

**CITY OF TOMBALL, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED SEPTEMBER 30, 2012**

**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, 2012**

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## **INTRODUCTORY SECTION**



# City of Tomball

*Gretchen Fagan*

*Mayor*

*George Shackelford*

*City Manager*

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, 2012. 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 auditors’ 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 auditors’ 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 11.71 square miles and serves an estimated population of 11,670. 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 periodically 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 special 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 56 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 57.

### **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 2013 reflect an increase of 17.63% to \$ 1.37 billion. This is the largest property value increase over the past five years and relates primarily to the increase in value of the Baker Hughes facility and the Tomball Regional Hospital, which was purchased the previous year by a private sector corporation and became taxable property for the first time. Development continues within the commercial areas and a major residential area was under development at fiscal year-end.

Sales tax revenues continued to increase with the City experiencing a 17.34% increase during 2012-2013. Additionally, new retail businesses continued to open in the large retail district 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 which is expected to grow for the next several years. The largest groups of employers are in the service and health care industries.

#### **Long-Term Financial Planning**

In January of 2012, the City issued \$ 14,500,00 in Certificates of Obligation. The proceeds will be used to pay for the costs associated with the construction of streets, sidewalks and related drainage improvements, including right-of-way acquisition for the Medical Complex Drive project and the construction of drainage improvements, including right-of-way acquisition for the M121 West Drainage project.

The City continued to allocate funds to revitalize the historic downtown area of Tomball. At the end of the fiscal year, plans were in place to improve parking capacity with the development of several new parking lots and the construction of new restroom facilities. The City also purchased the former Tomball Independent School District Administration building which will house the information technology staff as well as the tourism and marketing offices.

Transmittal Letter  
City of Tomball, Texas  
September 30, 2012

In conjunction with the Tomball Economic Development Corporation, the City continues to expand water, sewer, and gas utilities east, west, and south to accommodate the anticipated future commercial development. Utilities on the west side of the City are along the Texas Farm-to-Market Highway 2920 linking I-45 (which runs north to Dallas from Houston) to SH290 (which runs west to Austin from Houston). This road is heavily traveled and attractive to commercial industry. During 2012-2013, the City will cash-fund capital projects in the amount of \$1,185,860 in addition to projects funded in the previous year of \$ 4,375,860.

Additionally, drainage detention and channels have been ongoing projects for several years and are designed to provide a means of flood control in the area to reduce the impact of increased development. Because these projects are multi-million dollar endeavors, the City, partnering with private landowners and other governmental entities, is taking steps to mitigate the impact of potential flooding within the City and the surrounding area.

### **Major Initiatives**

The largest revenue source in the General Fund is sales tax. The City has experienced a great deal of commercial retail growth over the last several years. Although additional retail establishments continue to come to Tomball the City continued a conservative approach in budgeting sales tax revenues for fiscal 2013. Sales tax revenues were projected at \$ 8,190,000 for fiscal 2012, but for the 2013 fiscal year the projection was \$ 7,765,000.

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.

### **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 (Hotel Occupancy Tax Fund, Equipment Replacement Fund, Municipal Court Fund, Public Safety Fund, and Emergency Management Fund), Utility Fund, and Utility Interest and Sinking Fund are included in the annual operating budget. The Tomball Economic Development Corporation, a component unit of the City, is also included in the annual operating budget. A capital improvement plan is approved each year by the city council. 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 short-term 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 unqualified (“clean”) opinion on the City of Tomball’s financial statements for the year ended September 30, 2012. The independent auditors’ 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 ended September 30, 2011. 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, 2011. This is the fourth time 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  
September 30, 2012

**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,

A handwritten signature in blue ink, appearing to read "Glenn Windsor".

Glenn Windsor, CPA, CGFO  
Finance Director

**CITY OF TOMBALL, TEXAS  
PRINCIPAL OFFICIALS AS OF  
SEPTEMBER 30, 2012**

<b>City Officials</b>	<b>Elected Position</b>	<b>Term Expires</b>
Gretchen Fagan	Mayor	2013
F. S. "Field" Hudgens	Councilman Position 1	2014
Mark Stoll	Councilman Position 2	2015
Rick Brown	Councilman Position 3	2013
Derek Townsend, Sr.	Councilman Position 4	2015
Preston Dodson	Councilman Position 5	2014

<b>Department Heads</b>	<b>Appointive Position</b>
George Shackelford	City Manager
Christal Kliewer Weber	Assistant City Manager
Doris Speer	City Secretary
Robert Hauck	Chief of Police
David Kauffman	Director of Public Works
Randall Parr	Fire Chief
Lori Lakatos	Acting City Engineer
Glenn Windsor	Finance Director

# 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, 2011

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



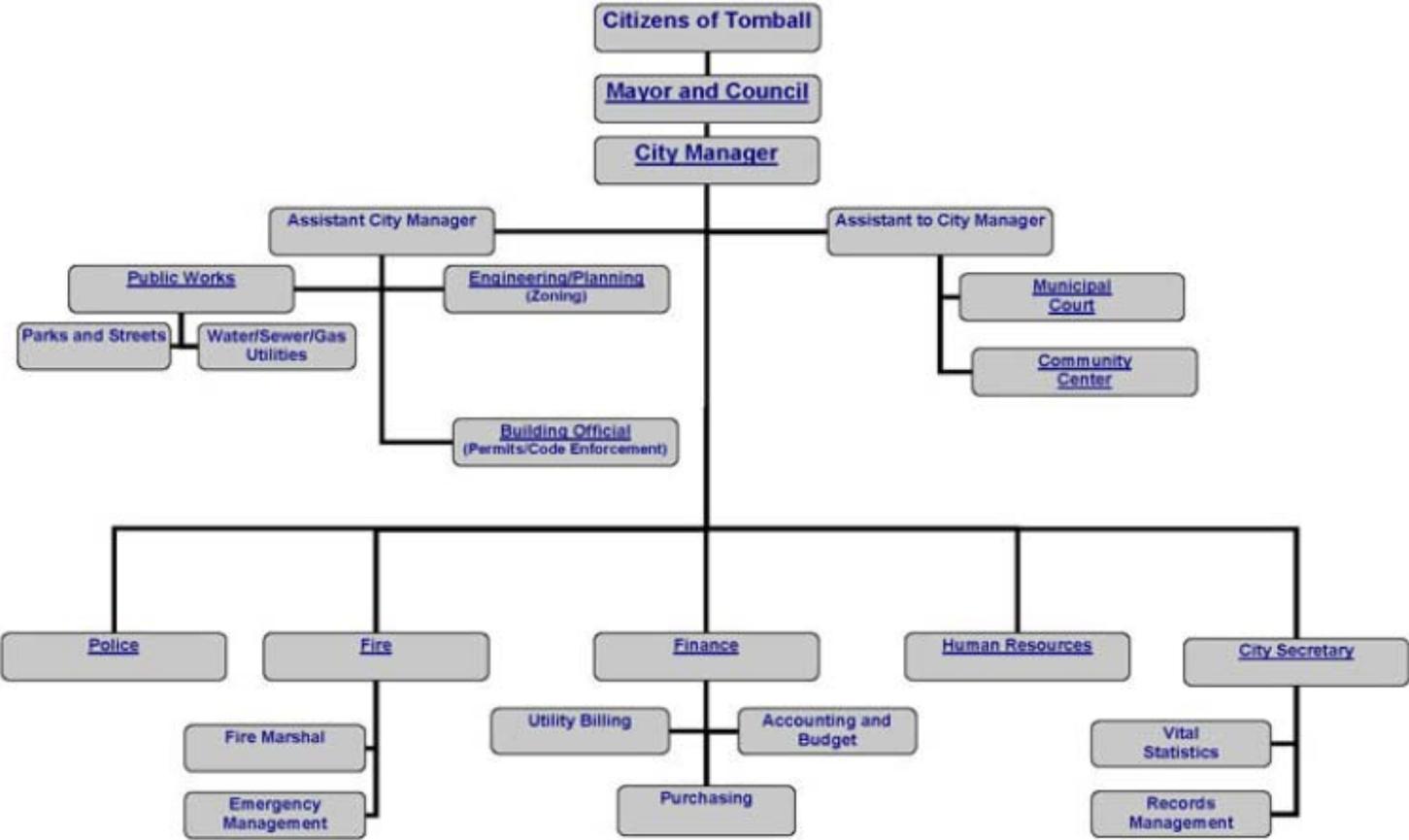
*Christopher P. Morice*

President

*Jeffrey R. Emer*

Executive Director

**CITY OF TOMBALL  
ORGANIZATIONAL CHART**



## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

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

Page 2

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
February 26, 2013

## **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, 2012. 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 \$76,623,487 (net assets). Of this amount, \$10,571,977 is unrestricted net assets for governmental activities and \$9,636,451 for business-type activities.
- The City's net assets increased by \$4,264,394. This included a decrease of \$2,610,057 in unrestricted net assets, an increase of \$6,094,674 in net assets invested in capital assets net of related debt, and an increase of \$779,777 in restricted assets.
- As of the close of the current fiscal year, the City of Tomball's governmental funds reported combined ending fund balances of \$29,308,672. Of the ending fund balance, \$19,319,655 is restricted for specific purposes (e.g., capital projects, debt service); \$133,570 is committed for specific purposes; \$325,879 is assigned by the City for specific purposes; \$39,913 is non-spendable and \$9,489,655 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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. 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, 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 assets 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 assets 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 helps you 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 eleven 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 eight 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 \$76.6 million as of September 30, 2012. The largest portion of the City's net assets (70%) 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 ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 32,973,854	\$ 17,483,455	\$ 11,035,907	\$ 12,087,941	\$ 44,009,761	\$ 29,571,396
Capital assets	34,166,175	31,469,504	39,768,489	39,738,593	73,934,664	71,208,097
Total assets	<u>67,140,029</u>	<u>48,952,959</u>	<u>50,804,396</u>	<u>51,826,534</u>	<u>117,944,425</u>	<u>100,779,493</u>
Long-term liabilities	26,646,474	14,630,358	8,524,026	10,692,344	35,170,500	25,322,702
Other liabilities	3,875,427	1,601,199	2,275,011	1,496,499	6,150,438	3,097,698
Total liabilities	<u>30,521,901</u>	<u>16,231,557</u>	<u>10,799,037</u>	<u>12,188,843</u>	<u>41,320,938</u>	<u>28,420,400</u>
Net assets:						
Invested in capital assets, net of related debt	23,370,524	18,306,705	30,368,908	29,338,053	53,739,432	47,644,758
Restricted	2,675,627	1,895,850	-	-	2,675,627	1,895,850
Unrestricted	<u>10,571,977</u>	<u>12,518,847</u>	<u>9,636,451</u>	<u>10,299,638</u>	<u>20,208,428</u>	<u>22,818,485</u>
Total net assets	<u>\$ 36,618,128</u>	<u>\$ 32,721,402</u>	<u>\$ 40,005,359</u>	<u>\$ 39,637,691</u>	<u>\$ 76,623,487</u>	<u>\$ 72,359,093</u>

Combined governmental and business-type activities increased the City's net assets by \$4,264,394 in 2012. The following table provides a summary of the City's operations for the year ended September 30, 2012. Governmental activities increased the City of Tomball's net assets by \$3,896,726. This increase is primarily related to the increase in sales tax revenues over the fiscal year. Business-type activities increased the City's net assets by \$367,668. This increase is related primarily to a relatively small excess of revenues over inter-fund transfers.

## CITY OF TOMBALL'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,528,387	\$ 3,367,890	\$ 10,249,692	\$ 11,519,709	\$ 13,778,079	\$ 14,887,599
Operating grants and contributions	1,295,653	268,675	720,000	798,300	2,015,653	1,066,975
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	3,785,630	2,857,563	-	-	3,785,630	2,857,563
Sales taxes	8,189,360	7,023,409	-	-	8,189,360	7,023,409
Franchise taxes	1,227,784	1,186,272	-	-	1,227,784	1,186,272
Other taxes	444,032	325,360	-	-	444,032	325,360
Investment earnings	46,763	43,035	21,721	30,414	68,484	73,449
Miscellaneous	<u>151,142</u>	<u>361,026</u>	<u>44,212</u>	<u>121,344</u>	<u>195,354</u>	<u>482,370</u>
Total revenues	<u>18,668,751</u>	<u>15,433,230</u>	<u>11,035,625</u>	<u>12,469,767</u>	<u>29,704,376</u>	<u>27,902,997</u>
<b>Expenses:</b>						
General government	4,077,633	4,472,541	979,390	2,207,488	5,057,023	6,680,029
Public safety	6,845,653	6,546,562	-	-	6,845,653	6,546,562
Public Works	5,794,907	4,739,268	-	-	5,794,907	4,739,268
Community services	287,085	255,764	-	-	287,085	255,764
Water	-	-	3,003,537	2,549,230	3,003,537	2,549,230
Sewer	-	-	1,757,176	1,226,582	1,757,176	1,226,582
Gas	-	-	1,600,490	1,801,364	1,600,490	1,801,364
Interest on long-term debt, fiscal agent fees	<u>821,705</u>	<u>353,188</u>	<u>272,406</u>	<u>481,542</u>	<u>1,094,111</u>	<u>834,730</u>
Total expenses	<u>17,826,983</u>	<u>16,367,323</u>	<u>7,612,999</u>	<u>8,266,206</u>	<u>25,439,982</u>	<u>24,633,529</u>
<b>Increases/(Decrease) in net assets</b>						
before transfers	841,768	( 934,093)	3,422,626	4,203,561	4,264,394	3,269,468
Transfers	<u>3,054,958</u>	<u>2,393,458</u>	<u>( 3,054,958)</u>	<u>( 2,393,458)</u>	<u>-</u>	<u>-</u>
Change in net assets	3,896,726	1,459,365	367,668	1,810,103	4,264,394	3,269,468
Net assets, beginning	<u>32,721,402</u>	<u>31,262,037</u>	<u>39,637,691</u>	<u>37,827,588</u>	<u>72,359,093</u>	<u>69,089,625</u>
Net assets, ending	<u>\$ 36,618,128</u>	<u>\$ 32,721,402</u>	<u>\$ 40,005,359</u>	<u>\$ 39,637,691</u>	<u>\$ 76,623,487</u>	<u>\$ 72,359,093</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 \$29,308,672. Approximately 32% of this amount (\$9,489,655) is unassigned fund balance; however, \$325,879 is assigned for encumbrances at year-end for the General Fund and \$133,570 is committed in the Special Revenue Funds. \$19,359,568 is non-spendable or restricted as follows:

Non-spendable (.14%)	
• Prepaid items	\$ 39,913
Restricted (66%)	
• Debt service	\$1,477,982
• Construction	16,515,643
• Enabling legislation	1,326,030

In the General Fund, fund balance decreased by \$1,942,088. This decrease was primarily due to a transfer of \$2,152,000 to the Capital Projects Fund. The Debt Service Fund Balance increased by \$706,708 primarily from an increase in the debt service tax rate from the issuance of \$14.5 million in Certificates of Obligation.

### Proprietary Fund

Unrestricted net assets of the respective proprietary funds are the Enterprise (water, sewer, gas) of \$9,511,492 and Internal Service Fund (fleet replacement fund and employee benefits trust fund) of \$1,824,897. The net assets of the water, sewer, and gas fund increased \$331,021 primarily because a marginal increase in revenues over inter-fund transfers. Actual revenues from water, sewer, and gas sales decreased due to a milder winter and increased rainfall during fiscal 2012. Net assets of the internal service fund increased \$94,460. This was due primarily to a decrease in the cost of group health insurance coverage.

### General Fund Budgetary Highlights

The budget for the 2011-2012 General Fund was less than the previous year, 2010-2011. Additional supplemental expenditures in the amount of \$ 476,067 were approved together with an inter-fund transfer to the Capital Projects Fund in the amount of \$ 2,152,000.

As the result of the inter-fund transfer, there was a planned decrease in the General Fund fund balance. At the fiscal year-end, the total fund balance had decreased to \$9,855,447 from a beginning amount of \$11,797,535.

## 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, 2012 is \$73,934,664. 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 Brown-Hufsmith Road from Quinn Road to Brown Drive, renovations to the Central Fire Station, and the purchase of land for the Tomball Economic Development Corporation's Business Park.

### CITY OF TOMBALL'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 5,637,581	\$ 4,521,005	\$ 1,403,735	\$ 1,028,284	\$ 7,041,316	\$ 5,549,289
Buildings and improvements	7,592,622	7,587,311	-	-	7,592,622	7,587,311
Gas system			3,372,159	3,511,701	3,372,159	3,511,701
Water and Sewer system			31,384,334	31,591,196	31,384,334	31,591,196
Equipment	1,544,598	1,256,682	2,235,028	2,159,134	3,779,626	3,415,816
Vehicles	196,203	127,090			196,203	127,090
Infrastructure	14,378,268	7,738,282	-	-	14,378,268	7,738,282
Construction in progress	4,816,903	10,239,134	1,373,233	1,448,278	6,190,136	11,687,412
Total capital assets	\$ 34,166,175	\$ 31,469,504	\$ 39,768,489	\$ 39,738,593	\$ 73,934,664	\$ 71,208,097

Additional information on the City's capital assets can be found in the notes on pages 38 through 41 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 \$36,569,193.

### CITY OF TOMBALL'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligations	\$ 5,501,750	\$ 5,767,500	\$ 4,738,250	\$ 4,757,500	\$ 10,240,000	\$ 10,525,000
Certificates of Obligation	21,151,000	7,516,500	1,199,000	1,798,500	22,350,000	9,315,000
Revenue bonds payable	-	-	3,315,000	3,715,000	3,315,000	3,715,000
Capital leases	664,193	-	-	-	664,193	-
	<u>\$ 27,316,943</u>	<u>\$ 13,284,000</u>	<u>\$ 9,252,250</u>	<u>\$ 10,271,000</u>	<u>\$ 36,569,193</u>	<u>\$ 23,555,000</u>

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

	Standard & Poor's	Moody's
General Obligation Bonds	AA-	
Revenue Bonds	AA-	
Certificates of Obligation		Aa3

Additional information on the City's outstanding debt can be found on pages 41 through 44 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 10,979. However, within a 3 mile radius it is estimated to be 19,160. Within a 5 mile radius, the estimate rises to 64,945.

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, a new residential development was 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 17%. With the continuing expansion of the local and surrounding economy, this trend is expected to continue.

The ad valorem property tax rate remained at \$ 0.341455, one of the lowest in Harris County. The local hospital-medical complex was sold to a group of private investors. After this sale the hospital becomes taxable for property tax purposes and it will be one of the City's largest taxpayers. The largest taxpayer, the Baker-Hughes complex, has begun construction of a training facility that is expected to bring 75,000 to 80,000 trainees to the City each year.

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 2012-2013 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 ASSETS  
SEPTEMBER 30, 2012**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 26,042,702	\$ 8,806,721	\$ 34,849,423	\$ 3,927,137
Investments	3,632,848	1,000,532	4,633,380	3,781,930
Receivables, net	1,873,202	1,026,207	2,899,409	474,246
Internal balances	8,850	(8,850)	-	-
Inventory	-	77,488	77,488	-
Prepaid expenses	187,622	-	187,622	-
Investments restricted for:				
Debt service	959,875	-	959,875	-
Deferred charges	268,755	133,809	402,564	-
Capital assets:				
Nondepreciable	10,454,484	2,776,968	13,231,452	1,653,664
Depreciable capital assets, net	23,711,691	36,991,521	60,703,212	-
Total assets	67,140,029	50,804,396	117,944,425	9,836,977
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	1,562,680	375,393	1,938,073	150,128
Accrued interest payable	128,385	41,344	169,729	-
Customer deposits	-	743,289	743,289	-
Noncurrent liabilities:				
Due within one year	2,184,362	1,114,985	3,299,347	-
Due in more than one year	26,646,474	8,524,026	35,170,500	-
Total liabilities	30,521,901	10,799,037	41,320,938	150,128
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	23,370,524	30,368,908	53,739,432	1,653,664
Restricted for:				
Debt service	1,349,597	-	1,349,597	-
Enabling legislation	1,326,030	-	1,326,030	-
Unrestricted	10,571,977	9,636,451	20,208,428	8,033,185
Total net assets	\$ 36,618,128	\$ 40,005,359	\$ 76,623,487	\$ 9,686,849

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, 2012**

Program Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business - Type Activities		
<b>Primary government</b>							
Governmental activities							
General government	\$ 4,077,633	\$ -	\$ 1,021,703	\$ (3,055,930)	\$ -	\$ (3,055,930)	\$ -
Public safety	6,845,653	1,143,981	273,950	(5,427,722)	-	(5,427,722)	-
Public works	5,794,907	2,384,406	-	(3,410,501)	-	(3,410,501)	-
Community services	287,085	-	-	(287,085)	-	(287,085)	-
Interest and fiscal agent fees	821,705	-	-	(821,705)	-	(821,705)	-
Total governmental activities	<u>17,826,983</u>	<u>3,528,387</u>	<u>1,295,653</u>	<u>(13,002,943)</u>	<u>-</u>	<u>(13,002,943)</u>	<u>-</u>
Business-type activities							
General government	979,390	622,320	720,000	-	362,930	362,930	-
Water	3,003,537	4,470,657	-	-	1,467,120	1,467,120	-
Sewer	1,757,176	2,262,268	-	-	505,092	505,092	-
Gas	1,600,490	2,894,447	-	-	1,293,957	1,293,957	-
Interest and fiscal agent fees	272,406	-	-	-	(272,406)	(272,406)	-
Total business-type activities	<u>7,612,999</u>	<u>10,249,692</u>	<u>720,000</u>	<u>-</u>	<u>3,356,693</u>	<u>3,356,693</u>	<u>-</u>
Total primary government	<u>\$ 25,439,982</u>	<u>\$ 13,778,079</u>	<u>\$ 2,015,653</u>	<u>(13,002,943)</u>	<u>3,356,693</u>	<u>(9,646,250)</u>	<u>-</u>
<b>Component unit</b>							
Tomball Economic Development Corporation	2,943,165	-	-	-	-	-	(2,943,165)
	<u>\$ 2,943,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,943,165)</u>
<b>GENERAL REVENUES</b>							
Taxes:							
Property taxes				3,785,630	-	3,785,630	-
Sales taxes				8,189,360	-	8,189,360	2,730,815
Franchise taxes				1,227,784	-	1,227,784	-
Other taxes				444,032	-	444,032	-
Miscellaneous				151,142	44,212	195,354	-
Unrestricted investment earnings				46,763	21,721	68,484	37,662
Transfers				3,054,958	(3,054,958)	-	-
Total general revenues and transfers				<u>16,899,669</u>	<u>(2,989,025)</u>	<u>13,910,644</u>	<u>2,768,477</u>
Change in net assets				3,896,726	367,668	4,264,394	(174,688)
<b>NET ASSETS, beginning of year</b>				<u>32,721,402</u>	<u>39,637,691</u>	<u>72,359,093</u>	<u>9,861,537</u>
<b>NET ASSETS, end of year</b>				<u>\$ 36,618,128</u>	<u>\$ 40,005,359</u>	<u>\$ 76,623,487</u>	<u>\$ 9,686,849</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, 2012**

<b>ASSETS</b>	<b>General Fund</b>	<b>Debt Service</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Current assets					
Cash and cash equivalents	\$ 7,197,857	\$ 516,609	\$ 14,965,940	\$ 1,680,735	\$ 24,361,141
Investments	1,917,513	-	1,715,335	-	3,632,848
Receivables, net	1,826,327	1,498	1,994	36,230	1,866,049
Investments restricted for:					
Debt service	-	959,875	-	-	959,875
Prepaid costs	39,913	-	-	-	39,913
<b>Total assets</b>	<b>\$ 10,981,610</b>	<b>\$ 1,477,982</b>	<b>\$ 16,683,269</b>	<b>\$ 1,716,965</b>	<b>\$ 30,859,826</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable and accrued liabilities	\$ 1,126,163	\$ -	\$ 167,626	\$ 257,365	\$ 1,551,154
<b>Total liabilities</b>	<b>1,126,163</b>	<b>-</b>	<b>167,626</b>	<b>257,365</b>	<b>1,551,154</b>
Fund Balances					
Nonspendable					
Prepaid items	39,913	-	-	-	39,913
Restricted for					
Debt service	-	1,477,982	-	-	1,477,982
Construction	-	-	16,515,643	-	16,515,643
Enabling legislation	-	-	-	1,326,030	1,326,030
Committed					
Special revenue funds	-	-	-	133,570	133,570
Assigned					
General fund	325,879	-	-	-	325,879
Unassigned	9,489,655	-	-	-	9,489,655
<b>Total fund balances</b>	<b>9,855,447</b>	<b>1,477,982</b>	<b>16,515,643</b>	<b>1,459,600</b>	<b>29,308,672</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,981,610</b>	<b>\$ 1,477,982</b>	<b>\$ 16,683,269</b>	<b>\$ 1,716,965</b>	<b>\$ 30,859,826</b>

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

**CITY OF TOMBALL, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012**

Total fund balances - governmental funds \$ 29,308,672

Amounts reported for governmental activities in the statement of net assets 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. 33,711,808

Costs associated with the issuance of governmental long term debt are expensed when incurred in the fund statements and capitalized and amortized over the life of the debt in the government-wide financial statements. 268,755

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. (293,199)

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. (128,385)

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 assets. 2,288,114

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, 2012 are:

Bonded debt payable	(26,652,750)	
Capital lease payable	(664,193)	
Landfill post closure costs	(111,300)	
Compensated absences payable	(1,115,043)	
Deferred loss on issuance of refunding bonds	338,639	
Premiums received on issuance of bonds	(332,990)	<u>(28,537,637)</u>

Net assets of governmental activities \$ 36,618,128

**CITY OF TOMBALL, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2012**

	General Fund	Debt Service	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 1,322,456	\$ 2,703,224	\$ -	\$ -	\$ 4,025,680
Sales, franchise, and other taxes	9,459,259	-	-	401,917	9,861,176
Permits and licenses	308,621	-	-	-	308,621
Fines and forfeitures	796,956	-	-	347,025	1,143,981
Service revenue	2,075,785	-	-	-	2,075,785
Intergovernmental	273,950	-	-	-	273,950
Contributions from component unit	10,000	-	986,703	25,000	1,021,703
Interest on investments	21,077	2,273	18,647	2,350	44,347
Other revenue	118,560	6	4,002	28,575	151,143
	<u>14,386,664</u>	<u>2,705,503</u>	<u>1,009,352</u>	<u>804,867</u>	<u>18,906,386</u>
Total revenues	14,386,664	2,705,503	1,009,352	804,867	18,906,386
<b>Expenditures</b>					
Current					
Administrative	4,081,257	-	-	439,662	4,520,919
Police	4,674,177	-	-	-	4,674,177
Fire	2,371,466	-	-	-	2,371,466
Court	298,693	-	-	-	298,693
Public works	1,346,867	-	29,131	-	1,375,998
Sanitation	2,031,145	-	-	-	2,031,145
Streets	903,431	-	2,447,316	-	3,350,747
Permits	344,566	-	-	-	344,566
Garage	137,877	-	-	-	137,877
Parks	457,959	-	-	-	457,959
Community services	115,245	-	-	171,840	287,085
Debt service					
Principal	-	1,192,057	-	-	1,192,057
Interest and fiscal charges	-	806,738	-	-	806,738
Bond issuance costs and fees	-	-	106,633	-	106,633
	<u>16,762,683</u>	<u>1,998,795</u>	<u>2,583,080</u>	<u>611,502</u>	<u>21,956,060</u>
Total expenditures	16,762,683	1,998,795	2,583,080	611,502	21,956,060
Excess (deficiency) of revenues over expenditures	(2,376,019)	706,708	(1,573,728)	193,365	(3,049,674)
Other financing sources (uses)					
Proceeds from bond issuance	-	-	14,500,000	-	14,500,000
Premium on issuance of bonds	-	-	107,735	-	107,735
Proceeds from capital lease	725,000	-	-	-	725,000
Transfers out	(2,152,000)	-	-	-	(2,152,000)
Transfers in	1,860,931	-	3,346,027	-	5,206,958
	<u>433,931</u>	<u>-</u>	<u>17,953,762</u>	<u>-</u>	<u>18,387,693</u>
Total other financing sources (uses)	433,931	-	17,953,762	-	18,387,693
Net change in fund balances	(1,942,088)	706,708	16,380,034	193,365	15,338,019
<b>Fund balances, beginning of year</b>	<u>11,797,535</u>	<u>771,274</u>	<u>135,609</u>	<u>1,266,235</u>	<u>13,970,653</u>
<b>Fund balances, end of year</b>	<u>\$ 9,855,447</u>	<u>\$ 1,477,982</u>	<u>\$ 16,515,643</u>	<u>\$ 1,459,600</u>	<u>\$ 29,308,672</u>

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, 2012**

Net change in fund balances - total governmental funds \$ 15,338,019

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. 4,311,250

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. (1,469,311)

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 assets. Also, governmental funds report the effect of issuance costs, 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:

Proceeds from issuance of long term debt	(15,332,735)	
Long term debt issuance costs, net of amortization	154,983	
Amortization of premium on bonds payable	29,810	
Current year amortization of loss on refunding	(37,627)	
Repayment of long term debt	<u>1,192,057</u>	(13,993,512)

Current year changes in long term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. (19,817)

Current year changes in 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. 75,200

Current year changes in accrued interest payable do not require the use of current financial resources; therefore, it is not reported as an expenditure in the governmental funds. (55,500)

Certain unearned revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. (240,050)

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. (107,366)

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 assets of the internal service funds is included in the governmental activities in the statement of net assets. 57,813

Change in net assets of governmental activities \$ 3,896,726

**CITY OF TOMBALL, TEXAS**  
**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2012**

<b>ASSETS</b>	<b>Business Type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service</b>
Current assets		
Cash and cash equivalents	\$ 8,806,721	\$ 1,681,561
Investments	1,000,532	-
Accounts receivable, net	1,026,207	7,153
Inventory	77,488	-
Prepaid and other assets	-	147,709
Total current assets	10,910,948	1,836,423
Noncurrent assets		
Deferred charges	133,809	-
Nondepreciable capital assets	2,776,968	-
Depreciable capital assets	56,338,595	1,383,715
Less: accumulated depreciation	(19,531,577)	(744,845)
Net capital assets	39,717,795	638,870
Total assets	50,628,743	2,475,293

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

**CITY OF TOMBALL, TEXAS**  
**STATEMENT OF NET ASSETS – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2012**  
**(CONTINUED)**

<b>LIABILITIES</b>	<b>Business Type Activities Enterprise Fund</b>	<b>Governmental Activities Internal Service</b>
Current liabilities		
Accounts payable and accrued liabilities	\$ 375,393	\$ 11,526
Customer deposits	743,289	-
Current portion of bonds and other debt	1,059,276	-
Compensated absences	55,709	-
Accrued interest payable	41,344	-
Total current liabilities	2,275,011	11,526
Noncurrent liabilities		
Compensated absences	167,128	-
Long-term portion of bonds payable (net of deferred charges)	8,356,898	-
Total noncurrent liabilities	8,524,026	-
Total liabilities	10,799,037	11,526
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	30,318,214	638,870
Unrestricted	9,511,492	1,824,897
Total net assets	\$ 39,829,706	\$ 2,463,767
Reconciliation to government-wide statement of net assets:		
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds	175,653	
Net assets of business-type activities	\$ 40,005,359	

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 ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2012**

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
<b>Operating revenues</b>		
Charges for services	\$ 9,627,372	\$ 2,018,042
Taps and connections	101,591	-
Penalties	107,213	-
Capital recovery fees	376,869	-
Miscellaneous	44,212	-
	<hr/>	<hr/>
Total operating revenues	10,257,257	2,018,042
<b>Operating expenses</b>		
Costs of sales and services	5,968,026	1,719,548
Depreciation	1,372,567	206,448
	<hr/>	<hr/>
Total operating expenses	7,340,593	1,925,996
	<hr/>	<hr/>
Operating income	2,916,664	92,046
<b>Nonoperating revenues (expenses)</b>		
Investment income	35,024	2,414
Unrealized gain (loss) on investments	(13,303)	-
Interest expense	(272,406)	-
Contribution from component unit	720,000	-
	<hr/>	<hr/>
Total nonoperating revenues (expenses)	469,315	2,414
	<hr/>	<hr/>
Income before transfers	3,385,979	94,460
	<hr/>	<hr/>
Transfers out	(3,054,958)	-
	<hr/>	<hr/>
Change in net assets	331,021	94,460
<b>Net assets, beginning of year</b>	39,498,685	2,369,307
	<hr/>	<hr/>
<b>Net assets, end of year</b>	<u>\$ 39,829,706</u>	<u>\$ 2,463,767</u>
	<hr/>	<hr/>
Reconciliation to government-wide statement of activities:		
Change in net assets	\$ 331,021	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	36,647	
	<hr/>	
Change in net assets of business-type activities	<u>\$ 367,668</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, 2012**

	<b>Business Type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
<b>OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 10,673,014	\$ 2,018,117
Cash payments to suppliers for goods and services	(4,664,056)	(1,866,136)
Cash payments to employees for services	(1,613,946)	-
<b>Net cash provided by operating activities</b>	<b>4,395,012</b>	<b>151,981</b>
<b>NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers	(3,054,958)	-
Contribution from component unit	720,000	-
<b>Net cash used in noncapital financing activities</b>	<b>(2,334,958)</b>	<b>-</b>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,386,053)	(77,590)
Principal paid on capital debt	(1,018,750)	-
Interest paid on capital debt	(372,183)	-
<b>Net cash used in capital and related financing activities</b>	<b>(2,776,986)</b>	<b>(77,590)</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from maturities of investments, net	1,516,056	-
Investment income	21,721	2,414
<b>Net cash provided by investing activities</b>	<b>1,537,777</b>	<b>2,414</b>
<b>Net change in cash and cash equivalents</b>	<b>820,845</b>	<b>76,805</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>7,985,876</b>	<b>1,604,756</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 8,806,721</b>	<b>\$ 1,681,561</b>

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, 2012**  
**(CONTINUED)**

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 2,916,664	\$ 92,046
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	1,372,567	206,448
Change in assets and liabilities		
Accounts receivable	410,053	75
Inventory	20,299	-
Prepaid and other assets	-	(147,709)
Accounts payable and accrued liabilities	(330,275)	1,121
Customer deposits	5,704	-
	<u>5,704</u>	<u>-</u>
<b>Net cash provided by operating activities</b>	<u>\$ 4,395,012</u>	<u>\$ 151,981</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 assets 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 expenditure for specified purposes other than debt service or capital projects. The special revenue funds include Court Security Fund, Court Technology Fund, Housing Trust Fund, Hotel Occupancy Tax Fund, Red Light Camera 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 funds are 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, equities, 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 assets 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 balance sheet. Proprietary fund equity consists of net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units 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 current assets.

The City uses the modified accrual basis of accounting in the governmental fund type and component units. 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 so 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. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. The statement of net assets, 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.

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

**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 combined balance sheet as "cash and cash equivalents."

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.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Deposits and Investments – Continued**

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

**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."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

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

**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**

**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) 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.

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

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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 are 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 maintained separately 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 applicable governmental activities statement of net assets. 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. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, 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 funds. For proprietary fund types, bond premiums, discounts and issuance costs 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. Issuance costs are reported as deferred charges.

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.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Long-Term Obligations – Continued**

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 fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

**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.

**Fund Equity**

**Government – Wide and Proprietary Fund Net Assets**

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 requires the classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets 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 assets consists of constraints placed on net asset 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 assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Fund Equity – Continued**

**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 insurance) or are legally required to remain intact (such as notes receivable or 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.

Assigned fund balance – represents amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. 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.

**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**

The Council has also authorized the City Manager and Director of Finance to assign fund balance. Assignments of fund balance by the City Manager and Director of Finance do not require formal action by the City Council; however, each assignment must be approved by both authorized officials before the item can be presented in the financial statements.

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 percent 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.

**Estimates**

The preparation of financial statements, in conformity with 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 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.

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

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – CONTINUED**

**Excess of Expenditures Over Appropriations**

General government:	
Fire	\$ 626,905
Sanitation	77,145
Streets	22,591
Garage	11,566
Parks	80,493

**NOTE 3. DEPOSITS AND INVESTMENTS**

Deposits and investments as of September 30, 2012 are classified in the accompanying financial statements as follows:

Governmental Activities	\$ 30,635,425
Business-type Activities	9,807,253
Component Unit	<u>7,709,067</u>
Total	<u><u>\$ 48,151,745</u></u>

Deposits and investments as of September 30, 2012 consist of the following:

City	
Deposits with financial institutions	\$ 555,063
Investments	<u>39,887,615</u>
Total City	<u><u>\$ 40,442,678</u></u>
Component Unit	
Deposits with financial institutions	\$ 27,065
Investments	<u>7,682,002</u>
Total Component Unit	<u><u>\$ 7,709,067</u></u>

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

**NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED**

At September 30, 2012, the City and component unit had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
City		
U.S. Agencies	\$ 3,503,350	706
Municipal Bonds	1,130,030	179
TexPool	29,127,173	
TEXAS Class	6,127,062	
<b>Total fair value</b>	<b>\$ 39,887,615</b>	
Portfolio weighted average maturity		<u>578</u>
Component unit		
U.S. Agencies	\$ 3,502,153	1,057
Municipal Bonds	279,777	243
TexPool	1,886,247	
Texas CLASS	2,013,825	
<b>Total fair value</b>	<b>\$ 7,682,002</b>	
Portfolio weighted average maturity		<u>996</u>

**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 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. The Cutwater Investor Services Corp. serves as the pools program administrator and Wells Fargo Bank Texas, NA, serves as custodian.

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

**NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED**

*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, 2012, 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.

*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 AAA-m 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, 2012 were rated as follows:

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

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

**NOTE 4. RECEIVABLES**

The following comprise receivable balances at year end:

	General	Debt Service	Capital Projects	Enterprise	Nonmajor Governmental	Component Unit	Internal Service
Receivables:							
Property taxes	\$ 93,510	\$ 154,934	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,418,802	-	-	-	-	-	-
Other taxes	118,261	-	-	-	-	-	-
Customer accounts	258,053	-	-	1,127,851	-	-	-
Interest	4,975	-	1,994	2,017	-	-	-
Other	55,743	-	-	-	36,230	474,246	7,153
Gross receivables	1,949,344	154,934	1,994	1,129,868	36,230	474,246	7,153
Less: allowance for uncollectibles	(123,017)	(153,436)	-	(103,661)	-	-	-
Net total receivables	<u>\$ 1,826,327</u>	<u>\$ 1,498</u>	<u>\$ 1,994</u>	<u>\$ 1,026,207</u>	<u>\$ 36,230</u>	<u>\$ 474,246</u>	<u>\$ 7,153</u>

**NOTE 5. CAPITAL ASSETS**

Changes in capital assets for governmental activities for the year ended September 30, 2012 are summarized as follows:

	Beginning Balance	Increases	Reclassifications/ Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 4,521,005	\$ 1,116,576	\$ -	\$ 5,637,581
Construction in progress	10,239,134	1,981,880	(7,404,111)	4,816,903
Total capital assets not being depreciated	14,760,139	3,098,456	(7,404,111)	10,454,484
Other capital assets				
Buildings and improvements	10,227,826	259,348	(8,995)	10,478,179
Machinery and equipment	5,794,358	835,442	(603,107)	6,026,693
Vehicles	2,734,490	26,286	603,107	3,363,883
Infrastructure	13,186,915	7,544,406	(16,443)	20,714,878
Total other capital assets	31,943,589	8,665,482	(25,438)	40,583,633
Less accumulated depreciation				
Buildings and improvements	2,640,515	248,190	(3,148)	2,885,557
Machinery and equipment	4,537,676	251,718	(307,299)	4,482,095
Vehicles	2,607,400	252,981	307,299	3,167,680
Infrastructure	5,448,633	887,977	-	6,336,610
Total accumulated depreciation	15,234,224	1,640,866	(3,148)	16,871,942
Other capital assets, net	16,709,365	7,024,616	(22,290)	23,711,691
Governmental activities capital assets, net	<u>\$ 31,469,504</u>	<u>\$ 10,123,072</u>	<u>\$ (7,426,401)</u>	<u>\$ 34,166,175</u>

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

**NOTE 5. CAPITAL ASSETS – CONTINUED**

Depreciation was charged to governmental functions as follows:

Public safety	\$ 457,920
Public works	1,011,391
Internal service	<u>171,555</u>

Total governmental activities depreciation expense	<u><u>\$ 1,640,866</u></u>
--	----------------------------

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

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Commitment</u>
M121 Drainage Channel	\$ 1,480,400	\$ 1,054,487	\$ 425,913
M124 Willow Creek Tributaries	1,348,145	958,398	389,747
Brown-Hufsmith Phase 2	849,154	840,142	9,012
Agg R. Extension (Med. Complex Drive)	1,660,387	828,126	832,261
M121 Final Phase	1,480,400	586,651	893,749
Rudolph Road and Utilities	212,045	133,416	78,629
Michel Road Extension	117,006	117,006	-
Downtown Parking Lots	121,274	94,732	26,542
M118 Drainage Channels	70,336	70,336	-
Master Drainage Plan	125,000	69,179	55,821
Michel Rd./Holderrieth Blvd.	35,130	35,130	-
Pine St. Drainage / Sidewalk	<u>29,300</u>	<u>29,300</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 7,528,577</u></u>	<u><u>\$ 4,816,903</u></u>	<u><u>\$ 2,711,674</u></u>

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

**NOTE 5. CAPITAL ASSETS – CONTINUED**

Changes in capital assets for business-type activities for the year ended September 30, 2012 are summarized as follows:

	Beginning Balance	Increases	Reclassifications/ Decreases	Ending Balance
<b>Business type activities</b>				
Capital assets not being depreciated				
Land	\$ 1,028,284	\$ 375,451	\$ -	\$ 1,403,735
Construction in progress	1,448,278	818,682	(893,727)	1,373,233
Total capital assets not being depreciated	2,476,562	1,194,133	(893,727)	2,776,968
Other capital assets				
Gas system	5,806,157	-	-	5,806,157
Water and sewer system	45,882,577	942,515	-	46,825,092
Machinery and equipment	3,810,534	194,435	-	4,004,969
Total other capital assets	55,499,268	1,136,950	-	56,636,218
Less accumulated depreciation:				
Gas system	2,294,456	139,542	-	2,433,998
Water and sewer system	14,291,381	1,149,377	-	15,440,758
Machinery and equipment	1,651,400	118,541	-	1,769,941
Total accumulated depreciation	18,237,237	1,407,460	-	19,644,697
Total capital assets being depreciated, net	37,262,031	(270,510)	-	36,991,521
Business-type activities capital assets, net	<u>\$ 39,738,593</u>	<u>\$ 923,623</u>	<u>\$ (893,727)</u>	<u>\$ 39,768,489</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 1,267,918
Gas	<u>139,542</u>
Total business-type activities depreciation expense	<u>\$ 1,407,460</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 enterprise fund projects at year end were as follows:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Commitment</u>
Hufsmith Water and Gas Improvement	\$ 353,578	\$ 293,623	\$ 59,955
Tomball Hills Lift Station	278,786	250,571	28,215
Brown Hufsmith Road Utilities	206,213	206,213	-
Brown Road West Utility Ext.	179,963	175,135	4,828
Rudolph Road	169,538	133,369	36,169
24" Sanitary Sewer - E. Hufsmith	136,537	105,522	31,015
Medical Complex Drive	157,903	99,705	58,198
2920 Utilities	73,945	73,945	-
Pine Street Water Plant Generator Addition	322,257	30,350	291,907
Neal Road Utilities	4,800	4,800	-
<b>Total</b>	<b>\$ 1,883,520</b>	<b>\$ 1,373,233</b>	<b>\$ 510,287</b>

Changes in capital assets for the component unit for the year ended September 30, 2012 are summarized as follows:

<b>Component Unit</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications/ Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ -	\$ 1,653,664	\$ -	\$ 1,653,664
Total capital assets not being depreciated	<u>\$ -</u>	<u>\$ 1,653,664</u>	<u>\$ -</u>	<u>\$ 1,653,664</u>

**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, 2012. 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, net pension obligation, and net other postemployment benefit obligation 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.

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

**NOTE 6. LONG-TERM DEBT – CONTINUED**

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental activities</b>					
Bonds, notes and other payables					
Bonded debt payable	\$ 13,284,000	\$ 14,500,000	\$ 1,131,250	\$ 26,652,750	\$ 1,737,500
Premiums	255,065	107,735	29,810	332,990	31,279
Other debt items	(376,266)	-	(37,627)	(338,639)	(37,627)
	<u>13,162,799</u>	<u>14,607,735</u>	<u>1,123,433</u>	<u>26,647,101</u>	<u>1,731,152</u>
Other liabilities					
Capital lease obligation	-	725,000	60,807	664,193	63,149
Net OPEB obligation	185,833	133,078	25,712	293,199	-
Compensated absences	1,095,226	689,822	670,005	1,115,043	278,761
Landfill post closure costs	186,500	-	75,200	111,300	111,300
Total governmental activities	<u>\$ 14,630,358</u>	<u>\$ 16,155,635</u>	<u>\$ 1,955,157</u>	<u>\$ 28,830,836</u>	<u>\$ 2,184,362</u>
Long-term debt due in more than one year				<u>\$ 26,646,474</u>	
<b>Business-type activities</b>					
Revenue bonds	\$ 10,271,000	\$ -	\$ 1,018,750	\$ 9,252,250	\$ 1,047,500
Premiums	129,540	-	23,553	105,987	11,776
	<u>10,400,540</u>	<u>-</u>	<u>1,042,303</u>	<u>9,358,237</u>	<u>1,059,276</u>
Other liabilities					
Net OPEB obligation	40,787	22,231	5,081	57,937	-
Compensated absences	251,017	32,271	60,451	222,837	55,709
Total business-type activities	<u>\$ 10,692,344</u>	<u>\$ 54,502</u>	<u>\$ 1,107,835</u>	<u>\$ 9,639,011</u>	<u>\$ 1,114,985</u>
Long-term debt due in more than one year				<u>\$ 8,524,026</u>	

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

Series and Original Issue Amount	Final Maturity	Interest Rate	Governmental Activities	Business-Type Activities
<b><u>Certificates of Obligation</u></b>				
Series 2002	2022	4.125 - 5.125%	\$ 981,000	\$ 1,199,000
Series 2003	2023	3 - 4.5%	5,670,000	-
Series 2012	2032	3 - 4.25%	14,500,000	-
			<u>21,151,000</u>	<u>1,199,000</u>
<b><u>General Obligation Bonds</u></b>				
Series 2010	2018	1.5 - 2.2%	1,625,000	-
Series 2011	2022	2 - 4%	3,876,750	4,738,250
			<u>5,501,750</u>	<u>4,738,250</u>
<b><u>Revenue Bonds</u></b>				
Series 1999	2019	2.2 - 4.1%	-	3,315,000
			<u>\$ 26,652,750</u>	<u>\$ 9,252,250</u>
<b>Total Bonds and Certificates of Obligation</b>			<u>\$ 26,652,750</u>	<u>\$ 9,252,250</u>

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

**NOTE 6. LONG-TERM DEBT – CONTINUED**

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

Year Ending September 30,	Governmental Activity		Business-Type Activity	
	Principal	Interest	Principal	Interest
2013	\$ 1,737,500	\$ 912,545	\$ 1,047,500	\$ 309,448
2014	1,769,750	850,068	1,070,250	266,036
2015	1,808,000	788,381	1,082,000	228,783
2016	1,826,750	733,061	1,083,250	196,574
2017	1,863,250	678,741	1,086,750	162,127
2018 - 2022	8,687,500	2,505,074	3,882,500	311,640
2023 - 2027	4,440,000	1,278,625	-	-
2028 - 2032	4,520,000	474,975	-	-
	<u>\$ 26,652,750</u>	<u>\$ 8,221,470</u>	<u>\$ 9,252,250</u>	<u>\$ 1,474,608</u>

**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, 2012, \$10,315,000 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.

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

**NOTE 6. LONG-TERM DEBT – CONTINUED**

**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>

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>
2013	\$ 88,719
2014	88,719
2015	88,719
2016	88,719
2017	88,719
2018 - 2021	<u>354,877</u>
Total	798,472
Less: interest portion	<u>(134,279)</u>
Obligations under capital leases	<u>\$ 664,193</u>

**Landfill Post-Closure Liability**

State and federal regulations required the City to place a final cover on the City's landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site until determined by the State. The \$111,300 reported as accrued landfill post-closure costs at year end represent the remaining estimated post-closure costs. The landfill is in the post-closure process as the landfill has been closed. These amounts are based on what it will cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. State and federal laws require owners to demonstrate financial assurance for closure, post-closure, and/or corrective action. The City complies with the financial and public notice components of the local government financial test and government-guarantee of the test.

**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	\$ 1,860,931	Reimbursement of administrative costs incurred
Capital projects	General	2,152,000	To fund miscellaneous projects
Capital projects	Enterprise	<u>1,194,027</u>	To fund miscellaneous projects
		<u>\$ 5,206,958</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, 2012.

**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](http://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 2011	Plan Year 2012
	<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 Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

**NOTE 9. PENSION PLAN – CONTINUED**

**Contributions – Continued**

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

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

Annual Required Contribution (ARC)	\$ 1,062,771
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
	-
Annual Pension Cost (APC)	1,062,771
Contributions made	(1,062,771)
	-
Increase in net pension obligation	-
Net Pension Obligation, beginning 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
2010	\$ 969,758	\$ 969,758	100%	\$ -
2011	1,089,566	1,089,566	100%	-
2012	1,062,771	1,062,771	100%	-

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

**NOTE 9. PENSION PLAN – CONTINUED**

**Contributions – Continued**

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation date	12/31/2009	12/31/2010	12/31/2011
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28.1 years: closed period	27.2 years: closed period	26.2 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 *	7.50%	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**

The funded status 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	\$19,902,858	\$25,038,151	79.5%	\$5,135,293	\$7,382,599	69.6%

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.

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

**NOTE 9. PENSION PLAN – CONTINUED**

**Funded Status and Funding Progress – Continued**

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.

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 (\$2,000).

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

**NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED**

**Plan Description – Continued**

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. The policy will be a secondary policy only. 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 \$12,167 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 expense that, if recognized on an ongoing basis, is projected to cover normal cost each year and to amortize the unfunded actuarial liabilities over a period not to exceed thirty years. The City's annual OPEB cost for the current year is as follows:

Annual required contribution	\$	154,645
Interest on OPEB obligation		10,194
Adjustment to ARC		<u>(9,445)</u>
Annual OPEB cost (expense) end of year		155,394
Net estimated employer contributions		<u>30,793</u>
Increase in net OPEB obligation		124,601
Net OPEB obligation – as of beginning of the year		<u>226,535</u>
Net OPEB obligation – as of end of year	\$	<u><u>351,136</u></u>

City historical data is as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution Made	Percentage of OPEB Cost Contributed	Net OPEB Obligation at September 30
2010	\$ 99,818	\$ 19,524	20%	\$ 240,865
2011	103,610	117,940	114%	226,535
2012	155,394	30,793	20%	351,136

**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 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	\$0	\$1,157,549	0.00%	\$1,157,549	\$7,382,599	15.68%

Under the reporting parameters, the City’s OPEB plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$1,157,549 at December 31, 2011.

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.

**Actuarial Methods and Assumptions**

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City’s OPEB 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.

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

**NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED**

**Actuarial Methods and Assumptions – Continued**

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%
Inflation rate	3.0%
Projected salary increases	3.0%
Healthcare cost trend rate (initial/ultimate)	9.0% / 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 OPEB plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**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.

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

**NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED**

**TMRS – Supplemental Death Benefit Fund – Continued**

**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, 2012, 2011, and 2010 were \$1,547, \$1,509, and \$1,631, respectively, which equaled the required contributions each year.

**NOTE 11. SUBSEQUENT EVENTS**

In December 2012, the City sold \$6,370,000 in General Obligation Refunding Bonds, Series 2013 (the Series 2013 Bonds). The bonds mature in varying amounts from 2014 through 2023 with coupons ranging from 1% to 1.65%. Proceeds of the sale of the Series 2013 Bonds will be used to refund \$5,275,000 of Combination Tax and Revenue Certificates of Obligation, Series 2003, \$1,090,000 of Combination Tax and Revenue Certificates of Obligation, Series 2002, and to pay the costs of issuance of the Series 2013 Bonds.

**REQUIRED SUPPLEMENTARY  
INFORMATION  
(Unaudited)**

**CITY OF TOMBALL, TEXAS  
SCHEDULE OF FUNDING PROGRESS FOR PARTICIPATION  
IN TEXAS MUNICIPAL RETIREMENT SYSTEM  
SEPTEMBER 30, 2012**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (1)	<u>Actuarial Accrued Liability (AAL)</u> (2)	<u>Funded Ratio</u> (3) (1) / (2)	<u>Unfunded AAL (UAAL)</u> (4) (2) - (1)	<u>Covered Payroll</u> (5)	<u>UAAL as a Percentage of Covered Payroll</u> (6) (4) / (5)
12/31/2009	\$ 11,538,535	\$ 17,190,687	67.1%	\$ 5,652,152	\$ 7,278,133	77.7%
12/31/2010	17,806,137	23,168,802	76.9%	5,362,665	7,188,172	74.6%
12/31/2011	19,902,858	25,038,151	79.5%	5,135,293	7,382,599	69.6%

**CITY OF TOMBALL, TEXAS  
SCHEDULE OF FUNDING PROGRESS  
POST EMPLOYMENT BENEFITS PLAN OTHER THAN PENSIONS  
SEPTEMBER 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) (1) / (2)	Unfunded AAL (UAAL) (4) (2) - (1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4) / (5)
12/31/2009	\$ -	\$ 780,043	0.0%	\$ 780,043	\$ 7,171,519	10.9%
12/31/2010 *	-	780,043	0.0%	780,043	7,171,519	10.9%
12/31/2011	-	1,157,549	0.0%	1,157,549	7,382,599	15.7%

\* In accordance with GASB Statement No. 45, the City has an actuarial valuation performed every 2 years, which was performed as of 12/31/09 and as of 12/31/11. Therefore data for 2010 is the same as 2009.

**CITY OF TOMBALL, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 1,217,889	\$ 1,217,889	\$ 1,322,456	\$ 104,567
Sales, franchise, and other taxes	8,363,300	8,363,300	9,459,259	1,095,959
Permits and licenses	264,250	264,250	308,621	44,371
Fines and forfeitures	892,000	892,000	796,956	(95,044)
Services revenue	1,861,500	1,861,500	2,075,785	214,285
Intergovernmental	218,636	218,636	273,950	55,314
Contributions from component unit	10,000	10,000	10,000	-
Interest on investments	75,000	75,000	21,077	(53,923)
Other revenues	96,100	96,100	118,560	22,460
<b>Total revenues</b>	<b>12,998,675</b>	<b>12,998,675</b>	<b>14,386,664</b>	<b>1,387,989</b>
<b>Expenditures</b>				
Administrative	4,173,849	4,173,849	4,081,257	92,592
Police	4,846,298	4,846,298	4,674,177	172,121
Fire	1,744,561	1,744,561	2,371,466	(626,905) *
Court	311,384	311,384	298,693	12,691
Public works	1,747,485	1,747,485	1,346,867	400,618
Sanitation	1,954,000	1,954,000	2,031,145	(77,145) *
Streets	880,840	880,840	903,431	(22,591) *
Permits	364,375	364,375	344,566	19,809
Garage	126,311	126,311	137,877	(11,566) *
Parks	377,466	377,466	457,959	(80,493) *
Community services	142,100	142,100	115,245	26,855
<b>Total expenditures</b>	<b>16,668,669</b>	<b>16,668,669</b>	<b>16,762,683</b>	<b>(94,014)</b>
Excess of revenues over (under) expenditures	(3,669,994)	(3,669,994)	(2,376,019)	1,293,975
<b>Other financing sources</b>				
Proceeds from capital lease	-	-	725,000	725,000
Transfers in	1,860,931	1,860,931	1,860,931	-
Transfers out	(2,152,000)	(2,152,000)	(2,152,000)	-
<b>Total other financing sources</b>	<b>(291,069)</b>	<b>(291,069)</b>	<b>433,931</b>	<b>725,000</b>
<b>Net change in fund balance</b>	<b>\$ (3,961,063)</b>	<b>\$ (3,961,063)</b>	<b>(1,942,088)</b>	<b>\$ 2,018,975</b>
<b>Fund balance, beginning of year</b>			<b>11,797,535</b>	
<b>Fund balance, end of year</b>			<b>\$ 9,855,447</b>	

**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**

## **NON MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

**CITY OF TOMBALL, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012**

<b>ASSETS</b>	<b>Special General</b>	<b>Court Security</b>	<b>Court Technology</b>	<b>Hotel Occupancy Tax</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 130,962	\$ 185,301	\$ 229,390	\$ 297,232
Accounts receivable	-	-	-	3,400
Total assets	<u>\$ 130,962</u>	<u>\$ 185,301</u>	<u>\$ 229,390</u>	<u>\$ 300,632</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	<u>\$ 672</u>	<u>\$ -</u>	<u>\$ 125</u>	<u>\$ 8,023</u>
Total liabilities	672	-	125	8,023
<b>FUND BALANCES</b>				
Restricted for enabling legislation	-	185,301	229,265	292,609
Committed	<u>130,290</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>130,290</u>	<u>185,301</u>	<u>229,265</u>	<u>292,609</u>
Total liabilities and fund balances	<u>\$ 130,962</u>	<u>\$ 185,301</u>	<u>\$ 229,390</u>	<u>\$ 300,632</u>

<u>Red Light Camera</u>	<u>District Attorney</u>	<u>Bunny Run</u>	<u>Department of Justice Grant</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 834,089	\$ 440	\$ 3,280	\$ 41	\$ 1,680,735
<u>32,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,230</u>
<u>\$ 866,919</u>	<u>\$ 440</u>	<u>\$ 3,280</u>	<u>\$ 41</u>	<u>\$ 1,716,965</u>
<u>\$ 248,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,365</u>
248,545	-	-	-	257,365
618,374	440	-	41	1,326,030
<u>-</u>	<u>-</u>	<u>3,280</u>	<u>-</u>	<u>133,570</u>
<u>618,374</u>	<u>440</u>	<u>3,280</u>	<u>41</u>	<u>1,459,600</u>
<u>\$ 866,919</u>	<u>\$ 440</u>	<u>\$ 3,280</u>	<u>\$ 41</u>	<u>\$ 1,716,965</u>

**CITY OF TOMBALL, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Special General</u>	<u>Court Security</u>	<u>Court Technology</u>	<u>Hotel Occupancy Tax</u>
<b>Revenues</b>				
Other taxes	\$ -	\$ -	\$ -	\$ 401,917
Fines and forfeitures	-	22,674	30,232	-
Interest on investments	239	304	307	514
Contributions from component unit	-	-	-	25,000
Other revenues	12,417	-	-	10,150
<b>Total revenues</b>	<u>12,656</u>	<u>22,978</u>	<u>30,539</u>	<u>437,581</u>
<b>Expenditures</b>				
Current:				
Administrative	21,176	-	1,500	286,204
Community services	-	-	-	166,818
<b>Total expenditures</b>	<u>21,176</u>	<u>-</u>	<u>1,500</u>	<u>453,022</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(8,520)</u>	<u>22,978</u>	<u>29,039</u>	<u>(15,441)</u>
<b>Net change in fund balances</b>	<u>(8,520)</u>	<u>22,978</u>	<u>29,039</u>	<u>(15,441)</u>
<b>Fund balances, beginning of year</b>	<u>138,810</u>	<u>162,323</u>	<u>200,226</u>	<u>308,050</u>
<b>Fund balances, end of year</b>	<u>\$ 130,290</u>	<u>\$ 185,301</u>	<u>\$ 229,265</u>	<u>\$ 292,609</u>

<b>Red Light Camera</b>	<b>District Attorney</b>	<b>Bunny Run</b>	<b>Department of Justice Grant</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 401,917
294,119	-	-	-	347,025
986	-	-	-	2,350
-	-	-	-	25,000
-	-	6,008	-	28,575
295,105	-	6,008	-	804,867
127,207	-	25	3,550	439,662
-	-	5,022	-	171,840
127,207	-	5,047	3,550	611,502
167,898	-	961	(3,550)	193,365
167,898	-	961	(3,550)	193,365
450,476	440	2,319	3,591	1,266,235
<u>\$ 618,374</u>	<u>\$ 440</u>	<u>\$ 3,280</u>	<u>\$ 41</u>	<u>\$ 1,459,600</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, 2012**

	<b>Special General</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Interest on investments	\$ 300	\$ 300	\$ 239	\$ (61)
Other revenues	10,500	10,500	12,417	1,917
Total revenues	<u>10,800</u>	<u>10,800</u>	<u>12,656</u>	<u>1,856</u>
<b>Expenditures</b>				
Administrative	59,000	59,000	21,176	37,824
Total expenditures	<u>59,000</u>	<u>59,000</u>	<u>21,176</u>	<u>37,824</u>
Net change in fund balance	<u>\$ (48,200)</u>	<u>\$ (48,200)</u>	(8,520)	<u>\$ 39,680</u>
<b>Fund balance, beginning of year</b>			<u>138,810</u>	
<b>Fund balance, end of year</b>			<u>\$ 130,290</u>	

	<b>Court Security</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Fines and forfeitures	\$ 25,000	\$ 25,000	\$ 22,674	\$ (2,326)
Interest on investments	350	350	304	(46)
Total revenues	<u>25,350</u>	<u>25,350</u>	<u>22,978</u>	<u>(2,372)</u>
<b>Expenditures</b>				
Administrative	1,000	1,000	-	1,000
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net change in fund balance	<u>\$ 24,350</u>	<u>\$ 24,350</u>	22,978	<u>\$ (1,372)</u>
<b>Fund balance, beginning of year</b>			<u>162,323</u>	
<b>Fund balance, end of year</b>			<u>\$ 185,301</u>	

<b>Court Technology</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
	<b>Revenues</b>			
Fines and forfeitures	\$ 32,000	\$ 32,000	\$ 30,232	\$ (1,768)
Interest on investments	300	300	307	7
Total revenues	<u>32,300</u>	<u>32,300</u>	<u>30,539</u>	<u>(1,761)</u>
<b>Expenditures</b>				
Administrative	23,288	23,288	1,500	21,788
Total expenditures	<u>23,288</u>	<u>23,288</u>	<u>1,500</u>	<u>21,788</u>
Net change in fund balance	<u>\$ 9,012</u>	<u>\$ 9,012</u>	29,039	<u>\$ 20,027</u>
<b>Fund balance, beginning of year</b>			<u>200,226</u>	
<b>Fund balance, end of year</b>			<u>\$ 229,265</u>	

<b>Hotel Occupancy Tax</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
	<b>Revenues</b>			
Other taxes	\$ 300,000	\$ 300,000	\$ 401,917	\$ 101,917
Interest on investments	500	500	514	14
Contribution from component unit	-	-	25,000	25,000
Other revenues	1,000	1,000	10,150	9,150
Total revenues	<u>301,500</u>	<u>301,500</u>	<u>437,581</u>	<u>136,081</u>
<b>Expenditures</b>				
Administrative	326,380	326,380	286,204	40,176
Community Services	140,500	140,500	166,818	(26,318)
Total expenditures	<u>466,880</u>	<u>466,880</u>	<u>453,022</u>	<u>13,858</u>
Net change in fund balance	<u>\$ (165,380)</u>	<u>\$ (165,380)</u>	(15,441)	<u>\$ 149,939</u>
<b>Fund balance, beginning of year</b>			<u>308,050</u>	
<b>Fund balance, end of year</b>			<u>\$ 292,609</u>	

**CITY OF TOMBALL, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL  
DEBT SERVICE FUND  
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 2,640,050	\$ 2,640,050	\$ 2,703,224	\$ 63,174
Interest on investments	2,500	2,500	2,273	(227)
Other revenue	-	-	6	6
Total revenues	2,642,550	2,642,550	2,705,503	62,953
<b>Expenditures</b>				
Debt service				
Principal	1,219,969	1,219,969	1,192,057	27,912
Interest and fiscal agent fees	920,065	920,065	806,738	113,327
Total expenditures	2,140,034	2,140,034	1,998,795	141,239
Excess (deficiency) of revenues over expenditures	502,516	502,516	706,708	204,192
Net change in fund balances	<u>\$ 502,516</u>	<u>\$ 502,516</u>	706,708	<u>\$ 204,192</u>
<b>Fund balance, beginning of year</b>			<u>771,274</u>	
<b>Fund balance, end of year</b>			<u>\$ 1,477,982</u>	

## **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 FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 SEPTEMBER 30, 2012**

<b>ASSETS</b>	<b>Fleet Replacement</b>	<b>Health Benefits</b>	<b>Total</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 1,186,116	\$ 495,445	\$ 1,681,561
Accounts receivable, net	-	7,153	7,153
Prepays	-	147,709	147,709
Total current assets	1,186,116	650,307	1,836,423
<b>NONCURRENT ASSETS</b>			
Depreciable capital assets	1,383,715	-	1,383,715
Less: accumulated depreciation	(744,845)	-	(744,845)
Total noncurrent assets	638,870	-	638,870
Total assets	<u>\$ 1,824,986</u>	<u>\$ 650,307</u>	<u>\$ 2,475,293</u>
<b>LIABILITIES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ -	\$ 11,526	\$ 11,526
Total liabilities	-	11,526	11,526
<b>NET ASSETS</b>			
Invested in capital assets	638,870	-	638,870
Unrestricted	1,186,116	638,781	1,824,897
Total net assets	<u>\$ 1,824,986</u>	<u>\$ 638,781</u>	<u>\$ 2,463,767</u>

**CITY OF TOMBALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED SEPTEMBER 30, 2012**

	<u>Fleet Replacement</u>	<u>Health Benefits</u>	<u>Total</u>
<b>Operating revenues</b>			
Charges for sales and services	\$ 133,000	\$ 1,885,042	\$ 2,018,042
<b>Total revenues</b>	133,000	1,885,042	2,018,042
<b>Operating expenditures</b>			
Costs of sales and services	79,086	1,640,462	1,719,548
Depreciation	206,448	-	206,448
<b>Total operating expenditures</b>	285,534	1,640,462	1,925,996
<b>Operating income (loss)</b>	(152,534)	244,580	92,046
<b>Non-operating revenues</b>			
Investment income	1,867	547	2,414
<b>Net change in fund balances</b>	(150,667)	245,127	94,460
<b>Net assets, beginning of year</b>	1,975,653	393,654	2,369,307
<b>Net assets, end of year</b>	<u>\$ 1,824,986</u>	<u>\$ 638,781</u>	<u>\$ 2,463,767</u>

**CITY OF TOMBALL, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Fleet Replacement</u>	<u>Health Benefits</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 133,000	\$ 1,885,117	\$ 2,018,117
Payments to suppliers	<u>(79,086)</u>	<u>(1,787,050)</u>	<u>(1,866,136)</u>
<b>Net cash provided by operating activities</b>	53,914	98,067	151,981
<b>FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	<u>(77,590)</u>	<u>-</u>	<u>(77,590)</u>
<b>Net cash used in financing activities</b>	(77,590)	-	(77,590)
<b>INVESTING ACTIVITIES</b>			
Investment income	<u>1,867</u>	<u>547</u>	<u>2,414</u>
<b>Net cash provided by investing activities</b>	<u>1,867</u>	<u>547</u>	<u>2,414</u>
<b>Net change in cash and cash equivalents</b>	(21,809)	98,614	76,805
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,207,925</u>	<u>396,831</u>	<u>1,604,756</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 1,186,116</u>	<u>\$ 495,445</u>	<u>\$ 1,681,561</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (152,534)	\$ 244,580	\$ 92,046
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	206,448	-	206,448
Changes in assets and liabilities			
Accounts receivable	-	75	75
Prepays and other assets	-	(147,709)	(147,709)
Accounts payable and accrued liabilities	<u>-</u>	<u>1,121</u>	<u>1,121</u>
<b>Net cash provided by operating activities</b>	<u>\$ 53,914</u>	<u>\$ 98,067</u>	<u>\$ 151,981</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.

<b>Contents</b>	<b>Page</b>
Financial Trends	69
<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	74
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	
Debt Capacity	80
<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	85
<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	87
<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 Assets by Component**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)  
 (unaudited)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 1,181,805	\$ 4,441,423	\$ 4,007,407	\$ 2,886,256	\$ 7,175,862	\$ 10,206,785	\$ 16,143,552	\$ 16,790,199	\$ 18,306,705	\$ 23,370,524
Restricted	8,853,454	7,957,216	4,802,952	2,323,077	3,686,000	1,835,397	2,278,695	1,423,521	1,895,850	2,675,627
Unrestricted	14,288,573	8,565,864	13,761,452	20,707,302	17,884,555	16,282,148	11,362,902	13,048,317	12,518,847	10,571,977
Total governmental activities net assets	<u>\$ 24,323,832</u>	<u>\$ 20,964,503</u>	<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>
Business-type activities										
Invested in capital assets, net of related debt	\$ 6,353,013	\$ 10,928,309	\$ 16,178,138	\$ 23,478,199	\$ 25,045,502	\$ 24,774,972	\$ 26,080,707	\$ 29,073,794	\$ 29,338,053	\$ 30,368,908
Restricted	10,045,644	10,409,786	7,760,255	2,305,729	876,468	-	-	-	-	-
Unrestricted	4,857,704	5,055,643	5,379,709	6,386,872	7,493,793	9,610,968	10,555,994	8,753,794	10,299,638	9,636,451
Total business-type activities net assets	<u>\$ 21,256,361</u>	<u>\$ 26,393,738</u>	<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>
Primary government										
Invested in capital assets, net of related debt	\$ 7,534,818	\$ 15,369,732	\$ 20,185,545	\$ 26,364,455	\$ 32,221,364	\$ 34,981,757	\$ 42,224,259	\$ 45,863,993	\$ 47,644,758	\$ 53,739,432
Restricted	18,899,098	18,367,002	12,563,207	4,628,806	4,562,468	1,835,397	2,278,695	1,423,521	1,895,850	2,675,627
Unrestricted	19,146,277	13,621,507	19,141,161	27,094,174	25,378,348	25,893,116	21,918,896	21,802,111	22,818,485	20,208,428
Total primary government net assets	<u>\$ 45,580,193</u>	<u>\$ 47,358,241</u>	<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>

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities										
General government	\$ 1,609,976	\$ 1,808,900	\$ 1,878,285	\$ 1,889,935	\$ 1,438,117	\$ 1,734,307	\$ 3,091,652	\$ 3,476,001	\$ 4,472,541	\$ 4,077,633
Public safety	3,674,996	4,248,752	5,053,045	5,057,268	5,449,912	7,224,244	6,720,247	5,907,235	6,546,562	6,845,653
Public works	2,923,519	3,326,545	3,435,589	3,709,054	5,076,429	6,325,789	5,692,269	5,205,824	4,739,268	5,794,907
Community services	366,273	394,829	510,454	512,679	355,348	471,539	260,561	272,034	255,764	287,085
Interest and fiscal agent fees on long-term debt	711,446	984,989	938,772	873,035	824,168	790,736	708,109	658,304	353,188	821,705
Total governmental activities expenses	<u>9,286,210</u>	<u>10,764,015</u>	<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>
Business-type activities										
General government	895,288	1,038,905	1,670,035	1,309,655	2,744,139	2,775,923	2,235,193	1,843,501	2,207,488	979,390
Water	1,273,146	1,520,015	1,742,380	1,488,771	1,259,961	1,720,131	2,215,841	2,197,679	2,549,230	3,003,537
Sewer	1,376,314	1,620,045	2,089,770	2,575,820	1,081,343	1,164,702	1,402,558	1,134,907	1,226,582	1,757,176
Gas	1,888,619	1,955,713	1,223,218	2,048,247	2,496,747	2,727,066	2,486,336	2,374,227	1,801,364	1,600,490
Interest and fiscal agent fees	-	-	-	-	630,735	585,710	-	512,851	481,542	272,406
Total business-type activities expenses	<u>5,433,367</u>	<u>6,134,678</u>	<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>
Total primary government expenses	<u>\$ 14,719,577</u>	<u>\$ 16,898,693</u>	<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>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
Public safety	\$ 984,789	\$ 1,027,034	\$ 1,203,548	\$ 1,443,068	\$ 1,352,444	\$ 922,073	\$ 1,044,706	\$ 1,204,099	\$ 1,083,408	\$ 1,143,981
Public works	1,584,663	1,689,041	1,787,578	1,749,695	1,938,750	2,612,619	2,596,344	2,231,777	2,284,482	2,384,406
Operating grants and contributions	1,170,684	96,279	93,897	93,042	135,750	259,047	278,350	83,130	268,675	1,295,653
Total governmental activities program revenues	<u>3,740,136</u>	<u>2,812,354</u>	<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>
Business-type activities										
Charges for services										
General government	-	-	-	-	-	118,192	-	427,519	413,523	622,320
Water	2,018,000	2,363,284	2,637,614	3,041,240	3,208,398	3,317,403	4,547,803	3,985,231	5,199,565	4,470,657
Sewer	1,261,810	1,259,970	1,309,939	1,587,786	1,401,640	1,725,839	2,468,377	2,233,364	2,368,469	2,262,268
Gas	1,787,152	2,110,902	2,173,694	2,460,885	3,675,752	3,792,717	4,426,091	4,011,635	3,538,152	2,894,447
Operating grants and contributions	-	-	-	-	-	-	720,000	720,000	798,300	720,000
Capital grants and contributions	-	280,785	2,439,084	137,444	-	-	-	-	-	-
Total business-type activities program revenues	<u>5,066,962</u>	<u>6,014,941</u>	<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>
Total primary government program revenues	<u>\$ 8,807,098</u>	<u>\$ 8,827,295</u>	<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>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (5,546,074)	\$ (7,951,661)	\$ (8,731,122)	\$ (8,756,166)	\$ (9,717,030)	(12,752,876)	(12,553,438)	(12,000,392)	(12,730,758)	(13,002,943)
Business-type activities	(366,405)	(119,737)	1,834,928	(195,138)	72,865	(19,381)	3,822,343	3,314,584	4,051,803	3,356,693
Total primary government net expense	<u>\$ (5,912,479)</u>	<u>\$ (8,071,398)</u>	<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>

(continued)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	\$ 101,356	\$ 721,527	\$ 805,285	\$ 952,673	\$ 1,168,491	\$ 933,885	\$ 1,587,560	\$ 1,422,603	\$ 1,270,645	\$ 1,228,461
Property taxes, levied for debt service	1,721,414	1,243,803	1,238,004	1,286,693	1,299,344	1,511,139	1,449,089	1,500,310	1,586,918	2,557,169
Sales taxes	5,134,332	5,556,890	6,479,974	7,491,415	7,304,280	7,100,293	7,038,176	6,651,064	7,023,409	8,189,360
Franchise and local taxes	1,011,342	1,020,001	1,067,621	1,069,381	1,140,734	1,201,401	1,150,591	1,153,954	1,186,272	1,227,784
Other taxes	50,312	95,995	100,056	112,527	181,503	267,133	308,100	229,636	325,360	444,032
Contributions	-	34,052	36,320	114,909	6,000	6,000	-	-	-	-
Investment earnings	402,958	291,197	558,759	988,431	1,222,816	756,431	325,789	80,426	43,035	46,763
Other revenues	159,714	119,949	43,774	62,362	223,644	515,216	405,391	166,287	361,026	151,142
Gain (loss) on sale of capital assets	25,581	8,920	8,637	22,599	-	-	-	-	-	-
Transfers	-	(4,500,000)	-	-	-	39,291	1,749,561	2,260,134	2,393,458	3,054,958
Total governmental activities	<u>8,607,009</u>	<u>4,592,334</u>	<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>
Business-type activities										
Investment earnings	231,462	175,176	366,816	477,600	452,098	308,849	175,119	93,361	30,414	21,721
Other revenues	869,862	760,976	722,620	2,570,236	720,000	720,000	2,860	43,076	121,344	44,212
Transfers	-	4,500,000	-	-	-	(39,291)	(1,749,561)	(2,260,134)	(2,393,458)	(3,054,958)
Total business-type activities	<u>1,101,324</u>	<u>5,436,152</u>	<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>
Total primary government	<u>\$ 9,708,333</u>	<u>\$ 10,028,486</u>	<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>
<b>Change in Net Assets</b>										
Governmental activities	\$ 3,060,935	\$ (3,359,327)	\$ 1,607,308	\$ 3,344,824	\$ 2,829,782	\$ (422,087)	\$ 1,460,819	\$ 1,464,022	\$ 1,459,365	\$ 3,896,726
Business-type activities	734,919	5,316,415	2,924,364	2,852,698	1,244,963	970,177	2,250,761	1,190,887	1,810,103	367,668
Total primary government	<u>\$ 3,795,854</u>	<u>\$ 1,957,088</u>	<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>

(concluded)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,913
Restricted	7,877,234	7,274,055	4,268,304	1,646,027	-	-	23,724	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	325,879
Unassigned	14,046,018	15,224,108	18,009,256	21,048,552	21,199,234	16,676,502	12,194,969	12,161,681	11,797,535	9,489,655
Total general fund	<u>\$ 21,923,252</u>	<u>\$ 22,498,163</u>	<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>\$ 9,855,447</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,629,739	1,253,170	915,699	1,205,549	2,407,556	2,097,709	1,530,276	1,276,646	1,896,380	19,319,655
Committed, reported in:										
Capital project funds	612	9,218	9,637	9,757	79,883	121,425	133,498	133,790	135,609	-
Nonmajor governmental funds	21,429	38,108	34,187	23,333	138,137	353,527	742,340	901,406	141,129	133,570
Total all other governmental funds	<u>\$ 1,651,780</u>	<u>\$ 1,300,496</u>	<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>

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes	\$ 8,090,360	\$ 8,012,912	\$ 9,716,624	\$ 10,931,747	\$ 10,936,779	\$ 11,193,185	\$ 11,442,297	\$ 10,897,786	\$ 11,400,964	\$ 13,886,856
Permits, licenses, and fees	372,621	317,369	331,660	409,694	414,713	319,177	247,548	311,563	262,713	308,621
Fines and forfeitures	537,494	531,439	700,112	832,314	728,148	922,073	1,044,706	1,204,099	1,083,408	1,143,981
Service Revenue	1,626,644	1,749,537	1,850,595	1,850,925	2,059,958	2,293,442	2,348,796	1,920,214	2,021,769	2,075,785
Intergovernmental	1,242,684	202,331	202,217	279,950	213,750	265,047	278,350	73,130	168,782	273,950
Contributions from Component Unit	-	-	-	-	-	-	-	10,000	99,893	1,021,703
Investment earnings	402,958	291,197	558,759	878,636	1,222,817	713,433	312,290	99,837	40,760	44,347
Other revenues	121,119	187,369	81,671	98,866	168,216	332,551	361,992	254,615	386,935	151,143
<b>Total revenues</b>	<b>12,393,880</b>	<b>11,292,154</b>	<b>13,441,638</b>	<b>15,282,132</b>	<b>15,744,381</b>	<b>16,038,908</b>	<b>16,035,979</b>	<b>14,771,244</b>	<b>15,465,224</b>	<b>18,906,386</b>
<b>Expenditures</b>										
General government	1,366,138	1,628,722	1,727,172	1,800,747	1,837,112	3,822,202	2,606,885	4,333,119	4,507,290	4,520,919
Public safety	3,236,266	3,777,556	4,548,579	4,741,965	5,130,493	6,010,899	7,770,127	5,850,953	6,391,016	7,344,336
Public works	2,095,207	2,764,994	2,734,706	2,856,974	3,112,853	3,635,764	3,713,018	3,784,400	3,090,590	3,407,143
Public service	369,130	385,465	449,795	424,129	1,113,084	550,513	932,492	587,557	1,179,637	266,984
Capital outlay	4,466,088	4,850,051	2,236,496	2,814,130	2,762,545	3,521,127	5,387,966	821,359	1,445,273	4,311,250
Debt service										
Principal	861,452	1,373,838	1,391,273	1,194,405	1,138,174	1,158,174	1,328,619	1,135,500	1,195,500	1,192,057
Interest and paying agent	719,307	949,814	948,260	891,842	830,330	795,482	714,188	723,159	626,247	913,371
<b>Total expenditures</b>	<b>13,113,588</b>	<b>15,730,440</b>	<b>14,036,281</b>	<b>14,724,192</b>	<b>15,924,591</b>	<b>19,494,161</b>	<b>22,453,295</b>	<b>17,236,047</b>	<b>18,435,553</b>	<b>21,956,060</b>
Excess of revenues over (under) expenditures	(719,708)	(4,438,286)	(594,643)	557,940	(180,210)	(3,455,253)	(6,417,316)	(2,464,803)	(2,970,329)	(3,049,674)
<b>Other Financing Sources (Uses)</b>										
Transfers in	-	-	-	-	-	-	1,749,561	2,260,134	2,393,458	5,206,958
Transfers out	-	(4,500,000)	-	-	-	(1,248,846)	-	-	-	(2,152,000)
Issuance of debt	-	8,500,000	-	-	-	-	-	2,120,000	3,892,500	14,500,000
Premium on debt issued	-	-	-	-	-	-	-	4,945	278,253	107,735
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(2,071,560)	(4,096,752)	-
Capital leases	-	-	-	-	-	-	-	-	-	725,000
Sale of capital assets	42,972	23,413	33,064	28,399	-	182,665	43,399	-	-	-
<b>Total other financing sources</b>	<b>42,972</b>	<b>4,023,413</b>	<b>33,064</b>	<b>28,399</b>	<b>-</b>	<b>(1,066,181)</b>	<b>1,792,960</b>	<b>2,313,519</b>	<b>2,467,459</b>	<b>18,387,693</b>
<b>Net change in fund balances</b>	<b>\$ (676,736)</b>	<b>\$ (414,873)</b>	<b>\$ (561,579)</b>	<b>\$ 586,339</b>	<b>\$ (180,210)</b>	<b>\$ (4,521,434)</b>	<b>\$ (4,624,356)</b>	<b>\$ (151,284)</b>	<b>\$ (502,870)</b>	<b>\$ 15,338,019</b>
Debt service as a percentage of noncapital expenditures	18.28%	21.36%	19.83%	17.52%	15.00%	12.07%	11.94%	10.97%	10.29%	11.31%

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

<u>Function</u>	<u>2003</u>	<u>2004</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>Change 2011-2012</u>
Property	\$ 1,894,374	\$ 1,978,526	\$ 2,068,974	\$ 2,258,424	\$ 2,310,262	\$ 2,570,145	\$ 2,945,430	\$ 2,938,594	\$ 2,865,923	\$ 4,025,680	40.47%
Sales	5,134,332	4,918,390	6,479,974	7,491,415	7,304,280	7,206,713	7,038,176	6,651,064	6,976,875	8,189,360	17.38%
Franchise fee	1,011,342	1,020,001	1,067,620	1,069,381	1,140,734	1,149,261	1,150,591	1,153,954	1,262,187	964,790	-23.56%
Other taxes	50,312	95,995	100,056	112,527	181,503	212,853	308,100	154,174	295,979	707,026	138.88%
	<u>\$ 8,090,360</u>	<u>\$ 8,012,912</u>	<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>	21.80%

**Table 6**  
**City of Tomball**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Nine Years (2)**  
(unaudited)

	<u>2004</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>
<b>Residential Property</b>	\$ 312,970,420	\$ 346,417,520	\$ 534,830,588	\$ 548,645,926	\$ 562,126,135	\$ 494,490,612	\$ 431,346,771	\$ 435,637,242	\$ 436,949,202
<b>Commercial Property</b>	349,489,260	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
<b>Less: Tax Exempt Property</b>	<u>(35,756,520)</u>	<u>(36,272,730)</u>	<u>(192,670,546)</u>	<u>(221,138,305)</u>	<u>(213,059,540)</u>	<u>(302,822,021)</u>	<u>(317,120,571)</u>	<u>(305,154,366)</u>	<u>(341,307,250)</u>
<b>Total Taxable Assessed Value (1)</b>	626,703,160	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
<b>Total Direct Tax Rate</b>	0.280000	0.280000	0.251455	0.251455	0.251455	0.251455	0.251455	0.251455	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.

(2) The requirement for statistical data is ten years; only nine years are available at this time.

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>2003</u>	<u>2004</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>
City of Tomball by fund:										
General	0.015410	0.100000	0.108000	0.116640	0.106468	0.101455	0.131455	0.121455	\$ 0.111455	\$ 0.111455
Debt service	0.264590	0.180000	0.172000	0.163360	0.144987	0.150000	0.120000	0.130000	0.140000	0.230000
<b>Total Direct Rates</b>	<u>0.280000</u>	<u>0.280000</u>	<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>
Tomball Independent School District	1.750000	1.730000	1.730000	1.710000	1.580000	1.275000	1.360000	1.360000	1.360000	1.360000
Harris County	0.383900	0.388100	0.388000	0.399860	0.402390	0.392390	0.389230	0.392240	0.388050	0.391170
Harris County Flood Control District	0.047600	0.041700	0.041700	0.033220	0.032410	0.031060	0.030860	0.029220	0.029230	0.028090
Port of Houston Authority	0.018300	0.019900	0.020000	0.014740	0.013020	0.014370	0.017730	0.016360	0.020540	0.185600
Harris County Hospital District	0.190200	0.190200	0.190200	0.192160	0.192160	0.192160	0.192160	0.192160	0.192160	0.192160
Harris County Dept. of Education	0.006290	0.006290	0.006290	0.006290	0.006290	0.005853	0.005840	0.006050	0.006581	0.006581
Lone Star College System District	0.001055	0.001055	0.114500	0.120700	0.114400	0.114400	0.110100	0.110100	0.117600	0.121000
Emergency Service District #8	0.000000	0.000000	0.030000	0.030000	0.030000	0.030000	0.050000	0.050000	0.050000	0.050000
<b>Total Direct and Overlapping Rates (1)</b>	<u>2.677345</u>	<u>2.657245</u>	<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>

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	2012			2003		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
B J Services	\$ 152,536,820	1	13.07%	\$ 63,602,860	1	9.30%
Wal-Mart	18,176,890	2	1.56%	19,670,410	2	2.88%
MPT Tomball LP	15,640,730	3	1.34%		n/a	
CenterPoint Energy	14,630,455	4	1.25%	13,695,460	4	2.00%
Weingarten Investments Inc.	14,465,046	5	1.24%		n/a	
Lowe's	13,145,395	6	1.13%	14,066,660	3	2.06%
HEB Grocery	11,993,498	7	1.03%	9,069,660	5	1.33%
Target Corporation	10,723,678	8	0.92%	5,457,470	10	0.80%
Tomball Hospital Authority	10,338,236	9	0.89%		n/a	
MB Tomball Town Center LP	9,658,207	10	0.83%		n/a	
MBS Foundation of Tomball		n/a		7,845,980	6	1.15%
Southwestern Bell Telephone	-	n/a		7,153,680	7	1.05%
Tomball Center	-	n/a		5,875,300	8	0.86%
CFD 1 LP	-	n/a		5,522,850	9	0.81%
Subtotal	\$ 271,308,955		23.24%	\$ 151,960,330		22.22%
Other Taxpayers	895,888,687		76.76%	531,887,240		77.78%
Total	\$ 1,167,197,642		100.00%	\$ 683,847,570		100.00%

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>Total Tax 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>
2003	\$ 1,600,000	\$ 1,425,600	89%	\$ 169,515	\$ 1,595,115	100%
2004	1,915,562	1,771,895	93%	136,637	1,908,532	100%
2005	2,013,497	1,834,296	91%	171,404	2,005,700	100%
2006	1,993,481	1,798,120	90%	184,574	1,982,694	99%
2007	2,130,000	1,904,220	89%	214,588	2,118,808	99%
2008	2,517,121	2,469,639	98%	34,459	2,504,098	99%
2009	2,903,211	2,843,461	98%	44,141	2,887,602	99%
2010	2,907,289	2,850,087	98%	53,913	2,904,000	100%
2011	2,816,658	2,776,954	99%	52,814	2,829,768	100%
2012	3,995,619	3,943,188	99%		3,943,188	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 2012				Calendar Year 2003			
	Number of Outlets	Percentage of Total	Tax Liability	Percentage of Total	Number of Outlets	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	1,268	24.85%	\$ 4,361	38.59%	1,023	28.69%	\$ 3,775	53.61%
Services	975	19.11%	1,797	15.90%	706	19.80%	1,132	16.08%
Wholesale Trade	756	14.82%	880	7.79%	410	11.50%	136	1.93%
Utilities, Transportation, Communications	366	7.17%	724	6.41%	164	4.60%	219	3.11%
Manufacturing	432	8.47%	324	2.87%	191	5.36%	169	2.39%
Construction	301	5.90%	166	1.47%	186	5.22%	66	0.93%
Finance, Insurance, Real Estate	217	4.25%	442	3.91%	164	4.60%	211	2.99%
Mining, Quarrying, and Oil and Gas Extraction	19	0.37%	19	0.17%	-	0.00%	-	0.00%
All other outlets	768	15.05%	2,589	22.91%	722	20.25%	1,334	18.95%
<b>Total</b>	<b>5,102</b>	<b>100.00%</b>	<b>\$ 11,302</b>	<b>100.00%</b>	<b>3,566</b>	<b>100.00%</b>	<b>\$ 7,042</b>	<b>100.00%</b>

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>2003</u>	<u>2004</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>
<b>PRIMARY GOVERNMENT</b>										
<b>Governmental Activities:</b>										
General Obligation Bonds	\$ 995,000	\$ 485,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,120,000	\$ 5,767,500	\$ 5,501,750
Certificates of Obligation	12,925,000	20,685,000	19,905,000	18,839,500	17,774,000	16,688,500	15,578,000	12,377,500	7,516,500	21,151,000
Capital leases	742,483	618,645	492,372	363,467	290,793	218,540	-	-	-	664,193
<b>Subtotal</b>	<u>\$ 14,662,483</u>	<u>\$ 21,788,645</u>	<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>\$ 13,284,000</u>	<u>\$ 27,316,943</u>
<b>Business-Type Activities:</b>										
General Obligation Bonds									\$ 4,757,500	\$ 4,738,250
Certificates of Obligation	\$ 10,670,000	\$ 10,450,000	\$ 10,175,000	\$ 9,575,500	\$ 8,976,000	\$ 8,376,500	\$ 7,777,000	\$ 7,177,500	1,798,500	1,199,000
Revenue bonds	6,440,000	6,140,000	5,830,000	5,510,000	5,175,000	4,830,000	4,470,000	4,100,000	3,715,000	3,315,000
<b>Subtotal</b>	<u>\$ 17,110,000</u>	<u>\$ 16,590,000</u>	<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>\$ 10,271,000</u>	<u>\$ 9,252,250</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 31,772,483</u>	<u>\$ 38,378,645</u>	<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>\$ 23,555,000</u>	<u>\$ 36,569,193</u>
<b>PERSONAL INCOME</b>	\$ 371,937,441	\$ 220,726,922	\$ 300,104,460	\$ 280,510,625	\$ 282,486,000	\$ 276,767,062	\$ 285,081,600	\$ 290,186,220	\$ 273,663,850	\$ 315,207,090
<b>DEBT AS A PERCENTAGE OF PERSONAL INCOME</b>	8.542%	17.387%	12.130%	12.224%	11.404%	10.880%	9.760%	8.882%	8.607%	11.602%
<b>POPULATION</b>	9,843	9,883	9,930	10,625	11,500	11,531	11,600	11,670	10,753	10,979
<b>DEBT PER CAPITA</b>	\$ 3,228	\$ 3,883	\$ 3,666	\$ 3,227	\$ 2,801	\$ 2,612	\$ 2,399	\$ 2,209	\$ 2,191	\$ 3,331

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 Bonded Debt to Assessed Value,**  
**Net Bonded Debt Per Capita, and Assessed and**  
**Estimated Actual Value of Taxable Property**  
**Last Ten Years**  
(unaudited)

	<u>2003</u>	<u>2004</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>
<b>NET TAXABLE ASSESSED VALUE</b>										
All property	\$ 580,358,740	\$ 683,847,570	\$ 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
<b>NET BONDED DEBT</b>										
Gross bonded debt	\$ 31,030,000	\$ 37,760,000	\$ 35,910,000	\$ 33,925,000	\$ 31,925,000	\$ 29,895,000	\$ 27,825,000	\$ 25,775,000	\$ 23,555,000	\$ 35,905,000
Less debt service funds	-	-	-	-	-	-	-	-	-	-
<b>Net Bonded Debt</b>	<u>\$ 31,030,000</u>	<u>\$ 37,760,000</u>	<u>\$ 35,910,000</u>	<u>\$ 33,925,000</u>	<u>\$ 31,925,000</u>	<u>\$ 29,895,000</u>	<u>\$ 27,825,000</u>	<u>\$ 25,775,000</u>	<u>\$ 23,555,000</u>	<u>\$ 35,905,000</u>
<b>RATIO OF NET BONDED DEBT TO ASSESSED VALUE</b>	5.35%	5.52%	5.34%	4.33%	3.25%	2.77%	2.41%	2.23%	2.34%	3.08%
<b>POPULATION</b>	9,843	9,883	9,930	10,625	11,500	11,531	11,600	11,670	10,753	10,979
<b>NET BONDED DEBT PER CAPITA</b>	\$ 3,152	\$ 3,821	\$ 3,616	\$ 3,193	\$ 2,776	\$ 2,593	\$ 2,399	\$ 2,209	\$ 2,191	\$ 3,270

**Table 13**  
**City of Tomball**  
**Direct and Overlapping Governmental**  
**Activities Debt**  
**September 30, 2012**  
(unaudited)

<b>Governmental Unit</b>	<b>Net Bonded Debt Outstanding</b>	<b>Estimated Percentage Applicable (1)</b>	<b>Estimated Share of Overlapping Debt</b>
<b>Debt repaid with property taxes</b>			
Tomball ISD	\$ 299,080,000	22.44%	\$ 67,113,552
Harris County	2,428,237,190	0.41%	9,955,772
Harris Co. Flood Control District	100,020,000	0.41%	410,082
Port of Houston Authority	745,874,397	0.41%	3,058,085
Harris County Dept of Education	7,795,000	0.41%	31,960
Lone Star College System	505,660,000	0.98%	<u>4,955,468</u>
Subtotal, overlapping debt			85,524,919
<b>City direct debt (2)</b>		100.000%	<u>26,652,750</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 112,177,669</u></u>

Source: First Southwest Company

Notes:

- (1) Estimated Percentage Applicable developed from information obtained from the Municipal Advisory Council of Texas.
- (2) City Direct Debt is comprised of debt obligations supported by a pledge of ad valorem taxes.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 58,035,874	\$ 68,384,757	\$ 67,290,772	\$ 78,313,439	\$ 98,148,497	\$ 107,815,177	\$ 115,456,496	\$ 115,610,894	\$ 100,815,311	\$ 116,719,764
Total net debt applicable to limit	13,920,000	21,170,000	19,905,000	18,839,500	17,774,000	16,688,500	15,578,000	14,497,500	13,284,000	26,652,750
Legal debt margin	<u>\$ 44,115,874</u>	<u>\$ 47,214,757</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	23.99%	30.96%	29.58%	24.06%	18.11%	15.48%	13.49%	12.54%	13.18%	22.83%

**Legal Debt Margin Calculation for Fiscal Year 2012**

Assessed value	\$ 1,167,197,642	
Debt limit (10% of assessed value)	116,719,764	(1)
Debt applicable to limit:		
General obligation bonds	26,652,750	
Less: amount set aside for repayment of general obligation debt		
Total net debt applicable to limit	<u>26,652,750</u>	
Legal debt margin	<u>\$ 90,067,014</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>2003</u>	<u>2004</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>
<b>Gross revenues</b>	\$ 6,204,814	\$ 7,005,922	\$ 9,637,212	\$ 7,014,177	\$ 9,450,511	\$ 9,987,545	\$ 12,327,602	\$ 11,493,769	\$ 12,488,750	\$ 11,012,281
<b>Operating expenses (1)</b>	\$ 3,850,816	\$ 4,539,346	\$ 4,941,774	\$ 5,603,456	\$ 6,238,127	\$ 7,039,498	\$ 6,593,348	\$ 6,338,235	\$ 6,165,226	\$ 5,968,026
<b>Net revenues available for Debt Service</b>	\$ 2,353,998	\$ 2,466,576	\$ 4,695,438	\$ 1,410,721	\$ 3,212,384	\$ 2,948,047	\$ 5,734,254	\$ 5,155,534	\$ 6,323,524	\$ 5,044,255
<b>DEBT SERVICE REQUIREMENTS (2)</b>										
<b>Principal &amp; Interest</b>	\$ 538,846	\$ 538,846	\$ 540,020	\$ 540,674	\$ 541,047	\$ 541,575	\$ 538,595	\$ 542,505	\$ 560,591	\$ 563,815
<b>Total</b>	\$ 538,846	\$ 538,846	\$ 540,020	\$ 540,674	\$ 541,047	\$ 541,575	\$ 538,595	\$ 542,505	\$ 560,591	\$ 563,815
<b>Coverage</b>	4.37	4.58	8.69	2.61	5.94	5.44	10.65	9.50	11.28	8.95

(1) Total operating expenses less depreciation

(2) Includes revenue bonds only

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

<b>Fiscal Year Ended Sept 30</b>	<b>Population(1)</b>	<b>Personal Income</b>	<b>Per Capita Personal Income(5)</b>	<b>Median Age (2)</b>	<b>School Enrollment(3)</b>	<b>Unemployment Rate(4)</b>
2003	9,843	\$ 371,937,441	37,787	34.6	8,394	6.90%
2004	9,883	220,726,922	22,334	34.6	8,730	5.50%
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	25,450	36.0	10,633	8.50%
2012	10,979	315,207,090	28,710	36.9	11,132	7.50%

Data sources:

(1) Estimated (2000 census adjusted for growth for fiscal years 2002-2010). Actual 2011 census population shown for fiscal year 2011. Fiscal year 2012 adjusted for growth based on 2010 census.

(2) Tomball Economic Development Corporation

(3) Tomball Independent School District

(4) Texas Employment Commission, Houston Primary Metropolitan Statistical Area

(5) Tomball Economic Development Corporation

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

Employer	2012			2006		
	Employees	Rank	Percentage of Total City Employment (2)	Employees	Rank	Percentage of Total City Employment (3)
Tomball Regional Medical Center	1,600	1	18.58%	1,500	1	31.63%
Tomball ISD	1,436	2	16.67%	1,100	2	23.20%
Lone Star College - Tomball	800	3	9.29%	650	3	13.71%
Baker Hughes (B J Services)	600	4	6.97%	400	4	8.44%
Wal-Mart	459	5	5.33%	n/a	n/a	n/a
HEB	266	6	3.09%	n/a	n/a	n/a
City of Tomball	165	7	1.92%	136	5	2.87%
Kroger	140	8	1.63%	n/a	n/a	n/a
Lowe's	127	9	1.47%	n/a	n/a	n/a
Target	113	10	1.31%	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 six 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund:</b>										
Administration	7.5	8	8.25	8.5	9.5	10	15	14.5	14.5	16
Permits & Inspection	3.5	4.5	4.5	5	6	6	5	5	5	5
Police Department	44	47.5	50.5	50.5	52.5	55	55	55	57	59
Municipal Court	6	5.5	4.5	4	4	5	5	5	5.5	4.5
Community Center	3	3	3	3	3	3	3	3	3	3
Fire Department	5.5	8.5	9	9	12	14	14	14	16	18
Public Works Admin.	4.5	4.5	6	5.5	6	9	9	9	9	9
Garage	1.5	1	1	1	1	1	1	1	2	2
Parks	3.5	3.2	4.2	4.2	4.2	5.2	5.2	5.2	5.2	5.2
Streets	8.3	10.2	9.2	9.2	7.2	7.2	8.2	8.2	8.2	8.2
<b>General Fund Total</b>	<b>87.3</b>	<b>95.9</b>	<b>100.15</b>	<b>99.9</b>	<b>105.4</b>	<b>115.4</b>	<b>120.4</b>	<b>119.9</b>	<b>125.4</b>	<b>129.9</b>
<b>Enterprise Fund:</b>										
Utility Administration	8.5	9	11.25	11.5	11.5	12	10	9	9	9
Water	5.92	6.82	6.83	8.2	7.2	8.2	6.2	7.2	7.2	7.2
Wastewater	7.79	9.64	9.64	10.2	10.2	10.2	10.2	10.2	10.2	10.2
Gas	5.29	7.14	7.14	6.2	7.2	7.2	6.2	6.2	6.2	6.2
<b>Enterprise Fund Total</b>	<b>27.5</b>	<b>32.6</b>	<b>34.86</b>	<b>36.1</b>	<b>36.1</b>	<b>37.6</b>	<b>32.6</b>	<b>32.6</b>	<b>32.6</b>	<b>32.6</b>
<b>Special Revenue Fund:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.5</b>	<b>3</b>	<b>2.5</b>
<b>Special Revenue Fund Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.5</b>	<b>3</b>	<b>2.5</b>
<b>TOTAL CITY POSITIONS</b>	<b>114.8</b>	<b>128.5</b>	<b>135.01</b>	<b>136</b>	<b>141.5</b>	<b>153</b>	<b>153</b>	<b>153</b>	<b>161</b>	<b>165</b>

**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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Function/Program</b>										
Police										
Arrests	2,034	1,804	1,766	1,611	1,812	1,840	1,625	2,049	2,012	1,475
Accident reports	704	650	563	523	609	499	440	330	334	392
Citations	5,518	8,153	13,194	12,473	7,602	12,445	10,820	14,694	12,798	13,329
Offense reports	2,319	2,959	2,130	2,321	2,174	2,398	2,050	1,705	1,915	2,153
Calls for service	9,323	8,553	8,804	8,861	8,558	8,299	7,688	7,348	6,774	7,399
Fire										
Emergency responses	N/A	647	623	860	1,028	1,241	1,056	1,341	1,364	1,523
Fire incidents	N/A	113	170	278	170	206	218	220	207	178
Average response time	N/A	6:19	6:17	6:07	5:40	5:34	4:38	5:15	5:54	6:40
Water										
New accounts	597	639	674	875	719	663	532	89	79	56
Source:										
Water	597	639	674	875	719	663	532	89	79	56
Sewer	597	639	674	875	719	663	532	89	79	56
Average daily consumption (millions of gallons)										
	1,798	1,798	1,851	2,002	1,897	1,980	2,166	1,941	2,525	2,249
Number of million gallons of surface water pumped										
	0	0	0	0	0	0	0	0	0	0
Number of million gallons of well water pumped										
	656,384	675,448	751,880	730,198	692,163	722,788	790,409	708,565	923,261	822,215
Total consumption (millions of gallons)										
	656,384	675,448	751,880	730,198	692,363	722,788	790,409	708,565	923,261	822,215
Peak daily consumption (millions of gallons)										
	3,492	3,492	3,322	3,395	3,241	4,425	3,791	3,480	4,392	4,312
Sewer										
Average daily sewage treatment (millions of gallons)										
	1.339	1.595	1.468	1.500	1.636	1.422	1.428	1.362	1.174	1.555
Total consumption (millions of gallons)										
	488.735	582.175	535.820	547.500	597.140	519.030	520.176	497.166	429.608	567.754
Peak daily consumption (millions of gallons)										
	3.30	4.50	4.30	4.50	5.10	5.90	5.10	3.72	2.18	7.44

Source: Various City departments

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	26	26	27	31	32	26	28	30	32	33
Fire stations	2	2	2	2	2	2	2	2	2	2
<b>Other public works</b>										
Streets (miles - centerlines)	69.9	71.0	71.0	72.0	72.0	72.6	73	56.2	56.2	58.2
Streetlights	462	462	639	642	648	648	648	650	654	664
<b>Parks and recreation</b>										
Parks	4	4	4	4	4	4	4	4	4	4
Parks acreage	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	24 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	1	1
<b>Water</b>										
Water mains (miles)	59	59	74	86	88	89	91.29	91.59	91.79	91.49
Fire hydrants	630	630	668	802	831	831	869	874	878	883
Storage capacity (millions of gallons)	N/A	N/A	N/A	N/A	1.85	1.85	1.85	1.85	2.35	2.35
<b>Sewer</b>										
Sanitary sewers (miles)	48.0	48.0	51.5	54.5	56.0	56.17	58.6	58.86	59.44	60.13
Storm sewers (miles)	15.0	16.2	16.9	16.9	16.9	16.9	17.2	17.4	17.4	17.4
Open ditch / creek / canal drainage (miles)	N/A	N/A	N/A	N/A	52.00	53.00	53.4	53.7	54	54
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.