

CITY OF TOMBALL, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2013

City Manager

George Shackelford

Prepared by:

Glenn Windsor, CPA, CGFO

Finance Director

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Senior Accountant

**CITY OF TOMBALL, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2013**

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**CITY OF TOMBALL, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2013**

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INTRODUCTORY SECTION



City of Tomball

Gretchen Fagan

Mayor

George Shackelford

City Manager

March 18, 2014

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, 2013. The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the results of operations of the various funds of the City, as well as the fund balances. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

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

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

Profile of the Government

The City, incorporated on July 18, 1933, is located northwest of Houston, Texas, in a rapidly growing area of Harris County. The City currently occupies a land area of 11.71 square miles and serves an estimated population of 10,979. The City of Tomball is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the governing council.

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

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

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the Finance Director. These requests serve as a starting point for developing a proposed budget. The Finance Director provides the information to the City Manager who then presents this proposed budget to the council for review. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function, and department. Department heads may make requests to the City Manager for transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 58 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 64.

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 16.91% to \$1.36 billion. This property value increase is the result of continued commercial development within the City including the expansion of the training facility at Baker-Hughes, continued development of the medical complex, and additional growth in the retail sector. Two new single-family residential developments were under construction at the end of the fiscal year, including Raleigh Creek with 347 individual lots and homes with an average value of \$350,000.

Sales tax revenues continued to increase with the City experiencing a 15.37% increase during 2012-2013. Additionally, new retail businesses continued to open in the retail district located on the City's west side.

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

Long-Term Financial Planning

The City continued the design and construction of Medical Complex Drive and the M121 drainage channel which was designed to mitigate flooding in the downtown area. Funding for both of these projects came from the issuance of \$ 14.5 million in Certificates of Obligation issued January, 2012. Also, at the end of the fiscal year, plans were in place to improve sidewalks in the downtown area and the construction of restroom facilities at the Depot Plaza were nearing completion.

In conjunction with the Tomball Economic Development Corporation, the City issued \$8,500,000 in Certificates of Obligation (May 2013) to finance the construction of infrastructure to service a new business park on the southeast corner of the City.

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

Major Initiatives

The largest revenue source in the General Fund is sales tax. The City has experienced significant commercial and retail growth over the last several years. However, because of the recent recession, 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 and funded through a separate capital projects fund. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is established at the division level within an individual fund. The City maintains an encumbrance accounting system as a means of accomplishing budgetary controls and a technique of budgetary “lock out” which will prevent a transaction from exceeding legally appropriated budgetary amounts. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Debt Administration

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

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

Independent Audit

The City Charter requires an independent audit of the accounts of the City by an independent auditor. The firm of Weaver and Tidwell, LLP, Certified Public Accountants, has issued an unqualified (“clean”) opinion on the City of Tomball’s financial statements for the year ended September 30, 2013. The independent auditor’s report is located at the front of the financial section of this report.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2012. 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, 2012. This is the fifth 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

For the second consecutive year, the City was awarded the Gold Leadership Award as part of the “Texas Transparency” program from the Texas Comptroller of Public Accounts. This program involves publishing financial information such as CAFRs, budgets, and check registers to demonstrate transparent government to both the citizens and other members of the public.

Acknowledgements

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

Respectfully submitted,

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

Glenn Windsor, CPA, CFE, CGFO
Finance Director

**CITY OF TOMBALL, TEXAS
PRINCIPAL OFFICIALS AS OF
SEPTEMBER 30, 2013**

| City Officials | Elected Position | Term Expires |
|-----------------------|-------------------------|---------------------|
| Gretchen Fagan | Mayor | 2016 |
| F. S. "Field" Hudgens | Councilman Position 1 | 2014 |
| Mark Stoll | Councilman Position 2 | 2015 |
| Rick Brown | Councilman Position 3 | 2016 |
| Derek Townsend, Sr. | Councilman Position 4 | 2015 |
| Preston Dodson | Councilman Position 5 | 2014 |

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



Government Finance Officers Association

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

Presented to

**City of Tomball
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

Staff Organizational Chart

Tomball Citizens



Mayor and City Council

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

City Manager

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

Assistant City Manager

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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tomball, Texas (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Funding Progress for Participation in Texas Municipal Retirement System, Schedule of Funding Progress – Post Employment Benefits Plan Other Than Pensions and Schedule of Revenues Expenditures, and Changes in Fund Balance, Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
March 18, 2014

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, 2013. 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 \$82,431,677 (net position). Of this amount, \$12,612,754 is unrestricted net position for governmental activities and \$10,646,792 for business-type activities.
- The City's net position increased by \$5,808,190. This included an increase of \$3,051,118 in unrestricted net position, an increase of \$2,628,599 in net assets invested in capital assets net of related debt, and an increase of \$128,473 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 \$39,419,587. Of the ending fund balance, \$27,524,034 is restricted for specific purposes (e.g., capital projects, debt service); \$143,436 is committed for specific purposes; \$161,921 is assigned by the City for specific purposes; \$30,441 is non-spendable and \$11,559,755 is unassigned and available to meet the government's ongoing obligations in accordance with the City's fund designation and fiscal policies.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the City's net 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 position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in the governmental fund statements.

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

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

Fund Financial Statements

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

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

The City maintains 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 \$82.4 million as of September 30, 2013. The largest portion of the City's net position (68%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF TOMBALL'S NET POSITION

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and other assets | \$ 43,549,351 | \$ 32,973,854 | \$ 12,264,206 | \$ 11,035,907 | \$ 55,813,557 | \$ 44,009,761 |
| Capital assets | <u>35,157,062</u> | <u>34,166,175</u> | <u>39,020,473</u> | <u>39,768,489</u> | <u>74,177,535</u> | <u>73,934,664</u> |
| Total assets | <u>78,706,413</u> | <u>67,140,029</u> | <u>51,284,679</u> | <u>50,804,396</u> | <u>129,991,092</u> | <u>117,944,425</u> |
| Long-term liabilities | 33,255,791 | 26,646,474 | 7,456,550 | 8,524,026 | 40,712,341 | 35,170,500 |
| Other liabilities | <u>4,387,249</u> | <u>3,875,427</u> | <u>2,459,825</u> | <u>2,275,011</u> | <u>6,847,074</u> | <u>6,150,438</u> |
| Total liabilities | <u>37,643,040</u> | <u>30,521,901</u> | <u>9,916,375</u> | <u>10,799,037</u> | <u>47,559,415</u> | <u>41,320,938</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 25,646,519 | 23,370,524 | 30,721,512 | 30,368,908 | 56,368,031 | 53,739,432 |
| Restricted | 2,804,100 | 2,675,627 | - | - | 2,804,100 | 2,675,627 |
| Unrestricted | <u>12,612,754</u> | <u>10,571,977</u> | <u>10,646,792</u> | <u>9,636,451</u> | <u>23,259,546</u> | <u>20,208,428</u> |
| Total net position | <u>\$ 41,063,373</u> | <u>\$ 36,618,128</u> | <u>\$ 41,368,304</u> | <u>\$ 40,005,359</u> | <u>\$ 82,431,677</u> | <u>\$ 76,623,487</u> |

Combined governmental and business-type activities increased the City's net position by \$5,808,190 in 2013. The following table provides a summary of the City's operations for the year ended September 30, 2013. Governmental activities increased the City of Tomball's net position by \$4,445,245. This increase is primarily related to the increase in sales tax revenues over the fiscal year. Business-type activities increased the City's net position by \$1,362,945. This increase is related primarily to a relatively small excess of revenues over inter-fund transfers.

CITY OF TOMBALL'S CHANGES IN NET POSITION

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 3,794,785 | \$ 3,528,387 | \$ 11,096,756 | \$ 10,249,692 | \$ 14,891,541 | \$ 13,778,079 |
| Operating grants and contributions | 1,313,128 | 1,295,653 | 670,000 | 720,000 | 1,983,128 | 2,015,653 |
| Capital grants and contributions | - | - | - | - | - | - |
| General revenues: | | | | | | |
| Property taxes | 4,708,329 | 3,785,630 | - | - | 4,708,329 | 3,785,630 |
| Sales taxes | 9,442,376 | 8,189,360 | - | - | 9,442,376 | 8,189,360 |
| Franchise taxes | 1,267,302 | 1,227,784 | - | - | 1,267,302 | 1,227,784 |
| Other taxes | 428,208 | 444,032 | - | - | 428,208 | 444,032 |
| Investment earnings | 44,877 | 46,763 | 13,088 | 21,721 | 57,965 | 68,484 |
| Miscellaneous | <u>227,592</u> | <u>151,142</u> | <u>50,567</u> | <u>44,212</u> | <u>278,159</u> | <u>195,354</u> |
| Total revenues | <u>21,226,597</u> | <u>18,668,751</u> | <u>11,830,411</u> | <u>11,035,625</u> | <u>33,057,008</u> | <u>29,704,376</u> |
| Expenses: | | | | | | |
| General government | 5,131,879 | 4,077,633 | 955,026 | 979,390 | 6,086,905 | 5,057,023 |
| Public safety | 7,508,811 | 6,845,653 | - | - | 7,508,811 | 6,845,653 |
| Public Works | 5,456,886 | 5,794,907 | - | - | 5,456,886 | 5,794,907 |
| Community services | 302,564 | 287,085 | - | - | 302,564 | 287,085 |
| Water | - | - | 3,262,366 | 3,003,537 | 3,262,366 | 3,003,537 |
| Sewer | - | - | 1,736,531 | 1,757,176 | 1,736,531 | 1,757,176 |
| Gas | - | - | 1,743,258 | 1,600,490 | 1,743,258 | 1,600,490 |
| Interest on long-term debt, fiscal agent fees | <u>830,054</u> | <u>821,705</u> | <u>321,443</u> | <u>272,406</u> | <u>1,151,497</u> | <u>1,094,111</u> |
| Total expenses | <u>19,230,194</u> | <u>17,826,983</u> | <u>8,018,624</u> | <u>7,612,999</u> | <u>27,248,818</u> | <u>25,439,982</u> |
| Increases/(Decrease) in net assets | | | | | | |
| before transfers | 1,996,403 | 841,768 | 3,811,787 | 3,422,626 | 5,808,190 | 4,264,394 |
| Transfers | <u>2,448,842</u> | <u>3,054,958</u> | <u>(2,448,842)</u> | <u>(3,054,958)</u> | <u>-</u> | <u>-</u> |
| Change in net assets | 4,445,245 | 3,896,726 | 1,362,945 | 367,668 | 5,808,190 | 4,264,394 |
| Net position, beginning | <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> |
| Net position, ending | <u>\$ 41,063,373</u> | <u>\$ 36,618,128</u> | <u>\$ 41,368,304</u> | <u>\$ 40,005,359</u> | <u>\$ 82,431,677</u> | <u>\$ 76,623,487</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 \$39,419,587. Approximately 29% of this amount (\$11,559,755) is unassigned fund balance; however, \$161,921 is assigned for encumbrances at year-end for the General Fund and \$143,436 is committed in the Special Revenue Funds. \$27,554,475 is non-spendable or restricted as follows:

| | |
|------------------------|-------------|
| Non-spendable (.08%) | |
| • Prepaid items | \$ 30,441 |
| Restricted (70%) | |
| • Debt service | \$1,903,684 |
| • Construction | 24,549,657 |
| • Enabling legislation | 1,070,693 |

In the General Fund, fund balance increased by \$1,896,670. This increase was primarily due to an increase in Sales Tax revenues. The Debt Service Fund Balance increased by \$425,702 primarily from an increase in property tax revenues.

Proprietary Fund

Unrestricted net position of the respective proprietary funds are Enterprise (water, sewer, gas) of \$10,604,868 and Internal Service Fund (fleet replacement fund and employee benefits trust fund) of \$2,017,644. The net position of the water, sewer, and gas fund increased \$1,301,177 primarily because of increases in operating revenues. Inter-fund transfers were less than the previous year. Actual revenues from water, sewer, and gas sales increased because of growth within the city. Net position of the internal service fund increased \$275,600. This was due primarily to an increase in the participant's cost of group health insurance coverage.

General Fund Budgetary Highlights

The budget for the 2012-2013 General Fund increased from the previous year, 2011-2012. Additional supplemental expenditures in the amount of \$ 695,004 were approved together with vehicle replacements of \$234,500 and cash funded capital expenditures of \$ 104,360.

A reduction in fund balance had been expected but with the substantial increase in sales tax revenues, fund balance increased \$ 1,896,670 from a beginning amount of \$ 9,855,447 to \$11,752,117.

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, 2013 is \$74,177,535. The investment in capital assets includes land, buildings and improvements, equipment, infrastructure, and construction in progress.

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

CITY OF TOMBALL'S CAPITAL ASSETS AT YEAR-END

| | Governmental Activities | | Business-type Activities | | Totals | |
|-----------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Land | \$ 5,637,581 | \$ 5,637,581 | \$ 1,403,735 | \$ 1,403,735 | \$ 7,041,316 | \$ 7,041,316 |
| Buildings and improvements | 7,577,842 | 7,592,622 | - | - | 7,577,842 | 7,592,622 |
| Gas system | | | 3,232,725 | 3,372,159 | 3,232,725 | 3,372,159 |
| Water and Sewer system | | | 30,235,987 | 31,384,334 | 30,235,987 | 31,384,334 |
| Equipment | 1,409,781 | 1,544,598 | 2,643,135 | 2,235,028 | 4,052,916 | 3,779,626 |
| Vehicles | 216,521 | 196,203 | | | 216,521 | 196,203 |
| Infrastructure | 14,512,576 | 14,378,268 | - | - | 14,512,576 | 14,378,268 |
| Construction in progress | 5,802,761 | 4,816,903 | 1,504,891 | 1,373,233 | 7,307,652 | 6,190,136 |
| Total capital assets | \$ 35,157,062 | \$ 34,166,175 | \$ 39,020,473 | \$ 39,768,489 | \$ 74,177,535 | \$ 73,934,664 |

Additional information on the City's capital assets can be found in the notes on pages 40 through 42 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 \$42,226,044.

CITY OF TOMBALL'S OUTSTANDING DEBT AT YEAR-END

| | Governmental Activities | | Business-type Activities | | Totals | |
|----------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| General obligations | \$ 10,985,250 | \$ 5,501,750 | \$ 5,304,750 | \$ 4,738,250 | \$ 16,290,000 | \$ 10,240,000 |
| Certificates of Obligation | 22,435,000 | 21,151,000 | - | 1,199,000 | 22,435,000 | 22,350,000 |
| Revenue bonds payable | - | - | 2,900,000 | 3,315,000 | 2,900,000 | 3,315,000 |
| Capital leases | 601,044 | 664,193 | - | - | 601,044 | 664,193 |
| | <u>\$ 34,021,294</u> | <u>\$ 27,316,943</u> | <u>\$ 8,204,750</u> | <u>\$ 9,252,250</u> | <u>\$ 42,226,044</u> | <u>\$ 36,569,193</u> |

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

| | <u>Standard & Poor's</u> | <u>Moody's</u> |
|----------------------------|----------------------------------|----------------|
| General Obligation Bonds | AA- | |
| Revenue Bonds | AA- | |
| Certificates of Obligation | | Aa3 |

Additional information on the City's outstanding debt can be found on pages 43 through 46 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. At this writing, accurate 2013 numbers are not yet available.

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

The City's largest source of revenue continues to be sales taxes. During the fiscal year the City experienced an increase in this resource of over 15%. With the continuing expansion of the local and surrounding economy, this trend is expected to continue.

At the end of fiscal year, construction of the state highway 249 expansion through the city had started with completion expected in 2014. Additionally, State Highway 99, also known as the Grand Parkway, was under construction just south of the city's extraterritorial jurisdiction. When it is completed, it will be the longest beltway in the U.S., and the third (outer) loop within the Houston-The Woodlands-Sugar Land metropolitan area. Additional development within the city is expected when these two major corridors are finished.

The city's largest taxpayer, Baker-Hughes, continues the development of its Western Hemisphere training facility on the northeast corner of the city. When completed, an estimated 70,000 individuals are expected to attend the center on an annual basis. This major addition to our city will serve to encourage new development along the northeast quadrant of Tomball.

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

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

For the 2013-2014 annual budget the City expects continued growth in sales tax revenues along with no changes to the existing tax rates or utility fees. Construction will continue on several capital projects, including the extension of Medical Complex Drive and the M-121 drainage channel.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

**CITY OF TOMBALL, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

| | Primary Government | | | Component Unit |
|----------------------------------|----------------------------|-----------------------------|----------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 28,657,601 | \$ 9,967,613 | \$ 38,625,214 | \$ 3,115,084 |
| Investments | 2,403,102 | 1,000,299 | 3,403,401 | 4,738,374 |
| Receivables, net | 2,136,066 | 1,064,888 | 3,200,954 | 505,082 |
| Internal balances | (41,924) | 41,924 | - | - |
| Inventory | - | 88,167 | 88,167 | - |
| Prepaid expenses | 32,900 | - | 32,900 | - |
| Investments restricted for: | | | | |
| Debt service | 1,388,924 | - | 1,388,924 | - |
| Construction | 8,516,504 | - | 8,516,504 | - |
| Deferred charges | 456,178 | 101,315 | 557,493 | - |
| Capital assets: | | | | |
| Nondepreciable | 11,440,342 | 2,908,626 | 14,348,968 | 2,497,187 |
| Depreciable capital assets, net | 23,716,720 | 36,111,847 | 59,828,567 | - |
| Total assets | 78,706,413 | 51,284,679 | 129,991,092 | 10,855,727 |
| LIABILITIES | | | | |
| Accounts payable and other | | | | |
| current liabilities | 1,696,666 | 526,051 | 2,222,717 | 84,983 |
| Accrued interest payable | 170,277 | 33,396 | 203,673 | - |
| Customer deposits | 1,200 | 763,210 | 764,410 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 2,519,106 | 1,137,168 | 3,656,274 | - |
| Due in more than one year | 33,255,791 | 7,456,550 | 40,712,341 | - |
| Total liabilities | 37,643,040 | 9,916,375 | 47,559,415 | 84,983 |
| NET POSITION | | | | |
| Net investment in capital assets | 25,646,519 | 30,721,512 | 56,368,031 | 2,497,187 |
| Restricted for: | | | | |
| Debt service | 1,733,407 | - | 1,733,407 | - |
| Enabling legislation | 1,070,693 | - | 1,070,693 | - |
| Unrestricted | 12,612,754 | 10,646,792 | 23,259,546 | 8,273,557 |
| Total net position | \$ 41,063,373 | \$ 41,368,304 | \$ 82,431,677 | \$ 10,770,744 |

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, 2013**

| Program Activities | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|--|----------------------|-------------------------|--|--|-------------------------------|----------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Primary Government | | Total | |
| | | | | Governmental Activities | Business - Type Activities | | |
| Primary government | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 5,131,879 | \$ - | \$ 528,210 | \$ (4,603,669) | \$ - | \$ (4,603,669) | \$ - |
| Public safety | 7,508,811 | 1,181,742 | 784,918 | (5,542,151) | - | (5,542,151) | - |
| Public works | 5,456,886 | 2,613,043 | - | (2,843,843) | - | (2,843,843) | - |
| Community services | 302,564 | - | - | (302,564) | - | (302,564) | - |
| Interest and fiscal agent fees | 830,054 | - | - | (830,054) | - | (830,054) | - |
| Total governmental activities | 19,230,194 | 3,794,785 | 1,313,128 | (14,122,281) | - | (14,122,281) | - |
| Business-type activities | | | | | | | |
| General government | 955,026 | 1,001,306 | 670,000 | - | 716,280 | 716,280 | - |
| Water | 3,262,366 | 4,668,205 | - | - | 1,405,839 | 1,405,839 | - |
| Sewer | 1,736,531 | 2,365,611 | - | - | 629,080 | 629,080 | - |
| Gas | 1,743,258 | 3,061,634 | - | - | 1,318,376 | 1,318,376 | - |
| Interest and fiscal agent fees | 321,443 | - | - | - | (321,443) | (321,443) | - |
| Total business-type activities | 8,018,624 | 11,096,756 | 670,000 | - | 3,748,132 | 3,748,132 | - |
| Total primary government | \$ 27,248,818 | \$ 14,891,541 | \$ 1,983,128 | (14,122,281) | 3,748,132 | (10,374,149) | - |
| Component unit | | | | | | | |
| Tomball Economic Development Corporation | 2,074,415 | - | - | - | - | - | (2,074,415) |
| | <u>\$ 2,074,415</u> | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,074,415)</u> |
| GENERAL REVENUES | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | 4,708,329 | - | 4,708,329 | - |
| Sales taxes | | | | 9,442,376 | - | 9,442,376 | 3,145,893 |
| Franchise taxes | | | | 1,267,302 | - | 1,267,302 | - |
| Other taxes | | | | 428,208 | - | 428,208 | - |
| Miscellaneous | | | | 227,592 | 50,567 | 278,159 | - |
| Unrestricted investment earnings | | | | 44,877 | 13,088 | 57,965 | 12,417 |
| TRANSFERS | | | | 2,448,842 | (2,448,842) | - | - |
| Total general revenues and transfers | | | | <u>18,567,526</u> | <u>(2,385,187)</u> | <u>16,182,339</u> | <u>3,158,310</u> |
| Change in net position | | | | 4,445,245 | 1,362,945 | 5,808,190 | 1,083,895 |
| NET POSITION, beginning of year | | | | <u>36,618,128</u> | <u>40,005,359</u> | <u>76,623,487</u> | <u>9,686,849</u> |
| NET POSITION, end of year | | | | <u>\$ 41,063,373</u> | <u>\$ 41,368,304</u> | <u>\$ 82,431,677</u> | <u>\$ 10,770,744</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, 2013**

| ASSETS | General Fund | Debt Service |
|--|-------------------------|-------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 9,569,596 | \$ 514,760 |
| Investments | 1,403,570 | - |
| Receivables, net | 2,095,674 | - |
| Investments restricted for: | | |
| Debt service | - | 1,388,924 |
| Construction | - | - |
| Prepaid items | 30,441 | - |
| Total assets | \$ 13,099,281 | \$ 1,903,684 |
| LIABILITIES AND FUND BALANCES | | |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 1,345,964 | \$ - |
| Customer deposits | 1,200 | - |
| Total liabilities | 1,347,164 | - |
| FUND BALANCES | | |
| Nonspendable | | |
| Prepaid items | 30,441 | - |
| Restricted for | | |
| Debt service | - | 1,903,684 |
| Construction | - | - |
| Enabling legislation | - | - |
| Committed | | |
| Special revenue funds | - | - |
| Assigned | | |
| General fund | 161,921 | - |
| Unassigned | 11,559,755 | - |
| Total fund balances | 11,752,117 | 1,903,684 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 13,099,281 | \$ 1,903,684 |

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

| Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|---|---|
| \$ 15,135,040 | \$ 1,385,336 | \$ 26,604,732 |
| 999,532 | - | 2,403,102 |
| 185 | 31,518 | 2,127,377 |
| - | - | 1,388,924 |
| 8,516,504 | - | 8,516,504 |
| - | - | 30,441 |
| \$ 24,651,261 | \$ 1,416,854 | \$ 41,071,080 |
| | | |
| \$ 101,604 | \$ 202,725 | \$ 1,650,293 |
| - | - | 1,200 |
| 101,604 | 202,725 | 1,651,493 |
| | | |
| - | - | 30,441 |
| - | - | 1,903,684 |
| 24,549,657 | - | 24,549,657 |
| - | 1,070,693 | 1,070,693 |
| - | 143,436 | 143,436 |
| - | - | 161,921 |
| - | - | 11,559,755 |
| 24,549,657 | 1,214,129 | 39,419,587 |
| \$ 24,651,261 | \$ 1,416,854 | \$ 41,071,080 |

**CITY OF TOMBALL, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

Total fund balances - governmental funds \$ 39,419,587

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

Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds balance sheet. 34,630,836

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. 456,178

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. (417,124)

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. (170,277)

Internal service funds are used by management to charge the cost of certain activities, such as fleet management, to individual funds. A portion of the assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 2,501,946

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, 2013 are:

| | | |
|--|--------------|---------------------|
| Bonded debt payable | (33,420,250) | |
| Capital lease payable | (601,044) | |
| Compensated absences payable | (1,297,573) | |
| Deferred loss on issuance of refunding bonds | 453,956 | |
| Premiums received on issuance of bonds | (492,862) | <u>(35,357,773)</u> |

Net position of governmental activities \$ 41,063,373

CITY OF TOMBALL, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2013

| | General Fund | Debt Service | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|-----------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| Property taxes | \$ 1,543,913 | \$ 3,164,416 | \$ - | \$ - | \$ 4,708,329 |
| Sales, franchise, and other taxes | 10,754,332 | - | - | 383,554 | 11,137,886 |
| Permits and licenses | 445,104 | - | - | - | 445,104 |
| Fines and forfeitures | 941,637 | - | - | 240,105 | 1,181,742 |
| Service revenue | 2,167,939 | - | - | - | 2,167,939 |
| Intergovernmental | 784,918 | - | - | - | 784,918 |
| Contributions from component unit | 10,000 | - | 518,210 | - | 528,210 |
| Interest on investments | 16,713 | 2,131 | 22,303 | 1,766 | 42,913 |
| Other revenue | 125,900 | - | - | 52,601 | 178,501 |
| Total revenues | 16,790,456 | 3,166,547 | 540,513 | 678,026 | 21,175,542 |
| Expenditures | | | | | |
| Current | | | | | |
| Administrative | 4,648,331 | - | - | 451,142 | 5,099,473 |
| Police | 4,801,656 | - | 101,558 | - | 4,903,214 |
| Fire | 2,153,238 | - | - | - | 2,153,238 |
| Court | 296,571 | - | - | 41 | 296,612 |
| Public works | 1,257,797 | - | - | - | 1,257,797 |
| Sanitation | 1,959,352 | - | - | - | 1,959,352 |
| Streets | 889,341 | - | 1,421,727 | - | 2,311,068 |
| Permits | 364,083 | - | - | - | 364,083 |
| Garage | 133,831 | - | - | - | 133,831 |
| Parks | 505,557 | - | - | - | 505,557 |
| Community services | 130,250 | - | - | 172,314 | 302,564 |
| Debt service | | | | | |
| Principal | - | 1,800,649 | - | - | 1,800,649 |
| Interest and fiscal charges | - | 733,166 | - | - | 733,166 |
| Bond issuance costs and fees | - | 128,531 | 156,142 | - | 284,673 |
| Total expenditures | 17,140,007 | 2,662,346 | 1,679,427 | 623,497 | 22,105,277 |
| Excess (deficiency) of revenues over expenditures | (349,551) | 504,201 | (1,138,914) | 54,529 | (929,735) |
| Other financing sources (uses) | | | | | |
| Issuance of bonds | - | - | 8,500,000 | - | 8,500,000 |
| Issuance of refunding bonds | - | 5,770,500 | - | - | 5,770,500 |
| Premium on issuance of bonds | - | 35,627 | 170,307 | - | 205,934 |
| Payment to bond refunding escrow agent | - | (5,884,626) | - | - | (5,884,626) |
| Transfers out | - | - | - | (300,000) | (300,000) |
| Transfers in | 2,246,221 | - | 502,621 | - | 2,748,842 |
| Total other financing sources (uses) | 2,246,221 | (78,499) | 9,172,928 | (300,000) | 11,040,650 |
| Net change in fund balances | 1,896,670 | 425,702 | 8,034,014 | (245,471) | 10,110,915 |
| Fund balances, beginning of year | 9,855,447 | 1,477,982 | 16,515,643 | 1,459,600 | 29,308,672 |
| Fund balances, end of year | \$ 11,752,117 | \$ 1,903,684 | \$ 24,549,657 | \$ 1,214,129 | \$ 39,419,587 |

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, 2013

Net change in fund balances - total governmental funds \$ 10,110,915

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. 1,939,517

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. (1,020,489)

The issuance of long term debt (e.g. bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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 | (14,476,434) | |
| Long term debt issuance costs, net of amortization | 187,423 | |
| Amortization of premium on bonds payable | 46,062 | |
| Loss on refunding, net of amortization | 115,317 | |
| Repayment of long term debt | <u>7,566,149</u> | (6,561,483) |

Current year changes in the long term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. (182,530)

Current year changes in the long term liability for landfill post-closure costs do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. 111,300

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. (41,892)

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. (123,925)

An internal service fund is used by management to charge the cost of certain activities, such as fleet management, to individual funds. A portion of the change in net position of the internal service funds is included in governmental activities in the statement of activities. 213,832

Change in net position of governmental activities \$ 4,445,245

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

CITY OF TOMBALL, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2013

| ASSETS | Business Type Activities | Governmental Activities |
|--------------------------------|-------------------------------------|------------------------------------|
| | Enterprise Fund | Internal Service |
| Current assets | | |
| Cash and cash equivalents | \$ 9,967,613 | \$ 2,052,869 |
| Investments | 1,000,299 | - |
| Accounts receivable, net | 1,064,888 | 8,689 |
| Inventory | 88,167 | - |
| Other assets | - | 2,459 |
| | <hr/> | <hr/> |
| Total current assets | 12,120,967 | 2,064,017 |
| Noncurrent assets | | |
| Deferred charges | 101,315 | - |
| Nondepreciable capital assets | 2,908,626 | - |
| Depreciable capital assets | 56,840,450 | 1,645,336 |
| Less: accumulated depreciation | (20,924,100) | (923,613) |
| | <hr/> | <hr/> |
| Net capital assets | 38,824,976 | 721,723 |
| | <hr/> | <hr/> |
| Total noncurrent assets | 38,926,291 | 721,723 |
| | <hr/> | <hr/> |
| Total assets | 51,047,258 | 2,785,740 |

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

CITY OF TOMBALL, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2013
(CONTINUED)

| LIABILITIES | Business Type Activities Enterprise Fund | Governmental Activities Internal Service |
|--|---|---|
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 526,051 | \$ 46,373 |
| Customer deposits | 763,210 | - |
| Current portion of bonds and other debt | 1,082,026 | - |
| Compensated absences | 55,142 | - |
| Accrued interest payable | 33,396 | - |
| Total current liabilities | 2,459,825 | 46,373 |
| Noncurrent liabilities | | |
| Compensated absences | 165,427 | - |
| Long-term portion of bonds payable | 7,291,123 | - |
| Total noncurrent liabilities | 7,456,550 | - |
| Total liabilities | 9,916,375 | 46,373 |
| NET POSITION | | |
| Net investment in capital assets | 30,526,015 | 721,723 |
| Unrestricted | 10,604,868 | 2,017,644 |
| Total net position | \$ 41,130,883 | \$ 2,739,367 |
| Reconciliation to government-wide statement of net position: | | |
| Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds | 237,421 | |
| Net position of business-type activities | \$ 41,368,304 | |

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

CITY OF TOMBALL, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2013

| | Business Type Activities | Governmental Activities |
|--|-------------------------------------|------------------------------------|
| | Enterprise Fund | Internal Service Fund |
| OPERATING REVENUES | | |
| Charges for services | \$ 10,095,450 | \$ 2,408,022 |
| Taps and connections | 221,699 | - |
| Penalties | 124,454 | - |
| Capital recovery fees | 655,153 | - |
| Miscellaneous | 50,567 | - |
| | 11,147,323 | 2,408,022 |
| Total operating revenues | | |
| OPERATING EXPENSES | | |
| Costs of sales and services | 6,366,426 | 1,968,672 |
| Depreciation | 1,392,523 | 214,805 |
| | 7,758,949 | 2,183,477 |
| Total operating expenses | | |
| Operating income | 3,388,374 | 224,545 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | 13,718 | 1,964 |
| Unrealized loss on investments | (630) | - |
| Interest expense | (321,443) | - |
| Gain on disposal of capital assets | - | 49,091 |
| Contribution from component unit | 670,000 | - |
| | 361,645 | 51,055 |
| Total nonoperating revenues (expenses) | | |
| Income before transfers | 3,750,019 | 275,600 |
| Transfers out | (2,448,842) | - |
| | 1,301,177 | 275,600 |
| Change in net position | | |
| NET POSITION, beginning of year | 39,829,706 | 2,463,767 |
| NET POSITION, end of year | \$ 41,130,883 | \$ 2,739,367 |
| Reconciliation to government-wide statement of activities: | | |
| Change in net position | \$ 1,301,177 | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | 61,768 | |
| | 1,362,945 | |
| Change in net position of business-type activities | \$ 1,362,945 | |

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, 2013

| | Business Type Activities | Governmental Activities |
|--|-------------------------------------|------------------------------------|
| | Enterprise Fund | Internal Service Fund |
| OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 11,128,563 | \$ 2,406,486 |
| Cash payments to suppliers for goods and services | (4,623,709) | (1,834,948) |
| Cash payments to employees for services | (1,588,755) | - |
| Net cash provided by operating activities | 4,916,099 | 571,538 |
| NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers | (2,448,842) | - |
| Contribution from component unit | 670,000 | - |
| Net cash used in noncapital financing activities | (1,778,842) | - |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Acquisition and construction of capital assets | (633,513) | (202,194) |
| Premium on issuance of refunding bonds | 3,675 | - |
| Principal paid on capital debt | (1,047,500) | - |
| Interest paid on capital debt | (312,348) | - |
| Net cash used in capital and related financing activities | (1,989,686) | (202,194) |
| INVESTING ACTIVITIES | | |
| Purchases of investments, net | (397) | - |
| Investment income | 13,718 | 1,964 |
| Net cash provided by investing activities | 13,321 | 1,964 |
| Net change in cash and cash equivalents | 1,160,892 | 371,308 |
| CASH AND CASH EQUIVALENTS, beginning of year | 8,806,721 | 1,681,561 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 9,967,613 | \$ 2,052,869 |

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, 2013
(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 cash provided by operating activities | | |
| Operating income | \$ 3,388,374 | \$ 224,545 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation and amortization | 1,392,523 | 214,805 |
| Change in assets and liabilities | | |
| Accounts receivable | (38,681) | (1,536) |
| Inventory | (10,679) | - |
| Other assets | - | 145,250 |
| Accounts payable and accrued liabilities | 164,641 | (11,526) |
| Customer deposits | 19,921 | - |
| | <u>19,921</u> | <u>-</u> |
| Net cash provided by operating activities | <u>\$ 4,916,099</u> | <u>\$ 571,538</u> |

CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Reporting Entity – Continued

Discretely Presented Component Unit

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

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

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

Blended Component Unit

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

Government-Wide and Fund Financial Statements

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide and Fund Financial Statements – Continued

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

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

Governmental Funds

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

General Fund

The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include administrative, police, fire, municipal court, public works, sanitation, streets, permits, garage, parks, and community services.

Special Revenue Funds

The special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue funds include Court Security Fund, Court Technology Fund, Hotel Occupancy Tax Fund, Red Light Camera Fund, Bunny Run Fund, District Attorney Fund, Department of Justice Grant 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 position and statement of activities and all proprietary funds are accounted for with a flow of economic resources measurement focus on the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in changes in net position.

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

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

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual, and 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 position, statement of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

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

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), and are recognized as expenditures when utilized.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$20,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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 statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest are reported as expenditures. 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 fund's financial statements. 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 governmental fund financial statements. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

Landfill Post-Closure Care Costs

The City reports municipal solid waste landfill costs in accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs*. The City's municipal solid waste landfill is in the post-closure monitoring phase. As of September 30, 2013, no liability is accrued related to ongoing monitoring activities, as the City's estimated future costs are not expected to be material. Ongoing monitoring costs are recorded in the period incurred.

Fund Equity

Government – Wide and Proprietary Fund Net Position

During the year ended September 30, 2013, the City adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). GASB 63 amends the net asset reporting requirements in earlier pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as a net position, rather than net assets. The effect of the implementation of GASB 63 during the fiscal year 2013 was to replace the term "net assets" with "net position".

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

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

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

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

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

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

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

**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 to assign fund balance. Assignments of fund balance by the City Manager do not require formal action by the City Council.

The City strives to maintain an unassigned fund balance of not less than 25% of the budgeted operational expenditures in all City funds. Due to the volatile nature of a majority of its revenues, it is not deemed excessive for the City to maintain an unassigned fund balance in the General Fund at levels greater than 33 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 generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

Excess of Expenditures Over Appropriations

| | | |
|---------------|----|--------|
| General fund: | | |
| Sanitation | \$ | 39,052 |
| Permits | | 228 |
| Garage | | 1,073 |

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

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits and investments as of September 30, 2013 are classified in the accompanying financial statements as follows:

| | |
|--------------------------|-----------------------------|
| Governmental activities | \$ 40,966,131 |
| Business-type activities | 10,967,912 |
| Component unit | <u>7,853,458</u> |
| Total | <u><u>\$ 59,787,501</u></u> |

Deposits and investments as of September 30, 2013 consist of the following:

| | |
|--------------------------------------|-----------------------------|
| City | |
| Deposits with financial institutions | \$ 726,327 |
| Investments | <u>51,207,716</u> |
| Total city | <u><u>\$ 51,934,043</u></u> |
| Component unit | |
| Investments | <u>\$ 7,853,458</u> |
| Total component unit | <u><u>\$ 7,853,458</u></u> |

At September 30, 2013, the City and component unit had the following investments:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Days)</u> |
|-------------------------------------|-----------------------------|---|
| City | | |
| U.S. Agencies | \$ 2,998,889 | 692 |
| Municipal Bonds | 404,512 | 243 |
| TexPool | 41,667,310 | |
| Texas CLASS | <u>6,137,005</u> | |
| Total fair value | <u><u>\$ 51,207,716</u></u> | |
| Portfolio weighted average maturity | | <u><u>638</u></u> |
| Component unit | | |
| U.S. Agencies | \$ 3,994,773 | 960 |
| Municipal Bonds | 743,601 | 277 |
| TexPool | 1,097,992 | |
| Texas CLASS | <u>2,017,092</u> | |
| Total fair value | <u><u>\$ 7,853,458</u></u> | |
| Portfolio weighted average maturity | | <u><u>853</u></u> |

CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED

Investment Pools

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

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

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

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2013, all of the City's and component unit's combined balance on deposit with financial institutions was fully collateralized with securities held by the pledging financial institution in the City's name.

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

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

NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED

Credit risk. The City's investment policy limits investments in external investment pools to pools rated as to investment quality not less than AAA or 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, 2013 were rated as follows:

| Investment Type | Rating | Rating Agency |
|-----------------|--------|-------------------|
| U.S. Agencies | AA+ | Standard & Poor's |
| Municipal Bonds | Aa3 | Moody's |
| TexPool | AAAm | Standard & Poor's |
| Texas CLASS | AAAm | Standard & Poor's |

NOTE 4. RECEIVABLES

The following comprise receivable balances at year end:

| | General | Debt Service | Capital Projects | Nonmajor Governmental | Enterprise | Internal Service | Component Unit |
|------------------------------------|---------------------|-----------------|---------------------|--------------------------|---------------------|---------------------|-------------------|
| Receivables: | | | | | | | |
| Property taxes | \$ 99,368 | \$ 164,432 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Sales taxes | 1,515,246 | - | - | - | - | - | - |
| Other taxes | 114,788 | - | - | - | - | - | - |
| Customer accounts | 264,151 | - | - | - | 1,199,450 | - | - |
| Interest | 5,119 | - | 185 | - | 1,215 | - | - |
| Other | 230,701 | - | - | 31,518 | - | 8,689 | 505,082 |
| Gross receivables | 2,229,373 | 164,432 | 185 | 31,518 | 1,200,665 | 8,689 | 505,082 |
| Less: allowance for uncollectibles | (133,699) | (164,432) | - | - | (135,777) | - | - |
| Net total receivables | <u>\$ 2,095,674</u> | <u>\$ -</u> | <u>\$ 185</u> | <u>\$ 31,518</u> | <u>\$ 1,064,888</u> | <u>\$ 8,689</u> | <u>\$ 505,082</u> |

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

NOTE 5. CAPITAL ASSETS

Changes in capital assets for governmental activities for the year ended September 30, 2013 are summarized as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Reclassifications/ Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|---|---------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 5,637,581 | \$ - | \$ - | \$ 5,637,581 |
| Construction in progress | 4,816,903 | 1,080,590 | (94,732) | 5,802,761 |
| Total capital assets not being depreciated | 10,454,484 | 1,080,590 | (94,732) | 11,440,342 |
| Other capital assets | | | | |
| Buildings and improvements | 10,478,179 | 242,285 | - | 10,720,464 |
| Machinery and equipment | 6,026,693 | 137,722 | (76,627) | 6,087,788 |
| Vehicles | 3,363,883 | 141,303 | (45,046) | 3,460,140 |
| Infrastructure | 20,714,878 | 681,657 | - | 21,396,535 |
| Total other capital assets | 40,583,633 | 1,202,967 | (121,673) | 41,664,927 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | 2,885,557 | 257,065 | - | 3,142,622 |
| Machinery and equipment | 4,482,095 | 272,539 | (76,627) | 4,678,007 |
| Vehicles | 3,167,680 | 111,976 | (36,037) | 3,243,619 |
| Infrastructure | 6,336,610 | 547,349 | - | 6,883,959 |
| Total accumulated depreciation | 16,871,942 | 1,188,929 | (112,664) | 17,948,207 |
| Other capital assets, net | 23,711,691 | 14,038 | (9,009) | 23,716,720 |
| Governmental activities capital assets, net | <u>\$ 34,166,175</u> | <u>\$ 1,094,628</u> | <u>\$ (103,741)</u> | <u>\$ 35,157,062</u> |

Depreciation was charged to governmental functions as follows:

| | |
|--|-------------------------|
| Public safety | \$ 286,284 |
| Public works | 734,205 |
| Internal service | <u>168,440</u> |
| Total governmental activities depreciation expense | <u>\$ 1,188,929</u> |

CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS – CONTINUED

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

| Project Description | Authorized Contract | Contract Expenditures | Remaining Commitment |
|---------------------------------------|------------------------|--------------------------|-------------------------|
| Agg R. Extension (Med. Complex Drive) | \$ 1,660,387 | \$ 1,215,049 | \$ 445,338 |
| M121 Drainage Channel | 1,480,400 | 1,054,486 | 425,914 |
| M124 Willow Creek Tributaries | 1,348,145 | 1,053,633 | 294,512 |
| M121 Final Phase | 1,480,400 | 880,845 | 599,555 |
| Brown-Hufsmith Phase 2 | 840,142 | 840,142 | - |
| Depot Plaza Restrooms | 203,371 | 151,201 | 52,170 |
| Rudolph Road and Utilities | 212,045 | 139,896 | 72,149 |
| Michel Road Extension | 117,006 | 117,006 | - |
| Medical District Sidewalks | 300,973 | 101,558 | 199,415 |
| M118 Drainage Channels | 70,336 | 70,336 | - |
| Master Drainage Plan | 125,000 | 69,179 | 55,821 |
| Public Works Generator installation | 129,369 | 45,000 | 84,369 |
| Michel Rd./Holderrieth Blvd. | 35,130 | 35,130 | - |
| Pine St. Drainage / Sidewalk | 29,300 | 29,300 | - |
| Total | \$ 8,032,004 | \$ 5,802,761 | \$ 2,229,243 |

Changes in capital assets for business-type activities for the year ended September 30, 2013 are summarized as follows:

| | Beginning Balance | Increases | Reclassifications/ Decreases | Ending Balance |
|---|----------------------|---------------------|---------------------------------|----------------------|
| Business-Type Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 1,403,735 | \$ - | - | \$ 1,403,735 |
| Construction in progress | 1,373,233 | 162,008 | (30,350) | 1,504,891 |
| Total capital assets not being depreciated | 2,776,968 | 162,008 | (30,350) | 2,908,626 |
| Other capital assets | | | | |
| Gas system | 5,806,157 | - | - | 5,806,157 |
| Water and sewer system | 46,825,092 | - | - | 46,825,092 |
| Machinery and equipment | 4,004,969 | 559,214 | - | 4,564,183 |
| Total other capital assets | 56,636,218 | 559,214 | - | 57,195,432 |
| Less accumulated depreciation: | | | | |
| Gas system | 2,433,998 | 139,434 | - | 2,573,432 |
| Water and sewer system | 15,440,758 | 1,148,347 | - | 16,589,105 |
| Machinery and equipment | 1,769,941 | 151,107 | - | 1,921,048 |
| Total accumulated depreciation | 19,644,697 | 1,438,888 | - | 21,083,585 |
| Total capital assets being depreciated, net | 36,991,521 | (879,674) | - | 36,111,847 |
| Business-type activities capital assets, net | \$ 39,768,489 | \$ (717,666) | \$ (30,350) | \$ 39,020,473 |

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

NOTE 5. CAPITAL ASSETS – CONTINUED

Depreciation was charged to business-type functions as follows:

| | |
|---|------------------|
| Water and sewer | \$ 1,299,454 |
| Gas | 139,434 |
| | <u>139,434</u> |
| Total business-type activities depreciation expense | \$ 1,438,888 |
| | <u>1,438,888</u> |

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

| Project Description | Authorized Contract | Contract Expenditures | Remaining Commitment |
|------------------------------------|------------------------|--------------------------|-------------------------|
| Hufsmith Water and Gas Improvement | \$ 390,106 | \$ 359,238 | \$ 30,868 |
| Tomball Hills Lift Station | 238,583 | 238,583 | - |
| Brown Hufsmith Road Utilities | 206,213 | 206,213 | - |
| Brown Road West Utility Ext. | 175,135 | 175,135 | - |
| Rudolph Road | 169,538 | 138,889 | 30,649 |
| 24" Sanitary Sewer - E. Hufsmith | 136,537 | 105,523 | 31,014 |
| Medical Complex Drive | 157,903 | 102,245 | 55,658 |
| Hirschfield Utility Extension | 101,400 | 100,320 | 1,080 |
| 2920 Utilities | 73,945 | 73,945 | - |
| Neal Road Utilities | 4,800 | 4,800 | - |
| | <u>\$ 1,654,160</u> | <u>\$ 1,504,891</u> | <u>\$ 149,269</u> |
| Total | <u>\$ 1,654,160</u> | <u>\$ 1,504,891</u> | <u>\$ 149,269</u> |

Changes in capital assets for the component unit for the year ended September 30, 2013 are summarized as follows:

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

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

| Project Description | Authorized Contract | Contract Expenditures | Remaining Commitment |
|--------------------------------------|------------------------|--------------------------|-------------------------|
| Tomball Business and Technology Park | \$ 1,756,452 | \$ 843,523 | \$ 912,929 |
| Total | <u>\$ 1,756,452</u> | <u>\$ 843,523</u> | <u>\$ 912,929</u> |
| | <u>\$ 1,756,452</u> | <u>\$ 843,523</u> | <u>\$ 912,929</u> |

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

NOTE 6. LONG-TERM DEBT

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2013. 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.

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--|------------------------------|----------------------|---------------------|---------------------------|--|
| Governmental Activities | | | | | |
| Bonds, notes and other payables | | | | | |
| Bonded debt payable | \$ 26,652,750 | \$ 14,270,500 | \$ 7,503,000 | \$ 33,420,250 | \$ 2,144,750 |
| Premiums | 332,990 | 205,934 | 46,062 | 492,862 | 43,056 |
| Other debt items | (338,639) | (186,986) | (71,669) | (453,956) | (59,673) |
| | <u>26,647,101</u> | <u>14,289,448</u> | <u>7,477,393</u> | <u>33,459,156</u> | <u>2,128,133</u> |
| Other liabilities | | | | | |
| Capital lease obligation | 664,193 | - | 63,149 | 601,044 | 65,580 |
| Net OPEB obligation | 293,199 | 141,133 | 17,208 | 417,124 | - |
| Compensated absences | 1,115,043 | 896,158 | (713,628) | 1,297,573 | 325,393 |
| Landfill post closure costs | 111,300 | - | 111,300 | - | - |
| Total governmental activities | <u>\$ 28,830,836</u> | <u>\$ 15,326,739</u> | <u>\$ 6,955,422</u> | <u>\$ 35,774,897</u> | <u>\$ 2,519,106</u> |
| Long-term debt due in more than one year | | | | <u>\$ 33,255,791</u> | |
| Business-Type Activities | | | | | |
| Revenue bonds | \$ 9,252,250 | \$ 599,500 | \$ 1,647,000 | \$ 8,204,750 | \$ 1,070,250 |
| Premiums | 105,987 | 3,675 | 15,451 | 94,211 | 11,776 |
| Other debt items | - | 39,630 | 39,630 | - | - |
| | <u>9,358,237</u> | <u>642,805</u> | <u>1,702,081</u> | <u>8,298,961</u> | <u>1,082,026</u> |
| Other liabilities | | | | | |
| Net OPEB obligation | 57,937 | 19,312 | 3,061 | 74,188 | - |
| Compensated absences | 222,837 | 69,040 | 71,308 | 220,569 | 55,142 |
| Total business-type activities | <u>\$ 9,639,011</u> | <u>\$ 731,157</u> | <u>\$ 1,776,450</u> | <u>\$ 8,593,718</u> | <u>\$ 1,137,168</u> |
| Long-term debt due in more than one year | | | | <u>\$ 7,456,550</u> | |

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

NOTE 6. LONG-TERM DEBT – CONTINUED

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

| <u>Series and Original Issue Amount</u> | <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---|---------------------------|----------------------|------------------------------------|-------------------------------------|
| <u>Certificates of Obligation</u> | | | | |
| Series 2012 | \$ 14,500,000 | 2032 | 3 - 4.25% | \$ 13,935,000 |
| Series 2013 | 8,500,000 | 2033 | 2 - 3% | 8,500,000 |
| | | | <u>22,435,000</u> | <u>\$ -</u> |
| <u>General Obligation Bonds</u> | | | | |
| Series 2010 | 2,120,000 | 2018 | 1.5 - 2.2% | 1,365,000 |
| Series 2011 | 8,650,000 | 2022 | 2 - 4% | 3,849,750 |
| Series 2013 | 6,370,000 | 2023 | 1 - 1.65% | 5,770,500 |
| | | | <u>10,985,250</u> | <u>4,705,250</u> |
| | | | | <u>599,500</u> |
| | | | | <u>5,304,750</u> |
| <u>Revenue Bonds</u> | | | | |
| Series 1999 | 7,550,000 | 2019 | 2.2 - 4.1% | - |
| | | | | <u>2,900,000</u> |
| Total bonds and certificates of obligation | | | <u>\$ 33,420,250</u> | <u>\$ 8,204,750</u> |

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

| <u>Year Ending September 30,</u> | <u>Governmental Activity</u> | | <u>Business-Type Activity</u> | |
|--------------------------------------|------------------------------|---------------------|-------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2014 | \$ 2,144,750 | \$ 932,667 | \$ 1,070,250 | \$ 255,545 |
| 2015 | 2,198,000 | 835,674 | 1,082,000 | 228,783 |
| 2016 | 2,216,750 | 785,666 | 1,083,250 | 196,574 |
| 2017 | 2,248,250 | 737,311 | 1,086,750 | 162,127 |
| 2018 | 2,274,250 | 686,280 | 1,100,750 | 125,401 |
| 2019-2023 | 9,938,250 | 2,668,728 | 2,781,750 | 186,238 |
| 2024-2028 | 6,165,000 | 1,616,390 | - | - |
| 2029-2033 | 6,235,000 | 501,344 | - | - |
| | <u>\$ 33,420,250</u> | <u>\$ 8,764,060</u> | <u>\$ 8,204,750</u> | <u>\$ 1,154,668</u> |

CITY OF TOMBALL, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT – CONTINUED

Defeasance of Bonds

On January 1, 2013, the City issued \$6.370 million in General Obligation Refunding Bonds with an average interest rate of 1.329 percent to advance refund \$6.365 million of outstanding 2002 and 2003 series bonds (the Refunded Bonds) with an average interest rate of 4.289 percent. The net proceeds of \$6.278 million (after payment of \$133,981 in underwriting fees, insurance, and other issuance costs) plus an additional \$224,143 of Refunded Bonds sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Refunded Bonds. As a result, the Refunded Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide Statement of Net Position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$226,616. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2023 using the effective-interest method. The City completed the advance refunding to reduce its total debt service payments over the next 10 years by \$871,488 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$792,360.

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, 2013, \$16,440,000 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> |
|--------------------------------------|-----------------------------|
| 2014 | \$ 88,719 |
| 2015 | 88,719 |
| 2016 | 88,719 |
| 2017 | 88,719 |
| 2018 | 88,719 |
| 2019 - 2021 | <u>266,158</u> |
| Total | 709,753 |
| Less: interest portion | <u>(108,709)</u> |
| Obligations under capital leases | <u>\$ 601,044</u> |

NOTE 7. INTERFUND TRANSACTIONS

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

| Transfers In | Transfers Out | Amount | Purpose |
|------------------|-----------------|---------------------|--|
| General | Enterprise | \$ 2,246,221 | Reimbursement of administrative costs incurred |
| Capital projects | Special Revenue | 300,000 | To fund miscellaneous projects |
| Capital projects | Enterprise | <u>202,621</u> | To fund miscellaneous projects |
| | | <u>\$ 2,748,842</u> | |

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

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, 2013.

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.

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

NOTE 9. PENSION PLAN – CONTINUED

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 2012 | Plan Year 2013 |
|--|------------------------------|------------------------------|
| 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.

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.

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

NOTE 9. PENSION PLAN – CONTINUED

Contributions – Continued

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

| | | |
|---|----|-------------|
| Annual Required Contribution (ARC) | \$ | 1,127,486 |
| Interest on Net Pension Obligation | | - |
| Adjustment to the ARC | | - |
| | | - |
| Annual Pension Cost (APC) | | 1,127,486 |
| Contributions made | | (1,127,486) |
| Increase in net pension obligation | | - |
| Net Pension Obligation, beginning of year | | - |
| Net Pension Obligation, end of year | \$ | - |

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

| Fiscal Year | Annual Pension Cost (APC) | Actual Contribution Made | Percentage of APC Contributed | Net Pension Obligation at September 30 |
|----------------|---------------------------------|--------------------------------|-------------------------------------|--|
| 2011 | \$ 1,089,556 | \$ 1,089,556 | 100% | \$ - |
| 2012 | 1,062,771 | 1,062,771 | 100% | - |
| 2013 | 1,127,486 | 1,127,486 | 100% | - |

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

NOTE 9. PENSION PLAN – CONTINUED

Contributions – Continued

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

| Valuation date | 12/31/2010 | 12/31/2011 | 12/31/2012 |
|---|---------------------------|---------------------------|---------------------------|
| 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 | 27.2 years: closed period | 26.2 years: closed period | 25.2 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 * | 7.00% | 7.00% | 7.00% |
| Projected salary increases * | Varies by age and service | Varies by age and service | Varies by age and service |
| * Includes inflation at | 3.00% | 3.00% | 3.00% |
| Cost-of-living adjustments | 2.10% | 2.10% | 2.10% |

Funded Status and Funding Progress

The funded status as of December 31, 2012, 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) |
| 12/31/2012 | \$21,929,255 | \$26,443,767 | 82.9% | \$4,514,512 | \$7,888,487 | 57.2% |

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

NOTE 9. PENSION PLAN – CONTINUED

Funded Status and Funding Progress – Continued

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

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

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

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

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.

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

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Plan Description – Continued

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

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

Funding Policy and Annual OPEB Cost

The City has elected to finance the OPEB plan on a pay-as-you-go basis. The City paid \$9,911 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 | \$ | 159,284 |
| Interest on OPEB obligation | | 15,801 |
| Adjustment to ARC | | <u>(14,640)</u> |
| Annual OPEB cost (expense) end of year | | 160,445 |
| Net estimated employer contributions | | <u>(20,269)</u> |
| | | |
| Increase in net OPEB obligation | | 140,176 |
| Net OPEB obligation – as of beginning of the year | | <u>351,136</u> |
| | | |
| Net OPEB obligation – as of end of year | \$ | <u><u>491,312</u></u> |

**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

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 |
|----------------|------------------------|--------------------------------|---|---|
| 2011 | \$ 103,610 | \$ 117,940 | 114% | \$ 226,535 |
| 2012 | 155,394 | 30,793 | 20% | 351,136 |
| 2013 | 160,445 | 20,269 | 13% | 491,312 |

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) (1) / (2) | (4) (2) - (1) | (5) | (6) (4) / (5) |
| 12/31/2011 | \$ - | \$1,157,549 | 0.00% | \$1,157,549 | \$7,888,487 | 14.67% |

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) | 8.5% / 4.5% |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's 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, 2013, 2012, and 2011 were \$2,574, \$1,547, and \$1,509, respectively, which equaled the required contributions each year.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITY OF TOMBALL, TEXAS
SCHEDULE OF FUNDING PROGRESS FOR PARTICIPATION
IN TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2013**

| <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) |
|-------------------------------------|---|---|---|--|-----------------------------------|--|
| 12/31/2010 | \$ 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% |
| 12/31/2012 | 21,929,255 | 26,443,767 | 82.9% | 4,514,512 | 7,888,487 | 57.2% |

**CITY OF TOMBALL, TEXAS
SCHEDULE OF FUNDING PROGRESS
POST EMPLOYMENT BENEFITS PLAN OTHER THAN PENSIONS
SEPTEMBER 30, 2013**

| <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) |
|-------------------------------------|---|---|---|--|-----------------------------------|--|
| 12/31/2010 | \$ - | \$ 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% |
| 12/31/2012 * | - | 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 2012 is the same as 2011.

**CITY OF TOMBALL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property taxes | \$ 1,475,000 | \$ 1,559,000 | \$ 1,543,913 | \$ (15,087) |
| Sales, franchise, and other taxes | 9,020,950 | 10,008,870 | 10,754,332 | 745,462 |
| Permits and licenses | 284,300 | 403,500 | 445,104 | 41,604 |
| Fines and forfeitures | 832,000 | 887,000 | 941,637 | 54,637 |
| Services revenue | 2,114,030 | 2,126,430 | 2,167,939 | 41,509 |
| Intergovernmental | 836,883 | 842,868 | 784,918 | (57,950) |
| Contributions from component unit | 10,000 | 10,000 | 10,000 | - |
| Interest on investments | 45,000 | 30,000 | 16,713 | (13,287) |
| Other revenues | 105,300 | 110,200 | 125,900 | 15,700 |
| Total revenues | 14,723,463 | 15,977,868 | 16,790,456 | 812,588 |
| Expenditures | | | | |
| Administrative | 4,581,609 | 4,837,724 | 4,648,331 | 189,393 |
| Police | 5,149,070 | 5,019,025 | 4,801,656 | 217,369 |
| Fire | 2,441,424 | 2,339,310 | 2,153,238 | 186,072 |
| Court | 319,142 | 313,281 | 296,571 | 16,710 |
| Public works | 1,570,531 | 1,382,406 | 1,257,797 | 124,609 |
| Sanitation | 1,960,300 | 1,920,300 | 1,959,352 | (39,052) * |
| Streets | 899,729 | 919,172 | 889,341 | 29,831 |
| Permits | 368,468 | 363,855 | 364,083 | (228) * |
| Garage | 130,422 | 132,758 | 133,831 | (1,073) * |
| Parks | 470,941 | 583,553 | 505,557 | 77,996 |
| Community services | 145,688 | 139,312 | 130,250 | 9,062 |
| Total expenditures | 18,037,324 | 17,950,696 | 17,140,007 | 810,689 |
| Excess of revenues over (under) expenditures | (3,313,861) | (1,972,828) | (349,551) | 1,623,277 |
| Other financing sources | | | | |
| Transfers in | 2,246,221 | 2,246,221 | 2,246,221 | - |
| Total other financing sources | 2,246,221 | 2,246,221 | 2,246,221 | - |
| Net change in fund balance | <u>\$ (1,067,640)</u> | <u>\$ 273,393</u> | 1,896,670 | <u>\$ 1,623,277</u> |
| Fund balance, beginning of year | | | <u>9,855,447</u> | |
| Fund balance, end of year | | | <u>\$ 11,752,117</u> | |

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 or committed to expenditures for particular purposes.

**CITY OF TOMBALL, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

| ASSETS | Special General | Court Security | Court Technology |
|--|----------------------------|---------------------------|-----------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 133,513 | \$ 208,800 | \$ 247,617 |
| Accounts receivable | 5,224 | - | - |
| TOTAL ASSETS | \$ 138,737 | \$ 208,800 | \$ 247,617 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 2,703 | \$ - | \$ - |
| Total liabilities | 2,703 | - | - |
| FUND BALANCES | | | |
| Restricted for enabling legislation | - | 208,800 | 247,617 |
| Committed | 136,034 | - | - |
| Total fund balances | 136,034 | 208,800 | 247,617 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 138,737 | \$ 208,800 | \$ 247,617 |

| <u>Hotel Occupancy Tax</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> |
|------------------------------------|-----------------------------|------------------------------|----------------------|--|--|
| \$ 336,027 | \$ 451,599 | \$ - | \$ 7,780 | \$ - | \$ 1,385,336 |
| 3,400 | 22,894 | - | - | - | 31,518 |
| <u>\$ 339,427</u> | <u>\$ 474,493</u> | <u>\$ -</u> | <u>\$ 7,780</u> | <u>\$ -</u> | <u>\$ 1,416,854</u> |
| | | | | | |
| \$ 47,762 | \$ 151,882 | \$ - | \$ 378 | \$ - | \$ 202,725 |
| 47,762 | 151,882 | - | 378 | - | 202,725 |
| 291,665 | 322,611 | - | - | - | 1,070,693 |
| - | - | - | 7,402 | - | 143,436 |
| <u>291,665</u> | <u>322,611</u> | <u>-</u> | <u>7,402</u> | <u>-</u> | <u>1,214,129</u> |
| | | | | | |
| <u>\$ 339,427</u> | <u>\$ 474,493</u> | <u>\$ -</u> | <u>\$ 7,780</u> | <u>\$ -</u> | <u>\$ 1,416,854</u> |

**CITY OF TOMBALL, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2013**

| | <u>Special General</u> | <u>Court Security</u> | <u>Court Technology</u> | <u>Hotel Occupancy Tax</u> |
|--|----------------------------|---------------------------|-----------------------------|------------------------------------|
| Revenues | | | | |
| Other taxes | \$ - | \$ - | \$ - | \$ 383,554 |
| Fines and forfeitures | - | 23,249 | 30,991 | - |
| Interest on investments | 172 | 250 | 257 | 350 |
| Other revenues | 17,735 | - | - | 22,656 |
| Total revenues | 17,907 | 23,499 | 31,248 | 406,560 |
| Expenditures | | | | |
| Current: | | | | |
| Administrative | 12,163 | - | 12,896 | 243,127 |
| Court | - | - | - | - |
| Community services | - | - | - | 164,377 |
| Total expenditures | 12,163 | - | 12,896 | 407,504 |
| Excess (deficiency) of revenues over (under) expenditures | 5,744 | 23,499 | 18,352 | (944) |
| Other financing sources (uses) | | | | |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances | 5,744 | 23,499 | 18,352 | (944) |
| Fund balances, beginning of year | 130,290 | 185,301 | 229,265 | 292,609 |
| Fund balances, end of year | <u>\$ 136,034</u> | <u>\$ 208,800</u> | <u>\$ 247,617</u> | <u>\$ 291,665</u> |

| Red Light Camera | District Attorney | Bunny Run | Department of Justice Grant | Total Nonmajor Governmental Funds |
|-----------------------------|------------------------------|----------------------|--|--|
| \$ - | \$ - | \$ - | \$ - | \$ 383,554 |
| 185,865 | - | - | - | 240,105 |
| 736 | - | 1 | - | 1,766 |
| - | - | 12,210 | - | 52,601 |
| 186,601 | - | 12,211 | - | 678,026 |
| 182,364 | 440 | 152 | - | 451,142 |
| - | - | - | 41 | 41 |
| - | - | 7,937 | - | 172,314 |
| 182,364 | 440 | 8,089 | 41 | 623,497 |
| 4,237 | (440) | 4,122 | (41) | 54,529 |
| (300,000) | - | - | - | (300,000) |
| (300,000) | - | - | - | (300,000) |
| (295,763) | (440) | 4,122 | (41) | (245,471) |
| 618,374 | 440 | 3,280 | 41 | 1,459,600 |
| <u>\$ 322,611</u> | <u>\$ -</u> | <u>\$ 7,402</u> | <u>\$ -</u> | <u>\$ 1,214,129</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, 2013**

| | Special General | | | Variance With Final Budget Positive (Negative) |
|--|--------------------|-------------------|-------------------|---|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Revenues | | | | |
| Interest on investments | \$ 250 | \$ 200 | \$ 172 | \$ (28) |
| Other revenues | 13,000 | 12,760 | 17,735 | 4,975 |
| Total revenues | 13,250 | 12,960 | 17,907 | 4,947 |
| Expenditures | | | | |
| Administrative | 35,000 | 20,000 | 12,163 | 7,837 |
| Total expenditures | 35,000 | 20,000 | 12,163 | 7,837 |
| Net change in fund balance | <u>\$ (21,750)</u> | <u>\$ (7,040)</u> | 5,744 | <u>\$ 12,784</u> |
| Fund balance, beginning of year | | | 130,290 | |
| Fund balance, end of year | | | <u>\$ 136,034</u> | |

| | Court Security | | | Variance With Final Budget Positive (Negative) |
|--|------------------|------------------|-------------------|---|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| Revenues | | | | |
| Fines and forfeitures | \$ 25,000 | \$ 24,000 | \$ 23,249 | \$ (751) |
| Interest on investments | 300 | 300 | 250 | (50) |
| Total revenues | 25,300 | 24,300 | 23,499 | (801) |
| Expenditures | | | | |
| Administrative | 1,000 | 1,000 | - | 1,000 |
| Total expenditures | 1,000 | 1,000 | - | 1,000 |
| Net change in fund balance | <u>\$ 24,300</u> | <u>\$ 23,300</u> | 23,499 | <u>\$ 199</u> |
| Fund balance, beginning of year | | | 185,301 | |
| Fund balance, end of year | | | <u>\$ 208,800</u> | |

CITY OF TOMBALL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property taxes | \$ 3,024,900 | \$ 3,158,520 | \$ 3,164,416 | \$ 5,896 |
| Interest on investments | 2,500 | 2,500 | 2,131 | (369) |
| Total revenues | 3,027,400 | 3,161,020 | 3,166,547 | 5,527 |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | 1,826,219 | 1,863,798 | 1,800,649 | 63,149 |
| Interest and fiscal agent fees | 921,545 | 1,073,115 | 861,697 | 211,418 |
| Total expenditures | 2,747,764 | 2,936,913 | 2,662,346 | 274,567 |
| Excess (deficiency) of revenues over expenditures | 279,636 | 224,107 | 504,201 | 280,094 |
| Other financing sources (uses) | | | | |
| Issuance of refunding bonds | - | - | 5,770,500 | 5,770,500 |
| Premium on issuance of bonds | - | - | 35,627 | 35,627 |
| Payment to bond refunding escrow agent | - | - | (5,884,626) | (5,884,626) |
| Total other financing uses | - | - | (78,499) | (78,499) |
| Net change in fund balances | \$ 279,636 | \$ 224,107 | 425,702 | \$ 201,595 |
| Fund balance, beginning of year | | | 1,477,982 | |
| Fund balance, end of year | | | \$ 1,903,684 | |

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 POSITION
 INTERNAL SERVICE FUNDS
 SEPTEMBER 30, 2013**

| ASSETS | Fleet Replacement | Health Benefits | Total |
|--|------------------------------|----------------------------|---------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 1,293,260 | \$ 759,609 | \$ 2,052,869 |
| Accounts receivable, net | - | 8,689 | 8,689 |
| Other assets | - | 2,459 | 2,459 |
| Total current assets | 1,293,260 | 770,757 | 2,064,017 |
| NONCURRENT ASSETS | | | |
| Depreciable capital assets | 1,645,336 | - | 1,645,336 |
| Less: accumulated depreciation | (923,613) | - | (923,613) |
| Total noncurrent assets | 721,723 | - | 721,723 |
| Total assets | 2,014,983 | 770,757 | 2,785,740 |
| LIABILITIES | | | |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 46,373 | - | 46,373 |
| Total liabilities | 46,373 | - | 46,373 |
| NET POSITION | | | |
| Net investment in capital assets | 721,723 | - | 721,723 |
| Unrestricted | 1,246,887 | 770,757 | 2,017,644 |
| TOTAL NET POSITION | \$ 1,968,610 | \$ 770,757 | \$ 2,739,367 |

**CITY OF TOMBALL, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2013**

| | <u>Fleet Replacement</u> | <u>Health Benefits</u> | <u>Total</u> |
|--|------------------------------|----------------------------|---------------------|
| Operating revenues | | | |
| Charges for sales and services | \$ 316,700 | \$ 2,091,322 | \$ 2,408,022 |
| Total revenues | 316,700 | 2,091,322 | 2,408,022 |
| Operating expenditures | | | |
| Costs of sales and services | 8,803 | 1,959,869 | 1,968,672 |
| Depreciation | 214,805 | - | 214,805 |
| Total operating expenditures | 223,608 | 1,959,869 | 2,183,477 |
| Operating income | 93,092 | 131,453 | 224,545 |
| Non-operating revenues | | | |
| Investment income | 1,441 | 523 | 1,964 |
| Gain on disposal | 49,091 | - | 49,091 |
| Total non-operating revenues | 50,532 | 523 | 51,055 |
| Change in net position | 143,624 | 131,976 | 275,600 |
| Net position, beginning of year | 1,824,986 | 638,781 | 2,463,767 |
| Net position, end of year | <u>\$ 1,968,610</u> | <u>\$ 770,757</u> | <u>\$ 2,739,367</u> |

**CITY OF TOMBALL, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2013**

| | <u>Fleet Replacement</u> | <u>Health Benefits</u> | <u>Total</u> |
|--|------------------------------|----------------------------|---------------------|
| OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 316,700 | \$ 2,089,786 | \$ 2,406,486 |
| Payments to suppliers | (8,803) | (1,826,145) | (1,834,948) |
| Net cash provided by operating activities | 307,897 | 263,641 | 571,538 |
| FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (202,194) | - | (202,194) |
| Net cash used in financing activities | (202,194) | - | (202,194) |
| INVESTING ACTIVITIES | | | |
| Investment income | 1,441 | 523 | 1,964 |
| Net cash provided by investing activities | 1,441 | 523 | 1,964 |
| Net change in cash and cash equivalents | 107,144 | 264,164 | 371,308 |
| CASH AND CASH EQUIVALENTS, beginning of year | 1,186,116 | 495,445 | 1,681,561 |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 1,293,260</u> | <u>\$ 759,609</u> | <u>\$ 2,052,869</u> |
| Reconciliation of operating income to net cash provided by operating activities | | | |
| Operating income | \$ 93,092 | \$ 131,453 | \$ 224,545 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | |
| Depreciation and amortization | 214,805 | - | 214,805 |
| Changes in assets and liabilities | | | |
| Accounts receivable | - | (1,536) | (1,536) |
| Other assets | - | 145,250 | 145,250 |
| Accounts payable and accrued liabilities | - | (11,526) | (11,526) |
| Net cash provided by operating activities | <u>\$ 307,897</u> | <u>\$ 263,641</u> | <u>\$ 571,538</u> |

STATISTICAL SECTION
(Unaudited)

STATISTICAL SECTION

(Unaudited)

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

| Contents | Page |
|---|-------------|
| Financial Trends | 71 |
| <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 | 76 |
| <i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i> | |
| Debt Capacity | 82 |
| <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 | 87 |
| <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 | 89 |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i> | |

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

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 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 | \$ 25,646,519 |
| Restricted | 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 | 2,804,100 |
| Unrestricted | 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 | 12,612,754 |
| Total governmental activities net position | <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> | <u>\$ 41,063,373</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 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 | \$ 30,721,512 |
| Restricted | 10,409,786 | 7,760,255 | 2,305,729 | 876,468 | - | - | - | - | - | - |
| Unrestricted | 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 | 10,646,792 |
| Total business-type activities net position | <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> | <u>\$ 41,368,304</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 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 | \$ 56,368,031 |
| Restricted | 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 | 2,804,100 |
| Unrestricted | 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 | 23,259,546 |
| Total primary government net position | <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> | <u>\$ 82,431,677</u> |

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

| | Fiscal Year | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Expenses | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| General government | \$ 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 | \$ 5,131,879 |
| Public safety | 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 | 7,508,811 |
| Public works | 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 | 5,456,886 |
| Community services | 394,829 | 510,454 | 512,679 | 355,348 | 471,539 | 260,561 | 272,034 | 255,764 | 287,085 | 302,564 |
| Interest and fiscal agent fees on long-term debt | 984,989 | 938,772 | 873,035 | 824,168 | 790,736 | 708,109 | 658,304 | 353,188 | 821,705 | 830,054 |
| Total governmental activities expenses | <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> | <u>19,230,194</u> |
| Business-type activities | | | | | | | | | | |
| General government | 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 | 955,026 |
| Water | 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 | 3,262,366 |
| Sewer | 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 | 1,736,531 |
| Gas | 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 | 1,743,258 |
| Interest and fiscal agent fees | - | - | - | 630,735 | 585,710 | - | 512,851 | 481,542 | 272,406 | 321,443 |
| Total business-type activities expenses | <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> | <u>8,018,624</u> |
| Total primary government expenses | <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> | <u>\$ 27,248,818</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Public safety | \$ 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 | \$ 1,181,742 |
| Public works | 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 | 2,613,043 |
| Operating grants and contributions | 96,279 | 93,897 | 93,042 | 135,750 | 259,047 | 278,350 | 83,130 | 268,675 | 1,295,653 | 1,313,128 |
| Total governmental activities program revenues | <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> | <u>5,107,913</u> |
| Business-type activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government | - | - | - | - | 118,192 | - | 427,519 | 413,523 | 622,320 | 1,001,306 |
| Water | 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 | 4,668,205 |
| Sewer | 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 | 2,365,611 |
| Gas | 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 | 3,061,634 |
| Operating grants and contributions | - | - | - | - | - | 720,000 | 720,000 | 798,300 | 720,000 | 670,000 |
| Capital grants and contributions | 280,785 | 2,439,084 | 137,444 | - | - | - | - | - | - | - |
| Total business-type activities program revenues | <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> | <u>11,766,756</u> |
| Total primary government program revenues | <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> | <u>\$ 16,874,669</u> |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (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) | (14,122,281) |
| Business-type activities | (119,737) | 1,834,928 | (195,138) | 72,865 | (19,381) | 3,822,343 | 3,314,584 | 4,051,803 | 3,356,693 | 3,748,132 |
| Total primary government net expense | <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> | <u>\$ (10,374,149)</u> |

(continued)

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes, levied for general purposes | \$ 721,527 | \$ 805,285 | \$ 952,673 | \$ 1,168,491 | \$ 933,885 | \$ 1,587,560 | \$ 1,422,603 | \$ 1,270,645 | \$ 1,228,461 | \$ 1,543,913 |
| Property taxes, levied for debt service | 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 | 3,164,416 |
| Sales taxes | 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 | 9,442,376 |
| Franchise and local taxes | 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 | 1,267,302 |
| Other taxes | 95,995 | 100,056 | 112,527 | 181,503 | 267,133 | 308,100 | 229,636 | 325,360 | 444,032 | 428,208 |
| Contributions | 34,052 | 36,320 | 114,909 | 6,000 | 6,000 | - | - | - | - | - |
| Investment earnings | 291,197 | 558,759 | 988,431 | 1,222,816 | 756,431 | 325,789 | 80,426 | 43,035 | 46,763 | 44,877 |
| Other revenues | 119,949 | 43,774 | 62,362 | 223,644 | 515,216 | 405,391 | 166,287 | 361,026 | 151,142 | 227,592 |
| Gain (loss) on sale of capital assets | 8,920 | 8,637 | 22,599 | - | - | - | - | - | - | - |
| Transfers | (4,500,000) | - | - | - | 39,291 | 1,749,561 | 2,260,134 | 2,393,458 | 3,054,958 | 2,448,842 |
| Total governmental activities | <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> | <u>18,567,526</u> |
| Business-type activities | | | | | | | | | | |
| Investment earnings | 175,176 | 366,816 | 477,600 | 452,098 | 308,849 | 175,119 | 93,361 | 30,414 | 21,721 | 13,088 |
| Other revenues | 760,976 | 722,620 | 2,570,236 | 720,000 | 720,000 | 2,860 | 43,076 | 121,344 | 44,212 | 50,567 |
| Transfers | 4,500,000 | - | - | - | (39,291) | (1,749,561) | (2,260,134) | (2,393,458) | (3,054,958) | (2,448,842) |
| Total business-type activities | <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> | <u>(2,385,187)</u> |
| Total primary government | <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> | <u>\$ 16,182,339</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ (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 | \$ 4,445,245 |
| Business-type activities | 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 | 1,362,945 |
| Total primary government | <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> | <u>\$ 5,808,190</u> |

(concluded)

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

| | Fiscal Year | | | | | | | | | |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| General Fund | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 39,913 | \$ 30,441 |
| Restricted | 7,274,055 | 4,268,304 | 1,646,027 | - | - | 23,724 | - | - | - | - |
| Assigned | - | - | - | - | - | - | - | - | 325,879 | 161,921 |
| Unassigned | 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 | 11,559,755 |
| Total general fund | <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> | <u>\$ 11,752,117</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | 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 | 27,524,034 |
| Committed, reported in: | | | | | | | | | | |
| Capital project funds | 9,218 | 9,637 | 9,757 | 79,883 | 121,425 | 133,498 | 133,790 | 135,609 | - | - |
| Nonmajor governmental funds | 38,108 | 34,187 | 23,333 | 138,137 | 353,527 | 742,340 | 901,406 | 141,129 | 133,570 | 143,436 |
| Total all other governmental funds | <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> | <u>\$ 27,667,470</u> |

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

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|-------------------|---------------------|-----------------------|-----------------------|---------------------|---------------------|----------------------|----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 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 | \$ 15,846,215 |
| Permits, licenses, and fees | 317,369 | 331,660 | 409,694 | 414,713 | 319,177 | 247,548 | 311,563 | 262,713 | 308,621 | 445,104 |
| Fines and forfeitures | 531,439 | 700,112 | 832,314 | 728,148 | 922,073 | 1,044,706 | 1,204,099 | 1,083,408 | 1,143,981 | 1,181,742 |
| Service Revenue | 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 | 2,167,939 |
| Intergovernmental | 202,331 | 202,217 | 279,950 | 213,750 | 265,047 | 278,350 | 73,130 | 168,782 | 273,950 | 784,918 |
| Contributions from Component Unit | - | - | - | - | - | - | 10,000 | 99,893 | 1,021,703 | 528,210 |
| Investment earnings | 291,197 | 558,759 | 878,636 | 1,222,817 | 713,433 | 312,290 | 99,837 | 40,760 | 44,347 | 42,913 |
| Other revenues | 187,369 | 81,671 | 98,866 | 168,216 | 332,551 | 361,992 | 254,615 | 386,935 | 151,143 | 178,501 |
| Total revenues | 11,292,154 | 13,441,638 | 15,282,132 | 15,744,381 | 16,038,908 | 16,035,979 | 14,771,244 | 15,465,224 | 18,906,386 | 21,175,542 |
| Expenditures | | | | | | | | | | |
| General government | 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 | 5,099,473 |
| Public safety | 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 | 7,353,064 |
| Public works | 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 | 3,217,149 |
| Public service | 385,465 | 449,795 | 424,129 | 1,113,084 | 550,513 | 932,492 | 587,557 | 1,179,637 | 266,984 | 1,677,586 |
| Capital outlay | 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 | 1,939,517 |
| Debt service | | | | | | | | | | |
| Principal | 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 | 1,800,649 |
| Interest and paying agent | 949,814 | 948,260 | 891,842 | 830,330 | 795,482 | 714,188 | 723,159 | 626,247 | 913,371 | 1,017,839 |
| Total expenditures | 15,730,440 | 14,036,281 | 14,724,192 | 15,924,591 | 19,494,161 | 22,453,295 | 17,236,047 | 18,435,553 | 21,956,060 | 22,105,277 |
| Excess of revenues over (under) expenditures | (4,438,286) | (594,643) | 557,940 | (180,210) | (3,455,253) | (6,417,316) | (2,464,803) | (2,970,329) | (3,049,674) | (929,735) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Transfers in | - | - | - | - | - | 1,749,561 | 2,260,134 | 2,393,458 | 5,206,958 | 2,748,842 |
| Transfers out | (4,500,000) | - | - | - | (1,248,846) | - | - | - | (2,152,000) | (300,000) |
| Issuance of debt | 8,500,000 | - | - | - | - | - | 2,120,000 | 3,892,500 | 14,500,000 | 14,270,500 |
| Premium on debt issued | - | - | - | - | - | - | 4,945 | 278,253 | 107,735 | 205,934 |
| Payment to refunded bond escrow agent | - | - | - | - | - | - | (2,071,560) | (4,096,752) | - | (5,884,626) |
| Capital leases | - | - | - | - | - | - | - | - | 725,000 | - |
| Sale of capital assets | 23,413 | 33,064 | 28,399 | - | 182,665 | 43,399 | - | - | - | - |
| Total other financing sources | 4,023,413 | 33,064 | 28,399 | - | (1,066,181) | 1,792,960 | 2,313,519 | 2,467,459 | 18,387,693 | 11,040,650 |
| Net change in fund balances | \$ (414,873) | \$ (561,579) | \$ 586,339 | \$ (180,210) | \$ (4,521,434) | \$ (4,624,356) | \$ (151,284) | \$ (502,870) | \$ 15,338,019 | \$ 10,110,915 |
| Debt service as a percentage of noncapital expenditures | 21.36% | 19.83% | 17.52% | 15.00% | 12.07% | 11.94% | 10.97% | 10.29% | 11.31% | 13.43% |

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

| <u>Function</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>2013</u> | <u>Change</u> <u>2012-2013</u> |
|-----------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------------------|
| Property | \$ 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 | \$ 4,708,329 | 16.96% |
| Sales | 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 | 9,442,376 | 15.30% |
| Franchise fee | 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 | 1,267,302 | 31.36% |
| Other taxes | 95,995 | 100,056 | 112,527 | 181,503 | 212,853 | 308,100 | 154,174 | 295,979 | 707,026 | 428,208 | -39.44% |
| | <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> | <u>\$ 15,846,215</u> | 14.11% |

Table 6
City of Tomball
Assessed Value and Actual Value of Taxable Property
Last Ten Years
(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> | <u>2013</u> |
|---|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Residential Property | \$ 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 | \$ 433,331,223 |
| Commercial Property | 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 | 1,192,905,533 |
| Less: Tax Exempt Property | <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> | <u>(261,641,054)</u> |
| Total Taxable Assessed Value (1) | 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 | 1,364,595,702 |
| Total Direct Tax Rate | 0.280000 | 0.280000 | 0.251455 | 0.251455 | 0.251455 | 0.251455 | 0.251455 | 0.251455 | 0.341455 | 0.341455 |

Source: Harris County Certified / Uncertified Tax Roll.

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

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

| | <u>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>2013</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| City of Tomball by fund: | | | | | | | | | | |
| General | \$ 0.100000 | \$ 0.108000 | \$ 0.116640 | \$ 0.106468 | \$ 0.101455 | \$ 0.131455 | \$ 0.121455 | \$ 0.111455 | \$ 0.111455 | \$ 0.111455 |
| Debt service | 0.180000 | 0.172000 | 0.163360 | 0.144987 | 0.150000 | 0.120000 | 0.130000 | 0.140000 | 0.230000 | 0.230000 |
| Total Direct Rates | <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> | <u>0.341455</u> |
| Tomball Independent School District | 1.730000 | 1.730000 | 1.710000 | 1.580000 | 1.275000 | 1.360000 | 1.360000 | 1.360000 | 1.360000 | 1.360000 |
| Harris County | 0.388100 | 0.388000 | 0.399860 | 0.402390 | 0.392390 | 0.389230 | 0.392240 | 0.388050 | 0.391170 | 0.400210 |
| Harris County Flood Control District | 0.041700 | 0.041700 | 0.033220 | 0.032410 | 0.031060 | 0.030860 | 0.029220 | 0.029230 | 0.028090 | 0.028090 |
| Port of Houston Authority | 0.019900 | 0.020000 | 0.014740 | 0.013020 | 0.014370 | 0.017730 | 0.016360 | 0.020540 | 0.185600 | 0.019520 |
| Harris County Hospital District | 0.190200 | 0.190200 | 0.192160 | 0.192160 | 0.192160 | 0.192160 | 0.192160 | 0.192160 | 0.192160 | 0.182160 |
| Harris County Dept. of Education | 0.006290 | 0.006290 | 0.006290 | 0.006290 | 0.005853 | 0.005840 | 0.006050 | 0.006581 | 0.006581 | 0.006617 |
| Lone Star College System District | 0.001055 | 0.114500 | 0.120700 | 0.114400 | 0.114400 | 0.110100 | 0.110100 | 0.117600 | 0.121000 | 0.119800 |
| Emergency Service District #8 | - | 0.030000 | 0.030000 | 0.030000 | 0.030000 | 0.050000 | 0.050000 | 0.050000 | 0.050000 | 0.050000 |
| Total Direct and Overlapping Rates (1) | <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> | <u>\$ 2.507852</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 | 2013 | | | 2004 | | |
|-----------------------------|------------------------|------|-----------------------------|------------------------|------|-----------------------------|
| | Taxable Assessed Value | Rank | % of Taxable Assessed Value | Taxable Assessed Value | Rank | % of Taxable Assessed Value |
| B J Services | \$ 192,218,089 | 1 | 14.09% | \$ 66,695,261 | 1 | 9.29% |
| Tomball Texas Hospital | 157,421,590 | 2 | 11.54% | | n/a | |
| Wal-Mart | 18,501,413 | 3 | 1.36% | 20,185,296 | 2 | 2.81% |
| MPT Tomball LP | 16,372,963 | 4 | 1.20% | | n/a | |
| American National Carbide | 15,702,821 | 5 | 1.15% | | n/a | |
| Weingarten Investments Inc. | 15,180,655 | 6 | 1.11% | | n/a | |
| CenterPoint Energy | 14,700,615 | 7 | 1.08% | 13,956,834 | 3 | 1.94% |
| Health Care REIT Inc. | 14,230,035 | 8 | 1.04% | | n/a | |
| Lowe's | 13,606,285 | 9 | 1.00% | 13,427,203 | 4 | 1.87% |
| Target Corporation | 11,587,781 | 10 | 0.85% | 8,999,799 | 6 | 1.25% |
| HEB Grocery | - | n/a | | 9,084,550 | 5 | 1.27% |
| Burnside Wichata | - | n/a | | 7,382,330 | 7 | 1.03% |
| Krogers | - | n/a | | 7,351,479 | 8 | 1.02% |
| MBS Fountains of Tomball | - | n/a | | 7,088,090 | 9 | 0.99% |
| Southwestern Bell Telephone | - | n/a | | 6,728,670 | 10 | 0.94% |
| Subtotal | \$ 469,522,247 | | 34.41% | \$ 160,899,512 | | 22.42% |
| Other Taxpayers | 895,073,455 | | 65.59% | 556,868,908 | | 77.58% |
| Total | \$ 1,364,595,702 | | 100.00% | \$ 717,768,420 | | 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> |
| 2004 | \$ 1,915,562 | \$ 1,771,895 | 93% | \$ 136,926 | \$ 1,908,821 | 100% |
| 2005 | 2,013,497 | 1,834,296 | 91% | 171,890 | 2,006,186 | 100% |
| 2006 | 1,993,481 | 1,798,120 | 90% | 185,403 | 1,983,523 | 100% |
| 2007 | 2,130,000 | 1,904,220 | 89% | 215,411 | 2,119,631 | 100% |
| 2008 | 2,517,121 | 2,469,639 | 98% | 35,513 | 2,505,152 | 100% |
| 2009 | 2,903,211 | 2,843,461 | 98% | 46,788 | 2,890,249 | 100% |
| 2010 | 2,907,289 | 2,850,087 | 98% | 60,416 | 2,910,503 | 100% |
| 2011 | 2,816,658 | 2,776,954 | 99% | 58,776 | 2,835,730 | 101% |
| 2012 | 3,995,619 | 3,943,188 | 99% | 144,371 | 4,087,558 | 102% |
| 2013 | 4,701,134 | 4,633,156 | 99% | | 4,633,156 | 99% |

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

| Sales Tax Remitter | Calendar Year 2013 | | | | Calendar Year 2004 | | | |
|---|--------------------|---------------------|------------------|---------------------|--------------------|---------------------|-----------------|---------------------|
| | Number of Outlets | Percentage of Total | Tax Liability | Percentage of Total | Number of Outlets | Percentage of Total | Tax Liability | Percentage of Total |
| Retail Trade | 1,368 | 25.51% | \$ 6,479 | 50.63% | 1,108 | 28.69% | \$ 3,324 | 43.97% |
| Services | 1,072 | 19.99% | 1,654 | 12.93% | 826 | 21.39% | 958 | 12.67% |
| Wholesale Trade | 827 | 15.42% | 1,562 | 12.21% | 495 | 12.82% | 203 | 2.69% |
| Utilities, Transportation, Communications | 222 | 4.14% | 654 | 5.11% | 140 | 3.63% | 217 | 2.87% |
| Manufacturing | 534 | 9.96% | 446 | 3.49% | 235 | 6.08% | 246 | 3.25% |
| Construction | 301 | 5.61% | 169 | 1.32% | 188 | 4.87% | 82 | 1.08% |
| Finance, Insurance, Real Estate | 242 | 4.51% | 569 | 4.45% | 146 | 3.78% | 86 | 1.14% |
| Mining, Quarrying, and Oil and Gas Extraction | 23 | 0.43% | 4 | 0.03% | 4 | 0.10% | 2 | 0.03% |
| All other outlets | 773 | 14.42% | 1,259 | 9.84% | 720 | 18.64% | 2,441 | 32.29% |
| Total | 5,362 | 100.00% | \$ 12,796 | 100.00% | 3,862 | 100.00% | \$ 7,559 | 100.00% |

Source: Texas State Comptroller of Public Accounts

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

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

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

| | <u>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>2013</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| PRIMARY GOVERNMENT | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Obligation Bonds | \$ 485,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,120,000 | \$ 5,767,500 | \$ 5,501,750 | \$ 10,985,250 |
| Certificates of Obligation | 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 | 22,435,000 |
| Premiums | - | - | - | - | - | - | - | 255,065 | 332,990 | 492,862 |
| Other debt items | - | - | - | - | - | - | - | (376,266) | (338,639) | (453,956) |
| Capital leases | 618,645 | 492,372 | 363,467 | 290,793 | 218,540 | - | - | - | 664,193 | 601,044 |
| Subtotal | <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>\$ 13,162,799</u> | <u>\$ 27,311,294</u> | <u>\$ 34,060,200</u> |
| Business-Type Activities: | | | | | | | | | | |
| General Obligation Bonds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,757,500 | \$ 4,738,250 | \$ 5,304,750 |
| Certificates of Obligation | 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 | 6,140,000 | 5,830,000 | 5,510,000 | 5,175,000 | 4,830,000 | 4,470,000 | 4,100,000 | 3,715,000 | 3,315,000 | 2,900,000 |
| Subtotal | <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> | <u>\$ 8,204,750</u> |
| TOTAL PRIMARY GOVERNMENT | <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>\$ 23,433,799</u> | <u>\$ 36,563,544</u> | <u>\$ 42,264,950</u> |
| PERSONAL INCOME | \$ 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 | \$ 315,207,090 |
| DEBT AS A PERCENTAGE OF PERSONAL INCOME | 17.387% | 12.130% | 12.224% | 11.404% | 10.880% | 9.760% | 8.882% | 8.563% | 11.600% | 13.409% |
| POPULATION | 9,883 | 9,930 | 10,625 | 11,500 | 11,531 | 11,600 | 11,670 | 10,753 | 10,979 | 10,979 |
| DEBT PER CAPITA | \$ 3,883 | \$ 3,666 | \$ 3,227 | \$ 2,801 | \$ 2,612 | \$ 2,399 | \$ 2,209 | \$ 2,179 | \$ 3,330 | \$ 3,850 |

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

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

| | <u>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>2013</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| NET TAXABLE ASSESSED VALUE | | | | | | | | | | |
| All property | \$ 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 | \$ 1,364,595,702 |
| NET BONDED DEBT | | | | | | | | | | |
| Gross bonded debt | \$ 31,620,000 | \$ 30,080,000 | \$ 28,415,000 | \$ 26,750,000 | \$ 25,065,000 | \$ 23,355,000 | \$ 21,675,000 | \$ 19,718,799 | \$ 32,584,351 | \$ 38,763,906 |
| Less debt service funds | - | - | - | - | - | - | - | - | - | - |
| Net Bonded Debt | <u>\$ 31,620,000</u> | <u>\$ 30,080,000</u> | <u>\$ 28,415,000</u> | <u>\$ 26,750,000</u> | <u>\$ 25,065,000</u> | <u>\$ 23,355,000</u> | <u>\$ 21,675,000</u> | <u>\$ 19,718,799</u> | <u>\$ 32,584,351</u> | <u>\$ 38,763,906</u> |
| RATIO OF NET BONDED DEBT TO ASSESSED VALUE | 4.62% | 4.47% | 3.63% | 2.73% | 2.32% | 2.02% | 1.87% | 1.96% | 2.79% | 2.84% |
| POPULATION | 9,883 | 9,930 | 10,625 | 11,500 | 11,531 | 11,600 | 11,670 | 10,753 | 10,979 | 10,979 |
| NET BONDED DEBT PER CAPITA | \$ 3,199 | \$ 3,029 | \$ 2,674 | \$ 2,326 | \$ 2,174 | \$ 2,013 | \$ 1,857 | \$ 1,834 | \$ 2,968 | \$ 3,531 |

Table 13
City of Tomball
Direct and Overlapping Governmental
Activities Debt
September 30, 2013
(unaudited)

| Governmental Unit | Net Bonded Debt Outstanding | Estimated Percentage Applicable (1) | Estimated Share of Overlapping Debt |
|--|--|--|--|
| Debt repaid with property taxes | | | |
| Tomball ISD | \$ 292,645,000 | 22.28% | \$ 65,201,306 |
| Harris County | 1,763,502,190 | 0.47% | 8,288,460 |
| Harris Co. Flood Control District | 96,470,000 | 0.47% | 453,409 |
| Port of Houston Authority | 731,479,397 | 0.47% | 3,437,953 |
| Harris County Dept of Education | 7,605,000 | 0.47% | 35,744 |
| Lone Star College System | 488,630,000 | 1.12% | <u>5,472,656</u> |
| Subtotal, overlapping debt | | | 82,889,528 |
| City direct debt | | 100.000% | <u>42,264,950</u> |
| Total direct and overlapping debt | | | <u><u>\$ 125,154,478</u></u> |

Source: First Southwest Company

Notes:

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

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

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|-----------------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Debt limit | \$ 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 | \$ 136,459,570 |
| Total net debt applicable to limit | 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 | 33,420,250 |
| Legal debt margin | <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> | <u>\$ 103,039,320</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 30.96% | 29.58% | 24.06% | 18.11% | 15.48% | 13.49% | 12.54% | 13.18% | 22.83% | 24.49% |

Legal Debt Margin Calculation for Fiscal Year 2013

| | | |
|---|-----------------------|-----|
| Assessed value | \$ 1,364,595,702 | |
| Debt limit (10% of assessed value) | 136,459,570 | (1) |
| Debt applicable to limit: | | |
| General obligation bonds | 33,420,250 | |
| Less: amount set aside for repayment of general obligation debt | | |
| Total net debt applicable to limit | <u>33,420,250</u> | |
| Legal debt margin | <u>\$ 103,039,320</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>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>2013</u> |
|--|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Gross revenues | \$ 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 | \$ 11,831,041 |
| Operating expenses (1) | \$ 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 | \$ 6,366,426 |
| Net revenues available for Debt Service | \$ 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 | \$ 5,464,615 |
| DEBT SERVICE REQUIREMENTS (2) | | | | | | | | | | |
| Principal & Interest | \$ 538,846 | \$ 540,020 | \$ 540,674 | \$ 541,047 | \$ 541,575 | \$ 538,595 | \$ 542,505 | \$ 560,591 | \$ 563,815 | \$ 568,174 |
| Total | \$ 538,846 | \$ 540,020 | \$ 540,674 | \$ 541,047 | \$ 541,575 | \$ 538,595 | \$ 542,505 | \$ 560,591 | \$ 563,815 | \$ 568,174 |
| Coverage | 4.58 | 8.69 | 2.61 | 5.94 | 5.44 | 10.65 | 9.50 | 11.28 | 8.95 | 9.62 |

(1) Total operating expenses less depreciation

(2) Includes revenue bonds only

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

| Fiscal Year Ended Sept 30 | Population(1) | Personal Income | Per Capita Personal Income(5) | Median Age (2) | School Enrollment(3) | Unemployment Rate(4) |
|--|----------------------|----------------------------|--|---------------------------|---------------------------------|---------------------------------|
| 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 | 24,866 | 36.0 | 10,633 | 8.50% |
| 2012 | 10,979 | 315,207,090 | 25,450 | 36.9 | 11,132 | 7.50% |
| 2013 | 10,979 | 315,207,090 | 28,710 | 39.8 | 12,362 | 6.20% |

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 2013 adjusted for growth based on 2010 census.

(2) Tomball Economic Development Corporation

(3) Tomball Independent School District

(4) Texas Employment Commission, SMSA Houston-Sugar Land-Baytown Metropolitan Statistical Area

(5) Tomball Economic Development Corporation

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

| Employer | 2013 | | | 2006 | | |
|---------------------------------|-----------|------|---|-----------|------|---|
| | Employees | Rank | Percentage of Total City Employment (2) | Employees | Rank | Percentage of Total City Employment (3) |
| Tomball ISD | 1,478 | 1 | 17.16% | 1,100 | 1 | 23.20% |
| Tomball Regional Medical Center | 1,300 | 2 | 15.10% | 1,500 | 2 | 31.63% |
| Lone Star College - Tomball | 1,056 | 3 | 12.26% | 650 | 3 | 13.71% |
| Baker Hughes (B J Services) | 680 | 4 | 7.90% | 400 | 4 | 8.44% |
| Wal-Mart | 325 | 5 | 3.77% | n/a | n/a | n/a |
| HEB | 275 | 6 | 3.19% | n/a | n/a | n/a |
| Triumph Hospital | 250 | 7 | 2.90% | n/a | n/a | n/a |
| Lowe's | 185 | 8 | 2.15% | n/a | n/a | n/a |
| City of Tomball | 164 | 9 | 1.90% | 136 | 5 | 2.87% |
| Kroger | 139 | 10 | 1.61% | 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 seven 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 | | | | | | | | | |
|-----------------------------------|--------------|---------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| General Fund: | | | | | | | | | | |
| Administration | 8 | 8.25 | 8.5 | 9.5 | 10 | 15 | 14.5 | 14.5 | 16 | 17.5 |
| Permits & Inspection | 4.5 | 4.5 | 5 | 6 | 6 | 5 | 5 | 5 | 5 | 5 |
| Police Department | 47.5 | 50.5 | 50.5 | 52.5 | 55 | 55 | 55 | 57 | 59 | 58 |
| Municipal Court | 5.5 | 4.5 | 4 | 4 | 5 | 5 | 5 | 5.5 | 4.5 | 4.5 |
| Community Center | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Fire Department | 8.5 | 9 | 9 | 12 | 14 | 14 | 14 | 16 | 18 | 18 |
| Public Works Admin. | 4.5 | 6 | 5.5 | 6 | 9 | 9 | 9 | 9 | 9 | 9 |
| Garage | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 |
| Parks | 3.2 | 4.2 | 4.2 | 4.2 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 |
| Streets | 10.2 | 9.2 | 9.2 | 7.2 | 7.2 | 8.2 | 8.2 | 8.2 | 8.2 | 7.2 |
| General Fund Total | 95.9 | 100.15 | 99.9 | 105.4 | 115.4 | 120.4 | 119.9 | 125.4 | 129.9 | 129.4 |
| Enterprise Fund: | | | | | | | | | | |
| Utility Administration | 9 | 11.25 | 11.5 | 11.5 | 12 | 10 | 9 | 9 | 9 | 8 |
| Water | 6.82 | 6.83 | 8.2 | 7.2 | 8.2 | 6.2 | 7.2 | 7.2 | 7.2 | 7.2 |
| Wastewater | 9.64 | 9.64 | 10.2 | 10.2 | 10.2 | 10.2 | 10.2 | 10.2 | 10.2 | 10.2 |
| Gas | 7.14 | 7.14 | 6.2 | 7.2 | 7.2 | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 |
| Enterprise Fund Total | 32.6 | 34.86 | 36.1 | 36.1 | 37.6 | 32.6 | 32.6 | 32.6 | 32.6 | 31.6 |
| Special Revenue Fund: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.5 | 3 | 2.5 |
| Special Revenue Fund Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.5 | 3 | 2.5 |
| TOTAL CITY | | | | | | | | | | |
| POSITIONS | 128.5 | 135.01 | 136 | 141.5 | 153 | 153 | 152.5 | 158.5 | 165.5 | 163.5 |

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 | | | | | | | | | |
|---|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Function/Program | | | | | | | | | | |
| Police | | | | | | | | | | |
| Arrests | 1,804 | 1,766 | 1,611 | 1,812 | 1,840 | 1,625 | 2,049 | 2,012 | 1,475 | 2,394 |
| Accident reports | 650 | 563 | 523 | 609 | 499 | 440 | 330 | 334 | 392 | 378 |
| Citations | 8,153 | 13,194 | 12,473 | 7,602 | 12,445 | 10,820 | 14,694 | 12,798 | 13,329 | 11,330 |
| Offense reports | 2,959 | 2,130 | 2,321 | 2,174 | 2,398 | 2,050 | 1,705 | 1,915 | 2,153 | 2,008 |
| Calls for service | 8,553 | 8,804 | 8,861 | 8,558 | 8,299 | 7,688 | 7,348 | 6,774 | 7,399 | 7,069 |
| Fire | | | | | | | | | | |
| Emergency responses | 647 | 623 | 860 | 1,028 | 1,241 | 1,056 | 1,341 | 1,364 | 1,523 | 1,768 |
| Fire incidents | 113 | 170 | 278 | 170 | 206 | 218 | 220 | 207 | 178 | 129 |
| Average response time | 6:19 | 6:17 | 6:07 | 5:40 | 5:34 | 4:38 | 5:15 | 5:54 | 6:40 | 4:50 |
| Water | | | | | | | | | | |
| New accounts | 639 | 674 | 875 | 719 | 663 | 532 | 89 | 79 | 56 | 122 |
| Source: | | | | | | | | | | |
| Water | 639 | 674 | 875 | 719 | 663 | 532 | 89 | 79 | 56 | 122 |
| Sewer | 639 | 674 | 875 | 719 | 663 | 532 | 89 | 79 | 56 | 122 |
| Average daily consumption (millions of gallons) | | | | | | | | | | |
| | 1,798 | 1,851 | 2,002 | 1,897 | 1,980 | 2,166 | 1,941 | 2,525 | 2,249 | 2,043 |
| Number of million gallons of surface water pumped | | | | | | | | | | |
| | - | - | - | - | - | - | - | - | - | - |
| Number of million gallons of well water pumped | | | | | | | | | | |
| | 675,448 | 751,880 | 730,198 | 692,163 | 722,788 | 790,409 | 708,565 | 923,261 | 822,215 | 759,817 |
| Total consumption (millions of gallons) | | | | | | | | | | |
| | 675,448 | 751,880 | 730,198 | 692,363 | 722,788 | 790,409 | 708,565 | 923,261 | 822,215 | 759,817 |
| Peak daily consumption (millions of gallons) | | | | | | | | | | |
| | 3,492 | 3,322 | 3,395 | 3,241 | 4,425 | 3,791 | 3,480 | 4,392 | 4,312 | 4,689 |
| Sewer | | | | | | | | | | |
| Average daily sewage treatment (millions of gallons) | | | | | | | | | | |
| | 1.595 | 1.468 | 1.500 | 1.636 | 1.422 | 1.428 | 1.362 | 1.174 | 1.555 | 1.347 |
| Total consumption (millions of gallons) | | | | | | | | | | |
| | 582.175 | 535.820 | 547.500 | 597.140 | 519.030 | 520.176 | 497.166 | 429.608 | 567.754 | 491.660 |
| Peak daily consumption (millions of gallons) | | | | | | | | | | |
| | 4.50 | 4.30 | 4.50 | 5.10 | 5.90 | 5.10 | 3.72 | 2.18 | 7.44 | 2.85 |

Source: Various City departments

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

| | Fiscal Year | | | | | | | | | |
|---|-------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Function/Program | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 26 | 27 | 31 | 32 | 26 | 28 | 30 | 32 | 33 | 33 |
| Fire stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Other public works | | | | | | | | | | |
| Streets (miles - centerlines) | 71.0 | 71.0 | 72.0 | 72.0 | 72.6 | 73.0 | 56.2 | 56.2 | 58.2 | 50.6 |
| Streetlights | 462 | 639 | 642 | 648 | 648 | 648 | 650 | 654 | 664 | 689 |
| Parks and recreation | | | | | | | | | | |
| Parks | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 6 |
| Parks acreage | 24 acres | 24 acres | 24 acres | 24 acres | 24 acres | 24 acres | 24 acres | 24 acres | 24 acres | 39 acres |
| Swimming pools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Baseball / softball diamonds | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Tennis courts | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Basketball courts | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 |
| Water | | | | | | | | | | |
| Water mains (miles) | 59 | 74 | 86 | 88 | 89 | 91 | 92 | 92 | 91 | 92 |
| Fire hydrants | 630 | 668 | 802 | 831 | 831 | 869 | 874 | 878 | 883 | 950 |
| Storage capacity (millions of gallons) | N/A | N/A | N/A | 1.85 | 1.85 | 1.85 | 1.85 | 2.35 | 2.35 | 2.85 |
| Sewer | | | | | | | | | | |
| Sanitary sewers (miles) | 48.0 | 51.5 | 54.5 | 56.0 | 56.2 | 58.6 | 58.9 | 59.4 | 60.1 | 60.3 |
| Storm sewers (miles) | 16.2 | 16.9 | 16.9 | 16.9 | 16.9 | 17.2 | 17.4 | 17.4 | 17.4 | 22.9 |
| Open ditch / creek / canal drainage (miles) | N/A | N/A | N/A | 52.00 | 53.00 | 53.40 | 53.70 | 54.00 | 54.00 | 54.00 |
| Treatment capacity (millions of gallons) | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |

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