(19,381)	3,822,343	3,314,584	4,051,803	3,356,693	3,748,132	3,682,026
Total primary government net expense	<u>\$ (6,896,194)</u>	<u>\$ (8,951,304)</u>	<u>\$ (9,644,165)</u>	<u>\$ (12,772,257)</u>	<u>\$ (8,731,095)</u>	<u>\$ (8,685,808)</u>	<u>\$ (8,678,955)</u>	<u>\$ (9,646,250)</u>	<u>\$ (10,374,149)</u>	<u>\$ (10,973,351)</u>

(continued)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	\$ 805,285	\$ 952,673	\$ 1,168,491	\$ 933,885	\$ 1,587,560	\$ 1,422,603	\$ 1,270,645	\$ 1,228,461	\$ 1,543,913	\$ 1,638,673
Property taxes, levied for debt service	1,238,004	1,286,693	1,299,344	1,511,139	1,449,089	1,500,310	1,586,918	2,557,169	3,164,416	3,371,282
Sales taxes	6,479,974	7,491,415	7,304,280	7,100,293	7,038,176	6,651,064	7,023,409	8,189,360	9,442,376	10,532,691
Franchise and local taxes	1,067,621	1,069,381	1,140,734	1,201,401	1,150,591	1,153,954	1,186,272	1,227,784	1,267,302	1,253,077
Other taxes	100,056	112,527	181,503	267,133	308,100	229,636	325,360	444,032	428,208	590,910
Contributions	36,320	114,909	6,000	6,000	-	-	-	-	-	-
Investment earnings	558,759	988,431	1,222,816	756,431	325,789	80,426	43,035	46,763	44,877	30,636
Other revenues	43,774	62,362	223,644	515,216	405,391	166,287	361,026	151,142	227,592	253,375
Gain (loss) on sale of capital assets	8,637	22,599	-	-	-	-	-	-	-	-
Transfers	-	-	-	39,291	1,749,561	2,260,134	2,393,458	3,054,958	2,448,842	1,691,621
Total governmental activities	<u>10,338,430</u>	<u>12,100,990</u>	<u>12,546,812</u>	<u>12,330,789</u>	<u>14,014,257</u>	<u>13,464,414</u>	<u>14,190,123</u>	<u>16,899,669</u>	<u>18,567,526</u>	<u>19,362,265</u>
Business-type activities										
Investment earnings	366,816	477,600	452,098	308,849	175,119	93,361	30,414	21,721	13,088	(1,417)
Other revenues	722,620	2,570,236	720,000	720,000	2,860	43,076	121,344	44,212	50,567	45,800
Transfers	-	-	-	(39,291)	(1,749,561)	(2,260,134)	(2,393,458)	(3,054,958)	(2,448,842)	(1,691,621)
Total business-type activities	<u>1,089,436</u>	<u>3,047,836</u>	<u>1,172,098</u>	<u>989,558</u>	<u>(1,571,582)</u>	<u>(2,123,697)</u>	<u>(2,241,700)</u>	<u>(2,989,025)</u>	<u>(2,385,187)</u>	<u>(1,647,238)</u>
Total primary government	<u>\$ 11,427,866</u>	<u>\$ 15,148,826</u>	<u>\$ 13,718,910</u>	<u>\$ 13,320,347</u>	<u>\$ 12,442,675</u>	<u>\$ 11,340,717</u>	<u>\$ 11,948,423</u>	<u>\$ 13,910,644</u>	<u>\$ 16,182,339</u>	<u>\$ 17,715,027</u>
Change in Net Position										
Governmental activities	\$ 1,607,308	\$ 3,344,824	\$ 2,829,782	\$ (422,087)	\$ 1,460,819	\$ 1,464,022	\$ 1,459,365	\$ 3,896,726	\$ 4,445,245	\$ 4,706,888
Business-type activities	2,924,364	2,852,698	1,244,963	970,177	2,250,761	1,190,887	1,810,103	367,668	1,362,945	2,034,788
Total primary government	<u>\$ 4,531,672</u>	<u>\$ 6,197,522</u>	<u>\$ 4,074,745</u>	<u>\$ 548,090</u>	<u>\$ 3,711,580</u>	<u>\$ 2,654,909</u>	<u>\$ 3,269,468</u>	<u>\$ 4,264,394</u>	<u>\$ 5,808,190</u>	<u>\$ 6,741,676</u>

(concluded)

Table 3
City of Tomball
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,913	\$ 30,441	\$ 15,894
Restricted	4,268,304	1,646,027	-	-	23,724	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	325,879	161,921	322,702
Unassigned	18,009,256	21,048,552	21,199,234	16,676,502	12,194,969	12,161,681	11,797,535	9,489,655	11,559,755	13,075,443
Total general fund	<u>\$ 22,277,560</u>	<u>\$ 22,694,579</u>	<u>\$ 21,199,234</u>	<u>\$ 16,676,502</u>	<u>\$ 12,218,693</u>	<u>\$ 12,161,681</u>	<u>\$ 11,797,535</u>	<u>\$ 9,815,534</u>	<u>\$ 11,752,117</u>	<u>\$ 13,414,039</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	915,699	1,205,549	2,407,556	2,097,709	1,530,276	1,276,646	1,896,380	19,319,655	27,524,034	26,470,729
Committed, reported in:										
Capital project funds	9,637	9,757	79,883	121,425	133,498	133,790	135,609	-	-	-
Nonmajor governmental funds	34,187	23,333	138,137	353,527	742,340	901,406	141,129	133,570	143,436	168,245
Total all other governmental funds	<u>\$ 959,523</u>	<u>\$ 1,238,639</u>	<u>\$ 2,625,576</u>	<u>\$ 2,572,661</u>	<u>\$ 2,406,114</u>	<u>\$ 2,311,842</u>	<u>\$ 2,173,118</u>	<u>\$ 19,453,225</u>	<u>\$ 27,667,470</u>	<u>\$ 26,638,974</u>

Table 4
City of Tomball
Changes in Fund Balance, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 9,716,624	\$ 10,931,747	\$ 10,936,779	\$ 11,193,185	\$ 11,442,297	\$ 10,897,786	\$ 11,400,964	\$ 13,886,856	\$ 15,846,215	\$ 17,386,633
Permits, licenses, and fees	331,660	409,694	414,713	319,177	247,548	311,563	262,713	308,621	445,104	446,292
Fines and forfeitures	700,112	832,314	728,148	922,073	1,044,706	1,204,099	1,083,408	1,143,981	1,181,742	1,066,313
Service Revenue	1,850,595	1,850,925	2,059,958	2,293,442	2,348,796	1,920,214	2,021,769	2,075,785	2,167,939	2,249,420
Intergovernmental	202,217	279,950	213,750	265,047	278,350	73,130	168,782	273,950	784,918	939,861
Contributions from Component Unit	-	-	-	-	-	10,000	99,893	1,021,703	528,210	904,363
Investment earnings	558,759	878,636	1,222,817	713,433	312,290	99,837	40,760	44,347	42,913	29,604
Other revenues	81,671	98,866	168,216	332,551	361,992	254,615	386,935	151,143	178,501	242,361
Total revenues	13,441,638	15,282,132	15,744,381	16,038,908	16,035,979	14,771,244	15,465,224	18,906,386	21,175,542	23,264,847
Expenditures										
General government	1,727,172	1,800,747	1,837,112	3,822,202	2,606,885	4,333,119	4,507,290	4,520,919	5,099,473	4,929,295
Public safety	4,548,579	4,741,965	5,130,493	6,010,899	7,770,127	5,850,953	6,391,016	7,344,336	7,353,064	8,230,705
Public works	2,734,706	2,856,974	3,112,853	3,635,764	3,713,018	3,784,400	3,090,590	3,407,143	3,217,149	3,364,509
Public service	449,795	424,129	1,113,084	550,513	932,492	587,557	1,179,637	266,984	1,677,586	1,627,610
Capital outlay	2,236,496	2,814,130	2,762,545	3,521,127	5,387,966	821,359	1,445,273	4,311,250	1,939,517	2,996,663
Debt service										
Principal	1,391,273	1,194,405	1,138,174	1,158,174	1,328,619	1,135,500	1,195,500	1,192,057	1,800,649	2,210,330
Interest and paying agent	948,260	891,842	830,330	795,482	714,188	723,159	626,247	913,371	1,017,839	963,930
Total expenditures	14,036,281	14,724,192	15,924,591	19,494,161	22,453,295	17,236,047	18,435,553	21,956,060	22,105,277	24,323,042
Excess of revenues over (under) expenditures	(594,643)	557,940	(180,210)	(3,455,253)	(6,417,316)	(2,464,803)	(2,970,329)	(3,049,674)	(929,735)	(1,058,195)
Other Financing Sources (Uses)										
Transfers in	-	-	-	-	1,749,561	2,260,134	2,393,458	5,206,958	2,748,842	2,491,049
Transfers out	-	-	-	(1,248,846)	-	-	-	(2,152,000)	(300,000)	(799,428)
Issuance of debt	-	-	-	-	-	2,120,000	3,892,500	14,500,000	14,270,500	-
Premium on debt issued	-	-	-	-	-	4,945	278,253	107,735	205,934	-
Payment to refunded bond escrow agent	-	-	-	-	-	(2,071,560)	(4,096,752)	-	(5,884,626)	-
Capital leases	-	-	-	-	-	-	-	725,000	-	-
Sale of capital assets	33,064	28,399	-	182,665	43,399	-	-	-	-	-
Total other financing sources	33,064	28,399	-	(1,066,181)	1,792,960	2,313,519	2,467,459	18,387,693	11,040,650	1,691,621
Net change in fund balances	\$ (561,579)	\$ 586,339	\$ (180,210)	\$ (4,521,434)	\$ (4,624,356)	\$ (151,284)	\$ (502,870)	\$ 15,338,019	\$ 10,110,915	\$ 633,426
Debt service as a percentage of noncapital expenditures	19.83%	17.52%	15.00%	12.07%	11.94%	10.97%	10.29%	11.31%	13.43%	14.85%

Table 5
City of Tomball
Tax Revenues by Source, Governmental Activities
Last Ten Fiscal Years
 (accrual basis of accounting)
 (unaudited)

<u>Function</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Change 2013-2014</u>
Property	\$ 2,068,974	\$ 2,258,424	\$ 2,310,262	\$ 2,570,145	\$ 2,945,430	\$ 2,938,594	\$ 2,865,923	\$ 4,025,680	\$ 4,708,329	\$ 5,009,955	6.41%
Sales	6,479,974	7,491,415	7,304,280	7,206,713	7,038,176	6,651,064	6,976,875	8,189,360	9,442,376	10,532,691	11.55%
Franchise fee	1,067,620	1,069,381	1,140,734	1,149,261	1,150,591	1,153,954	1,262,187	964,790	1,267,302	1,253,077	-1.12%
Other taxes	100,056	112,527	181,503	212,853	308,100	154,174	295,979	707,026	428,208	590,910	38.00%
	<u>\$ 9,716,624</u>	<u>\$ 10,931,747</u>	<u>\$ 10,936,779</u>	<u>\$ 11,138,972</u>	<u>\$ 11,442,297</u>	<u>\$ 10,897,786</u>	<u>\$ 11,400,964</u>	<u>\$ 13,886,856</u>	<u>\$ 15,846,215</u>	<u>\$ 17,386,633</u>	9.72%

Table 6
City of Tomball
Assessed Value and Actual Value of Taxable Property
Last Ten Years
(unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Residential Property	\$ 346,417,520	\$ 534,830,588	\$ 548,645,926	\$ 562,126,135	\$ 494,490,612	\$ 431,346,771	\$ 435,637,242	\$ 436,949,202	\$ 433,331,223	\$ 439,396,850
Commercial Property	362,762,930	439,434,785	420,414,851	516,025,633	962,896,368	1,041,882,736	988,693,074	1,071,555,690	1,192,905,533	1,303,924,316
Less: Tax Exempt Property	(36,272,730)	(192,670,546)	(221,138,305)	(213,059,540)	(302,822,021)	(317,120,571)	(305,154,366)	(341,307,250)	(261,641,054)	(274,973,296)
Total Taxable Assessed Value (1)	672,907,720	781,594,827	747,922,472	865,092,228	1,154,564,959	1,156,108,936	1,119,175,950	1,167,197,642	1,364,595,702	1,468,347,870
Total Direct Tax Rate	0.280000	0.251455	0.251455	0.251455	0.251455	0.251455	0.251455	0.341455	0.341455	0.341455

Source: Harris County Certified / Uncertified Tax Roll.

(1) Property is assessed at actual value; therefore, the assessed values are equal to actual value.
Tax rates are per \$100 of assessed value.

Table 7
City of Tomball
Property Tax Rates –
Direct and Overlapping Governments
Last Ten Years
(unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
City of Tomball by fund:										
General	\$ 0.108000	\$ 0.116640	\$ 0.106468	\$ 0.101455	\$ 0.131455	\$ 0.121455	\$ 0.111455	\$ 0.111455	\$ 0.111455	\$ 0.111455
Debt service	0.172000	0.163360	0.144987	0.150000	0.120000	0.130000	0.140000	0.230000	0.230000	0.230000
Total Direct Rates	<u>0.280000</u>	<u>0.280000</u>	<u>0.251455</u>	<u>0.251455</u>	<u>0.251455</u>	<u>0.251455</u>	<u>0.251455</u>	<u>0.341455</u>	<u>0.341455</u>	<u>0.341455</u>
Tomball Independent School District	1.730000	1.710000	1.580000	1.275000	1.360000	1.360000	1.360000	1.360000	1.360000	1.360000
Harris County	0.388000	0.399860	0.402390	0.392390	0.389230	0.392240	0.388050	0.391170	0.400210	0.414550
Harris County Flood Control District	0.041700	0.033220	0.032410	0.031060	0.030860	0.029220	0.029230	0.028090	0.028090	0.028270
Port of Houston Authority	0.020000	0.014740	0.013020	0.014370	0.017730	0.016360	0.020540	0.185600	0.019520	0.017160
Harris County Hospital District	0.190200	0.192160	0.192160	0.192160	0.192160	0.192160	0.192160	0.192160	0.182160	0.170000
Harris County Dept. of Education	0.006290	0.006290	0.006290	0.005853	0.005840	0.006050	0.006581	0.006581	0.006617	0.006358
Lone Star College System District	0.114500	0.120700	0.114400	0.114400	0.110100	0.110100	0.117600	0.121000	0.119800	0.116000
Emergency Service District #8	0.030000	0.030000	0.030000	0.030000	0.050000	0.050000	0.050000	0.050000	0.050000	0.050000
Total Direct and Overlapping Rates	<u>\$ 2.800690</u>	<u>\$ 2.786970</u>	<u>\$ 2.622125</u>	<u>\$ 2.306688</u>	<u>\$ 2.407375</u>	<u>\$ 2.407585</u>	<u>\$ 2.415616</u>	<u>\$ 2.676056</u>	<u>\$ 2.507852</u>	<u>\$ 2.503793</u>

Tax rates per \$100 of assessed valuation
Source: Harris County Appraisal District

(1) Overlapping rates are those of local and county governments that apply within the City of Tomball.

Table 8
City of Tomball
Principal Property Taxpayers
Current Year and Nine Years Ago
(unaudited)

Property Tax Payer	2014			2005		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
B J Services	\$ 210,322,910	1	14.32%	\$ 97,275,391	1	14.46%
Tomball Texas Hospital	161,763,679	2	11.02%		n/a	
Wal-Mart	19,908,985	3	1.36%	19,515,674	2	2.90%
MPT Tomball LP	17,861,681	4	1.22%		n/a	
Weingarten Investments Inc.	16,949,998	5	1.15%		n/a	
CenterPoint Energy	15,826,975	6	1.08%	13,550,438	3	2.01%
Health Care REIT Inc.	15,488,345	7	1.05%		n/a	
Lowe's	14,000,543	8	0.95%	13,326,657	4	1.98%
NNN Park at Spring Creek	12,263,700	9	0.84%	12,771,800	5	1.90%
HEB Grocery Co. LP	11,451,436	10	0.78%	12,454,370	6	1.85%
A S 62 HWY 249 & FM 2920	-	n/a		8,375,915	10	1.24%
Kroger	-	n/a		10,468,815	8	1.56%
MBS Fountains of Tomball	-	n/a		8,454,978	9	1.26%
Target Corporation	-	n/a		11,550,792	7	1.72%
Subtotal	\$ 495,838,252		33.77%	\$ 207,744,830		30.87%
Other Taxpayers	972,509,618		66.23%	465,162,890		69.13%
Total	<u>\$ 1,468,347,870</u>		<u>100.00%</u>	<u>\$ 672,907,720</u>		<u>100.00%</u>

Source: Harris County Tax Assessor-Collector's records.

Table 9
City of Tomball
Property Tax Levies and Collections
Last Ten Years
(unaudited)

<u>Fiscal Year</u>	<u>Levy for Fiscal Year</u>	<u>Collected within the fiscal year of the Levy</u>		<u>Collections in Subsequent Periods</u>	<u>Total Collections to date</u>	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2005	\$ 2,013,497	\$ 1,834,296	91%	\$ 172,108	\$ 2,006,404	100%
2006	1,993,481	1,798,120	90%	185,570	1,983,690	100%
2007	2,130,000	1,904,220	89%	215,610	2,119,830	100%
2008	2,517,121	2,469,639	98%	35,678	2,505,317	100%
2009	2,903,211	2,843,461	98%	47,706	2,891,167	100%
2010	2,907,289	2,850,087	98%	63,028	2,913,115	100%
2011	2,816,658	2,776,954	99%	57,398	2,834,352	101%
2012	3,995,619	3,943,188	99%	146,636	4,089,823	102%
2013	4,701,134	4,633,156	99%	848	4,634,004	99%
2014	5,025,529	4,967,598	99%		4,967,598	99%

Table 10
City of Tomball
Sales Tax Revenue by Industry
Current Year and Nine Years Ago
(unaudited)
(Dollars are in thousands)

Sales Tax Remitter	Calendar Year 2014				Calendar Year 2005			
	Number of Outlets	Percentage of Total	Tax Liability	Percentage of Total	Number of Outlets	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	1,384	24.52%	\$ 7,049	48.62%	1,166	27.68%	\$ 3,591	40.44%
Services	1,201	21.28%	2,025	13.97%	947	22.48%	1,276	14.37%
Wholesale Trade	875	15.50%	2,043	14.09%	553	13.13%	418	4.71%
Utilities, Transportation, Communications	242	4.29%	698	4.81%	140	3.32%	270	3.04%
Manufacturing	600	10.63%	506	3.49%	278	6.60%	1,198	13.49%
Construction	326	5.78%	335	2.31%	202	4.79%	147	1.66%
Finance, Insurance, Real Estate	244	4.32%	539	3.72%	158	3.75%	148	1.67%
Mining, Quarrying, and Oil and Gas Extraction	16	0.28%	45	0.31%	7	0.17%	1	0.01%
All other outlets	756	13.39%	1,259	8.68%	762	18.09%	1,830	20.61%
Total	5,644	100.00%	\$ 14,499	100.00%	4,213	100.00%	\$ 8,879	100.00%

Source: Texas State Comptroller of Public Accounts

Notes: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

Tax liability information is not available on a fiscal-year basis.

Table 11
City of Tomball
Ratios of Outstanding Debt by Type
Last Ten Years
(unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
PRIMARY GOVERNMENT										
Governmental Activities:										
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,120,000	\$ 5,767,500	\$ 5,501,750	\$ 10,985,250	\$ 9,710,500
Certificates of Obligation	19,905,000	18,839,500	17,774,000	16,688,500	15,578,000	12,377,500	7,516,500	21,151,000	22,435,000	21,565,000
Premiums	-	-	-	-	-	-	255,065	332,990	492,862	449,806
Other debt items	-	-	-	-	-	-	(376,266)	(338,639)	(453,956)	-
Capital leases	492,372	363,467	290,793	218,540	-	-	-	664,193	601,044	535,464
Subtotal	<u>\$ 20,397,372</u>	<u>\$ 19,202,967</u>	<u>\$ 18,064,793</u>	<u>\$ 16,907,040</u>	<u>\$ 15,578,000</u>	<u>\$ 14,497,500</u>	<u>\$ 13,162,799</u>	<u>\$ 27,311,294</u>	<u>\$ 34,060,200</u>	<u>\$ 32,260,770</u>
Business-Type Activities:										
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,757,500	\$ 4,738,250	\$ 5,304,750	\$ 4,669,500
Certificates of Obligation	10,175,000	9,575,500	8,976,000	8,376,500	7,777,000	7,177,500	1,798,500	1,199,000	-	-
Premiums	-	-	-	-	-	-	-	105,987	94,211	82,435
Revenue bonds	5,830,000	5,510,000	5,175,000	4,830,000	4,470,000	4,100,000	3,715,000	3,315,000	2,900,000	2,465,000
Subtotal	<u>\$ 16,005,000</u>	<u>\$ 15,085,500</u>	<u>\$ 14,151,000</u>	<u>\$ 13,206,500</u>	<u>\$ 12,247,000</u>	<u>\$ 11,277,500</u>	<u>\$ 5,513,500</u>	<u>\$ 9,358,237</u>	<u>\$ 8,298,961</u>	<u>\$ 7,216,935</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 36,402,372</u>	<u>\$ 34,288,467</u>	<u>\$ 32,215,793</u>	<u>\$ 30,113,540</u>	<u>\$ 27,825,000</u>	<u>\$ 25,775,000</u>	<u>\$ 18,676,299</u>	<u>\$ 36,669,531</u>	<u>\$ 42,359,161</u>	<u>\$ 39,477,705</u>
PERSONAL INCOME	\$ 300,104,460	\$ 280,510,625	\$ 282,486,000	\$ 276,767,062	\$ 285,081,600	\$ 290,186,220	\$ 273,663,850	\$ 315,207,090	\$ 315,207,090	\$ 463,247,856
DEBT AS A PERCENTAGE OF PERSONAL INCOME	12.130%	12.224%	11.404%	10.880%	9.760%	8.882%	6.825%	11.633%	13.439%	8.522%
POPULATION	9,930	10,625	11,500	11,531	11,600	11,670	10,753	10,979	10,979	11,124
DEBT PER CAPITA	\$ 3,666	\$ 3,227	\$ 2,801	\$ 2,612	\$ 2,399	\$ 2,209	\$ 1,737	\$ 3,340	\$ 3,858	\$ 3,549

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

Table 12
City of Tomball
Ratios of Net General Bonded Debt to Assessed Value,
Net General Bonded Debt Per Capita, and Assessed and
Estimated Actual Value of Taxable Property
Last Ten Years
(unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
NET TAXABLE ASSESSED VALUE										
All property	\$ 672,907,720	\$ 783,134,388	\$ 981,484,973	\$ 1,078,151,768	\$ 1,154,564,959	\$ 1,156,108,936	\$ 1,008,153,110	\$ 1,167,197,642	\$ 1,364,595,702	\$ 1,468,347,870
NET BONDED DEBT										
Gross bonded debt	\$ 30,080,000	\$ 28,415,000	\$ 26,750,000	\$ 25,065,000	\$ 23,355,000	\$ 21,675,000	\$ 14,961,299	\$ 32,690,338	\$ 38,858,117	\$ 36,477,241
Less debt service funds	-	-	-	-	-	-	-	-	-	-
Net Bonded Debt	<u>\$ 30,080,000</u>	<u>\$ 28,415,000</u>	<u>\$ 26,750,000</u>	<u>\$ 25,065,000</u>	<u>\$ 23,355,000</u>	<u>\$ 21,675,000</u>	<u>\$ 14,961,299</u>	<u>\$ 32,690,338</u>	<u>\$ 38,858,117</u>	<u>\$ 36,477,241</u>
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	4.47%	3.63%	2.73%	2.32%	2.02%	1.87%	1.48%	2.80%	2.85%	2.48%
POPULATION	9,930	10,625	11,500	11,531	11,600	11,670	10,753	10,979	10,979	11,124
NET BONDED DEBT PER CAPITA \$	\$ 3,029	\$ 2,674	\$ 2,326	\$ 2,174	\$ 2,013	\$ 1,857	\$ 1,391	\$ 2,978	\$ 3,539	\$ 3,279

Table 13
City of Tomball
Direct and Overlapping Governmental
Activities Debt
September 30, 2014
(unaudited)

Governmental Unit	Net Bonded Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Tomball ISD	\$ 366,490,000	21.35%	\$ 78,263,475
Harris County	2,128,493,204	0.45%	9,578,219
Harris Co. Flood Control District	8,990,000	0.45%	409,376
Port of Houston Authority	717,624,397	0.45%	3,265,140
Harris County Dept of Education	7,410,000	0.45%	33,345
Lone Star College System	467,525,000	1.05%	<u>4,928,295</u>
Subtotal, overlapping debt			96,477,850
City direct debt		100.000%	<u>32,260,770</u>
Total direct and overlapping debt			<u><u>\$ 128,738,620</u></u>

Source: First Southwest Company / Texas Municipal Reports

Notes:

- (1) Estimated Percentage Applicable developed from information obtained from the Municipal Advisory Council of Texas.

Table 14
City of Tomball
Legal Debt Margin Information
Last Ten Years
(unaudited)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 67,290,772	\$ 78,313,439	\$ 98,148,497	\$ 107,815,177	\$ 115,456,496	\$ 115,610,894	\$ 100,815,311	\$ 116,719,764	\$ 136,459,570	\$ 146,834,787
Total net debt applicable to limit	19,905,000	18,839,500	17,774,000	16,688,500	15,578,000	14,497,500	13,284,000	26,652,750	33,420,250	31,275,500
Legal debt margin	<u>\$ 47,385,772</u>	<u>\$ 59,473,939</u>	<u>\$ 80,374,497</u>	<u>\$ 91,126,677</u>	<u>\$ 99,878,496</u>	<u>\$ 101,113,394</u>	<u>\$ 87,531,311</u>	<u>\$ 90,067,014</u>	<u>\$ 103,039,320</u>	<u>\$ 115,559,287</u>
Total net debt applicable to the limit as a percentage of debt limit	29.58%	24.06%	18.11%	15.48%	13.49%	12.54%	13.18%	22.83%	24.49%	21.30%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$ 1,468,347,870	
Debt limit (10% of assessed value)	146,834,787	(1)
Debt applicable to limit:		
General obligation bonds	31,275,500	
Less: amount set aside for repayment of general obligation debt		
Total net debt applicable to limit	<u>31,275,500</u>	
Legal debt margin	<u>\$ 115,559,287</u>	

Note: The City's Home Rule Charter (1987), does not limit bonded debt.

(1) According to the City Charter, the City has no legal debt limit

Table 15
City of Tomball
Pledged-Revenue Coverage
Last Ten Years
(unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Gross revenues	\$ 9,637,212	\$ 7,014,177	\$ 9,450,511	\$ 9,987,545	\$ 12,327,602	\$ 11,493,769	\$ 12,488,750	\$ 11,012,281	\$ 11,831,041	\$ 12,060,478
Operating expenses (1)	\$ 4,941,774	\$ 5,603,456	\$ 6,238,127	\$ 7,039,498	\$ 6,593,348	\$ 6,338,235	\$ 6,165,226	\$ 5,968,026	\$ 6,366,426	\$ 6,766,405
Net revenues available for Debt Service	\$ 4,695,438	\$ 1,410,721	\$ 3,212,384	\$ 2,948,047	\$ 5,734,254	\$ 5,155,534	\$ 6,323,524	\$ 5,044,255	\$ 5,464,615	\$ 5,294,073
DEBT SERVICE REQUIREMENTS (2)										
Principal & Interest	\$ 540,020	\$ 540,674	\$ 541,047	\$ 541,575	\$ 538,595	\$ 542,505	\$ 560,591	\$ 563,815	\$ 568,174	\$ 573,536
Total	\$ 540,020	\$ 540,674	\$ 541,047	\$ 541,575	\$ 538,595	\$ 542,505	\$ 560,591	\$ 563,815	\$ 568,174	\$ 573,536
Coverage	8.69	2.61	5.94	5.44	10.65	9.50	11.28	8.95	9.62	9.23

(1) Total operating expenses less depreciation

(2) Includes revenue bonds only

Table 16
City of Tomball
Demographic and Economic Statistics
Last Ten Years
(unaudited)

Fiscal Year Ended Sept 30	Population(1)	Personal Income	Per Capita Personal Income(5)	Median Age (2)	School Enrollment(3)	Unemployment Rate(4)
2005	9,930	\$ 300,104,460	\$ 30,222	36.3	8,968	5.30%
2006	10,625	280,510,625	26,401	34.1	9,075	4.70%
2007	11,500	282,486,000	24,564	35.6	9,358	4.30%
2008	11,531	276,767,062	24,002	36.8	9,311	5.10%
2009	11,600	285,081,600	24,576	36.8	9,691	8.40%
2010	11,670	290,186,220	24,866	36.8	10,229	8.70%
2011	10,753	273,663,850	24,866	36.0	10,633	8.50%
2012	10,979	315,207,090	25,450	36.9	11,132	7.50%
2013	10,979	315,207,090	28,710	39.8	12,362	6.20%
2014	11,124	463,247,856	41,644	35.6	12,461	4.90%

Data sources:

- (1) Estimated (2000 census adjusted for growth for fiscal years 2005-2010). Actual 2011 census population shown for fiscal year 2011. Fiscal year 2014 adjusted for growth based on 2010 census American FactFinder.
- (2) Tomball Economic Development Corporation or American FactFinder
- (3) Tomball Independent School District
- (4) Texas Employment Commission, SMSA Houston-Sugar Land-Baytown Metropolitan Statistical Area
- (5) Tomball Economic Development Corporation or American FactFinder

Table 17
City of Tomball
Principal Employers
Current Year and Eight Years Ago (1)
(unaudited)

Employer	2014			2006		
	Employees	Rank	Percentage of Total City Employment (2)	Employees	Rank	Percentage of Total City Employment (3)
Tomball ISD	1729	1	20.08%	1,100	2	23.20%
Tomball Regional Medical Center	1116	2	12.96%	1,500	1	31.63%
Lone Star College - Tomball	756	3	8.78%	650	3	13.71%
Baker Hughes (B J Services)	670	4	7.78%	400	4	8.44%
Wal-Mart	300	5	3.48%	n/a	n/a	n/a
HEB	260	6	3.02%	n/a	n/a	n/a
Triumph Hospital	250	7	2.90%	n/a	n/a	n/a
City of Tomball	175	8	2.03%	136	5	2.87%
Lowe's	169	9	1.96%	n/a	n/a	n/a
Kroger	145	10	1.68%	n/a	n/a	n/a
Target	108	11	1.25%	n/a	n/a	n/a

Note: The residents of the City of Tomball are primarily employed outside of the City limits.

(1) The requirement is for the current year and nine years ago. Fiscal year 2006 was the first year this type of data was presented therefore only the current year and eight years ago are available at this time.

(2) Percentages are based on the labor force statistic from the 2010 census data (8,612).

(3) Percentages are based on the labor force statistic from the 2000 census data (4,742).

Sources:

Tomball Area Chamber of Commerce
Tomball Economic Development Corporation
Tomball Independent School District
Human Resource Department of Listed Companies

Table 18
City of Tomball
Full-time Equivalent City Government
Employees by Function/Program
Last Ten Years
(unaudited)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Administration	8.25	8.50	9.50	10.00	15.00	14.50	14.50	16.00	17.50	17.50
Permits & Inspection	4.50	5.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00
Police Department	50.50	50.50	52.50	55.00	55.00	55.00	57.00	59.00	58.00	58.50
Municipal Court	4.50	4.00	4.00	5.00	5.00	5.00	5.50	4.50	4.50	4.50
Community Center	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Fire Department	9.00	9.00	12.00	14.00	14.00	14.00	16.00	18.00	18.00	18.50
Public Works Admin.	6.00	5.50	6.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Garage	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00
Parks	4.20	4.20	4.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20
Streets	9.20	9.20	7.20	7.20	8.20	8.20	8.20	8.20	7.20	7.20
General Fund Total	100.15	99.90	105.40	115.40	120.40	119.90	125.40	129.90	129.40	130.40
Enterprise Fund:										
Utility Administration	11.25	11.50	11.50	12.00	10.00	9.00	9.00	9.00	8.00	7.00
Water	6.83	8.20	7.20	8.20	6.20	7.20	7.20	7.20	7.20	8.20
Wastewater	9.64	10.20	10.20	10.20	10.20	10.20	10.20	10.20	10.20	10.20
Gas	7.14	6.20	7.20	7.20	6.20	6.20	6.20	6.20	6.20	6.20
Enterprise Fund Total	34.86	36.10	36.10	37.60	32.60	32.60	32.60	32.60	31.60	31.60
Special Revenue Fund:	-	-	-	-	-	0.50	3.00	2.50	3.00	12.00
Special Revenue Fund Total	-	-	-	-	-	0.50	3.00	2.50	3.00	12.00
TOTAL CITY POSITIONS	135.01	136.00	141.50	153.00	153.00	153.00	161.00	165.00	164.00	174.00

NOTES:

- Temporary and seasonal employees are hired during the summer months.
- This count is not reflected above.
- Police reserves are not included.
- Fire Department volunteers are not included.

Table 19
City of Tomball
Operating Indicators by Function/Program
Last Ten Years
(unaudited)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function/Program										
Police										
Arrests	1,766	1,611	1,812	1,840	1,625	2,049	2,012	1,475	2,394	1,650
Accident reports	563	523	609	499	440	330	334	392	378	453
Citations	13,194	12,473	7,602	12,445	10,820	14,694	12,798	13,329	11,330	10,181
Offense reports	2,130	2,321	2,174	2,398	2,050	1,705	1,915	2,153	2,008	2,224
Calls for service	8,804	8,861	8,558	8,299	7,688	7,348	6,774	7,399	7,069	7,524
Fire										
Emergency responses	623	860	1,028	1,241	1,056	1,341	1,364	1,523	1,768	2,749
Fire incidents	170	278	170	206	218	220	207	178	129	128
Average response time	6:17	6:07	5:40	5:34	4:38	5:15	5:54	6:40	4:50	5:13
Water										
New accounts	674	875	719	663	532	89	79	56	122	126
Source:										
Water	674	875	719	663	532	89	79	56	122	126
Sewer	674	875	719	663	532	89	79	56	122	126
Average daily consumption										
(millions of gallons)	1,851	2,002	1,897	1,980	2,166	1,941	2,525	2,249	2,043	1,967
Number of million gallons of surface water pumped										
	-	-	-	-	-	-	-	-	-	-
Number of million gallons of well water pumped										
	751,880	730,198	692,163	722,788	790,409	708,565	923,261	822,215	759,817	718,069
Total consumption (millions of gallons)	751,880	730,198	692,363	722,788	790,409	708,565	923,261	822,215	759,817	718,069
Peak daily consumption										
(millions of gallons)	3,322	3,395	3,241	4,425	3,791	3,480	4,392	4,312	4,689	3,385
Sewer										
Average daily sewage treatment										
(millions of gallons)	1.468	1.500	1.636	1.422	1.428	1.362	1.174	1.555	1.347	1.478
Total consumption (millions of gallons)	535.820	547.500	597.140	519.030	520.176	497.166	429.608	567.754	491.660	539.470
Peak daily consumption										
(millions of gallons)	4.30	4.50	5.10	5.90	5.10	3.72	2.18	7.44	2.85	5.19

Source: Various City departments

Table 20
City of Tomball
Capital Assets Statistics by Function/Program
Last Ten Years
(unaudited)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function/Program										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	27	31	32	26	28	30	32	33	33	33
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles - centerlines)	71.00	72.00	72.00	72.60	73.00	56.20	56.20	58.20	50.60	50.60
Streetlights	639	642	648	648	648	650	654	664	689	720
Parks and recreation										
Parks	4	4	4	4	4	4	4	4	6	6
Parks acreage	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	39 acres	39 acres
Swimming pools	1	1	1	1	1	1	1	1	1	1
Baseball / softball diamonds	8	8	8	8	8	8	8	8	8	8
Tennis courts	4	4	4	4	4	4	4	4	4	4
Basketball courts	1	1	1	1	1	1	1	1	2	2
Water										
Water mains (miles)	74.00	86.00	88.00	89.00	91.29	91.59	91.79	91.49	92.29	92.69
Fire hydrants	668	802	831	831	869	874	878	883	950	955
Storage capacity (millions of gallons)	N/A	N/A	1.85	1.85	1.85	1.85	2.35	2.35	2.85	2.85
Sewer										
Sanitary sewers (miles)	51.50	54.50	56.00	56.17	58.60	58.86	59.44	60.13	60.25	60.25
Storm sewers (miles)	16.90	16.90	16.90	16.90	17.20	17.40	17.40	17.40	22.90	22.90
Open ditch / creek / canal drainage (miles)	N/A	N/A	52.00	53.00	53.40	53.70	54.00	54.00	54.00	54.00
Treatment capacity (millions of gallons)	3	3	3	3	3	3	3	3	3	3

Source: Various City departments
Streets (miles -centerlines) for 2009 and previous years included County.