

**CITY OF TOMBALL, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED SEPTEMBER 30, 2015**

**City Manager**

George Shackelford

**Prepared by:**

Glenn Windsor, CPA, CGFO

Finance Director

Kacie Richardson, CGFO

Senior Accountant

**CITY OF TOMBALL, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2015**

**C O N T E N T S**

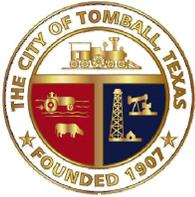
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**CITY OF TOMBALL, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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## **INTRODUCTORY SECTION**



# City of Tomball

*Gretchen Fagan*

*Mayor*

*George Shackelford*

*City Manager*

March 24, 2016

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, 2015. The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the results of operations of the various funds of the City, as well as the fund balances. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

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

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

## **Profile of the Government**

The City, incorporated on July 18, 1933, is located northwest of Houston, Texas, in a rapidly growing area of Harris County. The City currently occupies a land area of 12.29 square miles and serves an estimated population of 11,299. 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 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 62 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 68.

### **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 only incorporated area in this portion of Harris County. As a result, the City has evolved into the area's principal commercial center. Assessed values for Fiscal 2015 reflect an increase of 4.22% to \$1.53 billion. This property value increase is the result of continued commercial development within the City including the expansion of the training facility at Baker-Hughes, continued development of the medical complex, and additional growth in the retail sector. New single-family residential developments were under construction at the end of the fiscal year, including The Reserve at Spring Lake with 95 individual lots and homes with an average value of \$500,000 and the Raleigh Creek subdivision with 32 homes with an average value of \$450,000.

Sales tax revenues continued to increase but not at the rate of the prior year. The City had a 2.92% increase in this major revenue source during 2014-2015. New retail businesses continue 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. The largest groups of employers are in service and retail trade.

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

The City continued the construction and design of Medical Complex Drive and the M121 drainage channel which was designed to mitigate flooding in the downtown area. Funding for both of these projects came from the issuance of \$14.5 million in Certificates of Obligation issued January, 2012. At September 30, 2015, Medical Complex Drive was substantially complete with completion expected in early 2016.

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.

In July 2015, bids were awarded for the construction of roadways, water, sewer, gas, and drainage within the park as well as turn lanes and box culverts within the public right-of way adjacent to the park entrances. At September 30, 2015, the turn lanes had been completed, the perimeter storm sewer had been installed, the first 500 feet of Spell Road, west of Hufsmith-Korville was complete and infrastructure construction was generally on schedule.

The TEDC sold its first lot, a 17.38 acre tract, to Packers Plus Energy Services for \$2,106,595 in July, 2015.

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

### **Major Initiatives**

The largest revenue source in the General Fund is sales tax. The City has experienced significant commercial and retail growth over the last several years. However, because of the recession experienced in 2008-2009, the City continued a conservative approach in budgeting sales tax revenues. For fiscal 2015, sales tax revenues were projected at \$ 10,400,000 but with a possible decline in the area due to reduced oil prices, a conservative approach projects these revenues at the same level for fiscal 2016.

In August 2011, the City Council completed a five year visioning and strategic planning session to chart a course for the City. In that session the council decided to focus on expanding and improving the City's quality infrastructure, facilities and public services to meet current and future needs; improving multimodal accessibility to the City and within Tomball; creating a highly efficient, service-oriented culture within the City of Tomball; ensuring the City's revenue stream is sufficient to sustain the operation and future needs; and implementing economic development strategies to increase revenues to the City, diversify the tax base, create quality employment and housing opportunities, grow local businesses, and maximize the community's economic assets.

Goals achieved as a result of this process include continued annual funding of the capital improvement program, major improvements to the City website, re-codification of the Tomball city ordinances and the creation of the financial transparency web page. The City has approved funding for several sidewalk projects to improve accessibility within the City, including the Medical District sidewalks. The City approved a Professional Services agreement for the development of a Downtown Specific Plan, which addresses land use and zoning regulations for the downtown area. This plan had not been adopted at September 30, 2015. The current strategic plan builds on the 2008 plan which resulted in the completion of an FM 2920 Access Management Study, a Livable Centers Downtown Plan and the first citywide Comprehensive Plan.

### **Financial Information**

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

## **Budgeting Controls**

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

## **Debt Administration**

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

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

## **Independent Audit**

The City Charter requires an independent audit of the accounts of the City by an independent auditor. The firm of Weaver and Tidwell, LLP, Certified Public Accountants, has issued an unmodified (“clean”) opinion on the City of Tomball’s financial statements for the year ended September 30, 2015. The independent auditor’s report is located at the front of the financial section of this report.

## **Awards**

The Government Finance Officers’ Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year September 30, 2014. This was the 25<sup>th</sup> consecutive year that the City has received this award. In order to be awarded the Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is held for a period of one year only. Our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement requirements, and will be submitted to GFOA to determine its eligibility for another certificate.

The City also received the Distinguished Budget Presentation Award for the fiscal year beginning October 1, 2014. This is the seventh consecutive year that the City has received this award from the GFOA. The award is made to those cities whose budget presentations meet very stringent presentation guidelines. The budget document must be of the very highest quality that reflects both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA’s recommended practices on budgeting.

Transmittal Letter  
City of Tomball, Texas

For the fourth consecutive year, the City was also awarded the Leadership Award as part of the “Texas Transparency” program from the Texas Comptroller of Public Accounts. The City received the Gold award the first two years and the Platinum award for the past two years. 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, 2015**

<b>City Officials</b>	<b>Elected Position</b>	<b>Term Expires</b>
Gretchen Fagan	Mayor	2016
F. S. "Field" Hudgens	Councilman Position 1	2017
Mark Stoll	Councilman Position 2	2018
Chad Degges	Councilman Position 3	2016
Derek Townsend, Sr.	Councilman Position 4	2018
Lori Klein Quinn	Councilman Position 5	2017

<b>Department Heads</b>	<b>Appointive Position</b>
George Shackelford	City Manager
Robert Hauck	Assistant City Manager
Doris Speer	City Secretary
Billy Tidwell	Chief of Police
David Esquivel	Director of Public Works
Randall Parr	Fire Chief
Craig Meyers	Community Development Director
Glenn Windsor	Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
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For its Comprehensive Annual  
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for the Fiscal Year Ended

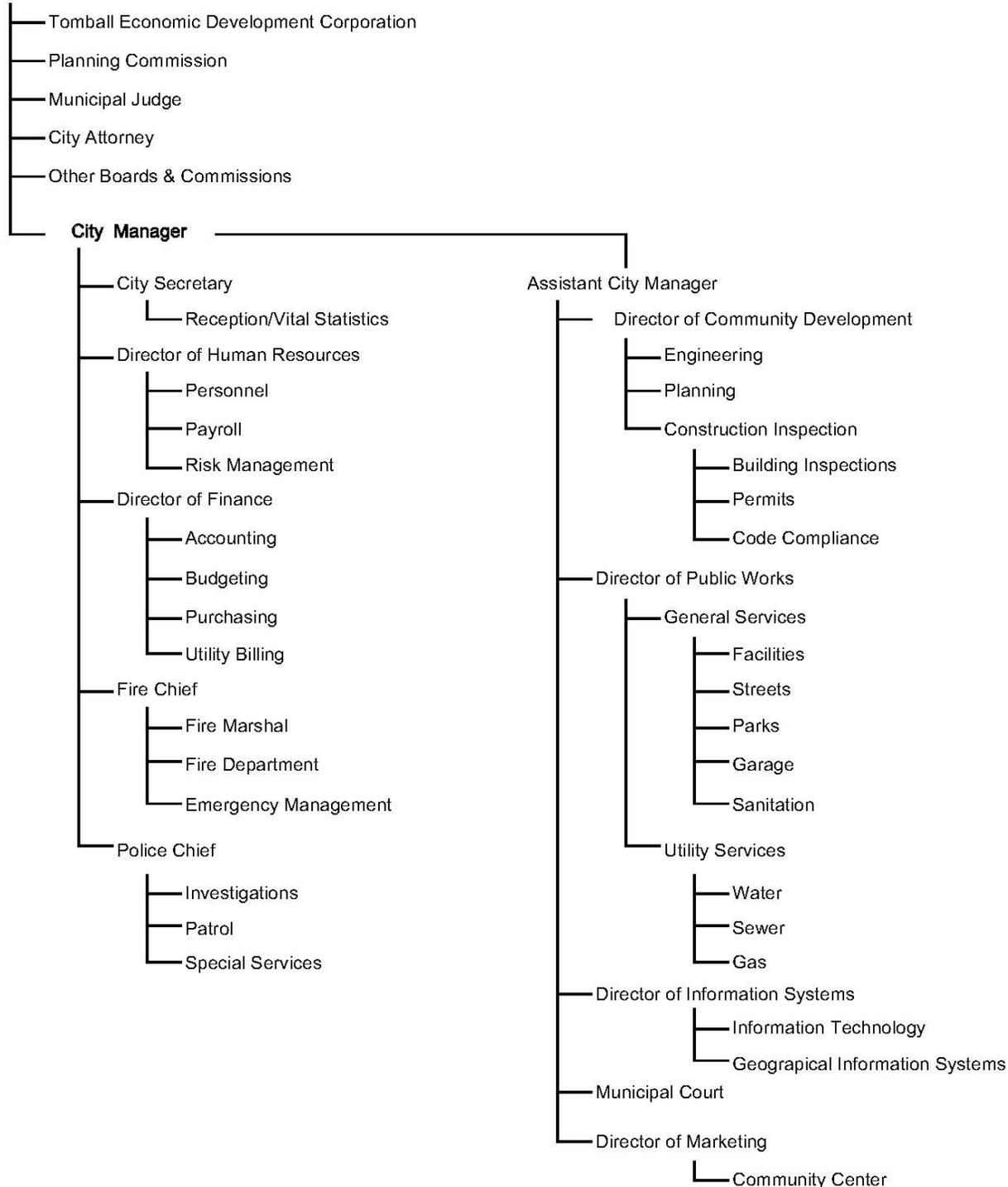
**September 30, 2014**

Executive Director/CEO

# Staff Organizational Chart

Tomball Citizens

Mayor and City Council



## **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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 1 to the basic financial statements, the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Beginning net position on the government-wide Statement of Activities and on the proprietary funds Statement of Revenues, Expenses and Changes in Fund Net Position has been restated to reflect the effect of implementation of these statements. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

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

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

*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.

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

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

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
March 24, 2016

## **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, 2015. 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 \$ 90,664,834 (net position). Of this amount, \$10,694,702 is unrestricted net position for governmental activities and \$10,960,950 for business-type activities.
- The City's net position increased by \$5,533,180. This included an increase of \$218,344 in unrestricted net position, an increase of \$5,658,904 in net investment in capital assets, and a decrease of \$344,068 in restricted net position.
- As of the close of the current fiscal year, the City of Tomball's governmental funds reported combined ending fund balances of \$ 37,019,902. Of the ending fund balance, \$23,370,264 is restricted for specific purposes (e.g., capital projects, debt service); \$167,060 is committed for specific purposes; \$127,671 is assigned by the City for specific purposes; \$14,435 is non-spendable and \$13,340,472 is unassigned and available to meet the government's ongoing obligations in accordance with the City's fund designation and fiscal policies.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **Government-wide Financial Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

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

The City maintains ten 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 seven 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 \$90.7 million as of September 30, 2015. The largest portion of the City's net position (71%) 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	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 41,754,802	\$ 44,326,885	\$ 13,036,258	\$ 14,250,852	\$ 54,791,060	\$ 58,577,737
Capital assets	42,280,309	37,259,410	37,546,729	38,068,770	79,827,038	75,328,180
Total assets	<u>84,035,111</u>	<u>81,586,295</u>	<u>50,582,987</u>	<u>52,319,622</u>	<u>134,618,098</u>	<u>133,905,917</u>
Total deferred outflows of resources	<u>1,381,985</u>	<u>394,282</u>	<u>180,257</u>	<u>-</u>	<u>1,562,242</u>	<u>394,282</u>
Long-term liabilities	33,882,012	31,928,599	4,412,941	6,358,235	38,294,953	38,286,834
Other liabilities	5,212,757	4,737,895	1,946,830	2,659,610	7,159,587	7,397,505
Total liabilities	<u>39,094,769</u>	<u>36,666,494</u>	<u>6,359,771</u>	<u>9,017,845</u>	<u>45,454,540</u>	<u>45,684,339</u>
Total deferred inflows of resources	<u>52,014</u>	<u>-</u>	<u>8,952</u>	<u>-</u>	<u>60,966</u>	<u>-</u>
Net position:						
Net investment in capital assets	31,267,016	28,189,848	33,433,571	30,851,835	64,700,587	59,041,683
Restricted	4,308,595	3,557,490	-	1,095,173	4,308,595	4,652,663
Unrestricted	<u>10,694,702</u>	<u>13,566,745</u>	<u>10,960,950</u>	<u>11,354,769</u>	<u>21,655,652</u>	<u>24,921,514</u>
Total net position	<u>\$ 46,270,313</u>	<u>\$ 45,314,083</u>	<u>\$ 44,394,521</u>	<u>\$ 43,301,777</u>	<u>\$ 90,664,834</u>	<u>\$ 88,615,860</u>

Combined governmental and business-type activities increased the City's net position by \$5,533,180 in 2015. The following table provides a summary of the City's operations for the year ended September 30, 2015. Governmental activities increased the City of Tomball's net position by \$3,928,839. This increase is primarily related to the increase in sales tax revenues over the fiscal year in the Retail and Services industries. Business-type activities increased the City's net position by \$1,604,341.

## CITY OF TOMBALL'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 3,694,337	\$ 3,762,025	\$ 10,908,120	\$ 11,336,758	\$ 14,602,457	\$ 15,098,783
Operating grants and contributions	1,039,237	1,844,224	670,000	670,000	1,709,237	2,514,224
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	5,241,928	5,009,955	-	-	5,241,928	5,009,955
Sales taxes	10,839,818	10,532,691	-	-	10,839,818	10,532,691
Franchise taxes	1,282,598	1,253,077	-	-	1,282,598	1,253,077
Other taxes	538,843	590,910	-	-	538,843	590,910
Gain on sale of capital assets	17,634	-	-	-	17,634	-
Investment earnings	40,115	30,636	33,771	( 1,417)	73,886	29,219
Miscellaneous	475,712	253,375	47,847	45,800	523,559	299,175
Total revenues	<u>23,170,222</u>	<u>23,276,893</u>	<u>11,659,738</u>	<u>12,051,141</u>	<u>34,829,960</u>	<u>35,328,034</u>
Expenses:						
General government	4,968,344	4,789,051	979,161	909,211	5,947,505	5,698,262
Public safety	8,493,353	8,069,621	-	-	8,493,353	8,069,621
Public works	6,181,783	6,137,989	-	-	6,181,783	6,137,989
Community services	313,713	338,381	-	-	313,713	338,381
Water	-	-	3,087,563	2,962,612	3,087,563	2,962,612
Sewer	-	-	2,418,443	1,978,197	2,418,443	1,978,197
Gas	-	-	1,963,162	2,229,583	1,963,162	2,229,583
Interest on long-term debt, fiscal agent fees	891,258	926,584	-	245,129	891,258	1,171,713
Total expenses	<u>20,848,451</u>	<u>20,261,626</u>	<u>8,448,329</u>	<u>8,324,732</u>	<u>29,296,780</u>	<u>28,586,358</u>
Increases/(Decrease) in net position						
before transfers	2,321,771	3,015,267	3,211,409	3,726,409	5,533,180	6,741,676
Transfers	<u>1,607,068</u>	<u>1,691,621</u>	<u>( 1,607,068)</u>	<u>( 1,691,621)</u>	<u>-</u>	<u>-</u>
Change in net position	3,928,839	4,706,888	1,604,341	2,034,788	5,533,180	6,741,676
Net position, beginning- as originally reported	45,314,083	41,063,373	43,301,777	41,368,304	88,615,860	82,431,677
Implementation of change in accounting principle	<u>( 2,972,609)</u>	<u>( 456,178)</u>	<u>( 511,597)</u>	<u>( 101,315)</u>	<u>( 3,484,206)</u>	<u>( 557,493)</u>
Net position, beginning- restated	<u>42,341,474</u>	<u>40,607,195</u>	<u>42,790,180</u>	<u>41,266,989</u>	<u>85,131,654</u>	<u>81,874,184</u>
Net position, ending	<u>\$ 46,270,313</u>	<u>\$ 45,314,083</u>	<u>\$ 44,394,521</u>	<u>\$ 43,301,777</u>	<u>\$ 90,664,834</u>	<u>\$ 88,615,860</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 \$37,019,902. Approximately 36% of this amount (\$13,340,472) is unassigned fund balance; however, \$127,671 is assigned for encumbrances at year-end for the General Fund and \$167,060 is committed in the Special Revenue Funds for City functions; \$23,384,699 is non-spendable or restricted as follows:

Non-spendable (.04%)

- Prepaid items \$ 14,435

Restricted (63%)

- Debt service \$ 3,081,703
- Construction 18,936,347
- Enabling legislation 1,352,214

In the General Fund, fund balance increased by \$68,539. This increase was primarily due to an increase in Sales Tax revenues. The Debt Service Fund Balance increased by \$444,848 primarily from an increase in property tax revenues.

### Proprietary Fund

Unrestricted net position of the respective proprietary funds are Enterprise (water, sewer, gas) of \$10,684,955 and Internal Service Fund (fleet replacement fund and employee benefits trust fund) of \$2,683,448. The net position of the water, sewer, and gas fund increased \$1,457,669. Inter-fund transfers were less than the previous year. Actual revenues from water, sewer, and gas sales decreased during the year because of both a mild winter and more rainfall during the summer. Net position of the internal service fund increased \$359,657. 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 2014-2015 General Fund increased from the previous year, 2013-2014. Additional supplemental expenditures in the amount of \$1,361,344 were approved together with vehicle replacements of \$502,247 and cash funded capital expenditures of \$1,465,675.

There was not a significant change to Fund Balance with an increase from the beginning of the year of \$68,539. The beginning fund balance of \$13,414,039 increased to \$13,482,578.

## 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, 2015 is \$79,827,038. The investment in capital assets includes land, buildings and improvements, equipment, infrastructure, and construction in progress.

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

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 6,379,852	\$ 5,651,056	\$ 1,403,735	\$ 1,403,735	\$ 7,783,587	\$ 7,054,791
Buildings and improvements	7,349,574	7,581,664	-	-	7,349,574	7,581,664
Gas system	-	-	3,066,176	3,206,261	3,066,176	3,206,261
Water and Sewer system	-	-	28,661,983	29,776,108	28,661,983	29,776,108
Equipment	1,284,818	1,407,784	2,755,395	2,530,434	4,040,213	3,938,218
Vehicles	1,236,473	394,421	-	-	1,236,473	394,421
Infrastructure	14,647,502	15,228,191	-	-	14,647,502	15,228,191
Construction in progress	<u>11,382,090</u>	<u>6,996,294</u>	<u>1,659,440</u>	<u>1,152,232</u>	<u>13,041,530</u>	<u>8,148,526</u>
Total capital assets	<u>\$ 42,280,309</u>	<u>\$ 37,259,410</u>	<u>\$ 37,546,729</u>	<u>\$ 38,068,770</u>	<u>\$ 79,827,038</u>	<u>\$ 75,328,180</u>

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

## DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Tomball had a total bonded debt and capital lease obligation of \$33,920,000.

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

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligations	\$ 8,437,500	\$ 9,710,500	\$ 4,042,500	\$ 4,669,500	\$ 12,480,000	\$ 14,380,000
Certificates of Obligation	20,640,000	21,565,000	-	-	20,640,000	21,565,000
Revenue bonds payable	-	-	-	2,465,000	-	2,465,000
Capital leases	<u>800,000</u>	<u>535,464</u>	<u>-</u>	<u>-</u>	<u>800,000</u>	<u>535,464</u>
	<u>\$ 29,877,500</u>	<u>\$ 31,810,964</u>	<u>\$ 4,042,500</u>	<u>\$ 7,134,500</u>	<u>\$ 33,920,000</u>	<u>\$ 38,945,464</u>

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

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

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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Tomball continues to experience growth, both within the corporate City limits and the surrounding area. The City's current population is estimated to be 11,299. However, within a 3 mile radius it is estimated to be 15,789. Within a 5 mile radius, the estimate rises to 77,560.

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

The City's largest source of revenue continues to be sales taxes. During the fiscal year the City experienced an increase in this resource of 2.92%. With the continuing expansion of the local and surrounding economy, this trend is expected to continue, however, management is closely monitoring changes related to the oil and gas business in the Houston area.

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

The City's largest taxpayer, Baker-Hughes (formerly B J Services), continues the operation of its Western Hemisphere training facility on the northeast corner of the City. The training facility building was completed during the 2014 fiscal year and an estimated 70,000 individuals are expected to attend the center on an annual basis according to announcements at that time.

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 2015-2016, the City expects to maintain current levels of sales tax revenues. Property tax revenues are expected to increase based upon values received from the appraisal district. There are no changes to the existing tax rates or utility fees. Construction will continue on several capital projects, including the extension of Medical Complex Drive, the M-121 drainage channel, and the TEDC Business Park.

### **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 281-290-1490, 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, 2015**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 29,950,252	\$ 11,262,913	\$ 41,213,165	\$ 5,426,593
Investments	400,029	-	400,029	5,885,833
Receivables, net	2,357,236	1,430,461	3,787,697	571,840
Internal balances	(275,996)	275,996	-	-
Inventory	-	66,888	66,888	-
Prepaid expenses	14,435	-	14,435	-
Cash and cash equivalents restricted for				
Debt service	2,123,625	-	2,123,625	-
Construction	7,185,221	-	7,185,221	-
Capital assets:				
Nondepreciable	17,761,942	3,063,175	20,825,117	2,805,587
Depreciable capital assets, net	24,518,367	34,483,554	59,001,921	-
<b>Total assets</b>	<b>84,035,111</b>	<b>50,582,987</b>	<b>134,618,098</b>	<b>14,689,853</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pensions	1,047,375	180,257	1,227,632	-
Deferred loss on issuance of refunding bonds	334,610	-	334,610	-
<b>Total deferred outflows of resources</b>	<b>1,381,985</b>	<b>180,257</b>	<b>1,562,242</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>85,417,096</b>	<b>50,763,244</b>	<b>136,180,340</b>	<b>14,689,853</b>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	2,324,498	421,395	2,745,893	138,327
Accrued interest payable	125,322	16,493	141,815	-
Customer deposits	2,950	835,003	837,953	-
Noncurrent liabilities:				
Due within one year	2,759,987	673,939	3,433,926	-
Due in more than one year	33,882,012	4,412,941	38,294,953	-
<b>Total liabilities</b>	<b>39,094,769</b>	<b>6,359,771</b>	<b>45,454,540</b>	<b>138,327</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - pensions	52,014	8,952	60,966	-
<b>Total deferred inflows of resources</b>	<b>52,014</b>	<b>8,952</b>	<b>60,966</b>	<b>-</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>39,146,783</b>	<b>6,368,723</b>	<b>45,515,506</b>	<b>138,327</b>
<b>NET POSITION</b>				
Net investment in capital assets	31,267,016	33,433,571	64,700,587	2,805,587
Restricted for:				
Debt service	2,956,381	-	2,956,381	-
Enabling legislation	1,352,214	-	1,352,214	-
Unrestricted	10,694,702	10,960,950	21,655,652	11,745,939
<b>Total net position</b>	<b>\$ 46,270,313</b>	<b>\$ 44,394,521</b>	<b>\$ 90,664,834</b>	<b>\$ 14,551,526</b>

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, 2015**

Program Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business - Type Activities	Total	
<b>Primary government</b>							
Governmental activities							
General government	\$ 4,968,344	\$ -	\$ 606,753	\$ (4,361,591)	\$ -	\$ (4,361,591)	\$ -
Public safety	8,493,353	999,667	384,308	(7,109,378)	-	(7,109,378)	-
Public works	6,181,783	2,694,670	-	(3,487,113)	-	(3,487,113)	-
Community services	313,713	-	48,176	(265,537)	-	(265,537)	-
Interest and fiscal agent fees	891,258	-	-	(891,258)	-	(891,258)	-
<b>Total governmental activities</b>	<b>20,848,451</b>	<b>3,694,337</b>	<b>1,039,237</b>	<b>(16,114,877)</b>	<b>-</b>	<b>(16,114,877)</b>	<b>-</b>
Business-type activities							
General government	979,161	842,468	670,000	-	533,307	533,307	-
Water	3,087,563	4,449,383	-	-	1,361,820	1,361,820	-
Sewer	2,418,443	2,320,748	-	-	(97,695)	(97,695)	-
Gas	1,963,162	3,295,521	-	-	1,332,359	1,332,359	-
<b>Total business-type activities</b>	<b>8,448,329</b>	<b>10,908,120</b>	<b>670,000</b>	<b>-</b>	<b>3,129,791</b>	<b>3,129,791</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 29,296,780</b>	<b>\$ 14,602,457</b>	<b>\$ 1,709,237</b>	<b>(16,114,877)</b>	<b>3,129,791</b>	<b>(12,985,086)</b>	<b>-</b>
<b>Component unit</b>							
Tomball Economic Development Corporation	2,492,283	-	-	-	-	-	(2,492,283)
	<b>\$ 2,492,283</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,492,283)</b>
<b>GENERAL REVENUES</b>							
Taxes:							
Property taxes				5,241,928	-	5,241,928	-
Sales taxes				10,839,818	-	10,839,818	3,613,196
Franchise taxes				1,282,598	-	1,282,598	-
Other taxes				538,843	-	538,843	-
Gain on sale of capital assets				17,634	-	17,634	1,671,437
Miscellaneous				475,712	47,847	523,559	-
Unrestricted investment earnings				40,115	33,771	73,886	29,286
TRANSFERS				1,607,068	(1,607,068)	-	-
Total general revenues and transfers				20,043,716	(1,525,450)	18,518,266	5,313,919
Change in net position				3,928,839	1,604,341	5,533,180	2,821,636
<b>NET POSITION, beginning of year - as originally reported</b>				45,314,083	43,301,777	88,615,860	11,729,890
<b>Implementation of change in accounting principle (Note 1)</b>				(2,972,609)	(511,597)	(3,484,206)	-
<b>NET POSITION, beginning of year - as restated</b>				42,341,474	42,790,180	85,131,654	11,729,890
<b>NET POSITION, end of year</b>				<b>\$ 46,270,313</b>	<b>\$ 44,394,521</b>	<b>\$ 90,664,834</b>	<b>\$ 14,551,526</b>

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

**CITY OF TOMBALL, TEXAS  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	<b>General Fund</b>	<b>Debt Service</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 11,999,666	\$ 950,115
Investments	400,029	-
Receivables, net	2,292,584	7,963
Cash and cash equivalents restricted for:		
Debt service	-	2,123,625
Construction	-	-
Prepaid items	14,435	-
	<u>\$ 14,706,714</u>	<u>\$ 3,081,703</u>
<b>TOTAL ASSETS</b>	<b>\$ 14,706,714</b>	<b>\$ 3,081,703</b>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,221,186	\$ -
Customer deposits	2,950	-
	<u>1,224,136</u>	<u>-</u>
<b>Total liabilities</b>	<b>1,224,136</b>	<b>-</b>
<b>FUND BALANCES</b>		
Nonspendable		
Prepaid items	14,435	-
Restricted for		
Debt service	-	3,081,703
Construction	-	-
Enabling legislation	-	-
Committed		
City functions	-	-
Assigned		
Other purposes	127,671	-
Unassigned	13,340,472	-
	<u>13,482,578</u>	<u>3,081,703</u>
<b>Total fund balances</b>	<b>13,482,578</b>	<b>3,081,703</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,706,714</b>	<b>\$ 3,081,703</b>

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

<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 12,579,428	\$ 1,743,416	\$ 27,272,625
-	-	400,029
-	47,204	2,347,751
-	-	2,123,625
7,185,221	-	7,185,221
-	-	14,435
<u>\$ 19,764,649</u>	<u>\$ 1,790,620</u>	<u>\$ 39,343,686</u>
\$ 828,302	\$ 271,346	\$ 2,320,834
-	-	2,950
828,302	271,346	2,323,784
-	-	14,435
-	-	3,081,703
18,936,347	-	18,936,347
-	1,352,214	1,352,214
-	167,060	167,060
-	-	127,671
-	-	13,340,472
<u>18,936,347</u>	<u>1,519,274</u>	<u>37,019,902</u>
<u>\$ 19,764,649</u>	<u>\$ 1,790,620</u>	<u>\$ 39,343,686</u>

**CITY OF TOMBALL, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

Total fund balances - governmental funds \$ 37,019,902

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. 41,346,233

Deferred loss on issuance of refunding bonds is not recorded in the fund financial statements but is recorded as a deferred outflow of resources on the statement of net position. 334,610

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. (657,809)

The net pension liability and related deferred outflows and inflows of resources are recorded in the statement of net position.

Net pension liability	(3,883,148)	
Deferred outflows - pensions	1,047,375	
Deferred inflows - pensions	<u>(52,014)</u>	(2,887,787)

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. (125,322)

Internal service funds are used by management to charge the cost of certain activities, such as fleet management, to individual funds. A portion of the assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 3,341,528

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, 2015 are:

Bonded debt payable	(29,077,500)	
Capital lease payable	(800,000)	
Landfill post closure costs	(475,500)	
Compensated absences payable	(1,341,292)	
Premiums received on issuance of bonds	<u>(406,750)</u>	<u>(32,101,042)</u>

Net position - governmental activities \$ 46,270,313

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

**CITY OF TOMBALL, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2015**

	General Fund	Debt Service	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 1,715,949	\$ 3,525,979	\$ -	\$ -	\$ 5,241,928
Sales, franchise, and other taxes	12,189,566	-	-	471,693	12,661,259
Permits and licenses	492,646	-	-	-	492,646
Fines and forfeitures	666,083	-	-	333,584	999,667
Service revenue	2,202,024	-	-	-	2,202,024
Intergovernmental	384,308	-	-	-	384,308
Contributions from component unit	10,000	524,912	71,841	-	606,753
Interest on investments	15,564	2,402	19,375	1,031	38,372
Other revenue	368,038	-	73,752	96,454	538,244
<b>Total revenues</b>	<b>18,044,178</b>	<b>4,053,293</b>	<b>164,968</b>	<b>902,762</b>	<b>23,165,201</b>
<b>Expenditures</b>					
Current					
Administrative	4,793,047	-	-	335,824	5,128,871
Police	5,237,174	-	-	86,682	5,323,856
Fire	3,478,204	-	-	-	3,478,204
Court	312,161	-	-	-	312,161
Public works	1,495,491	-	-	-	1,495,491
Sanitation	1,968,765	-	-	-	1,968,765
Streets	1,123,848	-	4,809,522	-	5,933,370
Permits	400,801	-	-	-	400,801
Garage	146,330	-	-	-	146,330
Parks	492,919	-	1,564	-	494,483
Community services	128,428	-	-	186,175	314,603
Debt service					
Principal	-	2,742,812	-	-	2,742,812
Interest	-	854,618	-	-	854,618
Bond issuance costs and fees	-	11,015	-	-	11,015
<b>Total expenditures</b>	<b>19,577,168</b>	<b>3,608,445</b>	<b>4,811,086</b>	<b>608,681</b>	<b>28,605,380</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(1,532,990)</b>	<b>444,848</b>	<b>(4,646,118)</b>	<b>294,081</b>	<b>(5,440,179)</b>
<b>Other financing sources (uses)</b>					
Proceeds from capital lease	800,000	-	-	-	800,000
Transfers out	(1,229,747)	-	(424,208)	-	(1,653,955)
Transfers in	2,031,276	-	1,209,747	20,000	3,261,023
<b>Total other financing sources (uses)</b>	<b>1,601,529</b>	<b>-</b>	<b>785,539</b>	<b>20,000</b>	<b>2,407,068</b>
<b>Net change in fund balances</b>	<b>68,539</b>	<b>444,848</b>	<b>(3,860,579)</b>	<b>314,081</b>	<b>(3,033,111)</b>
<b>Fund balances, beginning of year</b>	<b>13,414,039</b>	<b>2,636,855</b>	<b>22,796,926</b>	<b>1,205,193</b>	<b>40,053,013</b>
<b>Fund balances, end of year</b>	<b>\$ 13,482,578</b>	<b>\$ 3,081,703</b>	<b>\$ 18,936,347</b>	<b>\$ 1,519,274</b>	<b>\$ 37,019,902</b>

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, 2015**

Net change in fund balances - total governmental funds \$ (3,033,111)

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. 5,923,542

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. (1,112,212)

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

Proceeds from capital lease	(800,000)	
Amortization of premium on bonds payable	43,056	
Amortization of deferred loss on refunding	(59,672)	
Repayment of long term debt	<u>2,733,464</u>	1,916,848

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. 77,051

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. (2,500)

Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as an expenditure in the governmental funds. (9,009)

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. (129,577)

The net change in the pension-related deferred outflows and inflows of resources and net pension liability was: 84,822

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. 212,985

Change in net position - governmental activities \$ 3,928,839

**CITY OF TOMBALL, TEXAS  
STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
SEPTEMBER 30, 2015**

<b>ASSETS</b>	<b>Business Type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service</b>
Current assets		
Cash and cash equivalents	\$ 11,262,913	\$ 2,677,627
Accounts receivable, net	1,430,461	9,485
Inventory	66,888	-
	<hr/>	<hr/>
<b>Total current assets</b>	12,760,262	2,687,112
Noncurrent assets		
Nondepreciable capital assets	3,063,175	-
Depreciable capital assets	58,019,568	2,618,317
Less accumulated depreciation	(23,738,395)	(1,481,860)
	<hr/>	<hr/>
<b>Net capital assets</b>	37,344,348	1,136,457
	<hr/>	<hr/>
<b>Total noncurrent assets</b>	37,344,348	1,136,457
	<hr/>	<hr/>
<b>Total assets</b>	50,104,610	3,823,569
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows - pensions	180,257	-
	<hr/>	<hr/>
Total deferred outflows of resources	180,257	-
	<hr/>	<hr/>
Total assets and deferred outflows of resources	\$ 50,284,867	\$ 3,823,569

**CITY OF TOMBALL, TEXAS**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2015**  
**(CONTINUED)**

	<b>Business Type Activities Enterprise Fund</b>	<b>Governmental Activities Internal Service</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 421,395	\$ 3,664
Customer deposits	835,003	-
Current portion of bonds and other debt	625,026	-
Compensated absences	48,913	-
Accrued interest payable	16,493	-
	1,946,830	3,664
<b>Total current liabilities</b>		
Noncurrent liabilities		
Compensated absences	146,740	-
Pensions	668,305	-
Long-term portion of bonds payable	3,597,896	-
	4,412,941	-
<b>Total noncurrent liabilities</b>		
	6,359,771	3,664
<b>Total liabilities</b>		
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows - pensions	8,952	-
	8,952	-
<b>Total deferred inflows of resources</b>		
	8,952	-
<b>Total liabilities and deferred inflows of resources</b>		
	6,368,723	3,664
<b>NET POSITION</b>		
Net investment in capital assets	33,231,189	1,136,457
Unrestricted	10,684,955	2,683,448
	43,916,144	3,819,905
<b>Total net position</b>		
	\$ 43,916,144	\$ 3,819,905
Reconciliation to government-wide statement of net position:		
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds	478,377	
	478,377	
<b>Net position of business-type activities</b>		
	\$ 44,394,521	

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, 2015**

	<u>Business Type Activities</u> Enterprise Fund	<u>Governmental Activities</u> Internal Service Fund
<b>OPERATING REVENUES</b>		
Charges for services	\$ 10,065,652	\$ 2,955,343
Taps and connections	198,902	-
Penalties	108,374	-
Capital recovery fees	535,192	-
Miscellaneous	47,847	-
<b>Total operating revenues</b>	<b>10,955,967</b>	<b>2,955,343</b>
<b>OPERATING EXPENSES</b>		
Costs of sales and services	6,989,458	2,267,848
Depreciation	1,408,665	342,207
<b>Total operating expenses</b>	<b>8,398,123</b>	<b>2,610,055</b>
<b>Operating income</b>	<b>2,557,844</b>	<b>345,288</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	24,450	1,743
Unrealized gain on investments	9,321	-
Interest expense	(196,878)	-
Gain on disposal of capital assets	-	12,626
Contribution from component unit	670,000	-
<b>Total nonoperating revenues (expenses)</b>	<b>506,893</b>	<b>14,369</b>
<b>Income before transfers</b>	<b>3,064,737</b>	<b>359,657</b>
<b>Transfers out, net</b>	<b>(1,607,068)</b>	<b>-</b>
<b>Change in net position</b>	<b>1,457,669</b>	<b>359,657</b>
<b>NET POSITION, beginning of year - as originally reported</b>	<b>42,970,072</b>	<b>3,460,248</b>
<b>Implementation of change in accounting principle (Note 1)</b>	<b>(511,597)</b>	<b>-</b>
<b>NET POSITION, beginning of year - as restated</b>	<b>42,458,475</b>	<b>3,460,248</b>
<b>NET POSITION, end of year</b>	<b>\$ 43,916,144</b>	<b>\$ 3,819,905</b>
Reconciliation to government-wide statement of activities		
Change in net position	\$ 1,457,669	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	146,672	
<b>Change in net position of business-type activities</b>	<b>\$ 1,604,341</b>	

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

**CITY OF TOMBALL, TEXAS  
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2015**

	<b>Business Type Activities</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
<b>OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 10,726,836	\$ 2,955,201
Cash payments to suppliers for goods and services	(5,572,165)	(2,265,160)
Cash payments to employees for services	(1,655,634)	-
<b>Net cash provided by operating activities</b>	<b>3,499,037</b>	<b>690,041</b>
<b>NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers	(1,607,068)	-
Contribution from component unit	670,000	-
<b>Net cash used in noncapital financing activities</b>	<b>(937,068)</b>	<b>-</b>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(833,375)	(605,025)
Proceeds from sale of capital assets	-	12,626
Principal paid on capital debt	(3,092,000)	-
Interest paid on capital debt	(222,652)	-
<b>Net cash used in capital and related financing activities</b>	<b>(4,148,027)</b>	<b>(592,399)</b>
<b>INVESTING ACTIVITIES</b>		
Maturities of investments	2,250,000	-
Investment income	24,450	1,743
<b>Net cash provided by investing activities</b>	<b>2,274,450</b>	<b>1,743</b>
<b>Net change in cash and cash equivalents</b>	<b>688,392</b>	<b>99,385</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>10,574,521</b>	<b>2,578,242</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 11,262,913</b>	<b>\$ 2,677,627</b>

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

**CITY OF TOMBALL, TEXAS**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2015**  
**(CONTINUED)**

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 2,557,844	\$ 345,288
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	1,408,665	342,207
Pension expense	(14,597)	-
Change in assets and liabilities		
Accounts receivable	(255,552)	(142)
Inventory	11,282	-
Other assets	-	633
Accounts payable and accrued liabilities	(235,026)	2,055
Customer deposits	26,421	-
	<u>3,499,037</u>	<u>690,041</u>
<b>Net cash provided by operating activities</b>	<b>\$ 3,499,037</b>	<b>\$ 690,041</b>

**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, Employee Benefits Trust, and Tomball Legacy Fund, Inc., although legally separate organizations, are 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 Units**

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.

Tomball Legacy Fund, Inc. – Tomball Legacy Fund, Inc. has been included in the reporting entity as a blended component unit. Tomball Legacy Fund, Inc. is a not-for-profit 501(c)3 foundation managed by a seven-member Board of Directors consisting of the Mayor and City Council of the City of Tomball, plus one appointed individual. Tomball Legacy Fund, Inc. was established to allow the City to receive private and corporate grant funds to be used on behalf of the City. The operations of Tomball Legacy Fund, Inc. are presented as a governmental fund type in a special revenue fund.

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

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

**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. Interfund services provided and used are not eliminated in the process of consolidation. 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.

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.

**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**

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Fund

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

**Proprietary Funds**

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

Enterprise Fund

The enterprise fund is used to account for the operations that provide water and wastewater collection, wastewater treatment operations, and solid waste collection and disposal. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The enterprise fund is considered a major fund for reporting purposes.

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

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

**Government-Wide and Fund Financial Statements – Continued**

**Proprietary Funds – Continued**

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.

**Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

**Measurement Focus and Basis of Accounting – Continued**

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.

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

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

**Implementation of Change in Accounting Principle**

During fiscal year 2015, the City adopted GASB Statement No. 68, *Accounting and Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB 68) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB 71). GASB 68 requires the City to recognize a liability equal to the net pension liability for its pension benefits provided through Texas Municipal Retirement System, an agent multiple-employer public employee retirement system. GASB 71 clarifies the accounting for amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Adoption of these standards required a prior period adjustment to report the effect of implementation retroactively. Therefore, beginning net position on the government-wide Statement of Activities and on the proprietary funds Statement of Revenues, Expenses and Changes in Fund Net Position has been adjusted to reflect the effect of implementation of these standards as of the beginning of the year.

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

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

**Deposits and Investments**

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

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

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

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

**Property Taxes**

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

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

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

**Receivables**

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

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

**Inventory and Prepaid Items**

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

**Capital Assets**

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

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

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

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

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

**Capital Assets – Continued**

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years:

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

**Compensated Employee Absences**

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

**Long-Term Obligations**

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

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

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

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

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

**Long-Term Obligations – Continued**

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with interest earned in the debt service fund. Though a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable governmental fund financial statements. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

**Landfill Post-Closure Care Costs**

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

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Inflows and Deferred Outflows of Resources**

The City presents deferred outflows of resources and deferred inflows of resources in accordance with GASB Statement No. 65, *Items previously Reported as Assets and Liabilities* (GASB 65), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities.

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

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

**Deferred Inflows and Deferred Outflows of Resources – Continued**

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

**Fund Equity**

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

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

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

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

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

**Governmental Funds Fund Balance**

Fund balances of governmental funds are classified as follows:

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

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

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

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

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

**Fund Equity – Continued**

**Governmental Funds Fund Balance – Continued**

Assigned fund balance – represents amounts the City intends to use for a specific purpose. Fund balance can be assigned by the City Manager, pursuant to the City's fund balance policy. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. Assignments can be made at any time. At September 30, 2015, \$127,671 of fund balance in the general fund was assigned for encumbrances.

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

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

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

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

The City strives to maintain an unassigned fund balance of not less than 25% of the budgeted operational expenditures in all City funds. Due to the volatile nature of a majority of its revenues, it is not deemed excessive for the City to maintain an unassigned fund balance in the general fund at levels greater than 33% of the budgeted operational expenditures. The purpose of this unassigned balance is to alleviate significant unanticipated budget shortfalls and to ensure the orderly provisions of services to citizens. Should unassigned fund balance fall below the goal or have a deficiency, the City will seek to reduce expenditures prior to increasing revenues to replenish fund balance within a reasonable timeframe.

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

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

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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

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

**Excess of Expenditures Over Appropriations**

General fund		
Garage	\$	818

**NOTE 3. DEPOSITS AND INVESTMENTS**

Deposits and investments as of September 30, 2015 are classified in the accompanying financial statements as follows:

Governmental activities	\$ 39,659,127
Business-type activities	11,262,913
Component unit	<u>11,312,426</u>
Total	<u><u>\$ 62,234,466</u></u>

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

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

Deposits and investments as of September 30, 2015 consist of the following:

City		
Deposits with financial institutions		\$ 884,405
Investments		<u>50,037,635</u>
Total city		<u>\$ 50,922,040</u>
Component unit		
Deposits with financial institutions		\$ 753,693
Investments		<u>10,558,733</u>
Total component unit		<u>\$ 11,312,426</u>

At September 30, 2015, the City and component unit had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
City		
U.S. Agencies	\$ 400,029	450
TexPool	42,374,005	38
Texas CLASS	<u>7,263,601</u>	<u>62</u>
<b>Total fair value</b>	<u>\$ 50,037,635</u>	
Portfolio weighted average maturity		<u>47</u>
Component unit		
U.S. Agencies	\$ 4,501,892	613
Municipal Bonds	1,383,941	1,090
TexPool	3,764,018	41
Texas CLASS	<u>908,882</u>	<u>62</u>
<b>Total fair value</b>	<u>\$ 10,558,733</u>	
Portfolio weighted average maturity		<u>304</u>

**Investment Pools**

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

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

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

**Investment Pools – Continued**

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

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

*Custodial Credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2015, 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**

**Investment Pools – Continued**

*Credit risk.* The City's investment policy limits investments in external investment pools to pools rated as to investment quality not less than AAA or AAAm or at an equivalent rating by at least one nationally recognized rating service. Obligations of states, agencies, counties, cities, and other political subdivisions of any state must be rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent. The City's investments as of September 30, 2015 were rated as follows:

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

**NOTE 4. RECEIVABLES**

The following comprise receivable balances at year end:

	General	Debt Service	Capital Projects	Nonmajor Governmental	Enterprise	Internal Service	Component Unit
Receivables:							
Property taxes	\$ 100,432	\$ 169,306	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,715,522	-	-	-	-	-	571,840
Other taxes	119,613	-	-	-	-	-	-
Customer accounts	386,588	-	-	-	1,604,599	-	-
Interest	715	-	-	-	-	-	-
Other	117,219	7,963	-	47,204	88	9,485	-
Gross receivables	2,440,089	177,269	-	47,204	1,604,687	9,485	571,840
Less allowance for uncollectibles	(147,505)	(169,306)	-	-	(174,226)	-	-
Net total receivables	<u>\$2,292,584</u>	<u>\$ 7,963</u>	<u>\$ -</u>	<u>\$ 47,204</u>	<u>\$1,430,461</u>	<u>\$ 9,485</u>	<u>\$ 571,840</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, 2015 are summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications/ Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 5,651,056	\$ 728,796	\$ -	\$ 6,379,852
Construction in progress	6,996,294	4,426,796	(41,000)	11,382,090
<b>Total capital assets not being depreciated</b>	12,647,350	5,155,592	(41,000)	17,761,942
Other capital assets				
Buildings and improvements	10,996,351	41,000	-	11,037,351
Machinery and equipment	6,233,271	151,437	-	6,384,708
Vehicles	3,796,802	1,097,021	(88,042)	4,805,781
Infrastructure	22,692,839	-	-	22,692,839
<b>Total other capital assets</b>	43,719,263	1,289,458	(88,042)	44,920,679
Less accumulated depreciation				
Buildings and improvements	3,414,687	273,090	-	3,687,777
Machinery and equipment	4,825,487	274,403	-	5,099,890
Vehicles	3,402,381	254,969	(88,042)	3,569,308
Infrastructure	7,464,648	580,689	-	8,045,337
<b>Total accumulated depreciation</b>	19,107,203	1,383,151	(88,042)	20,402,312
<b>Total capital assets being depreciated, net</b>	24,612,060	(93,693)	-	24,518,367
<b>Governmental activities capital assets, net</b>	<u>\$ 37,259,410</u>	<u>\$ 5,061,899</u>	<u>\$ (41,000)</u>	<u>\$ 42,280,309</u>

Depreciation was charged to governmental functions as follows:

Police	\$ 314,671
Streets	273,090
Public works	524,451
Internal service	270,939
<b>Total governmental activities depreciation expense</b>	<u>\$ 1,383,151</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)	\$ 7,321,545	\$ 5,471,720	\$ 1,849,825
Tomball Business Park	7,669,009	1,874,670	5,794,339
M121 Final Phase	1,480,400	1,453,474	26,926
M124 Willow Creek Tributaries	1,348,145	1,060,522	287,623
M121 Drainage Channel	1,332,506	1,054,487	278,019
Rudolph Road and Utilities	139,896	139,896	-
Depot Lighting	106,389	97,812	8,577
M118 Drainage Channels	70,336	70,336	-
Zion Road Sidewalks	50,800	38,500	12,300
Michel Rd./Holderieth Blvd.	35,130	35,130	-
Broussard Park	83,012	30,053	52,959
Pine St. Drainage / Sidewalk	29,300	29,300	-
Downtown Sidewalks	20,625	20,625	-
Market/ Walnut Curb And Gutter	13,690	5,565	8,125
<b>Total</b>	<b>\$ 19,700,783</b>	<b>\$ 11,382,090</b>	<b>\$ 8,318,693</b>

Changes in capital assets for business-type activities for the year ended September 30, 2015 are summarized as follows:

	Beginning Balance	Increases	Reclassifications/ Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 1,403,735	\$ -	\$ -	\$ 1,403,735
Construction in progress	1,152,232	524,208	(17,000)	1,659,440
<b>Total capital assets not being depreciated</b>	<b>2,555,967</b>	<b>524,208</b>	<b>(17,000)</b>	<b>3,063,175</b>
Other capital assets				
Gas system	5,921,345	-	-	5,921,345
Water and sewer system	47,522,430	40,550	-	47,562,980
Machinery and equipment	4,604,609	410,133	-	5,014,742
<b>Total other capital assets</b>	<b>58,048,384</b>	<b>450,683</b>	<b>-</b>	<b>58,499,067</b>
Less accumulated depreciation:				
Gas system	2,715,084	140,085	-	2,855,169
Water and sewer system	17,746,322	1,154,675	-	18,900,997
Machinery and equipment	2,074,175	185,172	-	2,259,347
<b>Total accumulated depreciation</b>	<b>22,535,581</b>	<b>1,479,932</b>	<b>-</b>	<b>24,015,513</b>
<b>Total capital assets being depreciated, net</b>	<b>35,512,803</b>	<b>(1,029,249)</b>	<b>-</b>	<b>34,483,554</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 38,068,770</b>	<b>\$ (505,041)</b>	<b>\$ (17,000)</b>	<b>\$ 37,546,729</b>

**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	\$ 1,339,847
Gas	<u>140,085</u>
Total business-type activities depreciation expense	<u><u>\$ 1,479,932</u></u>

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

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Medical Complex Drive	\$ 1,366,013	\$ 1,050,791	\$ 315,222
Hufsmith Water and Gas Improvement	390,106	359,438	30,668
Rudolph Road	138,889	138,889	-
24" Sanitary Sewer - E. Hufsmith	136,537	105,522	31,015
Neal Road Utilities	4,800	4,800	-
<b>Total</b>	<u><u>\$ 2,036,345</u></u>	<u><u>\$ 1,659,440</u></u>	<u><u>\$ 376,905</u></u>

Changes in capital assets for the component unit for the year ended September 30, 2015 are summarized as follows:

	Beginning Balance	Increases	Reclassifications/ Decreases	Ending Balance
<b>Component Unit</b>				
Capital assets not being depreciated				
Land	\$ 1,653,664	\$ -	\$ (297,615)	\$ 1,356,049
Construction in progress	1,144,312	305,226	-	1,449,538
<b>Total capital assets not being depreciated</b>	<u><u>\$ 2,797,976</u></u>	<u><u>\$ 305,226</u></u>	<u><u>\$ (297,615)</u></u>	<u><u>\$ 2,805,587</u></u>

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

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Tomball Business and Technology Park	\$ 1,930,893	\$ 1,449,538	\$ 481,355
<b>Total</b>	<u><u>\$ 1,930,893</u></u>	<u><u>\$ 1,449,538</u></u>	<u><u>\$ 481,355</u></u>

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

**NOTE 6. LONG-TERM DEBT**

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2015. 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 other postemployment benefit obligation (OPEB), and net pension liability 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
<b>Governmental Activities</b>					
Bonds, notes and other payables					
Bonded debt payable	\$ 31,275,500	\$ -	\$ 2,198,000	\$ 29,077,500	\$ 2,216,750
Premiums	449,806	-	43,056	406,750	43,056
	31,725,306	-	2,241,056	29,484,250	2,259,806
Other liabilities					
Capital lease obligation	535,464	800,000	535,464	800,000	68,858
Net OPEB obligation	528,232	203,214	73,637	657,809	-
Net pension liability	3,667,632	986,114	770,598	3,883,148	-
Compensated absences	1,418,343	830,689	907,740	1,341,292	335,323
Landfill post closure costs	473,000	2,500	-	475,500	96,000
<b>Total governmental activities</b>	<b>\$ 38,347,977</b>	<b>\$ 2,822,517</b>	<b>\$ 4,528,495</b>	<b>\$ 36,641,999</b>	<b>\$ 2,759,987</b>
Long-term debt due in more than one year				<u>\$ 33,882,012</u>	
<b>Business-Type Activities</b>					
Revenue bonds	\$ 7,134,500	\$ -	\$ 3,092,000	\$ 4,042,500	\$ 613,250
Premiums	82,435	-	11,776	70,659	11,776
	7,216,935	-	3,103,776	4,113,159	625,026
Other liabilities					
Net OPEB obligation	88,862	33,188	12,287	109,763	-
Net pension liability	631,214	169,714	132,623	668,305	-
Compensated absences	194,952	63,086	62,385	195,653	48,913
<b>Total business-type activities</b>	<b>\$ 8,131,963</b>	<b>\$ 265,988</b>	<b>\$ 3,311,071</b>	<b>\$ 5,086,880</b>	<b>\$ 673,939</b>
Long-term debt due in more than one year				<u>\$ 4,412,941</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>
<b><u>Certificates of Obligation</u></b>				
Series 2012	2032	3.00 - 4.25%	\$ 12,775,000	\$ -
Series 2013	2033	2.00 - 3.00%	7,865,000	-
			20,640,000	-
<b><u>General Obligation Bonds</u></b>				
Series 2010	2018	1.50 - 2.20%	835,000	-
Series 2011	2022	2.00 - 4.00%	3,307,500	4,042,500
Series 2013	2023	1.00 - 1.65%	4,295,000	-
			8,437,500	4,042,500
<b>Total bonds and certificates of obligation</b>			<b>\$ 29,077,500</b>	<b>\$ 4,042,500</b>

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 2,216,750	\$ 785,667	\$ 613,250	\$ 124,279
2017	2,248,250	737,312	596,750	109,154
2018	2,274,250	686,280	585,750	92,909
2019	2,015,250	636,545	574,750	75,501
2020	2,041,250	587,152	563,750	55,605
2021-2025	8,236,750	2,203,534	1,108,250	44,165
2026-2030	6,560,000	1,207,846	-	-
2031-2033	3,485,000	151,387	-	-
	<b>\$ 29,077,500</b>	<b>\$ 6,995,723</b>	<b>\$ 4,042,500</b>	<b>\$ 501,613</b>

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

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

**Defeasance of Bonds**

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On September 30, 2015, \$12,890,000 of bonds considered defeased are still outstanding.

**Federal Arbitrage**

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

**Obligations under Capital Leases**

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

Asset:	<u>Governmental Activities</u>
Machinery and equipment	\$ 713,570
Less: accumulated depreciation	<u>(47,571)</u>
Total	<u><u>\$ 665,999</u></u>

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

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

**Obligations under Capital Leases – Continued**

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

<u>Year Ending September 30,</u>	<u>Lease Obligation</u>
2016	\$ 95,178
2017	95,178
2018	95,178
2019	95,178
2020	95,177
2021 - 2025	<u>475,889</u>
Total	951,778
Less interest portion	<u>(151,778)</u>
Obligations under capital leases	<u><u>\$ 800,000</u></u>

**Landfill Post-Closure Liability**

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

During the year ended September 30, 2015, the City's estimated liability for landfill post-closure costs increased by \$2,500 due to changes in post-closure care requirements and the extent of environmental remediation required. The effect of this change in estimate is included in current period governmental activities expenses on the statement of activities for the year ended September 30, 2015. The balance of \$475,500 reported as the liability for landfill post-closure costs at year end represents the remaining estimated post-closure costs required to achieve regulatory approval for closure. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

**NOTE 7. INTERFUND TRANSACTIONS**

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

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General	Enterprise	\$ 2,031,276	To fund indirect costs for administrative expenses
Enterprise	Capital projects	424,208	To fund miscellaneous projects
Capital projects	General	1,209,747	To fund miscellaneous projects
Nonmajor governmental	General	<u>20,000</u>	To fund miscellaneous projects
		<u>\$ 3,685,231</u>	

**NOTE 8. COMMITMENTS AND CONTINGENCIES**

**Risk Management**

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

**Contingent Liabilities**

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at September 30, 2015.

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

**NOTE 8. COMMITMENTS AND CONTINGENCIES – CONTINUED**

**Encumbrances**

Fund balance encumbrances as of September 30, 2015 were as follows:

General fund	\$ 127,671
Capital projects fund	2,083,145
Other governmental funds	73,479

**NOTE 9. PENSION PLAN**

**Plan Description**

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

**Benefits Provided**

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

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

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

**NOTE 9. PENSION PLAN – CONTINUED**

**Benefits Provided – 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 2014	Plan Year 2015
	<hr/>	<hr/>
Employee deposit rate	7.00%	7.00%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

***Employees covered by benefit terms:***

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	64
Inactive employees entitled to but not yet receiving benefits	46
Active employees	<u>153</u>
Total	263

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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

**NOTE 9. PENSION PLAN – CONTINUED**

**Contributions – Continued**

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.38% and 13.54% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$1,246,735, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

***Actuarial Assumptions:***

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

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

**NOTE 9. PENSION PLAN – CONTINUED**

**Net Pension Liability – Continued**

***Actuarial Assumptions – Continued:***

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic equity	17.50%	4.80%
International equity	17.50%	6.05%
Core fixed income	30.00%	1.50%
Non-core fixed income	10.00%	3.50%
Real return	5.00%	1.75%
Real estate	10.00%	5.25%
Absolute return	5.00%	4.25%
Private equity	5.00%	8.50%
 Total	 100.0%	

***Discount Rate***

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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

**NOTE 9. PENSION PLAN – CONTINUED**

**Net Pension Liability – Continued**

***Changes in the Net Pension Liability***

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 30,172,851	\$ 25,874,005	\$ 4,298,846
Changes for the year:			
Service cost	1,405,192	-	1,405,192
Interest	2,122,080	-	2,122,080
Change of benefit terms	-	-	-
Difference between expected and actual experience	(75,098)	-	(75,098)
Changes of assumptions	-	-	-
Contributions - employer	-	1,106,867	(1,106,867)
Contributions - employee	-	629,009	(629,009)
Net investment income	-	1,480,415	(1,480,415)
Benefit payments, including refunds of employee contributions	(1,120,036)	(1,120,036)	-
Administrative expense	-	(15,453)	15,453
Other changes	-	(1,271)	1,271
Net changes	<u>2,332,138</u>	<u>2,079,531</u>	<u>252,607</u>
Balance at 12/31/2014	<u>\$ 32,504,989</u>	<u>\$ 27,953,536</u>	<u>\$ 4,551,453</u>

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Net pension liability	\$ 9,576,990	\$ 4,551,453	\$ 482,483

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

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

**NOTE 9. PENSION PLAN – CONTINUED**

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

For the year ended September 30, 2015, the City recognized pension expense of \$1,155,828.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 60,966
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	264,612	-
Contributions subsequent to the measurement date	<u>963,020</u>	<u>-</u>
Total	<u>\$ 1,227,632</u>	<u>\$ 60,966</u>

\$963,020 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	
2015	\$ 52,021
2016	52,021
2017	52,021
2018	52,021
2019	(4,438)
Thereafter	<u>-</u>
Total	<u>\$ 203,646</u>

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

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

**Plan Description**

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

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

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

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.

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

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

**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 \$37,677 in premiums related to the plan for retirees during the year.

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize the unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years.

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

Annual required contribution	\$	245,690
Interest on OPEB obligation		27,769
Adjustment to ARC		<u>(37,057)</u>
Annual OPEB cost (expense) end of year		236,402
Net estimated employer contributions		<u>(85,924)</u>
Increase in net OPEB obligation		150,478
Net OPEB obligation – as of beginning of the year		<u>617,094</u>
Net OPEB obligation – as of end of year	\$	<u><u>767,572</u></u>

The City's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2015 and the preceding two fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution Made	Percentage of OPEB Cost Contributed	Net OPEB Obligation at September 30
2013	\$ 160,445	\$ 20,269	13%	\$ 491,312
2014	165,688	39,906	24%	617,094
2015	236,402	85,924	36%	767,572

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

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

**Funding Policy and Annual OPEB Cost – Continued**

The funded status of the City’s retiree health care plan, under GASB Statement No. 45 as of December 31, 2014, 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)
12/31/2014	\$ -	\$1,903,327	-	\$1,903,327	\$8,985,838	21%

Under the reporting parameters, the City’s retiree health plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$1,903,327 at December 31, 2014. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 21%.

**Actuarial Methods and Assumptions**

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

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

Significant methods and assumptions were as follows:

Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar amortization
Remaining amortization period	30 years - open amortization
Asset valuation method	Market value smoothed
Investment rate of return	4.5% per annum, net of expenses
Inflation rate	3.0% per annum
Healthcare cost trend rate (initial/ultimate)	Initial rate of 7.25%, declining to an ultimate rate of 5.50% after 9 years

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

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

**Actuarial Methods and Assumptions – Continued**

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

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

**TMRS – Supplemental Death Benefit Fund**

**Plan Description**

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

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

**Contributions**

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

The City's contributions to the TMRS SDBF for the years ended September 30, 2015, 2014, and 2013 were \$2,821, \$2,613, and \$2,574, respectively, which equaled the required contributions each year.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF TOMBALL, TEXAS  
SCHEDULE OF CHANGES IN  
NET PENSION LIABILITY AND RELATED RATIOS  
YEAR ENDED SEPTEMBER 30, 2015**

**Total pension liability**

Service Cost	\$ 1,405,192
Interest (on the Total Pension Liability)	2,122,080
Changes of benefit terms	-
Difference between expected and actual experience	(75,098)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(1,120,036)</u>
<b>Net Change in Total Pension Liability</b>	<b>2,332,138</b>
<b>Total Pension Liability - Beginning</b>	<u>30,172,851</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 32,504,989</u></u>

**Plan Fiduciary Net Position**

Contributions - Employer	\$ 1,106,867
Contributions - Employee	629,009
Net Investment Income	1,480,415
Benefit payments, including refunds of employee contributions	(1,120,036)
Administrative Expense	(15,453)
Other	<u>(1,271)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<b>2,079,531</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>25,874,005</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 27,953,536</u></u>

**Net Pension Liability - Ending (a) - (b)** \$ 4,551,453

**Plan Fiduciary Net Position as a Percentage of Total Pension Liability** 86.00%

**Covered Employee Payroll** \$ 8,985,838

**Net Pension Liability as a Percentage of Covered Employee Payroll** 50.65%

**NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

Only one year of data is presented in accordance with GASB Standard No. 68 as the data for the years other than 2014 is not available. Additionally, GASB Standard No. 68 requires that the information on this schedule be presented for the year ended as of the current measurement date (December 31).

**CITY OF TOMBALL, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
YEAR ENDED SEPTEMBER 30, 2015**

Actuarially Determined Contribution	<u>\$ 1,246,735</u>
Contributions in relation to the actuarially determined contribution	<u>1,246,735</u>
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 9,404,137
Contributions as a percentage of covered employee payroll	13.26%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

Only one year of data is presented in accordance with GASB Standard No. 68 as the data for the years other than 2015 is not available. Additionally, GASB Standard No. 68 requires that the information presented on this schedule correspond with the City's fiscal year (September 30).

**Valuation Date:**

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

There were no benefit changes during the year.

**CITY OF TOMBALL, TEXAS  
SCHEDULE OF FUNDING PROGRESS  
POST EMPLOYMENT BENEFITS PLAN OTHER THAN PENSIONS  
SEPTEMBER 30, 2015**

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 * \$	-	\$ 1,157,549	0.0%	\$ 1,157,549	\$ 7,382,599	15.7%
12/31/2013 *	-	1,157,549	0.0%	1,157,549	7,382,599	15.7%
12/31/2014	-	1,903,327	0.0%	1,903,327	8,985,838	21.2%

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

**CITY OF TOMBALL, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 1,678,000	\$ 1,706,000	\$ 1,715,949	\$ 9,949
Sales, franchise, and other taxes	11,751,050	12,023,660	12,189,566	165,906
Permits and licenses	426,800	536,670	492,646	(44,024)
Fines and forfeitures	900,000	743,500	666,083	(77,417)
Services revenue	2,050,000	2,100,000	2,202,024	102,024
Intergovernmental	348,480	354,876	384,308	29,432
Contributions from component unit	10,000	10,000	10,000	-
Interest on investments	15,000	15,000	15,564	564
Other revenues	249,280	338,480	368,038	29,558
<b>Total revenues</b>	<b>17,428,610</b>	<b>17,828,186</b>	<b>18,044,178</b>	<b>215,992</b>
<b>Expenditures</b>				
Administrative	5,191,008	4,961,792	4,793,047	168,745
Police	5,532,146	5,457,312	5,237,174	220,138
Fire	2,799,937	3,671,086	3,478,204	192,882
Court	361,517	350,608	312,161	38,447
Public works	1,578,578	1,651,432	1,495,491	155,941
Sanitation	2,008,800	2,006,372	1,968,765	37,607
Streets	1,525,237	1,157,008	1,123,848	33,160
Permits	356,554	440,500	400,801	39,699
Garage	147,148	145,512	146,330	(818) *
Parks	909,850	543,697	492,919	50,778
Community services	137,989	135,283	128,428	6,855
<b>Total expenditures</b>	<b>20,548,764</b>	<b>20,520,602</b>	<b>19,577,168</b>	<b>943,434</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(3,120,154)</b>	<b>(2,692,416)</b>	<b>(1,532,990)</b>	<b>1,159,426</b>
<b>Other financing sources</b>				
Proceeds from capital lease	-	800,000	800,000	-
Transfers in	2,031,276	2,031,276	2,031,276	-
Transfers out	(955,464)	(1,229,747)	(1,229,747)	-
<b>Total other financing sources</b>	<b>1,075,812</b>	<b>1,601,529</b>	<b>1,601,529</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ (2,044,342)</b>	<b>\$ (1,090,887)</b>	<b>\$ 68,539</b>	<b>\$ 1,159,426</b>
<b>Fund balance, beginning of year</b>			<b>13,414,039</b>	
<b>Fund balance, end of year</b>			<b>\$ 13,482,578</b>	

**Notes to Required Supplementary Information:**

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

**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

**CITY OF TOMBALL, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2015**

	<b>Special General</b>	<b>Court Security</b>	<b>Court Technology</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 155,951	\$ 241,707	\$ 282,141
Accounts receivable	-	-	-
<b>Total assets</b>	<b>\$ 155,951</b>	<b>\$ 241,707</b>	<b>\$ 282,141</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 4,437	\$ -	\$ -
<b>Total liabilities</b>	4,437	-	-
<b>FUND BALANCES</b>			
Restricted for enabling legislation	-	241,707	282,141
Committed for city functions	151,514	-	-
<b>Total fund balances</b>	<b>151,514</b>	<b>241,707</b>	<b>282,141</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 155,951</b>	<b>\$ 241,707</b>	<b>\$ 282,141</b>

<b>Hotel Occupancy Tax</b>	<b>Red Light Camera</b>	<b>Bunny Run</b>	<b>Tomball Legacy Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 456,354	\$ 571,014	\$ 16,249	\$ 20,000	\$ 1,743,416
3,400	43,804	-	-	47,204
<u>\$ 459,754</u>	<u>\$ 614,818</u>	<u>\$ 16,249</u>	<u>\$ 20,000</u>	<u>\$ 1,790,620</u>
\$ 15,781	\$ 250,425	\$ 703	\$ -	\$ 271,346
15,781	250,425	703	-	271,346
443,973	364,393	-	20,000	1,352,214
-	-	15,546	-	167,060
<u>443,973</u>	<u>364,393</u>	<u>15,546</u>	<u>20,000</u>	<u>1,519,274</u>
<u>\$ 459,754</u>	<u>\$ 614,818</u>	<u>\$ 16,249</u>	<u>\$ 20,000</u>	<u>\$ 1,790,620</u>

**CITY OF TOMBALL, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2015**

	<b>Special General</b>	<b>Court Security</b>	<b>Court Technology</b>	<b>Hotel Occupancy Tax</b>
<b>Revenues</b>				
Other taxes	\$ -	\$ -	\$ -	\$ 471,693
Fines and forfeitures	-	14,530	19,369	-
Interest on investments	132	200	191	315
Other revenues	29,291	-	-	25,941
<b>Total revenues</b>	<b>29,423</b>	<b>14,730</b>	<b>19,560</b>	<b>497,949</b>
<b>Expenditures</b>				
Current				
Administrative	27,456	-	7,716	297,637
Police	-	-	-	-
Community services	-	-	-	164,814
<b>Total expenditures</b>	<b>27,456</b>	<b>-</b>	<b>7,716</b>	<b>462,451</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,967</b>	<b>14,730</b>	<b>11,844</b>	<b>35,498</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	20,000
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,000</b>
<b>Net change in fund balances</b>	<b>1,967</b>	<b>14,730</b>	<b>11,844</b>	<b>55,498</b>
<b>Fund balances, beginning of year</b>	<b>149,547</b>	<b>226,977</b>	<b>270,297</b>	<b>388,475</b>
<b>Fund balances, end of year</b>	<b>\$ 151,514</b>	<b>\$ 241,707</b>	<b>\$ 282,141</b>	<b>\$ 443,973</b>

	<b>Red Light Camera</b>	<b>Bunny Run</b>	<b>Tomball Legacy Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Other taxes	\$ -	\$ -	\$ -	\$ 471,693
Fines and forfeitures	299,685	-	-	333,584
Interest on investments	191	2	-	1,031
Other revenues	-	18,457	22,765	96,454
<b>Total revenues</b>	<b>299,876</b>	<b>18,459</b>	<b>22765</b>	<b>902,762</b>
<b>Expenditures</b>				
Current				
Administrative	-	250	2,765	335,824
Police	86,682	-	-	86,682
Community services	-	21,361	-	186,175
<b>Total expenditures</b>	<b>86,682</b>	<b>21,611</b>	<b>2,765</b>	<b>608,681</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>213,194</b>	<b>(3,152)</b>	<b>20,000</b>	<b>294,081</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	20,000
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,000</b>
<b>Net change in fund balances</b>	<b>213,194</b>	<b>(3,152)</b>	<b>20,000</b>	<b>314,081</b>
<b>Fund balances, beginning of year</b>	<b>151,199</b>	<b>18,698</b>	<b>-</b>	<b>1,205,193</b>
<b>Fund balances, end of year</b>	<b>\$ 364,393</b>	<b>\$ 15,546</b>	<b>\$ 20,000</b>	<b>\$ 1,519,274</b>

**CITY OF TOMBALL, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL  
NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED SEPTEMBER 30, 2015**

	<b>Special General</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Interest on investments	\$ 50	\$ 180	\$ 132	\$ (48)
Other revenues	18,000	22,500	29,291	6,791
<b>Total revenues</b>	18,050	22,680	29,423	6,743
<b>Expenditures</b>				
Administrative	36,000	28,130	27,456	674
<b>Total expenditures</b>	36,000	28,130	27,456	674
<b>Net change in fund balance</b>	<b>\$ (17,950)</b>	<b>\$ (5,450)</b>	1,967	<b>\$ 7,417</b>
<b>Fund balance, beginning of year</b>			149,547	
<b>Fund balance, end of year</b>			<b>\$ 151,514</b>	

	<b>Court Security</b>			<b>Variance With Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Fines and forfeitures	\$ 20,000	\$ 20,000	\$ 14,530	\$ (5,470)
Interest on investments	100	150	200	50
<b>Total revenues</b>	20,100	20,150	14,730	(5,420)
<b>Expenditures</b>				
Administrative	1,000	1,000	-	1,000
<b>Total expenditures</b>	1,000	1,000	-	1,000
<b>Net change in fund balance</b>	<b>\$ 19,100</b>	<b>\$ 19,150</b>	14,730	<b>\$ (4,420)</b>
<b>Fund balance, beginning of year</b>			226,977	
<b>Fund balance, end of year</b>			<b>\$ 241,707</b>	

**CITY OF TOMBALL, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL  
NONMAJOR SPECIAL REVENUE FUNDS  
YEAR ENDED SEPTEMBER 30, 2015  
(CONTINUED)**

	Court Technology			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>Revenues</b>				
Fines and forfeitures	\$ 25,000	\$ 25,000	\$ 19,369	\$ (5,631)
Interest on investments	150	150	191	41
<b>Total revenues</b>	25,150	25,150	19,560	(5,590)
<b>Expenditures</b>				
Administrative	9,400	9,400	7,716	1,684
<b>Total expenditures</b>	9,400	9,400	7,716	1,684
<b>Net change in fund balance</b>	<b>\$ 15,750</b>	<b>\$ 15,750</b>	11,844	<b>\$ (3,906)</b>
<b>Fund balance, beginning of year</b>			270,297	
<b>Fund balance, end of year</b>			<b>\$ 282,141</b>	

	Hotel Occupancy Tax			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>Revenues</b>				
Other taxes	\$ 465,000	\$ 510,000	\$ 471,693	\$ (38,307)
Interest on investments	250	200	315	115
Other revenues	35,000	20,000	25,941	5,941
<b>Total revenues</b>	500,250	530,200	497,949	(32,251)
<b>Expenditures</b>				
Administrative	364,877	362,184	297,637	64,547
Community Services	175,000	188,000	164,814	23,186
<b>Total expenditures</b>	539,877	550,184	462,451	87,733
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(39,627)</b>	<b>(19,984)</b>	35,498	55,482
<b>Other financing sources (uses)</b>				
Transfers in	20,000	20,000	20,000	-
<b>Total other financing sources</b>	20,000	20,000	20,000	-
<b>Net change in fund balance</b>	<b>\$ (19,627)</b>	<b>\$ 16</b>	55,498	<b>\$ 55,482</b>
<b>Fund balance, beginning of year</b>			388,475	
<b>Fund balance, end of year</b>			<b>\$ 443,973</b>	

**CITY OF TOMBALL, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL  
DEBT SERVICE FUND  
YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 3,410,000	\$ 3,535,000	\$ 3,525,979	\$ (9,021)
Contributions from Component Unit	524,913	524,913	524,912	(1)
Interest on investments	1,500	1,500	2,402	902
<b>Total revenues</b>	3,936,413	4,061,413	4,053,293	(8,120)
<b>Expenditures</b>				
Debt service				
Principal	2,801,528	2,742,812	2,742,812	-
Interest and fiscal agent fees	900,639	866,274	865,633	641
<b>Total expenditures</b>	3,702,167	3,609,086	3,608,445	641
<b>Excess (deficiency) of revenues over expenditures</b>	234,246	452,327	444,848	(7,479)
<b>Other financing sources (uses)</b>				
Transfers in	535,424	-	-	-
<b>Total other financing uses</b>	535,424	-	-	-
<b>Net change in fund balances</b>	\$ 769,670	\$ 452,327	444,848	\$ (7,479)
<b>Fund balance, beginning of year</b>			2,636,855	
<b>Fund balance, end of year</b>			\$ 3,081,703	

## **INTERNAL SERVICE FUNDS**

### **FLEET REPLACEMENT FUND**

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

### **HEALTH BENEFITS FUND**

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

**CITY OF TOMBALL, TEXAS  
COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
SEPTEMBER 30, 2015**

	<u>Fleet Replacement</u>	<u>Health Benefits</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,685,461	\$ 992,166	\$ 2,677,627
Accounts receivable, net	-	9,485	9,485
Other assets	-	-	-
<b>Total current assets</b>	<b>1,685,461</b>	<b>1,001,651</b>	<b>2,687,112</b>
Noncurrent assets			
Depreciable capital assets	2,618,317	-	2,618,317
Less: accumulated depreciation	(1,481,860)	-	(1,481,860)
<b>Total noncurrent assets</b>	<b>1,136,457</b>	<b>-</b>	<b>1,136,457</b>
<b>Total assets</b>	<b>2,821,918</b>	<b>1,001,651</b>	<b>3,823,569</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	2,319	1,345	3,664
<b>Total liabilities</b>	<b>2,319</b>	<b>1,345</b>	<b>3,664</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,136,457	-	1,136,457
Unrestricted	1,683,142	1,000,306	2,683,448
<b>TOTAL NET POSITION</b>	<b>\$ 2,819,599</b>	<b>\$ 1,000,306</b>	<b>\$ 3,819,905</b>

**CITY OF TOMBALL, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED SEPTEMBER 30, 2015**

	<b>Fleet Replacement</b>	<b>Health Benefits</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for sales and services	\$ 767,310	\$ 2,188,033	\$ 2,955,343
<b>Total revenues</b>	767,310	2,188,033	2,955,343
<b>Operating expenditures</b>			
Costs of sales and services	94,959	2,172,889	2,267,848
Depreciation	342,207	-	342,207
<b>Total operating expenditures</b>	437,166	2,172,889	2,610,055
<b>Operating income</b>	330,144	15,144	345,288
<b>Non-operating revenues</b>			
Investment income	1,202	541	1,743
Internal contribution	-	-	-
Gain on disposal of capital assets	12,626	-	12,626
<b>Total non-operating revenues</b>	13,828	541	14,369
<b>Change in net positon</b>	343,972	15,685	359,657
<b>Net position, beginning of year</b>	2,475,627	984,621	3,460,248
<b>Net position, end of year</b>	<u>\$ 2,819,599</u>	<u>\$ 1,000,306</u>	<u>\$ 3,819,905</u>

**CITY OF TOMBALL, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED SEPTEMBER 30, 2015**

	<b>Fleet Replacement</b>	<b>Health Benefits</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 767,310	\$ 2,187,891	\$ 2,955,201
Payments to suppliers	(94,249)	(2,170,911)	(2,265,160)
<b>Net cash provided by operating activities</b>	<b>673,061</b>	<b>16,980</b>	<b>690,041</b>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(605,025)	-	(605,025)
Proceeds from sale of capital assets	12,626	-	12,626
<b>Net cash used in capital and related financing activities</b>	<b>(592,399)</b>	<b>-</b>	<b>(592,399)</b>
<b>INVESTING ACTIVITIES</b>			
Investment income	1,202	541	1,743
<b>Net cash provided by investing activities</b>	<b>1,202</b>	<b>541</b>	<b>1,743</b>
<b>Net change in cash and cash equivalents</b>	<b>81,864</b>	<b>17,521</b>	<b>99,385</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>1,603,597</b>	<b>974,645</b>	<b>2,578,242</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 1,685,461</b>	<b>\$ 992,166</b>	<b>\$ 2,677,627</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 330,144	\$ 15,144	\$ 345,288
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	342,207	-	342,207
Changes in assets and liabilities			
Accounts receivable	-	(142)	(142)
Other assets	-	633	633
Accounts payable and accrued liabilities	710	1,345	2,055
<b>Net cash provided by operating activities</b>	<b>\$ 673,061</b>	<b>\$ 16,980</b>	<b>\$ 690,041</b>

**STATISTICAL SECTION**  
**(Unaudited)**

# STATISTICAL SECTION

(Unaudited)

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

<b>Contents</b>	<b>Page</b>
Financial Trends	75
<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	80
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	
Debt Capacity	86
<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	91
<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	93
<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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 2,886,256	\$ 7,175,862	\$ 10,206,785	\$ 16,143,552	\$ 16,790,199	\$ 18,306,705	\$ 23,370,524	\$ 25,646,519	\$ 28,189,848	\$ 31,267,016
Restricted	2,323,077	3,686,000	1,835,397	2,278,695	1,423,521	1,895,850	2,675,627	2,804,100	3,557,490	4,308,595
Unrestricted	20,707,302	17,884,555	16,282,148	11,362,902	13,048,317	12,518,847	10,571,977	12,612,754	13,566,745	10,694,702
<b>Total governmental activities net position</b>	<b>\$ 25,916,635</b>	<b>\$ 28,746,417</b>	<b>\$ 28,324,330</b>	<b>\$ 29,785,149</b>	<b>\$ 31,262,037</b>	<b>\$ 32,721,402</b>	<b>\$ 36,618,128</b>	<b>\$ 41,063,373</b>	<b>\$ 45,314,083</b>	<b>\$ 46,270,313</b>
Business-type activities										
Net investment in capital assets	\$ 23,478,199	\$ 25,045,502	\$ 24,774,972	\$ 26,080,707	\$ 29,073,794	\$ 29,338,053	\$ 30,368,908	\$ 30,721,512	\$ 30,851,835	\$ 33,433,571
Restricted	2,305,729	876,468	-	-	-	-	-	-	1,095,173	-
Unrestricted	6,386,872	7,493,793	9,610,968	10,555,994	8,753,794	10,299,638	9,636,451	10,646,792	11,354,769	10,960,950
<b>Total business-type activities net position</b>	<b>\$ 32,170,800</b>	<b>\$ 33,415,763</b>	<b>\$ 34,385,940</b>	<b>\$ 36,636,701</b>	<b>\$ 37,827,588</b>	<b>\$ 39,637,691</b>	<b>\$ 40,005,359</b>	<b>\$ 41,368,304</b>	<b>\$ 43,301,777</b>	<b>\$ 44,394,521</b>
Primary government										
Net investment in capital assets	\$ 26,364,455	\$ 32,221,364	\$ 34,981,757	\$ 42,224,259	\$ 45,863,993	\$ 47,644,758	\$ 53,739,432	\$ 56,368,031	\$ 59,041,683	\$ 64,700,587
Restricted	4,628,806	4,562,468	1,835,397	2,278,695	1,423,521	1,895,850	2,675,627	2,804,100	4,652,663	4,308,595
Unrestricted	27,094,174	25,378,348	25,893,116	21,918,896	21,802,111	22,818,485	20,208,428	23,259,546	24,921,514	21,655,652
<b>Total primary government net position</b>	<b>\$ 58,087,435</b>	<b>\$ 62,162,180</b>	<b>\$ 62,710,270</b>	<b>\$ 66,421,850</b>	<b>\$ 69,089,625</b>	<b>\$ 72,359,093</b>	<b>\$ 76,623,487</b>	<b>\$ 82,431,677</b>	<b>\$ 88,615,860</b>	<b>\$ 90,664,834</b>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities										
General government	\$ 1,889,935	\$ 1,438,117	\$ 1,734,307	\$ 3,091,652	\$ 3,476,001	\$ 4,472,541	\$ 4,077,633	\$ 5,131,879	\$ 4,789,051	\$ 4,968,344
Public safety	5,057,268	5,449,912	7,224,244	6,720,247	5,907,235	6,546,562	6,845,653	7,508,811	8,069,621	8,493,353
Public works	3,709,054	5,076,429	6,325,789	5,692,269	5,205,824	4,739,268	5,794,907	5,456,886	6,137,989	6,181,783
Community services	512,679	355,348	471,539	260,561	272,034	255,764	287,085	302,564	338,381	313,713
Interest and fiscal agent fees on long-term debt	873,035	824,168	790,736	708,109	658,304	353,188	821,705	830,054	926,584	891,258
<b>Total governmental activities expenses</b>	<b>12,041,971</b>	<b>13,143,974</b>	<b>16,546,615</b>	<b>16,472,838</b>	<b>15,519,398</b>	<b>16,367,323</b>	<b>17,826,983</b>	<b>19,230,194</b>	<b>20,261,626</b>	<b>20,848,451</b>
Business-type activities										
General government	1,309,655	2,744,139	2,775,923	2,235,193	1,843,501	2,207,488	979,390	955,026	909,211	979,161
Water	1,488,771	1,259,961	1,720,131	2,215,841	2,197,679	2,549,230	3,003,537	3,262,366	2,962,612	3,087,563
Sewer	2,575,820	1,081,343	1,164,702	1,402,558	1,134,907	1,226,582	1,757,176	1,736,531	1,978,197	2,418,443
Gas	2,048,247	2,496,747	2,727,066	2,486,336	2,374,227	1,801,364	1,600,490	1,743,258	2,229,583	1,963,162
Interest and fiscal agent fees	-	630,735	585,710	-	512,851	481,542	272,406	321,443	245,129	-
<b>Total business-type activities expenses</b>	<b>7,422,493</b>	<b>8,212,925</b>	<b>8,973,532</b>	<b>8,339,928</b>	<b>8,063,165</b>	<b>8,266,206</b>	<b>7,612,999</b>	<b>8,018,624</b>	<b>8,324,732</b>	<b>8,448,329</b>
<b>Total primary government expenses</b>	<b>\$ 19,464,464</b>	<b>\$ 21,356,899</b>	<b>\$ 25,520,147</b>	<b>\$ 24,812,766</b>	<b>\$ 23,582,563</b>	<b>\$ 24,633,529</b>	<b>\$ 25,439,982</b>	<b>\$ 27,248,818</b>	<b>\$ 28,586,358</b>	<b>\$ 29,296,780</b>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
Public safety	\$ 1,443,068	\$ 1,352,444	\$ 922,073	\$ 1,044,706	\$ 1,204,099	\$ 1,083,408	\$ 1,143,981	\$ 1,181,742	\$ 1,066,313	\$ 999,667
Public works	1,749,695	1,938,750	2,612,619	2,596,344	2,231,777	2,284,482	2,384,406	2,613,043	2,695,712	2,694,670
Operating grants and contributions	93,042	135,750	259,047	278,350	83,130	268,675	1,295,653	1,313,128	1,844,224	1,039,237
<b>Total governmental activities program revenues</b>	<b>3,285,805</b>	<b>3,426,944</b>	<b>3,793,739</b>	<b>3,919,400</b>	<b>3,519,006</b>	<b>3,636,565</b>	<b>4,824,040</b>	<b>5,107,913</b>	<b>5,606,249</b>	<b>4,733,574</b>
Business-type activities										
Charges for services										
General government	-	-	118,192	-	427,519	413,523	622,320	1,001,306	807,673	842,468
Water	3,041,240	3,208,398	3,317,403	4,547,803	3,985,231	5,199,565	4,470,657	4,668,205	4,578,777	4,449,383
Sewer	1,587,786	1,401,640	1,725,839	2,468,377	2,233,364	2,368,469	2,262,268	2,365,611	2,372,163	2,320,748
Gas	2,460,885	3,675,752	3,792,717	4,426,091	4,011,635	3,538,152	2,894,447	3,061,634	3,578,145	3,295,521
Operating grants and contributions	-	-	-	720,000	720,000	798,300	720,000	670,000	670,000	670,000
Capital grants and contributions	137,444	-	-	-	-	-	-	-	-	-
<b>Total business-type activities program revenues</b>	<b>7,227,355</b>	<b>8,285,790</b>	<b>8,954,151</b>	<b>12,162,271</b>	<b>11,377,749</b>	<b>12,318,009</b>	<b>10,969,692</b>	<b>11,766,756</b>	<b>12,006,758</b>	<b>11,578,120</b>
<b>Total primary government program revenues</b>	<b>\$ 10,513,160</b>	<b>\$ 11,712,734</b>	<b>\$ 12,747,890</b>	<b>\$ 16,081,671</b>	<b>\$ 14,896,755</b>	<b>\$ 15,954,574</b>	<b>\$ 15,793,732</b>	<b>\$ 16,874,669</b>	<b>\$ 17,613,007</b>	<b>\$ 16,311,694</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (8,756,166)	\$ (9,717,030)	\$ (12,752,876)	\$ (12,553,438)	\$ (12,000,392)	\$ (12,730,758)	\$ (13,002,943)	\$ (14,122,281)	\$ (14,655,377)	\$ (16,114,877)
Business-type activities	(195,138)	72,865	(19,381)	3,822,343	3,314,584	4,051,803	3,356,693	3,748,132	3,682,026	3,129,791
<b>Total primary government net expense</b>	<b>\$ (8,951,304)</b>	<b>\$ (9,644,165)</b>	<b>\$ (12,772,257)</b>	<b>\$ (8,731,095)</b>	<b>\$ (8,685,808)</b>	<b>\$ (8,678,955)</b>	<b>\$ (9,646,250)</b>	<b>\$ (10,374,149)</b>	<b>\$ (10,973,351)</b>	<b>\$ (12,985,086)</b>

(continued)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	\$ 952,673	\$ 1,168,491	\$ 933,885	\$ 1,587,560	\$ 1,422,603	\$ 1,270,645	\$ 1,228,461	\$ 1,543,913	\$ 1,638,673	\$ 1,715,949
Property taxes, levied for debt service	1,286,693	1,299,344	1,511,139	1,449,089	1,500,310	1,586,918	2,557,169	3,164,416	3,371,282	3,525,979
Sales taxes	7,491,415	7,304,280	7,100,293	7,038,176	6,651,064	7,023,409	8,189,360	9,442,376	10,532,691	10,839,818
Franchise and local taxes	1,069,381	1,140,734	1,201,401	1,150,591	1,153,954	1,186,272	1,227,784	1,267,302	1,253,077	1,282,598
Other taxes	112,527	181,503	267,133	308,100	229,636	325,360	444,032	428,208	590,910	538,843
Contributions	114,909	6,000	6,000	-	-	-	-	-	-	-
Investment earnings	988,431	1,222,816	756,431	325,789	80,426	43,035	46,763	44,877	30,636	40,115
Other revenues	62,362	223,644	515,216	405,391	166,287	361,026	151,142	227,592	253,375	475,712
Gain (loss) on sale of capital assets	22,599	-	-	-	-	-	-	-	-	17,634
Transfers	-	-	39,291	1,749,561	2,260,134	2,393,458	3,054,958	2,448,842	1,691,621	1,607,068
<b>Total governmental activities</b>	<b>12,100,990</b>	<b>12,546,812</b>	<b>12,330,789</b>	<b>14,014,257</b>	<b>13,464,414</b>	<b>14,190,123</b>	<b>16,899,669</b>	<b>18,567,526</b>	<b>19,362,265</b>	<b>20,043,716</b>
Business-type activities										
Investment earnings	477,600	452,098	308,849	175,119	93,361	30,414	21,721	13,088	(1,417)	33,771
Other revenues	2,570,236	720,000	720,000	2,860	43,076	121,344	44,212	50,567	45,800	47,847
Transfers	-	-	(39,291)	(1,749,561)	(2,260,134)	(2,393,458)	(3,054,958)	(2,448,842)	(1,691,621)	(1,607,068)
Total business-type activities	3,047,836	1,172,098	989,558	(1,571,582)	(2,123,697)	(2,241,700)	(2,989,025)	(2,385,187)	(1,647,238)	(1,525,450)
<b>Total primary government</b>	<b>\$ 15,148,826</b>	<b>\$ 13,718,910</b>	<b>\$ 13,320,347</b>	<b>\$ 12,442,675</b>	<b>\$ 11,340,717</b>	<b>\$ 11,948,423</b>	<b>\$ 13,910,644</b>	<b>\$ 16,182,339</b>	<b>\$ 17,715,027</b>	<b>\$ 18,518,266</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 3,344,824	\$ 2,829,782	\$ (422,087)	\$ 1,460,819	\$ 1,464,022	\$ 1,459,365	\$ 3,896,726	\$ 4,445,245	\$ 4,706,888	\$ 3,928,839
Business-type activities	2,852,698	1,244,963	970,177	2,250,761	1,190,887	1,810,103	367,668	1,362,945	2,034,788	1,604,341
<b>Total primary government</b>	<b>\$ 6,197,522</b>	<b>\$ 4,074,745</b>	<b>\$ 548,090</b>	<b>\$ 3,711,580</b>	<b>\$ 2,654,909</b>	<b>\$ 3,269,468</b>	<b>\$ 4,264,394</b>	<b>\$ 5,808,190</b>	<b>\$ 6,741,676</b>	<b>\$ 5,533,180</b>
										(concluded)

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,913	\$ 30,441	\$ 15,894	\$ 14,435
Restricted	1,646,027	-	-	23,724	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	325,879	161,921	322,702	127,671
Unassigned	21,048,552	21,199,234	16,676,502	12,194,969	12,161,681	11,797,535	9,489,655	11,559,755	13,075,443	13,340,472
<b>Total general fund</b>	<b>\$ 22,694,579</b>	<b>\$ 21,199,234</b>	<b>\$ 16,676,502</b>	<b>\$ 12,218,693</b>	<b>\$ 12,161,681</b>	<b>\$ 11,797,535</b>	<b>\$ 9,815,534</b>	<b>\$ 11,752,117</b>	<b>\$ 13,414,039</b>	<b>\$ 13,482,578</b>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,205,549	2,407,556	2,097,709	1,530,276	1,276,646	1,896,380	19,319,655	27,524,034	26,470,729	23,370,264
Committed, reported in:										
Capital project funds	9,757	79,883	121,425	133,498	133,790	135,609	-	-	-	-
Nonmajor governmental funds	23,333	138,137	353,527	742,340	901,406	141,129	133,570	143,436	168,245	167,060
<b>Total all other governmental funds</b>	<b>\$ 1,238,639</b>	<b>\$ 2,625,576</b>	<b>\$ 2,572,661</b>	<b>\$ 2,406,114</b>	<b>\$ 2,311,842</b>	<b>\$ 2,173,118</b>	<b>\$ 19,453,225</b>	<b>\$ 27,667,470</b>	<b>\$ 26,638,974</b>	<b>\$ 23,537,324</b>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Taxes	\$ 10,931,747	\$ 10,936,779	\$ 11,193,185	\$ 11,442,297	\$ 10,897,786	\$ 11,400,964	\$ 13,886,856	\$ 15,846,215	\$ 17,386,633	\$ 17,903,187
Permits, licenses, and fees	409,694	414,713	319,177	247,548	311,563	262,713	308,621	445,104	446,292	492,646
Fines and forfeitures	832,314	728,148	922,073	1,044,706	1,204,099	1,083,408	1,143,981	1,181,742	1,066,313	999,667
Service Revenue	1,850,925	2,059,958	2,293,442	2,348,796	1,920,214	2,021,769	2,075,785	2,167,939	2,249,420	2,202,024
Intergovernmental	279,950	213,750	265,047	278,350	73,130	168,782	273,950	784,918	939,861	384,308
Contributions from Component Unit	-	-	-	-	10,000	99,893	1,021,703	528,210	904,363	606,753
Investment earnings	878,636	1,222,817	713,433	312,290	99,837	40,760	44,347	42,913	29,604	38,372
Other revenues	98,866	168,216	332,551	361,992	254,615	386,935	151,143	178,501	242,361	538,244
<b>Total revenues</b>	<b>15,282,132</b>	<b>15,744,381</b>	<b>16,038,908</b>	<b>16,035,979</b>	<b>14,771,244</b>	<b>15,465,224</b>	<b>18,906,386</b>	<b>21,175,542</b>	<b>23,264,847</b>	<b>23,165,201</b>
<b>Expenditures</b>										
General government	1,800,747	1,837,112	3,822,202	2,606,885	4,333,119	4,507,290	4,520,919	5,099,473	4,929,295	5,128,871
Public safety	4,741,965	5,130,493	6,010,899	7,770,127	5,850,953	6,391,016	7,344,336	7,353,064	8,230,705	9,114,221
Public works	2,856,974	3,112,853	3,635,764	3,713,018	3,784,400	3,090,590	3,407,143	3,217,149	3,364,509	3,464,256
Public service	424,129	1,113,084	550,513	932,492	587,557	1,179,637	266,984	1,677,586	1,627,610	1,366,045
Capital outlay	2,814,130	2,762,545	3,521,127	5,387,966	821,359	1,445,273	4,311,250	1,939,517	2,996,663	5,923,542
Debt service										
Principal	1,194,405	1,138,174	1,158,174	1,328,619	1,135,500	1,195,500	1,192,057	1,800,649	2,210,330	2,742,812
Interest and paying agent	891,842	830,330	795,482	714,188	723,159	626,247	913,371	1,017,839	963,930	865,633
<b>Total expenditures</b>	<b>14,724,192</b>	<b>15,924,591</b>	<b>19,494,161</b>	<b>22,453,295</b>	<b>17,236,047</b>	<b>18,435,553</b>	<b>21,956,060</b>	<b>22,105,277</b>	<b>24,323,042</b>	<b>28,605,380</b>
<b>Excess of revenues over (under) expenditures</b>	<b>557,940</b>	<b>(180,210)</b>	<b>(3,455,253)</b>	<b>(6,417,316)</b>	<b>(2,464,803)</b>	<b>(2,970,329)</b>	<b>(3,049,674)</b>	<b>(929,735)</b>	<b>(1,058,195)</b>	<b>(5,440,179)</b>
<b>Other Financing Sources (Uses)</b>										
Transfers in	-	-	-	1,749,561	2,260,134	2,393,458	5,206,958	2,748,842	2,491,049	3,261,023
Transfers out	-	-	(1,248,846)	-	-	-	(2,152,000)	(300,000)	(799,428)	(1,653,955)
Issuance of debt	-	-	-	-	2,120,000	3,892,500	14,500,000	14,270,500	-	-
Premium on debt issued	-	-	-	-	4,945	278,253	107,735	205,934	-	-
Payment to refunded bond escrow agent	-	-	-	-	(2,071,560)	(4,096,752)	-	(5,884,626)	-	-
Capital leases	-	-	-	-	-	-	725,000	-	-	800,000
Sale of capital assets	28,399	-	182,665	43,399	-	-	-	-	-	-
<b>Total other financing sources</b>	<b>28,399</b>	<b>-</b>	<b>(1,066,181)</b>	<b>1,792,960</b>	<b>2,313,519</b>	<b>2,467,459</b>	<b>18,387,693</b>	<b>11,040,650</b>	<b>1,691,621</b>	<b>2,407,068</b>
<b>Net change in fund balances</b>	<b>\$ 586,339</b>	<b>\$ (180,210)</b>	<b>\$ (4,521,434)</b>	<b>\$ (4,624,356)</b>	<b>\$ (151,284)</b>	<b>\$ (502,870)</b>	<b>\$ 15,338,019</b>	<b>\$ 10,110,915</b>	<b>\$ 633,426</b>	<b>\$ (3,033,111)</b>
Debt service as a percentage of noncapital expenditures	17.52%	15.00%	12.07%	11.94%	10.97%	10.29%	11.31%	13.43%	14.85%	15.87%

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

<b>Function</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Change 2014-2015</b>
Property	\$ 2,258,424	\$ 2,310,262	\$ 2,570,145	\$ 2,945,430	\$ 2,938,594	\$ 2,865,923	\$ 4,025,680	\$ 4,708,329	\$ 5,009,955	\$ 5,241,928	4.63%
Sales	7,491,415	7,304,280	7,206,713	7,038,176	6,651,064	6,976,875	8,189,360	9,442,376	10,532,691	10,839,818	2.92%
Franchise fee	1,069,381	1,140,734	1,149,261	1,150,591	1,153,954	1,262,187	964,790	1,267,302	1,253,077	1,282,598	2.36%
Other taxes	112,527	181,503	212,853	308,100	154,174	295,979	707,026	428,208	590,910	538,843	-8.81%
	<u>\$ 10,931,747</u>	<u>\$ 10,936,779</u>	<u>\$ 11,138,972</u>	<u>\$ 11,442,297</u>	<u>\$ 10,897,786</u>	<u>\$ 11,400,964</u>	<u>\$ 13,886,856</u>	<u>\$ 15,846,215</u>	<u>\$ 17,386,633</u>	<u>\$ 17,903,187</u>	2.97%

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Residential Property</b>	\$ 534,830,588	\$ 548,645,926	\$ 562,126,135	\$ 494,490,612	\$ 431,346,771	\$ 435,637,242	\$ 436,949,202	\$ 433,331,223	\$ 439,396,850	\$ 497,193,417
<b>Commercial Property</b>	439,434,785	420,414,851	516,025,633	962,896,368	1,041,882,736	988,693,074	1,071,555,690	1,192,905,533	1,303,924,316	1,314,023,000
<b>Less: Tax Exempt Property</b>	(192,670,546)	(221,138,305)	(213,059,540)	(302,822,021)	(317,120,571)	(305,154,366)	(341,307,250)	(261,641,054)	(274,973,296)	(280,967,178)
<b>Total Taxable Assessed Value <sup>(1)</sup></b>	<u>\$ 781,594,827</u>	<u>\$ 747,922,472</u>	<u>\$ 865,092,228</u>	<u>\$ 1,154,564,959</u>	<u>\$ 1,156,108,936</u>	<u>\$ 1,119,175,950</u>	<u>\$ 1,167,197,642</u>	<u>\$ 1,364,595,702</u>	<u>\$ 1,468,347,870</u>	<u>\$ 1,530,249,239</u>
<b>Total Direct Tax Rate</b>	0.251455	0.251455	0.251455	0.251455	0.251455	0.251455	0.341455	0.341455	0.341455	0.341455

Source: Harris County Certified / Uncertified Tax Roll.

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

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

	<u>2002</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
City of Tomball by fund											
General	0.114000	\$ 0.116640	\$ 0.106468	\$ 0.101455	\$ 0.131455	\$ 0.121455	\$ 0.111455	\$ 0.111455	\$ 0.111455	\$ 0.111455	\$ 0.111455
Debt service	0.166000	0.163360	0.144987	0.150000	0.120000	0.130000	0.140000	0.230000	0.230000	0.230000	0.230000
<b>Total Direct Rates</b>	<u>0.280000</u>	<u>0.280000</u>	<u>0.251455</u>	<u>0.251455</u>	<u>0.251455</u>	<u>0.251455</u>	<u>0.251455</u>	<u>0.341455</u>	<u>0.341455</u>	<u>0.341455</u>	<u>0.341455</u>
Tomball Independent School District	1.680000	1.710000	1.580000	1.275000	1.360000	1.360000	1.360000	1.360000	1.360000	1.360000	1.360000
Harris County	0.359000	0.399860	0.402390	0.392390	0.389230	0.392240	0.388050	0.391170	0.400210	0.414550	0.417310
Harris County Flood Control District	0.061700	0.033220	0.032410	0.031060	0.030860	0.029220	0.029230	0.028090	0.028090	0.028270	0.027360
Port of Houston Authority	0.018300	0.014740	0.013020	0.014370	0.017730	0.016360	0.020540	0.185600	0.019520	0.017160	0.015310
Harris County Hospital District	0.202700	0.192160	0.192160	0.192160	0.192160	0.192160	0.192160	0.192160	0.182160	0.170000	0.170000
Harris County Dept. of Education	0.006290	0.006290	0.006290	0.005853	0.005840	0.006050	0.006581	0.006581	0.006617	0.006358	0.005999
Lone Star College System District	0.001100	0.120700	0.114400	0.114400	0.110100	0.110100	0.117600	0.121000	0.119800	0.116000	0.108100
Emergency Service District #8	0.000000	0.030000	0.030000	0.030000	0.050000	0.050000	0.050000	0.050000	0.050000	0.050000	0.100000
<b>Total Direct and Overlapping Rates <sup>(1)</sup></b>	<u>2.609090</u>	<u>\$ 2.786970</u>	<u>\$ 2.622125</u>	<u>\$ 2.306688</u>	<u>\$ 2.407375</u>	<u>\$ 2.407585</u>	<u>\$ 2.415616</u>	<u>\$ 2.676056</u>	<u>\$ 2.507852</u>	<u>\$ 2.503793</u>	<u>\$ 2.545534</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	2015			2006		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
Baker Hughes	\$ 151,739,013	1	9.92%	\$ -	n/a	
Tomball Texas Hospital	149,192,183	2	9.75%	-	n/a	
B J Services	29,832,671	3	1.95%	128,950,029	1	16.50%
Wal-Mart	19,636,393	4	1.28%	19,224,623	3	2.46%
Texas Tomball Hospital Company LLC	18,981,987	5	1.24%	-	n/a	
Weingarten Investments Inc.	18,694,131	6	1.22%	-	n/a	
MPT Tomball LP	17,380,000	7	1.14%	-	n/a	
Health Care REIT Inc.	15,549,484	8	1.02%	-	n/a	
MB Tomball Town Center	14,982,399	9	0.98%	-	n/a	
CenterPoint Energy	14,979,335	10	0.98%	15,825,028	4	2.02%
MSP TX Tomball LP	-	n/a		21,956,936	2	2.81%
Lowe's	-	n/a		13,798,885	5	1.77%
Target Corporation	-	n/a		11,752,609	6	1.50%
HEB Grocery Co. LP	-	n/a		9,197,229	7	1.18%
MBS Fountains of Tomball	-	n/a		8,935,850	8	1.14%
A S 62 HWY 249 & FM 2920	-	n/a		8,594,660	9	1.10%
Southern Bell Telephone	-	n/a		7,756,661	10	0.99%
Subtotal	\$ 450,967,596		29.47%	\$ 245,992,510		31.47%
Other Taxpayers	1,079,281,643		70.53%	535,602,317		68.53%
Total	\$ 1,530,249,239		100.00%	\$ 781,594,827		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>
2006	\$ 1,993,383	\$ 1,798,120	90%	\$ 186,503	\$ 1,984,623	100%
2007	2,129,880	1,904,220	89%	216,489	2,120,709	100%
2008	2,517,001	2,469,639	98%	37,291	2,506,930	100%
2009	2,904,114	2,843,461	98%	39,569	2,883,030	99%
2010	2,910,961	2,861,107	98%	34,550	2,895,657	99%
2011	2,815,932	2,776,954	99%	30,050	2,807,004	100%
2012	3,986,427	3,943,188	99%	21,992	3,965,179	99%
2013	4,652,452	4,633,156	100%	5,647	4,638,803	100%
2014	4,987,833	4,967,598	100%	2,749	4,970,347	100%
2015	5,226,420	5,168,570	99%	-	5,168,570	99%

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

<b>Sales Tax Remitter</b>	<b>Calendar Year 2015</b>				<b>Calendar Year 2006</b>			
	<b>Number of Outlets</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>	<b>Number of Outlets</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
Retail Trade	1,417	23.48%	\$ 7,183	49.61%	1,291	28.14%	\$ 3,706	36.44%
Services	1,234	20.45%	2,339	16.15%	1,012	22.06%	1,303	12.81%
Wholesale Trade	1,037	17.19%	1,744	12.04%	604	13.17%	694	6.82%
Utilities, Transportation, Communications	251	4.16%	856	5.91%	150	3.27%	722	7.10%
Manufacturing	740	12.26%	588	4.06%	326	7.11%	1,367	13.44%
Construction	372	6.17%	263	1.82%	220	4.80%	197	1.94%
Finance, Insurance, Real Estate	260	4.31%	510	3.52%	184	4.01%	101	0.99%
Mining, Quarrying, and Oil and Gas Extraction	18	0.30%	29	0.20%	22	0.48%	5	0.05%
All other outlets	705	11.68%	968	6.69%	778	16.96%	2,074	20.40%
<b>Total</b>	<b>6,034</b>	<b>100.00%</b>	<b>\$ 14,480</b>	<b>100.00%</b>	<b>4,587</b>	<b>100.00%</b>	<b>\$ 10,169</b>	<b>100.00%</b>

Source: Texas State Comptroller of Public Accounts

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

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

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>PRIMARY GOVERNMENT</b>										
<b>Governmental Activities:</b>										
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ 2,120,000	\$ 5,767,500	\$ 5,501,750	\$ 10,985,250	\$ 9,710,500	\$ 8,437,500
Certificates of Obligation	18,839,500	17,774,000	16,688,500	15,578,000	12,377,500	7,516,500	21,151,000	22,435,000	21,565,000	20,640,000
Premiums	-	-	-	-	-	255,065	332,990	492,862	449,806	406,750
Other debt items	-	-	-	-	-	(376,266)	(338,639)	(453,956)	-	-
Capital leases	363,467	290,793	218,540	-	-	-	664,193	601,044	535,464	800,000
<b>Subtotal</b>	<b>\$ 19,202,967</b>	<b>\$ 18,064,793</b>	<b>\$ 16,907,040</b>	<b>\$ 15,578,000</b>	<b>\$ 14,497,500</b>	<b>\$ 13,162,799</b>	<b>\$ 27,311,294</b>	<b>\$ 34,060,200</b>	<b>\$ 32,260,770</b>	<b>\$ 30,284,250</b>
<b>Business-Type Activities:</b>										
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,757,500	\$ 4,738,250	\$ 5,304,750	\$ 4,669,500	\$ 4,042,500
Certificates of Obligation	9,575,500	8,976,000	8,376,500	7,777,000	7,177,500	1,798,500	1,199,000	-	-	-
Premiums	-	-	-	-	-	-	105,987	94,211	82,435	70,659
Revenue bonds	5,510,000	5,175,000	4,830,000	4,470,000	4,100,000	3,715,000	3,315,000	2,900,000	2,465,000	-
<b>Subtotal</b>	<b>\$ 15,085,500</b>	<b>\$ 14,151,000</b>	<b>\$ 13,206,500</b>	<b>\$ 12,247,000</b>	<b>\$ 11,277,500</b>	<b>\$ 5,513,500</b>	<b>\$ 9,358,237</b>	<b>\$ 8,298,961</b>	<b>\$ 7,216,935</b>	<b>\$ 4,113,159</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 34,288,467</b>	<b>\$ 32,215,793</b>	<b>\$ 30,113,540</b>	<b>\$ 27,825,000</b>	<b>\$ 25,775,000</b>	<b>\$ 18,676,299</b>	<b>\$ 36,669,531</b>	<b>\$ 42,359,161</b>	<b>\$ 39,477,705</b>	<b>\$ 34,397,409</b>
<b>PERSONAL INCOME</b>	\$ 280,510,625	\$ 282,486,000	\$ 276,767,062	\$ 285,081,600	\$ 290,186,220	\$ 273,663,850	\$ 315,207,090	\$ 315,207,090	\$ 463,247,856	\$ 475,348,930
<b>DEBT AS A PERCENTAGE OF PERSONAL INCOME</b>	12.224%	11.404%	10.880%	9.760%	8.882%	6.825%	11.633%	13.439%	8.522%	7.236%
<b>POPULATION</b>	10,625	11,500	11,531	11,600	11,670	10,753	10,979	10,979	11,124	11,299
<b>DEBT PER CAPITA</b>	\$ 3,227	\$ 2,801	\$ 2,612	\$ 2,399	\$ 2,209	\$ 1,737	\$ 3,340	\$ 3,858	\$ 3,549	\$ 3,044

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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>NET TAXABLE ASSESSED VALUE</b>										
All property	\$ 783,134,388	\$ 981,484,973	\$ 1,078,151,768	\$ 1,154,564,959	\$ 1,156,108,936	\$ 1,008,153,110	\$ 1,167,197,642	\$ 1,364,595,702	\$ 1,468,347,870	\$ 1,530,249,239
<b>NET BONDED DEBT</b>										
Gross bonded debt	\$ 28,415,000	\$ 26,750,000	\$ 25,065,000	\$ 23,355,000	\$ 21,675,000	\$ 14,961,299	\$ 32,690,338	\$ 38,858,117	\$ 36,477,241	\$ 33,597,409
Less debt service funds	-	-	-	-	-	-	-	-	-	-
<b>Net Bonded Debt</b>	<b>\$ 28,415,000</b>	<b>\$ 26,750,000</b>	<b>\$ 25,065,000</b>	<b>\$ 23,355,000</b>	<b>\$ 21,675,000</b>	<b>\$ 14,961,299</b>	<b>\$ 32,690,338</b>	<b>\$ 38,858,117</b>	<b>\$ 36,477,241</b>	<b>\$ 33,597,409</b>
<b>RATIO OF NET BONDED DEBT TO ASSESSED VALUE</b>	3.63%	2.73%	2.32%	2.02%	1.87%	1.48%	2.80%	2.85%	2.48%	2.20%
<b>POPULATION</b>	10,625	11,500	11,531	11,600	11,670	10,753	10,979	10,979	11,124	11,299
<b>NET BONDED DEBT PER CAPITA \$</b>	<b>2,674</b>	<b>2,326</b>	<b>2,174</b>	<b>2,013</b>	<b>1,857</b>	<b>1,391</b>	<b>2,978</b>	<b>3,539</b>	<b>3,279</b>	<b>2,973</b>

**Table 13**  
**City of Tomball**  
**Direct and Overlapping Governmental**  
**Activities Debt**  
**September 30, 2015**  
(unaudited)

<b>Governmental Unit</b>	<b>Net Bonded Debt Outstanding</b>	<b>Estimated Percentage Applicable <sup>(1)</sup></b>	<b>Estimated Share of Overlapping Debt</b>
<b>Debt repaid with property taxes</b>			
Tomball ISD	\$ 386,125,000	20.26%	\$ 78,239,964
Harris County	1,727,771,350	0.43%	7,480,541
Harris Co. Flood Control District	83,075,000	0.45%	371,002
Port of Houston Authority	690,219,397	0.44%	3,066,360
Harris County Dept of Education	7,210,000	0.43%	31,205
Lone Star College System	569,325,000	1.04%	5,899,410
Subtotal, overlapping debt			95,088,482
<b>City direct debt</b>		100.000%	30,284,250
<b>Total direct and overlapping debt</b>			<b>\$ 125,372,732</b>

Source: First Southwest Company / Texas Municipal Reports

Notes:

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 78,313,439	\$ 98,148,497	\$ 107,815,177	\$ 115,456,496	\$ 115,610,894	\$ 100,815,311	\$ 116,719,764	\$ 136,459,570	\$ 146,834,787	\$ 153,024,924
Total net debt applicable to limit	18,839,500	17,774,000	16,688,500	15,578,000	14,497,500	13,284,000	26,652,750	33,420,250	31,275,500	29,077,500
Legal debt margin	<u>\$ 59,473,939</u>	<u>\$ 80,374,497</u>	<u>\$ 91,126,677</u>	<u>\$ 99,878,496</u>	<u>\$ 101,113,394</u>	<u>\$ 87,531,311</u>	<u>\$ 90,067,014</u>	<u>\$ 103,039,320</u>	<u>\$ 115,559,287</u>	<u>\$ 123,947,424</u>
Total net debt applicable to the limit as a percentage of debt limit	24.06%	18.11%	15.48%	13.49%	12.54%	13.18%	22.83%	24.49%	21.30%	19.00%

**Legal Debt Margin Calculation for Fiscal Year 2015**

Assessed value	\$ 1,530,249,239
Debt limit (10% of assessed value)	153,024,924 <sup>(1)</sup>
Debt applicable to limit	
General obligation bonds	29,077,500
Less amount set aside for repayment of general obligation debt	
Total net debt applicable to limit	<u>29,077,500</u>
Legal debt margin	<u>\$ 123,947,424</u>

Note: The City's Home Rule Charter (1987; 1995; 2014), 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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Gross revenues</b>	\$ 7,014,177	\$ 9,450,511	\$ 9,987,545	\$ 12,327,602	\$ 11,493,769	\$ 12,488,750	\$ 11,012,281	\$ 11,831,041	\$ 12,060,478	\$ 11,650,417
<b>Operating expenses <sup>(1)</sup></b>	\$ 5,603,456	\$ 6,238,127	\$ 7,039,498	\$ 6,593,348	\$ 6,338,235	\$ 6,165,226	\$ 5,968,026	\$ 6,366,426	\$ 6,766,405	\$ 6,989,458
<b>Net revenues available for Debt Service</b>	<u>\$ 1,410,721</u>	<u>\$ 3,212,384</u>	<u>\$ 2,948,047</u>	<u>\$ 5,734,254</u>	<u>\$ 5,155,534</u>	<u>\$ 6,323,524</u>	<u>\$ 5,044,255</u>	<u>\$ 5,464,615</u>	<u>\$ 5,294,073</u>	<u>\$ 4,660,959</u>
<b>DEBT SERVICE REQUIREMENTS <sup>(2)</sup></b>										
<b>Principal &amp; Interest</b>	\$ 540,674	\$ 541,047	\$ 541,575	\$ 538,595	\$ 542,505	\$ 560,591	\$ 563,815	\$ 568,174	\$ 573,536	\$ -
<b>Total</b>	\$ 540,674	\$ 541,047	\$ 541,575	\$ 538,595	\$ 542,505	\$ 560,591	\$ 563,815	\$ 568,174	\$ 573,536	\$ -
<b>Coverage</b>	2.61	5.94	5.44	10.65	9.50	11.28	8.95	9.62	9.23	n/a

(1) Total operating expenses less depreciation

(2) Includes revenue bonds only

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

<b>Fiscal Year Ended Sept 30</b>	<b>Population<sup>(1)</sup></b>	<b>Personal Income</b>	<b>Per Capita Personal Income<sup>(5)</sup></b>	<b>Median Age <sup>(2)</sup></b>	<b>School Enrollment<sup>(3)</sup></b>	<b>Unemployment Rate<sup>(4)</sup></b>
2006	10,625	\$ 280,510,625	\$ 26,401	34.1	9,075	4.70%
2007	11,500	282,486,000	24,564	35.6	9,358	4.30%
2008	11,531	276,767,062	24,002	36.8	9,311	5.10%
2009	11,600	285,081,600	24,576	36.8	9,691	8.40%
2010	11,670	290,186,220	24,866	36.8	10,229	8.70%
2011	10,753	273,663,850	24,866	36.0	10,633	8.50%
2012	10,979	315,207,090	25,450	36.9	11,132	7.50%
2013	10,979	315,207,090	28,710	39.8	12,362	6.20%
2014	11,124	463,247,856	41,644	35.6	12,461	4.90%
2015	11,299	475,348,930	42,070	37.2	13,270	4.40%

Data sources:

- (1) Estimated (2000 census adjusted for growth for fiscal years 2005-2010). Actual 2011 census population for fiscal year 2011. Fiscal year 2014-2015 adjusted for growth based on 2010 census American FactFinder.
- (2) Tomball Economic Development Corporation or American FactFinder
- (3) Tomball Independent School District
- (4) Texas Employment Commission, SMSA Houston-Sugar Land-Baytown Metropolitan Statistical Area
- (5) Tomball Economic Development Corporation or American FactFinder

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

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (2)
Tomball ISD	1,737	1	20.17%	1,100	2	23.20%
Tomball Regional Medical Center	1,108	2	12.87%	1,500	1	31.63%
Lone Star College - Tomball	767	3	8.91%	650	3	13.71%
Baker Hughes (B J Services)	670	4	7.78%	400	4	8.44%
Wal-Mart	280	5	3.25%	n/a	n/a	n/a
HEB	267	6	3.10%	n/a	n/a	n/a
Triumph Hospital	252	7	2.93%	n/a	n/a	n/a
City of Tomball	175	8	2.03%	136	5	2.87%
Lowes	165	9	1.92%	n/a	n/a	n/a
Kroger	145	10	1.68%	n/a	n/a	n/a
Target	106	11	1.23%	n/a	n/a	n/a

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

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

(2) 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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Fund:</b>										
Administration	8.50	9.50	10.00	15.00	14.50	14.50	16.00	17.50	17.50	17.50
Permits & Inspection	5.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00
Police Department	50.50	52.50	55.00	55.00	55.00	57.00	59.00	58.00	58.50	59.50
Municipal Court	4.00	4.00	5.00	5.00	5.00	5.50	4.50	4.50	4.50	4.50
Community Center	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Fire Department	9.00	12.00	14.00	14.00	14.00	16.00	18.00	18.00	18.50	27.50
Public Works Admin.	5.50	6.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00
Garage	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.00
Parks	4.20	4.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20
Streets	9.20	7.20	7.20	8.20	8.20	8.20	8.20	7.20	7.20	7.20
<b>General Fund Total</b>	<b>99.90</b>	<b>105.40</b>	<b>115.40</b>	<b>120.40</b>	<b>119.90</b>	<b>125.40</b>	<b>129.90</b>	<b>129.40</b>	<b>130.40</b>	<b>140.40</b>
<b>Enterprise Fund:</b>										
Utility Administration	11.50	11.50	12.00	10.00	9.00	9.00	9.00	8.00	7.00	7.00
Water	8.20	7.20	8.20	6.20	7.20	7.20	7.20	7.20	8.20	8.20
Wastewater	10.20	10.20	10.20	10.20	10.20	10.20	10.20	10.20	10.20	10.20
Gas	6.20	7.20	7.20	6.20	6.20	6.20	6.20	6.20	6.20	6.20
<b>Enterprise Fund Total</b>	<b>36.10</b>	<b>36.10</b>	<b>37.60</b>	<b>32.60</b>	<b>32.60</b>	<b>32.60</b>	<b>32.60</b>	<b>31.60</b>	<b>31.60</b>	<b>31.60</b>
<b>Special Revenue Fund:</b>	-	-	-	-	0.50	3.00	2.50	3.00	12.00	3.00
<b>Special Revenue Fund Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.50</b>	<b>3.00</b>	<b>2.50</b>	<b>3.00</b>	<b>12.00</b>	<b>3.00</b>
<b>TOTAL CITY POSITIONS</b>	<b>136.00</b>	<b>141.50</b>	<b>153.00</b>	<b>153.00</b>	<b>153.00</b>	<b>161.00</b>	<b>165.00</b>	<b>164.00</b>	<b>174.00</b>	<b>175.00</b>

**NOTES:**

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Function/Program</b>										
Police										
Arrests	1,611	1,812	1,840	1,625	2,049	2,012	1,475	2,394	1,650	1,252
Accident reports	523	609	499	440	330	334	392	378	453	514
Citations	12,473	7,602	12,445	10,820	14,694	12,798	13,329	11,330	10,181	7,251
Offense reports	2,321	2,174	2,398	2,050	1,705	1,915	2,153	2,008	2,224	1,462
Calls for service	8,861	8,558	8,299	7,688	7,348	6,774	7,399	7,069	7,524	7,938
Fire										
Emergency responses	860	1,028	1,241	1,056	1,341	1,364	1,523	1,768	2,749	2,002
Fire incidents	278	170	206	218	220	207	178	129	128	104
Average response time	6:07	5:40	5:34	4:38	5:15	5:54	6:40	4:50	5:13	5:18
Water										
New accounts	875	719	663	532	89	79	56	122	126	88
Source										
Water	875	719	663	532	89	79	56	122	126	88
Sewer	875	719	663	532	89	79	56	122	126	88
Average daily consumption (millions of gallons)										
	2,002	1,897	1,980	2,166	1,941	2,525	2,249	2,043	1,967	2,052
Number of million gallons of surface water pumped										
	-	-	-	-	-	-	-	-	-	-
Number of million gallons of well water pumped										
	730,198	692,163	722,788	790,409	708,565	923,261	822,215	759,817	718,069	750,434
Total consumption (millions of gallons)										
	730,198	692,363	722,788	790,409	708,565	923,261	822,215	759,817	718,069	750,434
Peak daily consumption (millions of gallons)										
	3,395	3,241	4,425	3,791	3,480	4,392	4,312	4,689	3,385	2,840
Sewer										
Average daily sewage treatment (millions of gallons)										
	1.500	1.636	1.422	1.428	1.362	1.174	1.555	1.347	1.478	1.576
Total consumption (millions of gallons)										
	547.500	597.140	519.030	520.176	497.166	429.608	567.754	491.660	539.470	575.240
Peak daily consumption (millions of gallons)										
	4.50	5.10	5.90	5.10	3.72	2.18	7.44	2.85	5.19	3.78

Source: Various City departments

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Function/Program</b>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	31	32	26	28	30	32	33	33	33	35
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles - centerlines)	72.00	72.00	72.60	73.00	56.20	56.20	58.20	50.60	50.60	50.60
Streetlights	642	648	648	648	650	654	664	689	720	720
Parks and recreation										
Parks	4	4	4	4	4	4	4	6	6	7
Parks acreage	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	39 acres	39 acres	52 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	2	2	2
Water										
Water mains (miles)	86.00	88.00	89.00	91.29	91.59	91.79	91.49	92.29	92.69	92.69
Fire hydrants	802	831	831	869	874	878	883	950	955	955
Storage capacity (millions of gallons)	N/A	1.85	1.85	1.85	1.85	2.35	2.35	2.85	2.85	2.85
Sewer										
Sanitary sewers (miles)	54.50	56.00	56.17	58.60	58.86	59.44	60.13	60.25	60.25	60.25
Storm sewers (miles)	16.90	16.90	16.90	17.20	17.40	17.40	17.40	22.90	22.90	22.90
Open ditch / creek / canal drainage (miles)	N/A	52.00	53.00	53.40	53.70	54.00	54.00	54.00	54.00	54.00
Treatment capacity (millions of gallons)	3	3	3	3	3	3	3	3	3	3

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