



CITY OF TOMBALL

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2017

City of Tomball, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2017

City Manager

George Shackelford

Prepared by

Glenn Windsor, CPA, CGFO
Finance Director

Kacie Richardson, CGFO
Senior Accountant

City of Tomball, Texas
September 30, 2017

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Introductory Section (Unaudited)



City of Tomball

*Gretchen Fagan
Mayor*

*George Shackelford
City Manager*

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

It is with great pleasure that we present to you a copy of the Comprehensive Annual Financial Report (CAFR) of the City of Tomball, Texas (the City) for the fiscal year ended September 30, 2017. 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 Schedules, as well as the independent auditors' report. The Statistical Section includes selected financial and demographic information generally presented on a multi-year basis.

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 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 12.34 square miles and serves an estimated population of 11,643. 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 57 as part of required supplementary information. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the nonmajor governmental fund subsection of this report, which starts on Page 62.

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 various taxing districts, making it one of the only incorporated areas in this portion of Harris County. As a result, the City has evolved into the area's principal commercial center. Assessed values for Fiscal 2018 reflect an increase of 4.93 percent to \$1.83 billion. This property value increase is the result of continued commercial development within the City including both residential and commercial. New single-family residential development continues with the addition of several Public Improvement Districts.

Sales tax revenues increased 2 percent during fiscal year 2017. The City had anticipated this revenue source remaining level when the budget was adopted. At this writing, for fiscal year 2018, sales taxes are 14.44 percent higher than the first four months of fiscal year 2017. New residential and commercial development continues to increase through the City and the surrounding area.

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. The largest groups of employers are in service and retail trade.

Long-term Financial Planning

Design and construction of Medical Complex Drive Segment 4B was in progress at year-end. Construction continued on the M121 drainage channel which was designed to mitigate flooding in the downtown area.

In conjunction with the Tomball Economic Development Corporation (TEDC), 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. This project was nearing completion at September 30, 2017, with the design of the entry-way sign in progress. The business park currently has two tenants.

As part of the expansion of Medical Complex Drive and the extension of Persimmon Street, the TEDC purchased three parcels of land on October 25, 2016.

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 year 2017, sales tax revenues were projected at \$10,800,000. Because of significant increases in this major revenue source during 2017, the projection of \$10,850,000 was made for fiscal year 2018.

The City made application to the Harris Galveston Area Council in 2015 for a grant to fund major improvements along FM 2920 (Main Street) from the downtown area to State Highway 249. At that time, the City Council approved local funding in the amount of \$3,000,000 to assist in expediting the project. The fiscal year 2018 budget includes funding in the amount of \$500,000 to begin surveying, engineering design, and the possible purchase of rights-of-way.

The Capital Project Fund includes major funding for park improvements, streets, sidewalks, and infrastructure for fiscal year 2018.

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 TEDC, 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 Department 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 BKD, LLP, Certified Public Accountants, has issued an unmodified (clean) opinion on the City of Tomball's financial statements for the year ended September 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

Awards

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2016. This was the 27th 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, 2016. This is the ninth 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.

Last year, the City was also awarded the Leadership Award as part of the "Texas Transparency" program from the Texas Comptroller of Public Accounts. Two years ago, the State Comptroller's office revised the program to what is now called the "Five Star Rating Designation" for transparency. Under the new guidelines, the City recently received the 2nd Star of the Five Star format. This program involves publishing financial information such as CAFRs, budgets, and check registers to demonstrate transparency to both the citizens and other members of the public. The City is currently working to achieve the next two "Stars" for Contracts and Procurement and Economic Development.

Acknowledgements

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

Respectfully submitted,



Glenn Windsor, CPA, CFE, CGFO
Finance Director

City of Tomball, Texas

Principal Officials

As of September 30, 2017

City Officials	Elected Position	Term Expires
Gretchen Fagan	Mayor	2019
John F. Ford	Councilman Position 1	2020
Mark Stoll	Councilman Position 2	2018
Chad Degges	Councilman Position 3	2019
Derek Townsend, Sr.	Councilman Position 4	2018
Lori Klein Quinn	Councilman Position 5	2020

Department Heads	Appointive Position
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
Lisa Coe	Human Resources
Doug Tippey	Information Technology
Mike Baxter	Marketing Director



Government Finance Officers Association

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

Presented to

**City of Tomball
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

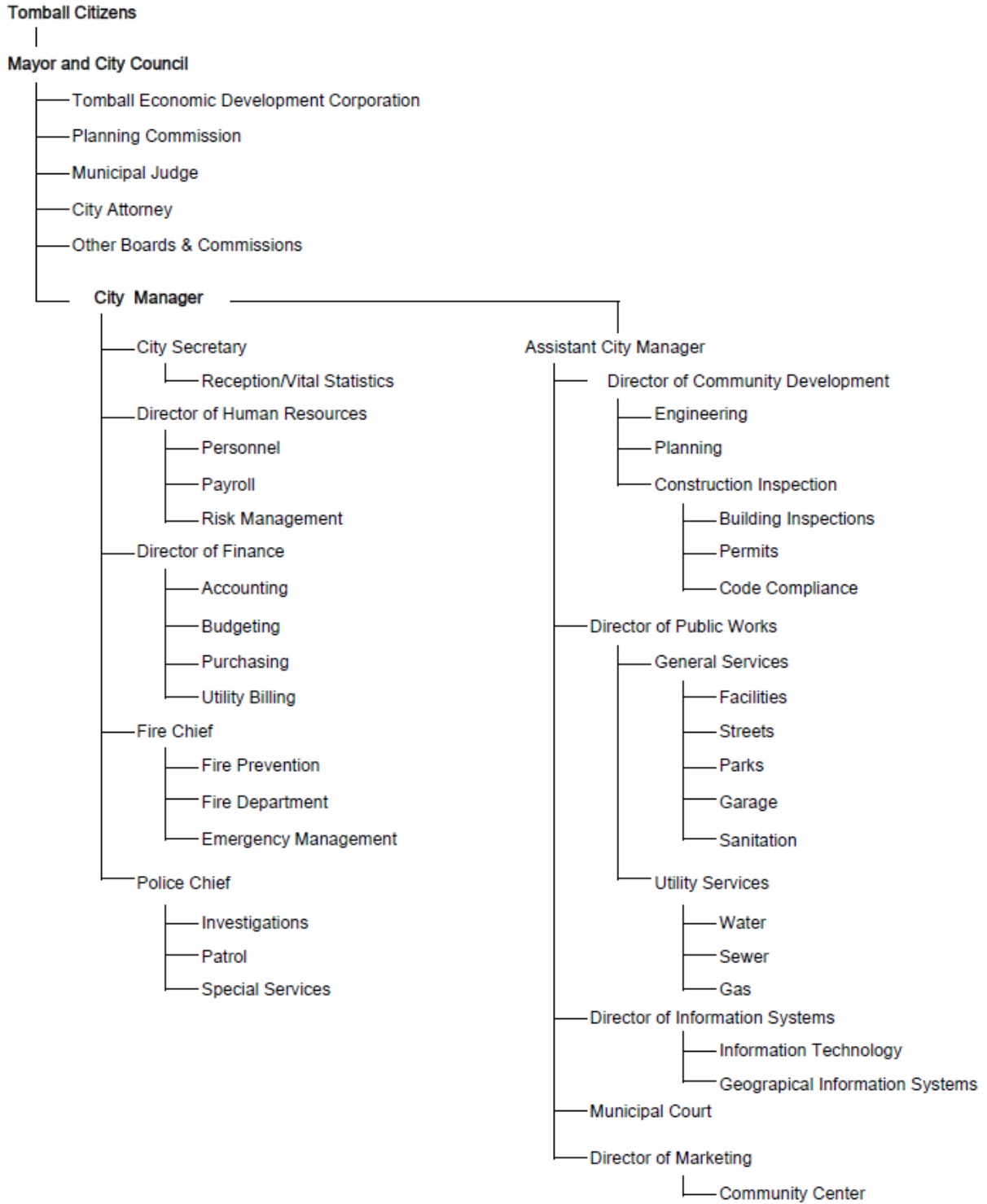
Christopher P. Morill

Executive Director/CEO

City of Tomball, Texas

Staff Organizational Chart

As of September 30, 2017



Financial Section

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Tomball, Texas (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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. 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.

The Honorable Mayor and
Council Members of the
City of Tomball, Texas
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tomball, Texas, as of September 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund budgetary comparison schedule, and pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

BKD, LLP

Houston, Texas
March 14, 2018

City of Tomball, Texas

Management's Discussion and Analysis

Year Ended September 30, 2017

As Management of the City of Tomball, Texas (the City), 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, 2017. 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 additional information presented in the accompanying transmittal letter (Pages i-iv of this report), and the statistical section (Pages 73-94 of this report), as well as the annual budget found on the City's website at <http://www.ci.tomball.tx.us/>.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$98,082,567 (net position). Included in this amount is the City's net investment in capital assets of \$73,817,981. The net position restricted for specific purposes totals \$3,912,411. The remaining \$20,352,175 is unrestricted net position which may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fiscal policies. The City's net position increased by \$3,195,402 during the current fiscal year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$55,912,945, an increase of \$23,057,195 from the prior year. The significant increase is attributed to the issuance of debt which will be used for capital outlays in the future. Approximately 76 percent of this amount (\$42,711,890) is restricted by specific legal requirements such as bond instruments and related debt covenants and 23 percent of this amount (\$13,021,273) is available for spending at the government's discretion (unassigned fund balance).
- The City's debt increased by \$16,523,877 primarily due to the issuance of certificates of obligation during the year partially offset by existing debt retirements.

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 four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) required supplementary information which includes this management's discussion and analysis and multi-year funding progress on the City's pension plan and retiree health plan. This report also contains other supplementary information as listed in the table of contents 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 finance, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources, with the difference 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 changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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.

The government-wide financial statements include not only the City of Tomball itself (known as the primary government), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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). The governmental activities include most of the City's basic services, (general government, public safety, public works and community development). Property taxes, sales taxes and franchise fees primarily finance these activities. The 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 – Governmental funds are used to account for similar functions reported as 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 11 governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the debt service fund and the capital projects fund; these funds are considered to be major funds. The other eight funds are combined into a single, aggregated presentation.

Individual fund data for each of these nonmajor 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, the basic financial statements contain required supplementary information including this discussion and analysis and information concerning the City's progress in funding its obligations to provide pension and retiree health benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions and other post-employment benefits (OPEB) and the general fund budget to actual schedule. Combining and individual fund statements and schedules can be found on Pages 60-72 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$98,082,567 at the close of the most recent fiscal year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 60,698,922	\$ 38,994,974	\$ 11,456,010	\$ 14,139,500	\$ 72,154,932	\$ 53,134,474
Capital assets	49,744,458	48,693,580	35,930,672	36,259,055	85,675,130	84,952,635
Total assets	<u>110,443,380</u>	<u>87,688,554</u>	<u>47,386,682</u>	<u>50,398,555</u>	<u>157,830,062</u>	<u>138,087,109</u>
Deferred outflows of resources	2,273,686	2,700,657	439,551	453,549	2,713,237	3,154,206
Noncurrent liabilities	50,682,482	33,442,730	3,721,873	4,210,353	54,404,355	37,653,083
Other liabilities	5,854,385	6,523,989	2,080,991	2,130,244	7,935,376	8,654,233
Total liabilities	<u>56,536,867</u>	<u>39,966,719</u>	<u>5,802,864</u>	<u>6,340,597</u>	<u>62,339,731</u>	<u>46,307,316</u>
Deferred inflows of resources	102,610	40,123	18,391	6,711	121,001	46,834
Net position:						
Net investment in capital assets	40,779,628	34,220,115	33,038,353	33,059,434	73,817,981	67,279,549
Restricted	3,912,411	5,821,510	-	-	3,912,411	5,821,510
Unrestricted	<u>11,385,550</u>	<u>10,340,744</u>	<u>8,966,625</u>	<u>11,445,362</u>	<u>20,352,175</u>	<u>21,786,106</u>
Total net position	<u>\$ 56,077,589</u>	<u>\$ 50,382,369</u>	<u>\$ 42,004,978</u>	<u>\$ 44,504,796</u>	<u>\$ 98,082,567</u>	<u>\$ 94,887,165</u>

The largest portion of the City's net position (75 percent) 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.

An additional portion of the City's net position (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$20,352,175 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Combined governmental and business-type activities increased the City's net position by \$3,195,402 in 2017. The following table provides a summary of the City's operations for the year ended September 30, 2017. Governmental activities increased the City of Tomball's net position by \$5,695,220. This increase is primarily related to interfund transfers to the capital projects fund, increased investment income, an increase in operating grants and contributions of \$876,046, partially offset by increases in public safety and public works expenditures and an increase in interest on long-term debt due to the issuance of the 2016 Certificates of Obligation. Business-type activities decreased the City's net position by \$2,499,818. This decrease is related primarily to the funding of system infrastructure through interfund transfers to the capital projects fund.

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 4,116,304	\$ 4,008,937	\$ 10,922,004	\$ 10,722,767	\$ 15,038,308	\$ 14,731,704
Operating grants and contributions	1,420,653	544,607	558,148	558,148	1,978,801	1,102,755
General revenues:						
Property taxes	6,007,290	5,674,692	-	-	6,007,290	5,674,692
Sales tax	10,791,147	10,578,683	-	-	10,791,147	10,578,683
Franchise taxes	1,307,171	1,331,077	-	-	1,307,171	1,331,077
Other taxes	554,839	628,932	-	-	554,839	628,932
Gain on sale of capital assets	-	127,134	-	39,850	-	166,984
Investment income	473,077	133,673	82,792	43,741	555,869	177,414
Other	145,114	395,060	11,511	47,454	156,625	442,514
Total revenues	24,815,595	23,422,795	11,574,455	11,411,960	36,390,050	34,834,755

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Expenses						
General government	5,916,485	5,391,624	1,362,874	1,179,100	7,279,359	6,570,724
Public safety	9,650,665	9,028,841	-	-	9,650,665	9,028,841
Public works	6,952,664	6,436,355	-	-	6,952,664	6,436,355
Community development	386,153	421,381	-	-	386,153	421,381
Water	-	-	3,937,152	3,410,534	3,937,152	3,410,534
Sewer	-	-	2,228,636	2,483,923	2,228,636	2,483,923
Gas	-	-	1,507,955	1,429,950	1,507,955	1,429,950
Interest on long-term debt	1,252,064	830,716	-	-	1,252,064	830,716
Total expenses	24,158,031	22,108,917	9,036,617	8,503,507	33,194,648	30,612,424
Increase in Net Position Before Transfers	657,564	1,313,878	2,537,838	2,908,453	3,195,402	4,222,331
Transfers	5,037,656	2,798,178	(5,037,656)	(2,798,178)	-	-
Change in Net Position	5,695,220	4,112,056	(2,499,818)	110,275	3,195,402	4,222,331
Net Position, Beginning	50,382,369	46,270,313	44,504,796	44,394,521	94,887,165	90,664,834
Net Position, Ending	\$ 56,077,589	\$ 50,382,369	\$ 42,004,978	\$ 44,504,796	\$ 98,082,567	\$ 94,887,165

Financial Analysis of the Government's Funds

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$55,912,945. Approximately 23 percent of this amount (\$13,021,273) is unassigned fund balance and \$164,826 is assigned. Additionally, \$42,726,846 is non-spendable or restricted as follows:

Non-spendable (.03%):	
Prepaid items	\$ 14,956
Restricted (76%):	
Debt service	\$ 4,562,240
Construction	36,873,425
Enabling legislation	1,276,225

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$13,021,273, while total fund balance was \$13,060,996. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Both unassigned and total fund balance represent approximately 67 percent of total general fund expenditures. In the general fund, fund balance decreased by \$231,785. This decrease was primarily due to a planned reduction in the fund balance through the process of maintaining the current tax rate and cash funding a portion of both capital and operating

expenditures. The charter requires a "reserve" balance of 25 percent of annual expenditures and the general fund currently exceeds that level. Because of unexpected federal grants related to Hurricane Harvey in late August, revenues exceeded final projections. Expenditures in several departments, Human Resources, Sanitation and Community Development, were significantly less than final budget.

The debt service fund balance, a major fund, increased by \$227,442 primarily from an increase in property tax revenues.

The capital projects fund, a major fund, had a \$23,377,728 increase in fund balance during the current fiscal year due to the issuance of certificates of obligation, resulting in an ending fund balance of \$36,873,425 as of September 30, 2017.

Proprietary Fund – The City proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise fund is \$8,812,139 and unrestricted net position of the internal service fund is \$3,049,496 at September 30, 2017. The net position of the enterprise fund decreased \$2,232,704 primarily due to transfers to fund infrastructure projects in the capital projects fund. Net position of the internal service fund decreased \$59,354. This was due primarily due to an increase in the cost of providing healthcare to employees.

General Fund Budgetary Highlights – The City budgeted a net decrease in fund balance of the general fund of \$1,098,411 for the year ended September 30, 2017. The actual decrease in the general fund ending fund balance for the year ended September 30, 2017, was \$231,785, a favorable variance of \$866,626 due to unexpected federal grants related to Hurricane Harvey increasing the revenues and several departments (mentioned in the above paragraph) having significantly less expenditures than final appropriations.

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, 2017, is \$85,675,130. The investment in capital assets includes land, buildings and improvements, equipment, infrastructure and construction in progress.

	Capital Assets					
	Governmental Activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 7,255,744	\$ 6,579,329	\$ 1,868,695	\$ 1,403,735	\$ 9,124,439	\$ 7,983,064
Buildings and improvements	7,026,967	7,128,526	-	-	7,026,967	7,128,526
Gas system	-	-	3,077,257	2,926,422	3,077,257	2,926,422
Water and sewer system	-	-	27,713,158	27,507,586	27,713,158	27,507,586
Equipment	1,114,276	1,315,162	2,388,230	2,509,924	3,502,506	3,825,086
Vehicles	1,117,262	1,187,515	-	-	1,117,262	1,187,515
Infrastructure	27,207,359	16,349,455	-	-	27,207,359	16,349,455
Construction in progress	6,022,850	16,133,593	883,332	1,911,388	6,906,182	18,044,981
Total capital assets	<u>\$ 49,744,458</u>	<u>\$ 48,693,580</u>	<u>\$ 35,930,672</u>	<u>\$ 36,259,055</u>	<u>\$ 85,675,130</u>	<u>\$ 84,952,635</u>

Additional information on the City's capital assets can be found in the notes on Pages 37 through 40 of this report.

Debt Administration

At the end of the current fiscal year, the City had a total bonded debt and capital lease obligations of \$47,545,019.

	Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligations	\$ 5,887,500	\$ 7,165,750	\$ 2,832,500	\$ 3,429,250	\$ 8,720,000	\$ 10,595,000
Certificates of obligation	38,165,000	19,695,000	-	-	38,165,000	19,695,000
Capital leases	660,019	731,142	-	-	660,019	731,142
Total	\$ 44,712,519	\$ 27,591,892	\$ 2,832,500	\$ 3,429,250	\$ 47,545,019	\$ 31,021,142

The City's total debt increased by \$16,523,877 (53 percent) during the current fiscal year due to the issuance of certificates of obligations offset partially by existing debt retirements.

The City's most recent bond ratings are listed below:

	Standard & Poor's	Moody's
General obligation bonds	AA+	
Certificates of obligation	AA+	Aa3

Additional information on the City's outstanding debt can be found on Pages 40 through 42 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 11,643. However, within a three-mile radius it is estimated to be 15,789. Within a five-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. Residential development continues throughout the City.

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 percent. This increase continues into fiscal year 2018 with increases of over 14 percent for the first few months after fiscal year 2017 year-end. City management continues to closely monitor sales tax revenues and will budget accordingly to ensure that financial goals and objectives are achieved.

This past year, the City annexed an area on the south side of the City near the Grand Parkway and State Highway 249. At September 30, 2017, commercial construction had not begun but is to include several large retail stores and restaurants. Additional development continues within the City and is expected to continue with the growth that is taking place in the Tomball area.

The City's largest taxpayer is now North Houston TRMC, which encompasses the medical center in the center of the City. Growth in this area is expected to continue in fiscal year 2018.

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 percent of annual expenditures.

For fiscal year 2018, the City expects increased sales tax revenues but no changes to the existing tax rates or utility fees. A comprehensive rate analysis was in progress at year-end. Construction will continue on several capital projects, including the extension of Medical Complex Drive, Section 4B and the M-121 drainage channel.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to: Finance Department, 501 James Street, Tomball, Texas, 77375, telephone 281.351.5484, or for general City information, please visit the City's website at <http://www.ci.tomball.tx.us/>.

Basic Financial Statements

City of Tomball, Texas
Statement of Net Position
September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Tomball Economic Development Corporation
Assets				
Cash and cash equivalents	\$ 626,134	\$ 702,194	\$ 1,328,328	\$ 144,239
Investments	25,473,745	8,875,972	34,349,717	13,300,038
Receivables (net of allowance for uncollectibles, where applicable)	2,442,901	1,626,877	4,069,778	580,095
Due from other government	365,019	-	365,019	-
Due from component unit	70,190	-	70,190	-
Internal balances	(154,486)	154,486	-	-
Inventories	-	96,481	96,481	-
Prepays	14,956	-	14,956	-
Cash and cash equivalents restricted and investment for:				
Construction	29,153,717	-	29,153,717	-
Debt service	2,636,186	-	2,636,186	-
Deposits	70,560	-	70,560	-
Capital assets:				
Nondepreciable	13,278,594	2,752,027	16,030,621	3,668,922
Depreciable, net	36,465,864	33,178,645	69,644,509	-
Total assets	<u>110,443,380</u>	<u>47,386,682</u>	<u>157,830,062</u>	<u>17,693,294</u>
Deferred Outflows of Resources				
Deferred charge on refunding	215,263	-	215,263	-
Pensions	2,058,423	439,551	2,497,974	-
Total deferred outflows of resources	<u>2,273,686</u>	<u>439,551</u>	<u>2,713,237</u>	<u>0</u>
Liabilities				
Accounts payable and other accrued liabilities	1,820,408	551,186	2,371,594	8,040
Accrued interest payable	152,088	12,712	164,800	-
Deposits payable	70,560	850,732	921,292	-
Due to primary government	-	-	-	70,190
Noncurrent liabilities:				
Due within one year	3,811,329	666,361	4,477,690	-
Due in more than one year	50,682,482	3,721,873	54,404,355	-
Total liabilities	<u>56,536,867</u>	<u>5,802,864</u>	<u>62,339,731</u>	<u>78,230</u>
Deferred Inflows of Resources				
Pensions	102,610	18,391	121,001	0
Net Position				
Net investment in capital assets	40,779,628	33,038,353	73,817,981	3,668,922
Restricted for:				
Debt service	2,636,186	-	2,636,186	-
Enabling legislation	1,276,225	-	1,276,225	-
Unrestricted	11,385,550	8,966,625	20,352,175	13,946,142
Total net position	<u>\$ 56,077,589</u>	<u>\$ 42,004,978</u>	<u>\$ 98,082,567</u>	<u>\$ 17,615,064</u>

City of Tomball, Texas
Statement of Activities
Year Ended September 30, 2017

Functions/Programs:	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary Government			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	Tomball Economic Development Corporation
Primary Government:							
Governmental activities:							
General government	\$ 5,916,485	\$ -	\$ 722,089	\$ (5,194,396)	\$ -	\$ (5,194,396)	\$ -
Public safety	9,650,665	1,315,754	648,564	(7,686,347)	-	(7,686,347)	-
Public works	6,952,664	2,359,008	50,000	(4,543,656)	-	(4,543,656)	-
Community development	386,153	441,542	-	55,389	-	55,389	-
Interest	1,252,064	-	-	(1,252,064)	-	(1,252,064)	-
Total governmental activities	<u>24,158,031</u>	<u>4,116,304</u>	<u>1,420,653</u>	<u>(18,621,074)</u>	<u>0</u>	<u>(18,621,074)</u>	<u>0</u>
Business-type activities:							
Utility administration	1,362,874	739,061	558,148	-	(65,665)	(65,665)	-
Water	3,937,152	5,092,916	-	-	1,155,764	1,155,764	-
Wastewater	2,228,636	2,434,143	-	-	205,507	205,507	-
Gas	1,507,955	2,655,884	-	-	1,147,929	1,147,929	-
Total business-type activities	<u>9,036,617</u>	<u>10,922,004</u>	<u>558,148</u>	<u>0</u>	<u>2,443,535</u>	<u>2,443,535</u>	<u>0</u>
Total primary government	<u>33,194,648</u>	<u>15,038,308</u>	<u>1,978,801</u>	<u>(18,621,074)</u>	<u>2,443,535</u>	<u>(16,177,539)</u>	<u>0</u>
Component unit:							
Tomball Economic Development Corporation	2,619,088	0	5,500	0	0	0	(2,613,588)
General revenues:							
Property taxes				6,007,290	-	6,007,290	-
Sales taxes				10,791,147	-	10,791,147	3,601,950
Franchise taxes				1,307,171	-	1,307,171	-
Other taxes				554,839	-	554,839	-
Other				145,114	11,511	156,625	-
Unrestricted investment earnings				473,077	82,792	555,869	87,061
Transfers				5,037,656	(5,037,656)	-	-
Total general revenues and transfers				<u>24,316,294</u>	<u>(4,943,353)</u>	<u>19,372,941</u>	<u>3,689,011</u>
Change in net position				5,695,220	(2,499,818)	3,195,402	1,075,423
Net position, beginning				50,382,369	44,504,796	94,887,165	16,539,641
Net position, ending				<u>\$ 56,077,589</u>	<u>\$ 42,004,978</u>	<u>\$ 98,082,567</u>	<u>\$ 17,615,064</u>

City of Tomball, Texas
Balance Sheet – Governmental Funds
September 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 93,160	\$ 95,681	\$ 134,078	\$ 156,701	\$ 479,620
Investments	11,387,074	1,852,998	7,831,133	1,513,230	22,584,435
Receivables (net of allowance for uncollectibles, where applicable)	2,400,445	1,133	-	33,264	2,434,842
Due from other governments	365,019	-	-	-	365,019
Due from component unit	58,931	-	-	-	58,931
Cash and cash equivalents and investments restricted for:					
Construction	-	-	29,153,717	-	29,153,717
Debt service	-	2,636,186	-	-	2,636,186
Deposits	70,560	-	-	-	70,560
Prepaid items	14,956	-	-	-	14,956
Total assets	<u>14,390,145</u>	<u>4,585,998</u>	<u>37,118,928</u>	<u>1,703,195</u>	<u>57,798,266</u>
Liabilities					
Accounts payable	866,592	23,758	245,503	279,256	1,415,109
Accrued liabilities	391,997	-	-	7,655	399,652
Deposits payable	70,560	-	-	-	70,560
Total liabilities	<u>1,329,149</u>	<u>23,758</u>	<u>245,503</u>	<u>286,911</u>	<u>1,885,321</u>
Fund Balances					
Nonspendable, prepaid items	14,956	-	-	-	14,956
Restricted:					
Debt service	-	4,562,240	-	-	4,562,240
Construction	-	-	36,873,425	-	36,873,425
Enabling legislation	-	-	-	1,276,225	1,276,225
Assigned	24,767	-	-	140,059	164,826
Unassigned	13,021,273	-	-	-	13,021,273
Total fund balances	<u>13,060,996</u>	<u>4,562,240</u>	<u>36,873,425</u>	<u>1,416,284</u>	<u>55,912,945</u>
Total liabilities and fund balances	<u>\$ 14,390,145</u>	<u>\$ 4,585,998</u>	<u>\$ 37,118,928</u>	<u>\$ 1,703,195</u>	<u>\$ 57,798,266</u>

City of Tomball, Texas
Reconciliation of the Balance Sheet – Governmental Funds to the
Government-wide Statement of Net Position
September 30, 2017

Total fund balances - governmental funds \$ 55,912,945

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 48,808,448

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. 215,263

The liability 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. (873,955)

The net pension liability and related deferred outflows and inflows of resources do not require current financial resources and, therefore, are not reported in the governmental funds balance sheet.

Net pension liability	\$	(5,707,343)	
Deferred outflows, pensions		2,058,423	
Deferred inflows, pensions		<u>(102,610)</u>	(3,751,530)

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. (152,088)

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. 3,831,019

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements.

Bonds payable		(44,052,500)	
Capital lease payable		(660,019)	
Landfill post closure costs		(402,500)	
Compensated absences payable		(1,608,583)	
Premiums received on issuance of bonds		<u>(1,188,911)</u>	<u>(47,912,513)</u>

Net position of governmental activities \$ 56,077,589

City of Tomball, Texas
Statement of Revenues, Expenditures and Changes
in Fund Balances – Governmental Funds
Year Ended September 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property tax	\$ 1,964,345	\$ 4,042,945	\$ -	\$ -	\$ 6,007,290
Sales tax	10,791,147	-	-	-	10,791,147
Franchise and other taxes	1,376,452	-	-	485,558	1,862,010
Licenses and permits	477,934	-	-	-	477,934
Fines and forfeitures	500,309	-	-	310,775	811,084
Charges for services	2,236,863	-	-	-	2,236,863
Intergovernmental	829,740	-	-	50,000	879,740
Contributions from component unit	10,000	530,913	-	-	540,913
Investment earnings	95,330	34,038	310,171	12,200	451,739
Other	692,988	-	-	53,062	746,050
Total revenues	18,975,108	4,607,896	310,171	911,595	24,804,770
Expenditures					
Current:					
General government	5,591,338	-	-	509,189	6,100,527
Public safety	8,855,011	-	135,584	98,813	9,089,408
Public works	4,181,536	-	2,344,591	-	6,526,127
Parks and recreation	535,024	-	206,553	-	741,577
Community development	386,153	-	-	316,240	702,393
Debt service:					
Principal	-	3,119,373	-	-	3,119,373
Interest	-	1,261,081	-	-	1,261,081
Bond issuance costs	-	-	396,430	-	396,430
Capital outlay	-	-	777,156	-	777,156
Total expenditures	19,549,062	4,380,454	3,860,314	924,242	28,714,072
Excess (Deficiency) of Revenues Over Expenditures	(573,954)	227,442	(3,550,143)	(12,647)	(3,909,302)
Other Financing Sources (Uses)					
Certificates of obligation issued	-	-	20,240,000	-	20,240,000
Premium on certificates of obligations issued	-	-	911,687	-	911,687
Transfers in	2,342,169	-	5,776,184	20,000	8,138,353
Transfers out	(2,000,000)	-	-	(323,541)	(2,323,541)
Total other financing sources (uses)	342,169	0	26,927,871	(303,541)	26,966,499
Net Change in Fund Balances	(231,785)	227,442	23,377,728	(316,188)	23,057,197
Fund Balances, Beginning of Year	13,292,781	4,334,798	13,495,697	1,732,472	32,855,748
Fund Balances, End of Year	\$ 13,060,996	\$ 4,562,240	\$ 36,873,425	\$ 1,416,284	\$ 55,912,945

City of Tomball, Texas
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds to the
Government-wide Statement of Activities
Year Ended September 30, 2017

Net change in fund balances – total governmental funds \$ 23,057,197

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 by which capital outlays exceeded depreciation expense in the current period. 1,185,652

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:

Issuance of long-term debt	\$ (20,240,000)	
Premium on issuance of long-term debt	(911,687)	
Repayment of long-term debt	3,119,373	
Amortization of premiums on bonds payable	91,727	
Amortization of deferred loss on refunding	<u>(59,673)</u>	(18,000,260)

Current year changes in other long-term liabilities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.

Compensated absences	(163,454)	
Landfill post-closure costs	(23,000)	
Other post employment benefits	<u>(100,581)</u>	(287,035)

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. (34,817)

The net change in the pension-related deferred outflows and inflows of resources and net pension liability do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds. (433,276)

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. 207,759

Change in net position of governmental activities \$ 5,695,220

City of Tomball, Texas
Statement of Net Position – Proprietary Funds
September 30, 2017

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
Current Assets		
Cash and cash equivalents	\$ 702,194	\$ 146,514
Investments	8,875,972	2,889,310
Receivables (net of allowance for Due from other government	1,626,877	-
Due from component unit	-	8,059
Inventories	-	11,259
	96,481	-
Total current assets	<u>11,301,524</u>	<u>3,055,142</u>
Noncurrent Assets		
Nondepreciable	2,752,027	-
Depreciable, net	33,178,645	936,009
Net capital assets	<u>35,930,672</u>	<u>936,009</u>
Total noncurrent assets	<u>47,232,196</u>	<u>3,991,151</u>
Deferred Outflows of Resources		
Pensions	439,551	0
Current Liabilities		
Accounts payable	478,848	5,646
Accrued liabilities	72,339	-
Deposits payable	850,732	-
Bonds payable - current	597,526	-
Compensated absences	68,835	-
Accrued interest payable	12,712	-
Total current liabilities	<u>2,080,992</u>	<u>5,646</u>
Noncurrent Liabilities		
Bonds payable, net of premium	2,282,081	-
Other post employment benefits obligation	166,466	-
Net pension liability	1,066,820	-
Compensated absences	206,505	-
Total noncurrent liabilities	<u>3,721,872</u>	<u>0</u>
Total liabilities	<u>5,802,864</u>	<u>5,646</u>
Deferred Inflows of Resources		
Pensions	18,391	0
Net Position		
Net investment in capital assets	33,038,353	936,009
Unrestricted	8,812,139	3,049,496
Total net position	41,850,492	<u>\$ 3,985,505</u>
	154,486	
Net Position of Business-type Activities	<u>\$ 42,004,978</u>	

City of Tomball, Texas
Statement of Revenues, Expenses and Changes
in Net Position – Proprietary Funds
Year Ended September 30, 2017

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
Operating Revenues		
Charges for sales and services:		
Water sales	\$ 5,166,237	\$ -
Sewer sales	2,465,083	-
Gas sales	2,707,714	-
Other	-	2,826,753
Capital recovery fees	449,033	-
Miscellaneous	133,937	-
Total operating revenues	<u>10,922,004</u>	<u>2,826,753</u>
Operating Expenses		
Costs of sales and services	7,200,566	2,543,133
Depreciation	1,472,653	374,396
Total operating expenses	<u>8,673,219</u>	<u>2,917,529</u>
Operating Income (Loss)	<u>2,248,785</u>	<u>(90,776)</u>
Nonoperating Revenues (Expenses)		
Investment earnings	82,792	21,339
Interest expense	(96,284)	-
Gain on disposal of property	11,511	10,083
Contributions from component unit	558,148	-
Net nonoperating revenues	<u>556,167</u>	<u>31,422</u>
Income (Loss) Before Transfers and Capital Contributions	2,804,952	(59,354)
Capital contributions	777,156	-
Transfers out	(5,814,812)	-
Change in Net Position	(2,232,704)	(59,354)
Net Position, Beginning of Year	<u>44,083,196</u>	<u>4,044,859</u>
Net Position, End of Year	<u>\$ 41,850,492</u>	<u>\$ 3,985,505</u>
Reconciliation to government-wide statement of activities:		
Change in net position	\$ (2,232,704)	
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds	<u>(267,114)</u>	
Change in net position of business-type activities	<u>\$ (2,499,818)</u>	

City of Tomball, Texas
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2017

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
Operating Activities		
Receipts from customers	\$ 10,750,966	\$ 21,638
Receipts from interfund charges for fleet management services	-	201,812
Receipts from interfund charges for health benefits services	-	2,598,249
Payments to employees for salaries and benefits	(1,938,293)	-
Payments to suppliers and service providers	(5,156,250)	(2,755,064)
Net cash provided by operating activities	<u>3,656,423</u>	<u>66,635</u>
Noncapital Financing Activity		
Transfers to other funds	(5,814,812)	-
Net cash used in noncapital financing activity	<u>(5,814,812)</u>	<u>0</u>
Capital and Related Financing Activities		
Acquisition and construction of capital assets	(356,341)	(233,627)
Proceeds from sale of capital assets	-	10,083
Payment from component unit for principal payment on debt	558,148	-
Principal paid on capital debt	(608,526)	-
Interest paid on capital debt	(98,149)	-
Net cash used in capital and related financing activities	<u>(504,868)</u>	<u>(223,544)</u>
Investing Activities		
Interest on investments	82,792	21,339
Investment maturities	2,458,619	(64,605)
Net cash provided by investing activities	<u>2,541,411</u>	<u>(43,266)</u>
Decrease in Cash and Cash Equivalents	(121,846)	(200,175)
Cash and Cash Equivalents, Beginning of Year	<u>824,040</u>	<u>346,689</u>
Cash and Cash Equivalents, End of Year	<u>\$ 702,194</u>	<u>\$ 146,514</u>
Noncash Item		
Capital contributions	\$ 777,156	\$ 0

City of Tomball, Texas
Statement of Cash Flows – Proprietary Funds (Continued)
Year Ended September 30, 2017

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities		
Operating income (loss)	\$ 2,248,785	\$ (90,776)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,472,653	374,396
Changes in:		
Receivables, net	(174,474)	(5,054)
Inventories	11,123	-
Accounts payable and accrued liabilities	(51,348)	(211,931)
Deposits payable	3,436	-
Compensated absences	46,102	-
Other post employment benefits obligation	19,157	-
Net pension liability	55,311	-
Pension deferred outflows	13,998	-
Pension deferred inflows	11,680	-
Net cash provided by operating activities	<u>\$ 3,656,423</u>	<u>\$ 66,635</u>

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

Note 1: Nature of Operations and 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; gas 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 accounting principles generally accepted in the United States of America (GAAP), 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 GAAP. 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 GAAP 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
September 30, 2017

Discretely Presented Component Unit

Tomball Economic Development Corporation – This Corporation was formed in 1994 pursuant to the *Development Corporation Act of 1979* (the Act), 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

Health Benefits Fund – The Health Benefits Fund accounts for the Employee Benefits Trust (the Trust) and 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 members of the 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, 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 as a special revenue fund.

Government-wide and Fund Financial Statements

The government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

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, deferred outflows and inflows of resources, 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 general government, public safety, public works, parks and recreation, and community development.

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 Special General Fund, Housing Trust Fund, Court Security Fund, Court Technology Fund, Hotel Occupancy Tax Fund, Red Light Camera Fund, Bunny Run Fund and Tomball Legacy Fund, Inc. The special revenue funds are considered nonmajor funds for reporting purposes.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

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, deferred outflows and inflows of resources, 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 gas. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The enterprise fund is considered a major fund for reporting purposes.

Internal Service Funds

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

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 deferred outflows of resources, and all liabilities and deferred inflows of resources associated with the operations of these

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

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.

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

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

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.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

Deposits and Investments

The City maintains a pooled cash and investment 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.

The City reports all investments at fair value, with the exception of investments in local government investment pools. The carrying value of investments in local government investment pools is determined by the valuation policy of the investment pool, either at amortized cost or net asset value of the underlying pool shares, as further described in Note 3.

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. Obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
6. Certificates of deposit, repurchase agreements and commercial paper that meet certain criteria; and
7. 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
September 30, 2017

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 inventory are recorded as expenditures when the related liability is incurred (*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 (*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 and in the proprietary fund financial statement. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 proprietary fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

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

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

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. The estimated amount of compensation for services provided that is expected to be liquidated in future years is reported as an expense and a fund liability of the proprietary fund that will pay it when it matures or becomes due.

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.

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

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

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 Governmental Accounting Standards Board (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 as long-term debt.

Pensions

For purposes of measuring the net pension liability, deferred outflows and 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 Outflows of Resources

The City presents deferred outflows and inflows of resources in accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which establish accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. In accordance with GASB 65, deferred inflows of resources represent an acquisition of resources that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time. Deferred outflows of resources represent a consumption of resources that applies to a future period and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

Government-wide

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and reported as a reduction in net pension liability or increase in net pension asset in the year subsequent to their deferral.
- Difference between projected and actual earnings on pension investments – This difference is deferred and amortized to pension expense over a closed five-year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Change of assumptions – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

Fund

Resources unavailable for revenue recognition are deferred and recognized as revenue when available.

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, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

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

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

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

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.

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted net position/fund balance first, then unrestricted net position/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.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

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

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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:		
Legal	\$	7,704
Emergency management		257,624 *
ESD #15 - Station 5		6,230
Public works administration		285
Facilities maintenance		9,231

*Emergency management include expenditures related to Hurricane Harvey which was not planned for in the original budget.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

Note 3: Deposits and Investments

Deposits and investments as of September 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 57,960,342
Business-type activities	9,578,166
Component unit	13,444,277
Total	\$ 80,982,785

Deposits and investments as of September 30, 2017, consist of the following:

	City	Component Unit	Total
Deposits with financial institutions	\$ 1,398,888	\$ 144,239	\$ 1,543,127
Investments	66,139,620	13,300,038	79,439,658
Total	\$ 67,538,508	\$ 13,444,277	\$ 80,982,785

Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2017.

	September 30, 2017			
	Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Investments by fair value level:				
Municipal bonds	\$ 7,233,909	\$ -	\$ 7,233,909	\$ -
U.S. agencies	2,490,593	-	2,490,593	-
Total investments by fair value level	9,724,502	\$ 0	\$ 9,724,502	\$ 0
Investments measured at amortized cost:				
TexPool	61,415,820			
Investments measured at net asset value:				
Texas CLASS	8,299,336			
	69,715,156			
Total investments	\$ 79,439,658			

Municipal bonds and U.S. Agency Securities and are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

Investment Pools

The City is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. The State Comptroller has established an advisory board composed of both participants in TexPool and

City of Tomball, Texas
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others not otherwise associated. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the net asset value of TexPool shares.

The City is invested in Texas Cooperative Liquid Assets Securities System (Texas CLASS) Trust. Texas CLASS was created as an investment pool for its participants pursuant to Section 2256.016 of the *Public Funds Investment Act*, Texas Government Code, or other laws of the State of Texas governing the investment of funds of a participant or funds under its control. Texas CLASS is administered by Public Trust Advisors, LLC with Wells Fargo Bank Texas, N.A., as the custodian and is supervised by a Board of Trustees who are elected by the participants.

The investment pools do not have any limitations or restrictions on withdrawals, such as notice periods or maximum transaction amounts, and do not impose any liquidity fees or redemption gates.

Custodial Credit Risk

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, 2017, 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 four 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.

The weighted average maturity of the City and component unit investment portfolios as of September 30, 2017, is shown below.

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	Weighted Average	
	City	Component Unit
Fixed income:		
Municipal bonds	710	676
U.S. agencies	545	394
Investment pools:		
TexPool	1	1
Texas CLASS	1	1
Total portfolio	314	268

Concentration of Credit Risk

The City's investment policy recognizes invested funds shall be diversified to minimize risk resulting from over-concentration of assets in a specific maturity, specific market sector or specific instruments.

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, 2017, were rated as follows:

Investment Type	Rating	Rating Agency
Municipal Bonds	A+ to AAA Aa3 to AAA	Standard & Poor's Moody's Investors Service
U.S. Agencies	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.

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	General Fund	Debt Service Fund	Other Governmental Funds	Enterprise Fund	Component Unit
Property taxes	\$ 111,552	\$ 197,062	\$ -	\$ -	\$ -
Sales taxes	1,721,172	-	3,400	-	580,095
Franchise and other taxes	61,346	-	-	-	-
Customer accounts	476,687	-	-	1,862,972	-
Other	237,047	1,133	29,864	105	-
Gross receivable	2,607,804	198,195	33,264	1,863,077	580,095
Less allowance for uncollectible accounts	(207,359)	(197,062)	-	(236,200)	-
Net receivable	<u>\$ 2,400,445</u>	<u>\$ 1,133</u>	<u>\$ 33,264</u>	<u>\$ 1,626,877</u>	<u>\$ 580,095</u>

Note 5: Capital Assets

Changes in capital assets for governmental activities for the year ended September 30, 2017, are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 6,579,329	\$ 676,415	\$ -	\$ 7,255,744
Construction in progress	16,133,593	2,084,754	(12,195,497)	6,022,850
Total capital assets, not being depreciated	<u>22,712,922</u>	<u>2,761,169</u>	<u>(12,195,497)</u>	<u>13,278,594</u>
Capital assets, being depreciated:				
Buildings and improvements	11,081,401	171,374	-	11,252,775
Machinery and equipment	6,698,124	-	-	6,698,124
Vehicles	4,981,406	269,503	(28,722)	5,222,187
Infrastructure	25,034,011	11,944,428	-	36,978,439
Total capital assets, being depreciated	<u>47,794,942</u>	<u>12,385,305</u>	<u>(28,722)</u>	<u>60,151,525</u>
Less accumulated depreciation:				
Buildings and improvements	(3,952,875)	(272,933)	-	(4,225,808)
Machinery and equipment	(5,382,962)	(200,886)	-	(5,583,848)
Vehicles	(3,793,891)	(339,756)	28,722	(4,104,925)
Infrastructure	(8,684,556)	(1,086,524)	-	(9,771,080)
Total accumulated depreciation	<u>(21,814,284)</u>	<u>(1,900,099)</u>	<u>28,722</u>	<u>(23,685,661)</u>
Total capital assets, net	<u>25,980,658</u>	<u>10,485,206</u>	<u>0</u>	<u>36,465,864</u>
Governmental activities capital assets, net	<u>\$ 48,693,580</u>	<u>\$ 13,246,375</u>	<u>\$ (12,195,497)</u>	<u>\$ 49,744,458</u>

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Changes in capital assets for business-type activities for the year ended September 30, 2017, are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,403,735	\$ 464,960	\$ -	\$ 1,868,695
Construction in progress	1,911,388	744,443	(1,772,499)	883,332
Total capital assets, not being depreciated	<u>3,315,123</u>	<u>1,209,403</u>	<u>(1,772,499)</u>	<u>2,752,027</u>
Capital assets, being depreciated:				
Gas system	5,921,345	297,939	-	6,219,284
Water and sewer system	47,562,980	1,409,427	-	48,972,407
Machinery and equipment	4,463,625	-	-	4,463,625
Total capital assets, being depreciated	<u>57,947,950</u>	<u>1,707,366</u>	<u>0</u>	<u>59,655,316</u>
Less accumulated depreciation:				
Gas system	(2,994,923)	(147,104)	-	(3,142,027)
Water and sewer system	(20,055,394)	(1,203,855)	-	(21,259,249)
Machinery and equipment	(1,953,701)	(121,694)	-	(2,075,395)
Total accumulated depreciation	<u>(25,004,018)</u>	<u>(1,472,653)</u>	<u>0</u>	<u>(26,476,671)</u>
Total capital assets, net	<u>32,943,932</u>	<u>234,713</u>	<u>0</u>	<u>33,178,645</u>
Business-type activities, net	<u>\$ 36,259,055</u>	<u>\$ 1,444,116</u>	<u>\$ (1,772,499)</u>	<u>\$ 35,930,672</u>

Depreciation was charged to governmental and business-type activities as follows:

Governmental activities:	
Public safety	\$ 436,123
Public works	1,089,580
Internal service fund	<u>374,396</u>
Total depreciation expense	<u>1,900,099</u>
Business-type activities:	
Water and wastewater	1,325,549
Gas	<u>147,104</u>
Total depreciation expense	<u>1,472,653</u>
Total depreciation expense, primary government	<u>\$ 3,372,752</u>

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

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Project Description	Project Authorization	Expended Through September 30, 2017	Remaining Commitment
Governmental activities:			
Tomball Business Park	\$ 106,848	\$ 98,080	\$ 8,768
M121 Final Phase	5,664,700	3,003,819	2,660,881
M124 Willow Creek Tributaries	1,166,905	1,060,522	106,383
M121 Drainage Channel	1,156,623	1,054,487	102,136
M118 Drainage Channels	901,984	70,336	831,648
Rudolph Road and utilities	194,681	157,135	37,546
Downtown sidewalks	96,456	96,456	-
Broussard Park	277,326	72,662	204,664
Medical Complex Segment 4B	3,423,386	257,215	3,166,171
Sidewalks (Quinn/ Holderrieth)	267,110	52,125	214,985
Sherwood Forest Drainage	317,762	100,013	217,749
Total governmental activities	<u>13,573,781</u>	<u>6,022,850</u>	<u>7,550,931</u>
Business-type activities:			
Rudolph Road	165,840	153,573	12,267
Wastewater Master Plan	192,587	192,587	-
Critical Needs Assessment	619,931	429,433	190,498
East Side Water Loop Line	295,047	84,139	210,908
Water Modeling	74,500	23,600	50,900
Total business-type activities	<u>1,347,905</u>	<u>883,332</u>	<u>464,573</u>
Grand total projects	<u>\$ 14,921,686</u>	<u>\$ 6,906,182</u>	<u>\$ 8,015,504</u>

Changes in capital assets for the component unit for the year ended September 30, 2017, are summarized as follows:

Component Unit	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,261,836	\$ 422,278	\$ -	\$ 1,684,114
Construction in process	1,825,989	158,819	-	1,984,808
Total capital assets, not being depreciated	<u>\$ 3,087,825</u>	<u>\$ 581,097</u>	<u>\$ 0</u>	<u>\$ 3,668,922</u>

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

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Project Description	Project Authorization	Expended Through September 30, 2017	Remaining Commitment
Tomball Business Park and Technology Park	\$ 2,019,687	\$ 1,984,808	\$ 34,879

Note 6: Long-term Liabilities

The following is a summary of changes in the City's total governmental and business-type long-term liabilities for the year ended September 30, 2017. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities and enterprise funds to liquidate business-type 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 OPEB, and net position liability are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental fund, but rather is recognized as an expenditure when due.

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due in One Year
Certificates of obligation and bonds payable	\$ 26,860,750	\$ 20,240,000	\$ 3,048,250	\$ 44,052,500	\$ 3,249,250
Unamortized discount/premium	363,694	911,687	86,470	1,188,911	86,470
	27,224,444	21,151,687	3,134,720	45,241,411	3,335,720
Capital lease obligation	731,142	-	71,123	660,019	73,463
Net OPEB obligation	773,374	194,740	94,159	873,955	-
Net pension liability	5,703,852	3,481,068	3,477,577	5,707,343	-
Compensated absences	1,445,129	684,872	521,418	1,608,583	402,146
Landfill post-closure costs	379,500	23,000	-	402,500	-
Total governmental activities long-term liabilities	\$ 36,257,441	\$ 25,535,367	\$ 7,298,997	\$ 54,493,811	\$ 3,811,329

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due in One Year
Bonds payable	\$ 3,429,250	\$ -	\$ 596,750	\$ 2,832,500	\$ 585,750
Unamortized discount/premium	58,883	-	11,776	47,107	11,776
	3,488,133	0	608,526	2,879,607	597,526
Net OPEB obligation	147,309	37,092	17,935	166,466	-
Net pension liability	1,011,509	617,325	562,014	1,066,820	-
Compensated absences	229,238	193,201	147,098	275,341	68,835
Total business-type activities long-term liabilities	\$ 4,876,189	\$ 847,618	\$ 1,335,573	\$ 4,388,234	\$ 666,361

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

	Interest Rates	Final Maturity	Original Issue	Governmental Activities	Business-type Activities
Certificates of obligation:					
Series 2012	3-4.25%	2032	\$ 14,500,000	\$ 11,570,000	\$ -
Series 2013	2-3%	2033	8,500,000	7,155,000	-
Series 2016	3-5%	2037	20,240,000	19,440,000	-
				<u>38,165,000</u>	<u>0</u>
General obligation bonds:					
Series 2010	1.5-2.2%	2018	2,120,000	285,000	-
Series 2011	2-4%	2022	8,650,000	2,317,500	2,832,500
Series 2013	1-1.65%	2023	6,370,000	3,285,000	-
				<u>5,887,500</u>	<u>2,832,500</u>
Total bonds and certificates of obligation				<u>\$ 44,052,500</u>	<u>\$ 2,832,500</u>

Annual debt service requirements to maturity at year-end were as follows:

Fiscal Year	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 3,249,250	\$ 1,421,566	\$ 585,750	\$ 92,909
2019	2,990,250	1,332,831	574,750	75,501
2020	3,016,250	1,239,564	563,750	55,605
2021	3,046,750	1,147,348	558,250	33,165
2022	3,080,000	1,048,748	550,000	11,000
2023-2027	11,425,000	3,930,248	-	-
2028-2032	11,855,000	1,977,688	-	-
2033-2037	5,390,000	442,175	-	-
	<u>\$ 44,052,500</u>	<u>\$ 12,540,166</u>	<u>\$ 2,832,500</u>	<u>\$ 268,180</u>

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

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liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the Internal Revenue Service's rules and regulations. The City owed no arbitrage liability as of September 30, 2017.

Obligations Under Capital Leases

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

	Governmental Activities
Asset:	
Machinery and equipment	\$ 713,570
Less accumulated depreciation	(142,714)
Total	\$ 856,284

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

Year Ending September 30,	Lease Obligation
2018	\$ 95,178
2019	95,178
2020	95,178
2021	95,178
2022	95,178
2023-2025	285,533
Total	761,423
Less interest portion	101,404
Obligations under capital leases	\$ 660,019

Note 7: 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

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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 in the past three years.

Contingent Liabilities

The City is a party to various legal actions. Although the outcome 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, 2017.

Note 8: Interfund Transfers

Interfund transfers in and transfers out for the year ended September 30, 2017, are as follows:

Transfers In	Transfers Out				Total
	Governmental Funds			Proprietary Funds	
	General Fund	Capital Projects Fund	Other Governmental Funds	Enterprise Fund	
General fund	\$ -	\$ -	\$ -	\$ 2,342,169	\$ 2,342,169
Capital projects fund	1,980,000	-	323,541	3,472,643	5,776,184
Other governmental	20,000	-	-	-	20,000
	<u>\$ 2,000,000</u>	<u>\$ 0</u>	<u>\$ 323,541</u>	<u>\$ 5,814,812</u>	<u>\$ 8,138,353</u>

Transfers are primarily used to move funds from:

- The general fund to the capital projects fund to fund miscellaneous projects.
- The general fund to other governmental to fund miscellaneous projects.
- Other governmental funds to the capital projects fund to fund miscellaneous projects.
- The enterprise fund to the general fund to fund indirect costs for administrative expenses.
- The enterprise fund to the capital projects fund to fund miscellaneous projects.

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Note 9: Pension Plan

Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the 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.

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 percent of the member's deposits and interest.

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

	Plan Year 2016	Plan Year 2017
Employee deposit rate	7.00%	7.00%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/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

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Employees Covered by Benefit Terms

At the December 31, 2016, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	72
Inactive employees entitled to but	
not yet receiving benefits	67
Active employees	165
Total	304

Contributions

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

Employees for the City were required to contribute 7 percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.30 percent and 13.59 percent in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$1,435,572, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions.

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109 percent and female rates multiplied by 103 percent with a three-year set-forward for both males and females. In addition, a 3 percent minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3 percent floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013, valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table.

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Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.50%	4.55%
International equity	17.50%	6.35%
Core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	4.15%
Real return	10.00%	4.15%
Real estate	10.00%	4.75%
Absolute return	10.00%	4.00%
Private equity	5.00%	7.75%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL

	TPL (a)	Plan Fiduciary Net Position (b)	NPL (a) - (b)
Balances at January 1, 2016	\$ 35,282,308	\$ 28,566,947	\$ 6,715,361
Changes for the year:			
Service cost	1,678,897	-	1,678,897
Interest	2,396,517	-	2,396,517
Difference between expected and actual experience	(109,994)	-	(109,994)
Contributions – employer	-	1,309,638	(1,309,638)
Contributions – employee	-	689,283	(689,283)
Net investment income	-	1,930,676	(1,930,676)
Benefit payments, including refunds of employee contributions	(1,235,596)	(1,235,596)	-
Administrative expenses	-	(21,804)	21,804
Other	-	(1,175)	1,175
Net changes	<u>2,729,824</u>	<u>2,671,022</u>	<u>58,802</u>
Balances at December 31, 2016	<u>\$ 38,012,132</u>	<u>\$ 31,237,969</u>	<u>\$ 6,774,163</u>

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

Sensitivity of the NPL to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75 percent, as well as what the City's NPL would be if it were calculated using a discount rate that is 1 percentage point lower (5.75 percent) or 1 percentage point higher (7.75 percent) than the current rate:

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
NPL	\$ 12,620,164	\$ 6,774,163	\$ 2,048,975

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 at www.tmr.com.

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

For the year ended September 30, 2017, the City recognized pension expense of \$1,944,261.

At September 30, 2017, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual pension experience	\$ 95,546	\$ 121,001
Changes in actuarial assumptions	70,014	-
Difference between projected and actual investment earnings	1,279,676	-
Contributions subsequent to the measurement date	1,052,738	-
Total	\$ 2,497,974	\$ 121,001

\$1,052,738 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 NPL for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

Year Ending September 30,

2017	\$	463,420
2018		463,420
2019		406,960
2020		(8,046)
2021		(1,519)
		(1,519)
Total	\$	1,324,235

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 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 TMRS, 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

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

their eligible dependents as provided under the applicable terms of the City's policies. A separate post-employment benefit plan report is not available for the City of Tomball Retirement Health Care Plan.

Funding Policy and Annual OPEB Cost

The City has elected to finance the OPEB plan on a pay-as-you-go basis. The City paid \$112,096 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 (ARC) of the employer, 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 30 years.

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

Annual required contribution	\$	245,690
Interest on net OPEB obligation		41,431
Adjustment to annual required contribution		<u>(55,287)</u>
Annual OPEB cost (expense) end of year		231,834
Contributions made		<u>(112,096)</u>
Increase in net OPEB obligation		119,738
Net OPEB – beginning of year		<u>920,683</u>
Net OPEB – end of year	\$	<u><u>1,040,421</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 ended September 30, 2017, and the preceding two fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 236,402	\$ 85,924	36.0%	\$ 767,572
2016	234,138	81,027	35.0%	920,683
2017	231,834	112,096	48.4%	1,040,421

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

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 (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL)(b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	Ratio of UAAL to Annual Covered Payroll (b-a)/d
12/31/14	\$ -	\$ 1,903,327	\$ 1,903,327	\$ -	\$ 8,985,838	21.2%

Under the reporting parameters, the City's retiree health plan is 0 percent 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 21.2 percent.

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:

Inflation rate	3.00% per annum
Investment rate of return	4.50% per annum, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level dollar
Amortization period	30-year open amortization
Payroll growth	NA
Medical trend	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
September 30, 2017

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 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 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, 2017, 2016 and 2015, were \$3,428, \$3,587 and \$2,821, respectively, which equaled the required contributions each year.

Note 11: Landfill Post-closure Care Costs

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

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2017

The estimated liability for landfill post-closure care costs of \$402,500 as of September 30, 2017, represents the remaining estimated post-closure costs required to achieve regulatory approval for closure. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

**Required Supplementary Information
(Unaudited)**

City of Tomball, Texas
Schedule of Changes in Net Pension Liability and
Related Ratios – Last Three Fiscal Years

	Measurement Year		
	2014	2015	2016
Total Pension Liability			
Service cost	\$ 1,405,192	\$ 1,631,504	\$ 1,678,897
Interest	2,122,080	2,283,312	2,396,517
Difference between expected and actual experience	(75,098)	153,806	(109,994)
Change of assumptions	-	112,706	-
Benefit payments, including refunds of employee contributions	(1,120,036)	(1,404,009)	(1,235,596)
Net Change in Total Pension Liability	2,332,138	2,777,319	2,729,824
Total pension liability - beginning	30,172,851	32,504,989	35,282,308
Total pension liability - ending (a)	<u>\$ 32,504,989</u>	<u>\$ 35,282,308</u>	<u>\$ 38,012,132</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,106,867	\$ 1,321,927	\$ 1,309,638
Contributions - employee	629,009	680,604	689,283
Net investment income	1,480,415	41,253	1,930,676
Benefit payments, including refunds of employee contributions	(1,120,036)	(1,404,009)	(1,235,596)
Administrative expense	(15,453)	(25,124)	(21,804)
Other	(1,271)	(1,240)	(1,175)
Net Change in Plan Fiduciary Net Position	2,079,531	613,411	2,671,022
Plan Fiduciary Net Position, Beginning	25,874,005	27,953,536	28,566,947
Plan Fiduciary Net Position, Ending (B)	<u>\$ 27,953,536</u>	<u>\$ 28,566,947</u>	<u>\$ 31,237,969</u>
Net Pension Liability, Ending (a) - (b)	\$ 4,551,453	\$ 6,715,361	\$ 6,774,163
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.00%	80.97%	82.18%
Covered Payroll	\$ 8,985,838	\$ 9,722,909	\$ 9,846,905
Net Pension Liability as a Percentage of Covered Employee Payroll	50.65%	69.07%	68.79%

Only three years of data are presented in accordance with GASB Statement No. 68 as the data for the years prior to 2015 is not available. Additionally, GASB Statement No. 68 requires that the information on this schedule be presented for the year ended as of the current measurement date (December 31).

Other information: For the 2015 valuation, inflation used was 2.5 percent, investment rates of return and the discount rate used was 6.75 percent, and actuarial studies were updated through December 31, 2014.

City of Tomball, Texas
Schedule of Contributions – Last Three Fiscal Years

	Fiscal Year		
	2015	2016	2017
Actuarially determined contribution	\$ 1,246,735	\$ 1,285,841	\$ 1,435,572
Contributions in relation to the actuarially determined contribution	1,246,735	1,285,841	1,435,572
Contribution deficiency	\$ -	\$ -	\$ -
Covered payroll	\$ 9,404,137	\$ 9,620,867	\$ 10,481,687
Contributions as a percentage of covered employee payroll	13.26%	13.37%	13.69%

Only three years of data are presented in accordance with GASB Statement No. 68 as the data for the years prior to fiscal year 2015 is not available. Additionally, GASB Statement 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	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

There were no benefit changes during the year.

City of Tomball, Texas
Schedule of Funding Process – Post-employment
Benefits Plan Other Than Pensions
September 30, 2017

Actuarial Valuation	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL)(b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	Ratio of UAAL to Annual Covered Payroll (b-a)/d
12/31/14	\$ -	\$ 1,903,327	0.0%	\$ 1,903,327	\$ 8,985,838	21.2%
12/31/15	-	1,903,327	0.0%	1,903,327	8,985,838	21.2%
12/31/16	-	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, 2014. Therefore, data for 2016 and 2015 is the same as 2014.

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (General Fund)
Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Taxes:				
Property	\$ 1,881,250	\$ 1,990,000	\$ 1,964,345	\$ (25,655)
Sales	10,700,000	10,800,000	10,791,147	(8,853)
Franchise and other	1,364,025	1,393,065	1,376,452	(16,613)
License and permits	456,300	409,700	477,934	68,234
Fines and forfeitures	556,200	526,200	500,309	(25,891)
Charges for services	2,200,000	2,180,000	2,236,863	56,863
Intergovernmental	420,049	416,214	829,740	413,526
Contributions from component unit	10,000	10,000	10,000	-
Investment earnings	50,000	93,040	95,330	2,290
Other	640,122	690,878	692,988	2,110
	<u>18,277,946</u>	<u>18,509,097</u>	<u>18,975,108</u>	<u>466,011</u>
Expenditures				
General government:				
City manager's office	401,244	397,363	393,950	3,413
Mayor and Council	101,298	62,367	52,185	10,182
City secretary	441,340	378,764	352,470	26,294
Human resources	533,061	471,866	374,009	97,857
Finance	668,969	658,185	632,843	25,342
Information systems	680,616	693,104	654,974	38,130
Legal	142,500	152,000	159,704	(7,704) *
Municipal court	395,084	358,190	347,067	11,123
Non-departmental	2,594,007	2,632,598	2,624,136	8,462
	<u>5,958,119</u>	<u>5,804,437</u>	<u>5,591,338</u>	<u>213,099</u>
Public safety:				
Police	5,689,940	5,462,088	5,379,589	82,499
Fire	2,956,629	2,928,051	2,896,840	31,211
Emergency management	24,905	18,968	276,592	(257,624) **
ESD#15 - Station 5	283,392	295,760	301,990	(6,230) *
	<u>8,954,866</u>	<u>8,704,867</u>	<u>8,855,011</u>	<u>(150,144)</u>
Public works:				
Public works administration	57,305	57,038	57,323	(285) *
Garage	151,139	146,400	141,261	5,139
Streets	950,524	962,817	883,979	78,838
Sanitation	2,078,100	2,132,030	1,975,363	156,667
Engineering and planning	711,132	537,940	486,670	51,270
Facilities maintenance	607,761	627,709	636,940	(9,231) *
	<u>4,555,961</u>	<u>4,463,934</u>	<u>4,181,536</u>	<u>282,398</u>

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (General Fund) (Continued)
Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Expenditures				
Parks and recreation:				
Parks	\$ 413,156	\$ 410,250	\$ 387,978	\$ 22,272
Community center	169,475	151,937	147,046	4,891
	<u>582,631</u>	<u>562,187</u>	<u>535,024</u>	<u>27,163</u>
Community development:				
Permits and inspections	479,064	414,252	386,153	28,099
Total expenditures	<u>20,530,641</u>	<u>19,949,677</u>	<u>19,549,062</u>	<u>400,615</u>
Deficiency of Revenues Over Expenditures	<u>(2,252,695)</u>	<u>(1,440,580)</u>	<u>(573,954)</u>	<u>866,626</u>
Other Financing Sources (Uses)				
Transfers in	2,342,169	2,342,169	2,342,169	-
Transfers out	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>342,169</u>	<u>342,169</u>	<u>342,169</u>	<u>0</u>
Net Change in Fund Balances	<u>\$ (1,910,526)</u>	<u>\$ (1,098,411)</u>	<u>(231,785)</u>	<u>\$ 866,626</u>
Fund Balances, Beginning of Year			<u>13,292,781</u>	
Fund Balances, End of Year			<u>\$ 13,060,996</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

*Expenditures exceeded appropriations at the legal level of control.

**Emergency management include expenditures related to Hurricane Harvey which was not planned for in the original budget.

Combining and Individual Fund Statements and Schedules

City of Tomball, Texas
Nonmajor Governmental Funds
September 30, 2017

Special Revenue Funds

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

Special General Fund - To account for police forfeiture funds and child safety fees.

Housing Trust Fund – To account for the grant funds received for Affordable Housing Initiatives and Related Services.

Court Security Fund - To account for fees generated from court fines which, by law, can only be spent on the City's municipal court.

Court Technology Fund - To account for fees generated from court fines which, by law, can only be spent on the City's municipal court.

Hotel Occupancy Tax Fund - To account for the accounts for revenues received from hotel occupancy taxes.

Red Light Camera Fund - To account for the use of revenues that, by law, are limited to traffic safety programs, including pedestrian safety programs, public safety programs, intersection improvements and traffic enforcement.

Bunny Run Fund - To account for the revenues generated by City sponsored races.

Tomball Legacy Fund - To account for private and corporate grant funds received by the City.

City of Tomball, Texas
Combining Balance Sheet – Nonmajor Governmental Funds
September 30, 2017

	Special General	Housing Trust	Court Security	Court Technology	Hotel Occupancy Tax	Red Light Camera	Bunny Run	Tomball Legacy Fund	Total Nonmajor Governmental Funds
Assets									
Cash and cash equivalents	\$ 11,621	\$ 3	\$ 7,186	\$ 24,246	\$ 54,657	\$ 44,191	\$ 14,797	\$ -	\$ 156,701
Investments	91,237	-	213,592	207,898	399,763	575,484	-	25,256	1,513,230
Receivables (net of allowance for uncollectibles, where applicable)	-	-	-	-	3,400	29,864	-	-	33,264
Total assets	\$ 102,858	\$ 3	\$ 220,778	\$ 232,144	\$ 457,820	\$ 649,539	\$ 14,797	\$ 25,256	\$ 1,703,195
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ 1,062	\$ -	\$ -	\$ 474	\$ 29,692	\$ 245,296	\$ 2,732	\$ -	\$ 279,256
Accrued liabilities	-	-	-	-	6,767	888	-	-	7,655
Total liabilities	1,062	0	0	474	36,459	246,184	2,732	0	286,911
Fund Balances									
Restricted by enabling legislation	-	-	220,778	230,731	421,361	403,355	-	-	1,276,225
Assigned	101,796	3	-	939	-	-	12,065	25,256	140,059
Total fund balances	101,796	3	220,778	231,670	421,361	403,355	12,065	25,256	1,416,284
Total liabilities and fund balances	\$ 102,858	\$ 3	\$ 220,778	\$ 232,144	\$ 457,820	\$ 649,539	\$ 14,797	\$ 25,256	\$ 1,703,195

City of Tomball, Texas
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance – Nonmajor Governmental Funds
Year Ended September 30, 2017

	Special General	Housing Trust	Court Security	Court Technology	Hotel Occupancy Tax	Red Light Camera	Bunny Run	Tomball Legacy Fund	Total Nonmajor Governmental Funds
Revenues									
Franchise and other taxes	\$ -	\$ -	\$ -	\$ -	\$ 485,558	\$ -	\$ -	\$ -	\$ 485,558
Fines and forfeitures	-	-	10,723	14,297	-	285,755	-	-	310,775
Intergovernmental	-	50,000	-	-	-	-	-	-	50,000
Investment earnings	894	3	1,961	1,657	3,454	4,013	5	213	12,200
Other	16,347	-	-	-	8,390	-	23,325	5,000	53,062
Total revenues	17,241	50,003	12,684	15,954	497,402	289,768	23,330	5,213	911,595
Expenditures									
Current:									
General government	29,790	-	46,660	54,655	377,399	-	685	-	509,189
Public safety	-	-	-	-	-	98,813	-	-	98,813
Community development	-	50,000	-	-	241,516	-	24,724	-	316,240
Total expenditures	29,790	50,000	46,660	54,655	618,915	98,813	25,409	0	924,242
Excess (Deficiency) of Revenues Over Expenditures	(12,549)	3	(33,976)	(38,701)	(121,513)	190,955	(2,079)	5,213	(12,647)
Other Financing Sources (Uses)									
Transfers in	-	-	-	-	20,000	-	-	-	20,000
Transfers out	-	-	-	-	-	(323,541)	-	-	(323,541)
Total other financing sources (uses)	0	0	0	0	20,000	(323,541)	0	0	(303,541)
Net Change in Fund Balances	(12,549)	3	(33,976)	(38,701)	(101,513)	(132,586)	(2,079)	5,213	(316,188)
Fund Balances, Beginning of Year	114,345	-	254,754	270,371	522,874	535,941	14,144	20,043	1,732,472
Fund Balances, End of Year	\$ 101,796	\$ 3	\$ 220,778	\$ 231,670	\$ 421,361	\$ 403,355	\$ 12,065	\$ 25,256	\$ 1,416,284

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Special General Fund
Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Investment earnings	\$ 450	\$ 800	\$ 894	\$ 94
Other	<u>22,500</u>	<u>18,000</u>	<u>16,347</u>	<u>(1,653)</u>
Total revenues	22,950	18,800	17,241	(1,559)
Expenditures				
General government	<u>64,000</u>	<u>39,740</u>	<u>29,790</u>	<u>9,950</u>
Net Change in Fund Balance	<u><u>\$ (41,050)</u></u>	<u><u>\$ (20,940)</u></u>	(12,549)	<u><u>\$ 8,391</u></u>
Fund Balance, Beginning of Year			<u>114,345</u>	
Fund Balance, End of Year			<u><u>\$ 101,796</u></u>	

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Court Security Fund
Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Fines and forfeitures	\$ 15,000	\$ 14,000	\$ 10,723	\$ (3,277)
Investment earnings	750	1,700	1,961	261
Total revenues	15,750	15,700	12,684	(3,016)
Expenditures				
General government	56,000	46,660	46,660	-
Net Change in Fund Balance	\$ (40,250)	\$ (30,960)	(33,976)	\$ (3,016)
Fund Balance, Beginning of Year			254,754	
Fund Balance, End of Year			\$ 220,778	

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Court Technology Fund
Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Fines and forfeitures	\$ 20,000	\$ 16,000	\$ 14,297	\$ (1,703)
Investment earnings	750	1,300	1,657	357
Total revenues	20,750	17,300	15,954	(1,346)
Expenditures				
General government	73,500	63,798	54,655	9,143
Net Change in Fund Balance	<u>\$ (52,750)</u>	<u>\$ (46,498)</u>	(38,701)	<u>\$ 7,797</u>
Fund Balance, Beginning of Year			<u>270,371</u>	
Fund Balance, End of Year			<u><u>\$ 231,670</u></u>	

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Hotel Occupancy Tax Fund
Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Franchise and other taxes	\$ 625,000.0	\$ 450,000.0	\$ 485,558	\$ 35,558.0
Investment earnings	750	3,000	3,454	454
Other	20,500	19,000	8,390	(10,610)
Total revenues	<u>646,250</u>	<u>472,000</u>	<u>497,402</u>	<u>25,402</u>
Expenditures				
General government	501,106	417,873	377,399	40,474
Economic development	227,119	227,419	241,516	(14,097)
Total expenditures	<u>728,225</u>	<u>645,292</u>	<u>618,915</u>	<u>26,377</u>
Deficiency of Revenues Over Expenditures	(81,975)	(173,292)	(121,513)	51,779
Other Financing Sources				
Transfers in	20,000	20,000	20,000	-
Net Change in Fund Balance	<u>\$ (61,975)</u>	<u>\$ (153,292)</u>	(101,513)	<u>\$ 51,779</u>
Fund Balance, Beginning of Year			<u>522,874</u>	
Fund Balance, End of Year			<u>\$ 421,361</u>	

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual – Debt Service Fund
Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Property tax	\$ 3,685,000	\$ 4,082,500	\$ 4,042,945	\$ (39,555)
Contributions from component unit	730,913	530,913	530,913	-
Investment earnings	7,000	34,600	34,038	(562)
	<u>4,422,913</u>	<u>4,648,013</u>	<u>4,607,896</u>	<u>(40,117)</u>
Expenditures				
Debt service:				
Principal	3,014,373	3,119,373	3,119,373	-
Interest	1,408,800	1,705,041	1,261,081	443,960
	<u>4,423,173</u>	<u>4,824,414</u>	<u>4,380,454</u>	<u>443,960</u>
Net Change in Fund Balance	<u>\$ (260)</u>	<u>\$ (176,401)</u>	227,442	<u>\$ 403,843</u>
Fund Balance, Beginning of Year			<u>4,334,798</u>	
Fund Balance, End of Year			<u>\$ 4,562,240</u>	

City of Tomball, Texas
Internal Service Funds
Year Ended September 30, 2017

Internal service funds are used to account for services provided to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

Fleet Replacement Fund

This internal service fund is used to account for transportation 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.

City of Tomball, Texas
Combining Statement of Net Position – Internal Service Funds
September 30, 2017

	Fleet Replacement Fund	Health Benefits Fund	Total Internal Service Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 84,172	\$ 62,342	\$ 146,514
Investments	1,668,214	1,221,096	2,889,310
Due from other government	-	8,059	8,059
Due from component unit	-	11,259	11,259
	<u>1,752,386</u>	<u>1,302,756</u>	<u>3,055,142</u>
Noncurrent assets			
Capital assets:			
Machinery and equipment	1,195,398	-	1,195,398
Vehicles	1,663,259	-	1,663,259
Less accumulated depreciation	(1,922,648)	-	(1,922,648)
	<u>936,009</u>	<u>0</u>	<u>936,009</u>
Total noncurrent assets	<u>936,009</u>	<u>0</u>	<u>936,009</u>
Total assets	<u>\$ 2,688,395</u>	<u>\$ 1,302,756</u>	<u>\$ 3,991,151</u>
Liabilities and Net Position			
Current liabilities			
Accounts payable	\$ 803	\$ 4,843	\$ 5,646
Net position			
Net investment in capital assets	936,009	-	936,009
Unrestricted	1,751,583	1,297,913	3,049,496
	<u>2,687,592</u>	<u>1,297,913</u>	<u>3,985,505</u>
Total net position	<u>2,687,592</u>	<u>1,297,913</u>	<u>3,985,505</u>
Total liabilities and net position	<u>\$ 2,688,395</u>	<u>\$ 1,302,756</u>	<u>\$ 3,991,151</u>

City of Tomball, Texas
Combining Statement of Revenues, Expenses and
Changes In Net Position – Internal Service Funds
Year Ended September 30, 2017

	Fleet Replacement Fund	Health Benefits Fund	Total Internal Service Funds
Operating Revenues			
Charges for sales and services	\$ 201,812	\$ 2,624,941	\$ 2,826,753
Operating Expenses			
Costs of sales and services	42,386	2,500,747	2,543,133
Depreciation	374,396	-	374,396
Total operating expenses	416,782	2,500,747	2,917,529
Operating Income (Loss)	(214,970)	124,194	(90,776)
Nonoperating Revenues			
Investment earnings	13,390	7,949	21,339
Gain on disposal of property	10,083	-	10,083
Total nonoperating revenues	23,473	7,949	31,422
Change in Net Position	(191,497)	132,143	(59,354)
Net Position, Beginning of Year	2,879,089	1,165,770	4,044,859
Net Position, End of Year	\$ 2,687,592	\$ 1,297,913	\$ 3,985,505

City of Tomball, Texas
Combining Statement of Cash Flows – Internal Service Funds
Year Ended September 30, 2017

	Fleet Replacement Fund	Health Benefits Fund	Total Internal Service Funds
Operating Activities			
Receipts from customers	\$ -	\$ 21,638	\$ 21,638
Receipts from interfund charges for fleet management services	201,812	-	201,812
Receipts from interfund charges for health benefits services	-	2,598,249	2,598,249
Payments to suppliers and service providers	<u>(41,583)</u>	<u>(2,713,481)</u>	<u>(2,755,064)</u>
Net cash provided by (used in) operating activities	<u>160,229</u>	<u>(93,594)</u>	<u>66,635</u>
Capital and Related Financing Activities			
Acquisition and construction of capital assets	(233,627)	-	(233,627)
Proceeds from sale of capital assets	<u>10,083</u>	<u>-</u>	<u>10,083</u>
Net cash used in capital and related financing activities	<u>(223,544)</u>	<u>0</u>	<u>(223,544)</u>
Investing Activities			
Investment maturities (purchases)	66,635	(131,240)	(64,605)
Investment on investments	<u>13,390</u>	<u>7,949</u>	<u>21,339</u>
Net cash provided by investing activities	<u>80,025</u>	<u>(123,291)</u>	<u>(43,266)</u>
Increase (Decrease) in Cash and Cash Equivalents	16,710	(216,885)	(200,175)
Cash and Cash Equivalents, Beginning of Year	<u>67,462</u>	<u>279,227</u>	<u>346,689</u>
Cash and Cash Equivalents, End of Year	<u>\$ 84,172</u>	<u>\$ 62,342</u>	<u>\$ 146,514</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities			
Operating income (loss)	\$ (214,970)	\$ 124,194	\$ (90,776)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	374,396	-	374,396
Changes in:			
Accounts receivable, net	-	(5,054)	(5,054)
Accounts payable and accrued liabilities	<u>803</u>	<u>(212,734)</u>	<u>(211,931)</u>
Net cash provided by (used in) operating activities	<u>\$ 160,229</u>	<u>\$ (93,594)</u>	<u>\$ 66,635</u>

City of Tomball, Texas
Balance Sheet – Discretely Presented Component Unit
(Tomball Economic Development Corporation)
September 30, 2017

Assets	
Cash and cash equivalents	\$ 144,239
Investments	13,300,038
Accounts receivable, net	<u>580,095</u>
Total assets	<u><u>\$ 14,024,372</u></u>
 Liabilities	
Accounts payable	\$ 78,230
 Fund Balance	
Unassigned	<u>13,946,142</u>
Total liabilities and fund balance	<u><u>\$ 14,024,372</u></u>
 Reconciliation to Government-wide Statement of Net Position	
Total fund balance	\$ 13,946,142
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund	<u>3,668,922</u>
Net Position of Component Unit	<u><u>\$ 17,615,064</u></u>

City of Tomball, Texas
Statement of Revenues, Expenditures and Changes in
Fund Balance – Discretely Presented Component Unit
(Tomball Economic Development Corporation)
Year Ended September 30, 2017

Revenues	
Sales tax	\$ 3,601,950
Intergovernmental	5,500
Investment earnings	<u>87,061</u>
Total revenues	3,694,511
Expenditures	
Current:	
Economic development	<u>3,200,185</u>
Excess of Revenues Over Expenditures	<u>494,326</u>
Net Change in Fund Balance	494,326
Fund Balance, Beginning of Year	<u>13,451,816</u>
Fund Balance, End of Year	<u><u>\$ 13,946,142</u></u>
Reconciliation to Government-wide Statement of Activities	
Net change in fund balance	\$ 494,326
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 by which capital outlays exceeded depreciation expense in the current period.	<u>581,097</u>
Change in Net Position of Component Unit	<u><u>\$ 1,075,423</u></u>

**Statistical Section
(Unaudited)**

City of Tomball, Texas
Net Position by Component
Last Ten Fiscal Years (Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net investment in capital assets	\$ 10,206,785	\$ 16,143,552	\$ 16,790,199	\$ 18,306,705	\$ 23,370,524	\$ 25,646,519	\$ 28,189,848	\$ 31,267,016	\$ 34,220,115	\$ 40,779,628
Restricted	1,835,397	2,278,695	1,423,521	1,895,850	2,675,627	2,804,100	3,557,490	4,308,595	5,821,510	3,912,411
Unrestricted	16,282,148	11,362,902	13,048,317	12,518,847	10,571,977	12,612,754	13,566,745	10,694,702	10,340,744	11,385,550
Total governmental activities net position	<u>\$ 28,324,330</u>	<u>\$ 29,785,149</u>	<u>\$ 31,262,037</u>	<u>\$ 32,721,402</u>	<u>\$ 36,618,128</u>	<u>\$ 41,063,373</u>	<u>\$ 45,314,083</u>	<u>\$ 46,270,313</u>	<u>\$ 50,382,369</u>	<u>\$ 56,077,589</u>
Business-type Activities										
Net investment in capital assets	\$ 24,774,972	\$ 26,080,707	\$ 29,073,794	\$ 29,338,053	\$ 30,368,908	\$ 30,721,512	\$ 30,851,835	\$ 33,433,571	\$ 33,059,434	\$ 33,038,353
Restricted	-	-	-	-	-	-	1,095,173	-	-	-
Unrestricted	9,610,968	10,555,994	8,753,794	10,299,638	9,636,451	10,646,792	11,354,769	10,960,950	11,445,362	8,966,625
Total business-type activities net position	<u>\$ 34,385,940</u>	<u>\$ 36,636,701</u>	<u>\$ 37,827,588</u>	<u>\$ 39,637,691</u>	<u>\$ 40,005,359</u>	<u>\$ 41,368,304</u>	<u>\$ 43,301,777</u>	<u>\$ 44,394,521</u>	<u>\$ 44,504,796</u>	<u>\$ 42,004,978</u>
Primary Government										
Net investment in capital assets	\$ 34,981,757	\$ 42,224,259	\$ 45,863,993	\$ 47,644,758	\$ 53,739,432	\$ 56,368,031	\$ 59,041,683	\$ 64,700,587	\$ 67,279,549	\$ 73,817,981
Restricted	1,835,397	2,278,695	1,423,521	1,895,850	2,675,627	2,804,100	4,652,663	4,308,595	5,821,510	3,912,411
Unrestricted	25,893,116	21,918,896	21,802,111	22,818,485	20,208,428	23,259,546	24,921,514	21,655,652	21,786,106	20,352,175
Total primary government net position	<u>\$ 62,710,270</u>	<u>\$ 66,421,850</u>	<u>\$ 69,089,625</u>	<u>\$ 72,359,093</u>	<u>\$ 76,623,487</u>	<u>\$ 82,431,677</u>	<u>\$ 88,615,860</u>	<u>\$ 90,664,834</u>	<u>\$ 94,887,165</u>	<u>\$ 98,082,567</u>

City of Tomball, Texas
Changes in Net Position
Last Ten Fiscal Years (Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 1,734,307	\$ 3,091,652	\$ 3,476,001	\$ 4,472,541	\$ 4,077,633	\$ 5,131,879	\$ 4,789,051	\$ 4,968,344	\$ 5,391,624	\$ 5,916,485
Public safety	7,224,244	6,720,247	5,907,235	6,546,562	6,845,653	7,508,811	8,069,621	8,493,353	9,028,841	9,650,665
Public works	6,325,789	5,692,269	5,205,824	4,739,268	5,794,907	5,456,886	6,137,989	6,181,783	6,436,355	6,952,664
Community development	471,539	260,561	272,034	255,764	287,085	302,564	338,381	313,713	421,381	386,153
Interest and fiscal agent fees on long-term debt	790,736	708,109	658,304	353,188	821,705	830,054	926,584	891,258	830,716	1,252,064
Total governmental activities expenses	<u>16,546,615</u>	<u>16,472,838</u>	<u>15,519,398</u>	<u>16,367,323</u>	<u>17,826,983</u>	<u>19,230,194</u>	<u>20,261,626</u>	<u>20,848,451</u>	<u>22,108,917</u>	<u>24,158,031</u>
Business-type activities:										
Utility Administration	2,775,923	2,235,193	1,843,501	2,207,488	979,390	955,026	909,211	979,161	1,179,100	1,362,874
Water	2,215,841	2,197,679	2,549,230	3,003,537	3,262,366	2,962,612	3,087,563	3,410,534	3,410,534	3,937,152
Wastewater	1,402,558	1,134,907	1,226,582	1,757,176	1,736,531	1,978,197	2,418,443	2,483,923	2,483,923	2,228,636
Gas	2,486,336	2,374,227	1,801,364	1,600,490	1,743,258	2,229,583	1,963,162	1,429,950	1,429,950	1,507,955
Interest and fiscal agent fees	-	512,851	481,542	272,406	321,443	245,129	-	-	-	-
Total business-type activities expenses	<u>8,880,658</u>	<u>8,454,857</u>	<u>7,902,219</u>	<u>8,841,097</u>	<u>8,042,988</u>	<u>8,370,547</u>	<u>8,378,379</u>	<u>8,303,568</u>	<u>8,503,507</u>	<u>9,036,617</u>
Total primary government expenses	<u>\$ 25,427,273</u>	<u>\$ 24,927,695</u>	<u>\$ 23,421,617</u>	<u>\$ 25,208,420</u>	<u>\$ 25,869,971</u>	<u>\$ 27,600,741</u>	<u>\$ 28,640,005</u>	<u>\$ 29,152,019</u>	<u>\$ 30,612,424</u>	<u>\$ 33,194,648</u>

City of Tomball, Texas
Changes in Net Position (Continued)
Last Ten Fiscal Years (Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 1,044,706	\$ 1,204,099	\$ 1,083,408	\$ 1,143,981	\$ 1,181,742	\$ 1,066,313	\$ 999,667	\$ 1,334,938	\$ 1,334,938	\$ 1,315,754
Public works	2,596,344	2,231,777	2,284,482	2,384,406	2,613,043	2,695,712	2,694,670	2,673,999	2,673,999	2,359,008
Community development	-	-	-	-	-	-	-	-	-	441,542
Operating grants and contributions	278,350	83,130	268,675	1,295,653	1,313,128	1,844,224	1,039,237	544,607	544,607	1,420,653
Total governmental activities program revenues	<u>3,919,400</u>	<u>3,519,006</u>	<u>3,636,565</u>	<u>4,824,040</u>	<u>5,107,913</u>	<u>5,606,249</u>	<u>4,733,574</u>	<u>4,553,544</u>	<u>4,553,544</u>	<u>5,536,957</u>
Business-type activities:										
Charges for services:										
Utility administration	-	427,519	413,523	622,320	1,001,306	807,673	842,468	907,654	907,654	739,061
Water	4,547,803	3,985,231	5,199,565	4,470,657	4,668,205	4,578,777	4,449,383	4,654,613	4,654,613	5,092,916
Wastewater	2,468,377	2,233,364	2,368,469	2,262,268	2,365,611	2,372,163	2,320,748	2,316,495	2,316,495	2,434,143
Gas	4,426,091	4,011,635	3,538,152	2,894,447	3,061,634	3,578,145	3,295,521	2,844,005	2,844,005	2,655,884
Operating grants and contributions	720,000	720,000	798,300	720,000	670,000	670,000	670,000	558,148	558,148	558,148
Total business-type activities program revenues	<u>12,162,271</u>	<u>11,377,749</u>	<u>12,318,009</u>	<u>10,969,692</u>	<u>11,766,756</u>	<u>12,006,758</u>	<u>11,578,120</u>	<u>11,280,915</u>	<u>11,280,915</u>	<u>11,480,152</u>
Total primary government program revenues	<u>\$ 16,081,671</u>	<u>\$ 14,896,755</u>	<u>\$ 15,954,574</u>	<u>\$ 15,793,732</u>	<u>\$ 16,874,669</u>	<u>\$ 17,613,007</u>	<u>\$ 16,311,694</u>	<u>\$ 15,834,459</u>	<u>\$ 15,834,459</u>	<u>\$ 17,017,109</u>
Net (Expense) Revenue										
Governmental activities	\$ (12,627,215)	\$ (12,953,832)	\$ (11,882,833)	\$ (11,543,283)	\$ (12,719,070)	\$ (13,623,945)	\$ (15,528,052)	\$ (16,294,907)	\$ (17,555,373)	\$ (18,621,074)
Business-type activities	3,281,613	2,922,892	4,415,790	2,128,595	3,723,768	3,636,211	3,199,741	2,977,347	2,777,408	2,443,535
Total primary government net expense	<u>\$ (9,345,602)</u>	<u>\$ (10,030,940)</u>	<u>\$ (7,467,043)</u>	<u>\$ (9,414,688)</u>	<u>\$ (8,995,302)</u>	<u>\$ (9,987,734)</u>	<u>\$ (12,328,311)</u>	<u>\$ (13,317,560)</u>	<u>\$ (14,777,965)</u>	<u>\$ (16,177,539)</u>

City of Tomball, Texas
Changes in Net Position (Continued)
Last Ten Fiscal Years (Accrual Basis of Accounting)

	2008	2008	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 933,885	\$ 1,587,560	\$ 1,422,603	\$ 1,270,645	\$ 1,228,461	\$ 1,543,913	\$ 1,638,673	\$ 1,715,949	\$ 1,855,706	\$ 1,964,345
Property taxes, levied for debt service	1,511,139	1,449,089	1,500,310	1,586,918	2,557,169	3,164,416	3,371,282	3,525,979	3,818,986	4,042,945
Sales taxes	7,100,293	7,038,176	6,651,064	7,023,409	8,189,360	9,442,376	10,532,691	10,839,818	10,578,683	10,791,147
Franchise and local taxes	1,201,401	1,150,591	1,153,954	1,186,272	1,227,784	1,267,302	1,253,077	1,282,598	1,331,077	1,307,171
Other taxes	267,133	308,100	229,636	325,360	444,032	428,208	590,910	538,843	628,932	554,839
Contributions	6,000	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	756,431	325,789	80,426	43,035	46,763	44,877	30,636	40,115	133,673	473,077
Other	515,216	405,391	166,287	361,026	151,142	227,592	253,375	475,712	395,060	145,114
Gain on sale of capital assets	-	-	-	-	-	-	-	17,634	127,134	-
Transfers	39,291	1,749,561	2,260,134	2,393,458	3,054,958	2,448,842	1,691,621	1,607,068	2,798,178	5,037,656
Total governmental activities	<u>12,330,789</u>	<u>14,014,257</u>	<u>13,464,414</u>	<u>14,190,123</u>	<u>16,899,669</u>	<u>18,567,526</u>	<u>19,362,265</u>	<u>20,043,716</u>	<u>21,667,429</u>	<u>24,316,294</u>
Business-type activities:										
Unrestricted investment earnings	308,849	175,119	93,361	30,414	21,721	13,088	(1,417)	33,771	43,741	82,792
Other	720,000	2,860	43,076	121,344	44,212	50,567	45,800	47,847	87,304	11,511
Transfers	(39,291)	(1,749,561)	(2,260,134)	(2,393,458)	(3,054,958)	(2,448,842)	(1,691,621)	(1,607,068)	(2,798,178)	(5,037,656)
Total business-type activities	<u>989,558</u>	<u>(1,571,582)</u>	<u>(2,123,697)</u>	<u>(2,241,700)</u>	<u>(2,989,025)</u>	<u>(2,385,187)</u>	<u>(1,647,238)</u>	<u>(1,525,450)</u>	<u>(2,667,133)</u>	<u>(4,943,353)</u>
Total primary government	<u>\$ 13,320,347</u>	<u>\$ 12,442,675</u>	<u>\$ 11,340,717</u>	<u>\$ 11,948,423</u>	<u>\$ 13,910,644</u>	<u>\$ 16,182,339</u>	<u>\$ 17,715,027</u>	<u>\$ 18,518,266</u>	<u>\$ 19,000,296</u>	<u>\$ 19,372,941</u>
Change in Net Position										
Governmental activities	\$ (296,426)	\$ 1,060,425	\$ 1,581,581	\$ 2,646,840	\$ 4,180,599	\$ 4,943,581	\$ 3,834,213	\$ 3,748,809	\$ 4,112,056	\$ 5,695,220
Business-type activities	4,271,171	1,351,310	2,292,093	(113,105)	734,743	1,251,024	1,552,503	1,451,897	110,275	(2,499,818)
Total primary government	<u>\$ 3,974,745</u>	<u>\$ 2,411,735</u>	<u>\$ 3,873,674</u>	<u>\$ 2,533,735</u>	<u>\$ 4,915,342</u>	<u>\$ 6,194,605</u>	<u>\$ 5,386,716</u>	<u>\$ 5,200,706</u>	<u>\$ 4,222,331</u>	<u>\$ 3,195,402</u>

City of Tomball, Texas
Fund Balances – Governmental Funds
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 39,913	\$ 30,441	\$ 15,894	\$ 14,435	\$ 12,047	\$ 14,956
Restricted	-	23,724	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	325,879	161,921	322,702	127,671	35,379	24,767
Unassigned	16,676,502	12,194,969	12,161,681	11,797,535	9,489,655	11,559,755	13,075,443	13,340,472	13,245,355	13,021,273
Total general fund	<u>\$ 16,676,502</u>	<u>\$ 12,218,693</u>	<u>\$ 12,161,681</u>	<u>\$ 11,797,535</u>	<u>\$ 9,815,534</u>	<u>\$ 11,752,117</u>	<u>\$ 13,414,039</u>	<u>\$ 13,482,578</u>	<u>\$ 13,292,781</u>	<u>\$ 13,060,996</u>
All Other Governmental Funds										
Restricted	\$ 2,097,709	\$ 1,530,276	\$ 1,276,646	\$ 1,896,380	\$ 19,319,655	\$ 27,524,034	\$ 26,470,729	\$ 23,370,264	\$ 19,434,478	\$ 42,711,890
Assigned, reported in:										
Capital project funds	121,425	133,498	133,790	135,609	-	-	-	-	-	-
Nonmajor governmental funds	353,527	742,340	901,406	141,129	133,570	143,436	168,245	167,060	128,489	140,059
Total all other governmental funds	<u>\$ 2,572,661</u>	<u>\$ 2,406,114</u>	<u>\$ 2,311,842</u>	<u>\$ 2,173,118</u>	<u>\$ 19,453,225</u>	<u>\$ 27,667,470</u>	<u>\$ 26,638,974</u>	<u>\$ 23,537,324</u>	<u>\$ 19,562,967</u>	<u>\$ 42,851,949</u>

City of Tomball, Texas
Changes in Fund Balances – Governmental Funds
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 11,193,185	\$ 11,442,297	\$ 10,897,786	\$ 11,400,964	\$ 13,886,856	\$ 15,846,215	\$ 17,386,633	\$ 17,903,187	\$ 18,213,384	\$ 18,660,447
Licenses and permits	319,177	247,548	311,563	262,713	308,621	445,104	446,292	492,646	439,677	477,934
Fines and forfeitures	922,073	1,044,706	1,204,099	1,083,408	1,143,981	1,181,742	1,066,313	999,667	892,654	811,084
Charges for services	2,293,442	2,348,796	1,920,214	2,021,769	2,075,785	2,167,939	2,249,420	2,202,024	2,234,322	2,236,863
Intergovernmental	265,047	278,350	73,130	168,782	273,950	784,918	939,861	384,308	288,988	879,740
Contributions from component unit	-	-	10,000	99,893	1,021,703	528,210	904,363	606,753	538,012	540,913
Investment earnings	713,433	312,290	99,837	40,760	44,347	42,913	29,604	38,372	125,092	451,739
Other revenues	332,551	361,992	254,615	386,935	151,143	178,501	242,361	538,244	637,104	746,050
Total revenues	16,038,908	16,035,979	14,771,244	15,465,224	18,906,386	21,175,542	23,264,847	23,165,201	23,369,233	24,804,770
Expenditures										
General government	3,822,202	2,606,885	4,333,119	4,507,290	4,520,919	5,099,473	4,929,295	5,128,871	5,226,561	6,100,527
Public safety	6,010,899	7,770,127	5,850,953	6,391,016	7,344,336	7,353,064	8,230,705	9,114,221	8,509,599	9,089,408
Public works	3,635,764	3,713,018	3,784,400	3,090,590	3,407,143	3,217,149	3,364,509	3,464,256	3,386,348	6,526,127
Public service	550,513	932,492	587,557	1,179,637	266,984	1,677,586	1,627,610	1,366,045	2,716,596	-
Parks and recreation	-	-	-	-	-	-	-	-	-	741,577
Community services	-	-	-	-	-	-	-	-	-	702,393
Capital outlay	3,521,127	5,387,966	821,359	1,445,273	4,311,250	1,939,517	2,996,663	5,923,542	7,384,704	777,156
Debt service:										
Principal	1,158,174	1,328,619	1,135,500	1,195,500	1,192,057	1,800,649	2,210,330	2,742,812	2,285,608	3,119,373
Interest and paying agent	795,482	714,188	723,159	626,247	913,371	1,017,839	963,930	865,633	822,149	1,657,511
Total expenditures	19,494,161	22,453,295	17,236,047	18,435,553	21,956,060	22,105,277	24,323,042	28,605,380	30,331,565	28,714,072
Deficiency of Revenues Over Expenditures	(3,455,253)	(6,417,316)	(2,464,803)	(2,970,329)	(3,049,674)	(929,735)	(1,058,195)	(5,440,179)	(6,962,332)	(3,909,302)
Other Financing Sources (Uses)										
Transfers in	-	1,749,561	2,260,134	2,393,458	5,206,958	2,748,842	2,491,049	3,261,023	3,979,455	8,138,353
Transfers out	(1,248,846)	-	-	-	(2,152,000)	(300,000)	(799,428)	(1,653,955)	(1,181,277)	(2,323,541)
Issuance of debt	-	-	2,120,000	3,892,500	14,500,000	14,270,500	-	-	-	20,240,000
Premium on debt issued	-	-	4,945	278,253	107,735	205,934	-	-	-	911,687
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	182,665	43,399	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,066,181)	1,792,960	2,313,519	2,467,459	18,387,693	11,040,650	1,691,621	2,407,068	2,798,178	26,966,499
Net Change in Fund Balances	\$ (4,521,434)	\$ (4,624,356)	\$ (151,284)	\$ (502,870)	\$ 15,338,019	\$ 10,110,915	\$ 633,426	\$ (3,033,111)	\$ (4,164,154)	\$ 23,057,197
Debt service as a percentage of noncapital expenditures	12.07%	11.94%	10.97%	10.29%	11.31%	13.34%	14.85%	15.86%	13.50%	17.06%

City of Tomball, Texas
Tax Revenues by Source – Governmental Activities
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function										
Property	\$ 2,570,145	\$ 2,945,430	\$ 2,938,594	\$ 2,865,923	\$ 4,025,680	\$ 4,708,329	\$ 5,009,955	\$ 5,241,928	\$ 5,674,692	\$ 6,007,290
Sales	7,206,713	7,038,176	6,651,064	6,976,875	8,189,360	9,442,376	10,532,691	10,839,818	10,578,683	10,791,147
Franchise fee	1,149,261	1,150,591	1,153,954	1,262,187	964,790	1,267,302	1,253,077	1,282,598	1,331,077	1,064,371
Other taxes	212,853	308,100	154,174	295,979	707,026	428,208	590,910	538,843	628,933	797,639
	<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>	<u>\$ 18,213,385</u>	<u>\$ 18,660,447</u>

City of Tomball, Texas
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years (Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Residential property	\$ 562,126,135	\$ 494,490,612	\$ 431,346,771	\$ 435,637,242	\$ 436,949,202	\$ 433,331,223	\$ 439,396,850	\$ 497,193,417	\$ 561,634,471	\$ 588,671,706
Commercial property	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	1,395,710,026	1,451,279,183
Less tax exempt property	(213,059,540)	(302,822,021)	(317,120,571)	(305,154,366)	(341,307,250)	(261,641,054)	(274,973,296)	(280,967,178)	(290,126,523)	(298,380,174)
Total taxable assessed value (1)	\$ 865,092,228	\$ 1,154,564,959	\$ 1,156,108,936	\$ 1,119,175,950	\$ 1,167,197,642	\$ 1,364,595,702	\$ 1,468,347,870	\$ 1,530,249,239	\$ 1,667,217,974	\$ 1,741,570,715
Total direct tax rate	0.251455	0.251455	0.251455	0.251455	0.341455	0.341455	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.

City of Tomball, Texas
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years (Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City of Tomball by Fund:										
General	0.101455	0.131455	0.121455	0.111455	0.111455	0.111455	0.111455	0.111455	0.111455	0.111455
Debt service	0.150000	0.120000	0.130000	0.140000	0.230000	0.230000	0.230000	0.230000	0.230000	0.230000
Total direct rates	<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>	<u>0.341455</u>	<u>0.341455</u>
Overlapping Rates:										
Tomball Independent School District	1.275000	1.360000	1.360000	1.360000	1.360000	1.360000	1.360000	1.360000	1.340000	1.340000
Harris County	0.392390	0.389230	0.392240	0.388050	0.391170	0.400210	0.414550	0.417310	0.419230	0.416560
Harris County Flood Control District	0.031060	0.030860	0.029220	0.029230	0.028090	0.028090	0.028270	0.027360	0.027330	0.028290
Port of Houston Authority	0.014370	0.017730	0.016360	0.020540	0.185600	0.019520	0.017160	0.015310	0.013420	0.013340
Harris County Hospital District	0.192160	0.192160	0.192160	0.192160	0.192160	0.182160	0.170000	0.170000	0.170000	0.171790
Harris County Department of Education	0.005853	0.005840	0.006050	0.006581	0.006581	0.006617	0.006358	0.005999	0.005422	0.005200
Lone Star College System District	0.114400	0.110100	0.110100	0.117600	0.121000	0.119800	0.116000	0.108100	0.107900	0.107800
Emergency Service District #8	0.030000	0.050000	0.050000	0.050000	0.050000	0.050000	0.050000	0.100000	0.100000	0.095470
Total direct and overlapping rates (1)	<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>	<u>2.524757</u>	<u>2.519905</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.

City of Tomball, Texas
Principal Property Taxpayers
Current Year and Nine Years Ago

Property Taxpayer	2017		Percent of Taxable Assessed Value	2008		Percent of Taxable Assessed Value
		Rank			Rank	
North Houston TRMC	\$ 134,013,627	1	7.69%	\$ -	n/a	
Baker Hughes	108,257,438	2	6.22%	-	n/a	
B J Services	47,040,050	3	2.70%	182,840,559	1	21.14%
MB Tomball Town Center	32,677,416	4	1.88%	-	n/a	
Weingarten Investments Inc.	21,015,000	5	1.21%	12,887,614	7	1.49%
Tomball Regional Medical Center	16,738,530	6	0.96%	-	n/a	
Breaux Machine Works LP	15,634,469	7	0.90%	-	n/a	
Welltower TCG	15,577,582	8	0.89%	-	n/a	
Harrison Street Real Estate LLC	14,127,000	9	0.81%	-	n/a	
Benadam Corporation	12,200,729	10	0.70%	-	n/a	
Wal-Mart	11,331,961	11	0.65%	20,315,713	2	2.35%
BK 2920 LTD	11,155,666	12	0.64%	-	n/a	
CenterPoint Energy	10,286,230	13	0.59%	14,783,169	5	1.71%
MSR TX Tomball LP	-	n/a		18,955,529	3	2.19%
Lowe's	-	n/a		15,103,772	4	1.75%
HEB Grocery Co. LP	-	n/a		13,328,160	6	1.54%
NNN Park at Spring Creek LLC	-	n/a		12,655,681	8	1.46%
Target Corporation	-	n/a		11,776,723	9	1.36%
A S 62 HWY 249 & FM 2920	-	n/a		11,481,912	10	1.33%
Subtotal	450,055,698		25.84%	314,128,832		36.31%
Other Taxpayers	1,291,515,017		74.16%	550,963,396		63.39%
Total	\$ 1,741,570,715		100.00%	\$ 865,092,228		100.00%

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

City of Tomball, Texas
Ad Valorem Tax Levies and Collections
Last Ten Fiscal Years (Accrual Basis of Accounting)

Fiscal Year Ended September 30,	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Periods	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2008	\$ 2,516,842	\$ 2,469,639	98%	\$ 38,306	\$ 2,507,945	100%
2009	2,903,971	2,843,461	98%	40,547	2,884,008	99%
2010	2,910,632	2,861,107	98%	35,460	2,896,567	100%
2011	2,815,500	2,776,954	99%	31,595	2,808,549	100%
2012	3,983,961	3,943,188	99%	23,756	3,966,944	100%
2013	4,649,753	4,633,156	100%	7,900	4,641,056	100%
2014	4,985,054	4,967,598	100%	11,539	4,979,137	100%
2015	5,185,007	5,168,570	100%	21,097	5,189,667	100%
2016	5,688,531	5,591,963	98%	58,445	5,650,408	99%
2017	6,077,755	5,870,159	97%	-	5,870,159	97%

City of Tomball, Texas
Sales Tax Revenues by Industry
Current Year and Nine Years Ago

Sales Tax Remitter	Calendar Year 2017				Calendar Year 2008			
	Number of Outlets	Percentage of Total	Tax Liability	Percentage of Total	Number of Outlets	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	2,299	33.05%	\$ 6,348	43.24%	1,164	25.96%	\$ 3,632	37.67%
Services	1,265	18.18%	2,783	18.96%	966	21.55%	1,538	15.95%
Wholesale Trade	1,052	15.12%	1,371	9.34%	582	12.98%	353	3.66%
Utilities, Transportation, Communications	236	3.39%	978	6.66%	159	3.55%	485	5.03%
Manufacturing	821	11.80%	648	4.41%	407	9.08%	288	2.99%
Construction	399	5.74%	312	2.13%	239	5.33%	192	1.99%
Finance, Insurance and Real Estate	265	3.81%	405	2.76%	211	4.71%	259	2.69%
Mining, Quarrying and Oil and Gas Extraction	20	0.29%	135	0.92%	10	0.22%	1	0.01%
All other outlets	600	8.62%	1,702	11.59%	745	16.62%	2,894	30.01%
Total	6,957	100.00%	\$ 14,682	100.00%	4,483	100.00%	\$ 9,642	100.00%

Source: Texas State Comptroller of Public Accounts

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

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

City of Tomball, Texas

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years (Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Primary Government										
Governmental activities:										
General Obligation Bonds	\$ -	\$ -	\$ 2,120,000	\$ 5,767,500	\$ 5,501,750	\$ 10,985,250	\$ 9,710,500	\$ 8,437,500	\$ 7,165,750	\$ 5,887,500
Certificates of Obligation	16,688,500	15,578,000	12,377,500	7,516,500	21,151,000	22,435,000	21,565,000	20,640,000	19,695,000	38,165,000
Premiums	-	-	-	255,065	332,990	492,862	449,806	406,750	363,694	1,188,911
Other Debt items	-	-	-	(376,266)	(338,639)	(453,956)	-	-	-	-
Capital leases	218,540	-	-	-	664,193	601,044	535,464	800,000	731,142	660,019
Subtotal	16,907,040	15,578,000	14,497,500	13,162,799	27,311,294	34,060,200	32,260,770	30,284,250	27,955,586	45,901,430
Business-type activities:										
General Obligation Bonds	-	-	-	4,757,500	4,738,250	5,304,750	4,669,500	4,042,500	3,429,250	2,832,500
Certificates of Obligation	8,376,500	7,777,000	7,177,500	1,798,500	1,199,000	-	-	-	-	-
Premiums	-	-	-	129,540	105,987	94,211	82,435	70,659	58,883	47,107
Revenue bonds	4,830,000	4,470,000	4,100,000	3,715,000	3,315,000	2,900,000	2,465,000	-	-	-
Subtotal	13,206,500	12,247,000	11,277,500	10,400,540	9,358,237	8,298,961	7,216,935	4,113,159	3,488,133	2,879,607
Total Primary Government	\$ 30,113,540	\$ 27,825,000	\$ 25,775,000	\$ 23,563,339	\$ 36,669,531	\$ 42,359,161	\$ 39,477,705	\$ 34,397,409	\$ 31,443,719	\$ 48,781,037
Personal Income	\$ 276,767,062	\$ 285,081,600	\$ 290,186,220	\$ 273,663,850	\$ 315,207,090	\$ 315,207,090	\$ 463,247,856	\$ 475,348,930	\$ 508,752,440	\$ 576,689,433
Debt as a Percentage of Personal Income	10.880%	9.760%	8.882%	8.610%	11.633%	13.439%	8.522%	7.236%	6.181%	8.459%
Population	11,531	11,600	11,670	10,753	10,979	10,979	11,124	11,299	11,540	11,643
Debt Per Capita	2,612	2,399	2,209	2,191	3,340	3,858	3,549	3,044	2,725	4,190

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

City of Tomball, Texas

Ratio 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 Fiscal Years (Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net Taxable Assessed Value										
All property	\$ 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	\$ 1,667,217,974	\$ 1,741,570,715
Net Bonded Debt										
Gross bonded debt	25,065,000	23,355,000	21,675,000	19,718,799	32,690,338	38,858,117	36,477,241	33,597,409	30,712,577	48,121,018
Net bonded debt	<u>\$ 25,065,000</u>	<u>\$ 23,355,000</u>	<u>\$ 21,675,000</u>	<u>\$ 19,718,799</u>	<u>\$ 32,690,338</u>	<u>\$ 38,858,117</u>	<u>\$ 36,477,241</u>	<u>\$ 33,597,409</u>	<u>\$ 30,712,577</u>	<u>\$ 48,121,018</u>
Ratio of Net Bonded Debt to Assessed Value	2.32%	2.02%	1.87%	1.96%	2.80%	2.85%	2.48%	2.20%	1.84%	2.76%
Population	11,531	11,600	11,670	10,753	10,979	10,979	11,124	11,299	11,540	11,643
Net Bonded Debt Per Capita	2,174	2,013	1,857	1,834	2,978	3,539	3,279	2,973	2,661	4,133

City of Tomball, Texas
Direct and Overlapping Governmental Activities Debt
As of September 30, 2017

Governmental Unit	Net Bonded Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Tomball ISD	\$ 387,175,000	17.76%	\$ 68,762,280
Harris County	2,303,812,874	0.38%	8,754,489
Harris County Flood Control District	83,075,000	0.38%	315,685
Harris County Hospital District	61,595,000	0.38%	234,061
Port of Houston Authority	657,994,397	0.38%	2,500,379
Harris County Dept of Education	6,780,000	0.38%	25,764
Lone Star College System	640,175,000	1.12%	<u>7,169,960</u>
Subtotal, overlapping debt			87,762,618
City direct debt		100.00%	<u>45,901,430</u>
Total direct and overlapping debt			<u><u>\$ 133,664,048</u></u>

Source: First Southwest Company/ Texas Municipal Reports

(1) Estimated percentage applicable developed from information obtained from the Municipal Advisory Council of Texas.

City of Tomball, Texas
Legal Debt Margin Information
Last Ten Fiscal Years (Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 107,815,177	\$ 115,456,496	\$ 115,610,894	\$ 100,815,311	\$ 116,719,764	\$ 136,459,570	\$ 146,834,787	\$ 153,024,924	\$ 166,721,797	\$ 174,157,072
Total net debt applicable to limit	16,688,500	15,578,000	14,497,500	13,284,000	26,652,750	33,420,250	31,275,500	29,077,500	26,860,750	44,052,500
Legal debt margin	\$ 91,126,677	\$ 99,878,496	\$ 101,113,394	\$ 87,531,311	\$ 90,067,014	\$ 103,039,320	\$ 115,559,287	\$ 123,947,424	\$ 139,861,047	\$ 130,104,572
Total net debt applicable to the limit as a percentage of debt limit	15.48%	13.49%	12.54%	13.18%	22.83%	24.49%	21.30%	19.00%	16.11%	25.29%

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$ 1,741,570,715
Debt limit (10% of assessed value)	174,157,072 (1)
Debt applicable to limit:	
General obligation bonds	44,052,500
Less: amount set aside for repayment of general obligation debt	
Total net debt applicable to limit	44,052,500
Legal debt margin	\$ 130,104,572

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.

City of Tomball, Texas
Pledged Revenue Coverage
Last Ten Fiscal Years (Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Gross revenues	\$ 9,987,545	\$ 12,327,602	\$ 11,493,769	\$ 12,488,750	\$ 11,012,281	\$ 11,831,041	\$ 12,060,478	\$ 11,650,417	\$ 11,371,959	\$ 10,922,004
Operating expenses (1)	7,039,498	6,593,348	6,338,235	6,165,226	5,968,026	6,366,426	6,766,405	6,989,458	6,917,814	7,200,566
Net revenues available for debt service	<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>	<u>\$ 4,454,145</u>	<u>\$ 3,721,438</u>
Debt Service Requirements (2)										
Principal and interest	\$ 541,047	\$ 541,575	\$ 538,595	\$ 542,505	\$ 560,591	\$ 563,815	\$ 568,174	\$ 573,536	\$ -	\$ -
Total	<u>\$ 541,047</u>	<u>\$ 541,575</u>	<u>\$ 538,595</u>	<u>\$ 542,505</u>	<u>\$ 560,591</u>	<u>\$ 563,815</u>	<u>\$ 568,174</u>	<u>\$ 573,536</u>	<u>\$ 0</u>	<u>\$ 0</u>
Coverage	5.45	10.59	9.57	11.66	9.00	9.69	9.32	8.13	n/a	n/a

(1) Total operating expenses less depreciation.

(2) Includes revenue bonds only. Revenue bonds were paid off during fiscal year 2015.

City of Tomball, Texas
Demographic and Economic Statistics
Last Ten Fiscal Years (Accrual Basis of Accounting)

Fiscal Year Ended September 30	Population (1)	Personal Income	Per Capita Personal Income (5)	Median Age (2)	School Enrollment (3)	Unemployment Rate (4)
2008	11,531	\$ 276,767,062	\$ 24,002	36.8	9,311	5.10%
2009	11,600	285,081,600	24,576	36.8	9,691	8.40%
2010	11,670	290,186,220	24,866	36.8	10,229	8.70%
2011	10,753	273,663,850	25,450	36.0	10,633	8.50%
2012	10,979	315,207,090	28,710	36.9	11,132	7.50%
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%
2016	11,540	508,752,440	44,086	37.3	14,077	5.70%
2017	11,643	576,689,433	49,531	34.5	14,700	4.80%

Data sources:

- (1) Estimated (2000 census adjusted for growth for fiscal years 2008-2010). Actual 2011 census population shown for fiscal year 2011. Fiscal year 2014-2017 adjusted for growth based on 2010 census American FactFinder. 2017 estimate from WolframAlpha.
- (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 or Houston-The Woodlands-Sugar Land MSA.
- (5) Tomball Economic Development Corporation or American FactFinder.

City of Tomball, Texas
Principal Employers
Current Year and Nine Years Ago

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment (2)	Employees	Rank	Percentage of Total City Employment (3)
Tomball ISD	1,983	1	23.03%	1,327	2	27.98%
Lone Star College - Tomball	901	2	10.46%	774	3	16.32%
Tomball Regional Medical Center	857	3	9.95%	1,600	1	33.74%
Wal-Mart	390	4	4.53%	340	5	7.17%
HEB	230	5	2.67%	215	6	4.53%
City of Tomball	180	6	2.09%	182	8	3.84%
Lowes	177	7	2.06%	185	7	3.90%
Kindred Hospital	162	8	1.88%	N/A	N/A	N/A
Kroger	156	9	1.81%	N/A	N/A	N/A
Target	105	10	1.22%	133	9	2.80%
Baker Hughes (B J Services)	N/A	N/A	N/A	600	4	12.65%

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

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

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

Sources:

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

City of Tomball, Texas
Full-Time Equivalent City Government Employees by Function\Program
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Administration	10.00	15.00	14.50	14.50	16.00	17.50	17.50	17.50	17.50	18.00
Permits and Inspection	6.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00	6.00	6.00
Police Department	55.00	55.00	55.00	57.00	59.00	58.00	58.50	59.50	59.50	61.50
Municipal Court	5.00	5.00	5.00	5.50	4.50	4.50	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	14.00	14.00	14.00	16.00	18.00	18.00	18.50	27.50	27.50	27.50
Public Works Admin.	9.00	9.00	9.00	9.00	9.00	9.00	9.00	10.00	8.00	8.00
Garage	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks	5.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20
Streets	7.20	8.20	8.20	8.20	8.20	7.20	7.20	7.20	8.20	8.20
Total general fund	<u>115.40</u>	<u>120.40</u>	<u>119.90</u>	<u>125.40</u>	<u>129.90</u>	<u>129.40</u>	<u>130.40</u>	<u>140.40</u>	<u>141.40</u>	<u>143.90</u>
Enterprise Fund										
Utility Administration	12.00	10.00	9.00	9.00	9.00	8.00	7.00	7.00	8.00	8.00
Water	8.20	6.20	7.20	7.20	7.20	7.20	8.20	8.20	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	7.20	6.20	6.20	6.20	6.20	6.20	6.20	6.20	6.20	6.20
Total enterprise fund	<u>37.60</u>	<u>32.60</u>	<u>32.60</u>	<u>32.60</u>	<u>32.60</u>	<u>31.60</u>	<u>31.60</u>	<u>31.60</u>	<u>32.60</u>	<u>32.60</u>
Special Revenue Fund	<u>0.00</u>	<u>0.00</u>	<u>0.50</u>	<u>3.00</u>	<u>2.50</u>	<u>3.00</u>	<u>12.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.50</u>
Total special revenue fund	<u>0.00</u>	<u>0.00</u>	<u>0.50</u>	<u>3.00</u>	<u>2.50</u>	<u>3.00</u>	<u>12.00</u>	<u>3.00</u>	<u>3.00</u>	<u>3.50</u>
Total City positions	<u>153.00</u>	<u>153.00</u>	<u>153.00</u>	<u>161.00</u>	<u>165.00</u>	<u>164.00</u>	<u>174.00</u>	<u>175.00</u>	<u>177.00</u>	<u>180.00</u>

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.

City of Tomball, Texas

Operating Indicators by Function/Program

Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function/Program										
Police:										
Arrests	1,840	1,625	2,049	2,012	1,475	2,394	1,650	1,252	883	1,073
Accident reports	499	440	330	334	392	378	453	514	577	489
Citations	12,445	10,820	14,694	12,798	13,329	11,330	10,181	7,251	6,746	5,679
Offense reports	2,398	2,050	1,705	1,915	2,153	2,008	2,224	1,462	1,092	1,299
Calls for service	8,299	7,688	7,348	6,774	7,399	7,069	7,524	7,938	7,747	7,205
Fire:										
Emergency responses	1,241	1,056	1,341	1,364	1,523	1,768	2,749	2,002	1,671	1,773
Fire incidents	206	218	220	207	178	129	128	104	114	162
Average response time	5:34	4:38	5:15	5:54	6:40	4:50	5:13	5:18	6:52	6:10
Water:										
New accounts	663	532	89	79	56	122	126	88	41	148
Source:										
Water	663	532	89	79	56	122	126	88	41	148
Sewer	663	532	89	79	56	122	126	88	41	148
Average daily consumption (millions of gallons)	1,980	2,166	1,941	2,525	2,249	2,043	1,967	2,052	2,051	1,807
Number of million gallons of well water pumped	722,788	790,409	708,565	923,261	822,215	759,817	718,069	750,434	748,615	659,814
Total consumption (millions of gallons)	722,788	790,409	708,565	923,261	822,215	759,817	718,069	750,434	748,615	659,814
Peak daily consumption (millions of gallons)	4,425	3,791	3,480	4,392	4,312	4,689	3,385	2,840	2,657	4,760
Sewer:										
Average daily sewage treatment (millions of gallons)	1.422	1.428	1.362	1.174	1.555	1.347	1.478	1.576	1.92	1.589
Total consumption (millions of gallons)	519.030	520.176	497.166	429.608	567.754	491.660	539.470	575.240	700.800	579.985
Peak daily consumption (millions of gallons)	5.90	5.10	3.72	2.18	7.44	2.85	5.19	3.78	2.70	3.51

Source: Various City departments

City of Tomball, Texas

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	26	28	30	32	33	33	33	35	35	35
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works:										
Streets (miles - centerlines)	72.6	73	56.2	56.2	58.2	50.6	50.6	50.6	50.6	57.94
Streetlights	648	648	650	654	664	689	720	720	720	720
Parks and recreation:										
Parks	4	4	4	4	4	6	6	7	7	7
Parks acreage	24 acres	24 acres	24 acres	24 acres	24 acres	39 acres	39 acres	52 acres	52 acres	69.81 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	2	2	2	2	2
Water:										
Water mains (miles)	89	91.29	91.59	91.79	91.49	92.2915	92.69	92.69	94.49	95.11
Fire hydrants	831	869	874	878	883	950	955	955	974	981
Storage capacity (millions of gallons)	1.85	1.85	1.85	2.35	2.35	2.85	2.85	2.85	2.85	2.15
Sewer:										
Sanitary sewers (miles)	56.17	58.6	58.86	59.44	60.13	60.2512	60.2512	60.2512	61.8512	62.48
Storm sewers (miles)	16.9	17.2	17.4	17.4	17.4	22.9	22.9	22.9	22.9	22.9
Open ditch/creek/canal drainage (miles)	53.00	53.4	53.7	54	54	54	54	54	54	57
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.