

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of the

CITY OF TOMBALL, TEXAS

For the Year Ended
September 30, 2009

Prepared by:

Finance Department

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CITY OF TOMBALL, TEXAS

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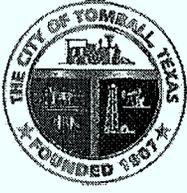
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INTRODUCTORY SECTION

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City of Tomball

*Gretchen Fagan
Mayor*

*Jan Belcher
City Manager*

January 12, 2010

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 year ended September 30, 2009. 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 end results of operation of the various funds of the City. 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. The Financial Section includes Management's Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplementary Information, Combining and Individual Fund Financial Statements and Other Supplemental Information, as well as the independent auditor's report. The Statistical Section includes selected financial and demographic information generally presented on a multi-year basis.

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

Profile of the Government

The City, incorporated on July 18, 1933 and is located northwest of Houston, Texas in a rapidly growing area of Harris County. The City currently occupies a land area of 11.71 square miles and serves an estimated population of 11,600. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City has operated under the council-manager form of government since 1980. Policy-making and legislative authority are vested in a governing council consisting of the mayor and five other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government's manager and attorney. The government's 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 council is elected on a non-partisan basis. Council members serve three-year staggered terms, with two council members elected every three years. The mayor is elected to serve a three-year term. The mayor and council are elected at large.

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

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 City Manager then presents this proposed budget to the council for review. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function, and department. Department heads may make requests to the City Manager for transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the governing 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 63 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 71.

Factors Affecting Financial Condition

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

Local Economy

The City currently enjoys a favorable economic environment and local indicators point to continued stability. The region has a varied manufacturing and technology base that adds to the relative stability of the unemployment rate. Major industries with headquarters or divisions located within the City's boundaries or in close proximity include international headquarters for a large oil related corporation, a regional hospital with related health care facilities, a community college, and computer hardware and software manufacturers. There are several major retail centers and restaurants that are located in the City, adding further jobs and sales tax revenues.

The region (which covers an area within a five-mile radius from the center of the City) has an employed labor force of approximately 46,457 which is anticipated to grow for the next several years. The largest groups of employers are in retail and in health services. There are three new subdivisions in the early development stages, which show a prospective of continued residential growth.

Long-Term Financial Planning

The governing council has allocated funds to revitalize the historic downtown area of Tomball. This project includes the restoration of the original train depot, expanded parking, sidewalk additions and improvements, landscaping, new thematic street lights and public facilities. The City believes that by improving this area, Tomball will attract more tourists and improve the revenues generated by an attractive and convenient atmosphere in the historical downtown area.

In conjunction with the component unit, the Tomball Economic Development Corporation, the City is expanding water, sewer, and gas utilities east, west, and south to accommodate the anticipated future commercial development. Utilities on the west side of the City are along the Texas Farm-to-Market Highway 2920 linking I-45 (which runs north to Dallas from Houston) to SH290 (which runs west to Austin from Houston). This road is heavily traveled and attractive to commercial industry. The expansion on the east side of the City, from FM2920 to the southern portion of the City limits, was completed and will assist in the growth and development in the southeastern portion of the City. The south side utility project, designed to fully loop utilities around the southern border of the current City limits, and to provide utility access to undeveloped areas of the City, is in the final stages of completion.

Drainage detention and channels have been ongoing projects for several years that are designed to provide a means of flood control in the area to reduce the impact of increased real estate development. Because these projects are multi-million dollar endeavors, the City, partnering with private landowners and other governmental entities, is taking manageable steps to accomplish these flood control goals.

Major Initiatives

The largest revenue source in the General Fund is sales tax. The City has experienced a great deal of commercial retail growth over the last several years. Due to the economic downturn, the year 2009 sales tax revenues did fall short of year 2008 revenues by one percent. Although additional retail establishments continue to come to the City, with the state of the national economy, the City did choose to take a conservative approach for the 2010 year and budgeted no increase in sales tax revenues from the 2009 year.

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

The City initiated a number of actions during the year 2009 aimed at responsibly planning for the City's future and accomplishing the goals established by council during their strategic planning process. Funds were budgeted for the City's first Comprehensive Master Plan which received final approval in December 2009 after a year-long community based planning effort. The City also completed the Livable Centers Project in cooperation with a grant received through the Houston Galveston Area Council. The Project addressed elements to preserve, promote, and enhance Tomball's Downtown as the identifiable physical, social, and cultural heart of the City. The City will move forward to develop a Downtown Specific Area Plan during the next fiscal year and The Medical Campus and Railroad Corridor Specific Area Plans in the near future.

Financial Information

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

Budgeting Controls

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Debt Service Fund, Special Revenue Funds (Hotel Occupancy Tax Fund, Equipment Replacement Fund, Municipal Court Fund, Public Safety Fund, and Emergency Management Fund), Utility Fund, and Utility Interest and Sinking Fund are included in the annual operating budget. The Tomball Economic Development Corporation, a component unit of the City, is also included in the annual operating budget. A capital improvement plan is approved each year. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is established at the division level within an individual fund. The City maintains an encumbrance accounting system as a means of accomplishing budgetary controls and a technique of budgetary "lock out" which will prevent a transaction from exceeding legally appropriated budgetary amounts. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Debt Administration

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

Transmittal Letter
City of Tomball, Texas

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

Cash Management

The City follows an active program of cash management, keeping all temporarily idle funds in interest-bearing accounts. These accounts are in the form of money market (government-based) funds, U.S. Treasury issues, and federal government agency instrumentalities. The City's investment policy is used to safeguard assets with a minimal amount of risk, while maintaining the necessary level of liquidity and maximizing the yield on investments. Accordingly, all of the City's deposits are either insured by the Federal Deposit Insurance Corporation or are collateralized by governmental securities. A third-party financial institution, in the City's name, holds all collateral for deposits. State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies; obligations of the State of Texas and related agencies; fully collateralized repurchase agreements; local government investment pools; SEC-registered, no-load money market mutual funds; fully collateralized certificates of deposit; and municipal securities of any state rated "AA" or above by a nationally recognized rating service.

Independent Audit

The City Charter requires an independent audit of the accounts of the City by an independent auditor. Belt Harris & Associates, LLLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Tomball's financial statements for the year ended September 30, 2009. 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, 2008. 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. I believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement requirements, and I am submitting it 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, 2008. This is the first time the City has received this award from the GFOA. The award is made to those cities whose budget presentations meet very stringent presentation guidelines. The budget presentation 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.

Acknowledgements

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

Respectfully submitted,



Randall Parr

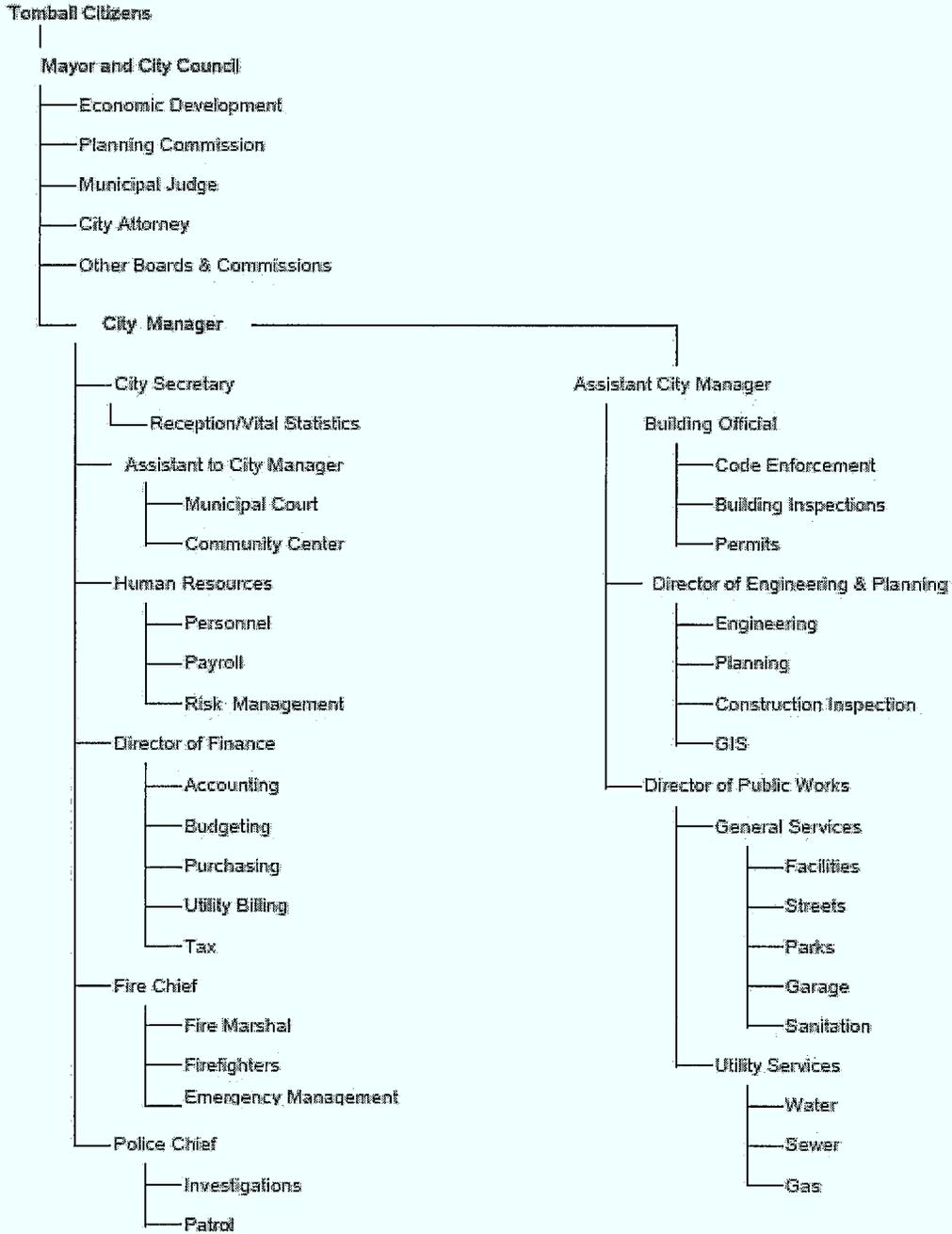
Interim Finance Director

CITY OF TOMBALL, TEXAS

ORGANIZATIONAL CHART

September 30, 2009

Staff Organizational Chart



CITY OF TOMBALL, TEXAS
*CERTIFICATE OF ACHIEVEMENT FOR
EXCELLENCE IN FINANCIAL REPORTING*

**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, 2008

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



President

Executive Director

CITY OF TOMBALL, TEXAS

PRINCIPAL OFFICIALS

September 30, 2009

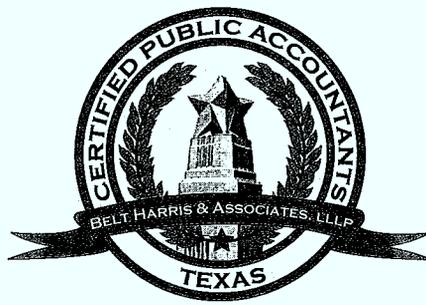
<u>City Officials</u>	<u>Elected Position</u>	<u>Term Expires</u>
Gretchen Fagan	Mayor	2010
David Quinn	Councilman Position 1	2011
Mark Stoll	Councilman Position 2	2012
Bill Webb	Councilman Position 3	2010
Derek Townsend	Councilman Position 4	2012
Warren Driver	Councilman Position 5	2011

<u>Department Heads</u>	<u>Appointive Position</u>
Open	City Manager
Christal Kleiwer	Assistant City Manager
Doris Speer	City Secretary
Robert Hauck	Chief of Police
David Kauffman	Director of Public Works
Randall Parr	Fire Chief
Mark McClure	Director of Engineering and Planning
Open	Finance Director

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tomball, Texas (the "City") as of September 30, 2009, and for the year ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The Management's Discussion and Analysis on pages 17 through 24, budgetary comparison information on page 63, and pension information on pages 64 through 65, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the City's basic financial statements. The introductory section, combining statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Belt Harris & Associates, LLLP

Belt Harris & Associates, LLLP
Certified Public Accountants
Houston, Texas
January 12, 2010

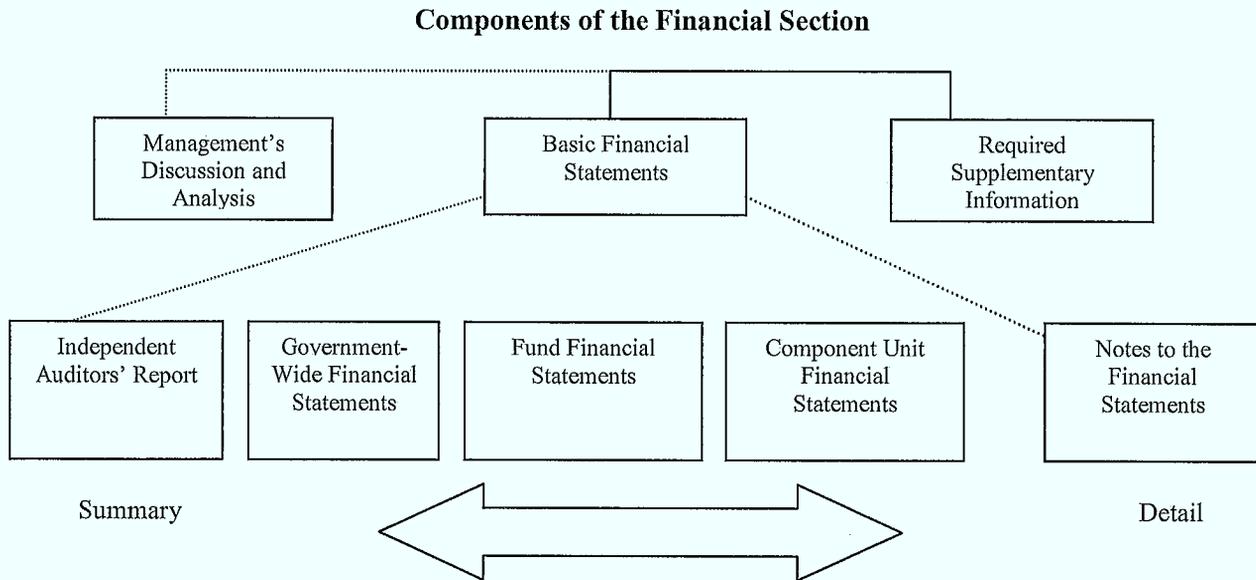
***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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CITY OF TOMBALL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended September 30, 2009

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the City of Tomball, Texas' (the "City") financial activities for the year ending September 30, 2009. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Governmental Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for MD&A. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The comprehensive annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. This financial reporting model requires governments to present certain basic financial statements as the MD&A and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Assets and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Assets presents information on all of the City's assets and liabilities. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors,

CITY OF TOMBALL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended September 30, 2009

such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net assets changed during the most recent year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Assets and the Statement of Activities divide the City into two classes of activities:

1. Governmental Activities – Most of the City's basic services are reported here including police and fire protection, municipal court, streets, garage, sanitation, community services and general administrative services. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise taxes, municipal court fines, and permit fees finance most of these activities.
2. Business-Type Activities – Services involving a fee for those services are reported here. These services include the City's water, sewer, and gas services.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, which are considered to be major funds. The City adopts an annual appropriated budget for its general fund and debt service fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

CITY OF TOMBALL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended September 30, 2009

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its water distribution, wastewater collection/treatment, and natural gas operations. Internal service funds are an accounting device used to accumulate and allocated costs internally among the City various functions. The City uses internal service funds to account for its equipment replacements services and health care provided to other departments or agencies of the City. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain RSI. The RSI that GASB Statement No. 34 requires includes budgetary comparison schedules for the general fund, schedule of funding progress for Texas Municipal Retirement System, and schedule of funding progress for Texas Emergency Services Retirement System. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. For the City, assets exceed liabilities by \$66,421,850 as of September 30, 2009. As required by GASB Statement No. 34, a comparative analysis of government-wide data has been presented as a component of the MD&A for the year ending September 30, 2009. A portion of the City's net assets reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF TOMBALL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended September 30, 2009

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

SUMMARY STATEMENT OF NET ASSETS

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 17,118,836	\$ 21,428,041	\$ 12,632,764	\$ 10,744,038	\$ 29,751,600	\$ 32,172,079
Capital assets, net	31,721,552	27,113,404	38,327,708	37,981,472	70,049,260	65,094,876
Total Assets	48,840,388	48,541,445	50,960,472	48,725,510	99,800,860	97,266,955
Long-term liabilities	17,376,615	18,677,939	12,449,196	13,402,586	29,825,811	32,080,525
Other liabilities	1,678,624	1,539,176	1,874,575	936,984	3,553,199	2,476,160
Total Liabilities	19,055,239	20,217,115	14,323,771	14,339,570	33,379,010	34,556,685
Net Assets:						
Invested in capital assets, net of related debt	16,143,552	10,206,785	26,080,707	24,774,972	42,224,259	34,981,757
Restricted	2,278,695	2,474,658	-	-	2,278,695	2,474,658
Unrestricted	11,362,902	15,642,887	10,555,994	9,610,968	21,918,896	25,253,855
Total Net Assets	\$ 29,785,149	\$ 28,324,330	\$ 36,636,701	\$ 34,385,940	\$ 66,421,850	\$ 62,710,270

A portion of the primary government's net assets, \$2,278,695 or 3.43 percent, represents resources that are subject to external restriction on how they may be used. This is a decrease of 7.9 percent, primarily as a result of the City utilizing these restricted funds to continue special projects. The remaining balance of unrestricted net assets, \$21,918,896 or 33.0 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net assets increased by \$3,711,580 during the current fiscal year, an increase of 5.9 percent in comparison to the prior year. This increase is primarily the result of an increase in utility billing revenues. While economic conditions were affected by the nation's economy, the City's overall condition improved slightly.

CITY OF TOMBALL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended September 30, 2009

Statement of Activities

The following table provides a summary of the City's changes in net assets:

	CHANGES IN NET ASSETS					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	\$ 3,641,050	\$ 3,534,692	\$ 11,442,271	\$ 8,954,151	\$ 15,083,321	\$ 12,488,843
Operating grants and contributions	278,350	399,095	720,000	720,000	998,350	1,119,095
General revenues:						
Property taxes	3,036,649	2,445,024	-	-	3,036,649	2,445,024
Sales taxes	7,038,176	7,100,293	-	-	7,038,176	7,100,293
Franchise and local taxes	1,150,591	1,201,401	-	-	1,150,591	1,201,401
Other taxes	308,100	267,133	-	-	308,100	267,133
Investment earnings	325,789	756,431	175,119	308,849	500,908	1,065,280
Other revenues	405,391	381,168	2,860	-	408,251	381,168
Total Revenues	<u>16,184,096</u>	<u>16,085,237</u>	<u>12,340,250</u>	<u>9,983,000</u>	<u>28,524,346</u>	<u>26,068,237</u>
Expenses						
General government	3,091,652	1,734,307	2,235,193	2,775,923	5,326,845	4,510,230
Public safety	6,720,247	7,224,244	-	-	6,720,247	7,224,244
Public works	5,692,269	6,325,789	-	-	5,692,269	6,325,789
Community services	260,561	471,539	-	-	260,561	471,539
Interest and fiscal agent fees	708,109	790,736	-	-	708,109	790,736
Water	-	-	2,215,841	2,305,841	2,215,841	2,305,841
Sewer	-	-	1,402,558	1,164,702	1,402,558	1,164,702
Gas	-	-	2,486,336	2,727,066	2,486,336	2,727,066
Total Expenses	<u>16,472,838</u>	<u>16,546,615</u>	<u>8,339,928</u>	<u>8,973,532</u>	<u>24,812,766</u>	<u>25,520,147</u>
Change in Net Assets	(288,742)	(461,378)	4,000,322	1,009,468	3,711,580	548,090
Transfers	1,749,561	39,291	(1,749,561)	(39,291)	-	-
Net assets, beginning of year	<u>28,324,330</u>	<u>28,746,417</u>	<u>34,385,940</u>	<u>33,415,763</u>	<u>62,710,270</u>	<u>62,162,180</u>
Net Assets, End of Year	<u>\$ 29,785,149</u>	<u>\$ 28,324,330</u>	<u>\$ 36,636,701</u>	<u>\$ 34,385,940</u>	<u>\$ 66,421,850</u>	<u>\$ 62,710,270</u>

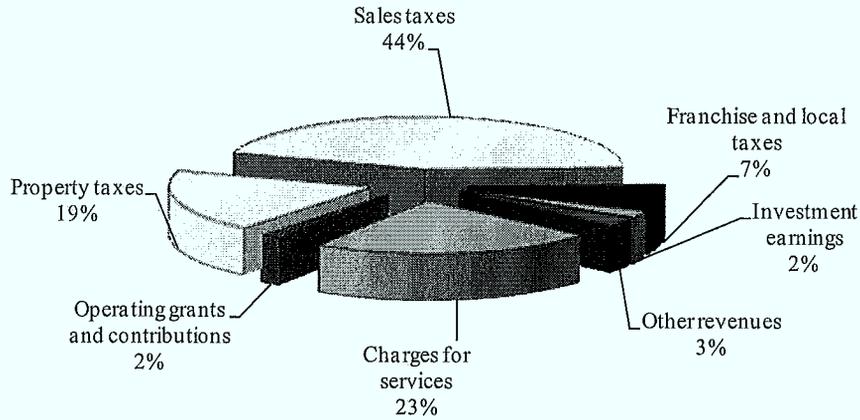
For the year ended September 30, 2009, revenues from governmental activities totaled \$16,184,096. Sales tax revenues are the City's largest revenue source. The City is continuing to invest in U.S. agencies as well as TexPool and Texas Class, accounting for the investment earnings, which decreased by \$430,642 from prior year.

Franchise fees collected from electric, gas, cable, and telephone/telecommunications utilities totaled \$1,150,591 for the year ended September 30, 2009, a decrease of four percent from the prior year.

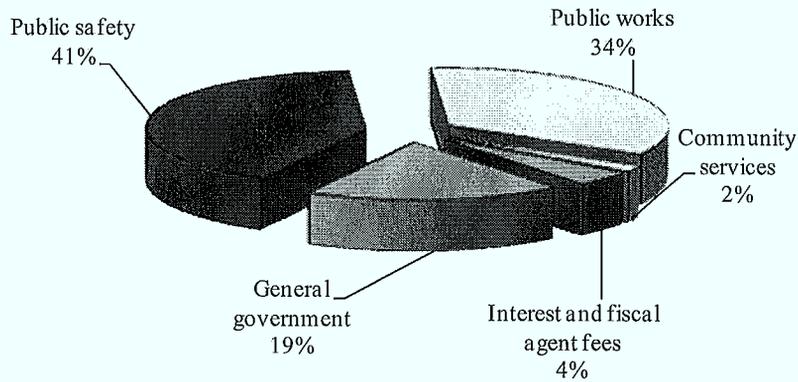
For the year ended September 30, 2009, expenses for governmental activities totaled \$16,472,838. This represents a decrease of \$73,777 from last year. A contributing factor in the decrease of these expenses is the City's effort to keep expenses at the same level or below due to the economy.

CITY OF TOMBALL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 For the Year Ended September 30, 2009

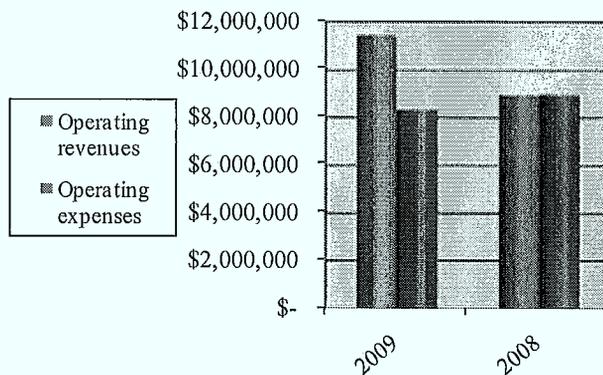
Governmental Activities - Revenues



Governmental Activities - Expenses



Business-Type Activities - Revenues and Expenses



CITY OF TOMBALL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*
For the Year Ended September 30, 2009

The City increased water and sewer rates resulting in an increase to charges for services during the year in the Enterprise Fund. Operating expenses for business-type activities were comparable to those of the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$14,624,807. Of this, \$1,195,663 is reserved for debt service, \$195,994 for court security, and \$138,619 for court technology.

There was a decrease in the combined fund balance of \$4,624,356 in comparison to the prior year. The decrease is related to the City's plan to use existing fund balance on construction projects.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved, undesignated fund balance of the general fund was \$12,194,969. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved, undesignated fund balance represents approximately 60% of total general fund expenditures.

The debt service fund has a total fund balance of \$1,195,663, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$616,312. This decrease can be attributed to the additional debt service requirements for the City.

GENERAL FUND BUDGETARY HIGHLIGHTS

There had been a planned decrease in budgeted fund balance in the amount of \$9,863,531 in the general fund. However, the net change in fund balance decreased by \$4,457,809 resulting in a positive variance of \$5,405,722 from final budgeted over actual.

Actual revenues exceeded final budgeted revenues by \$776,920 during 2009. This variance includes a negative variance of \$287,920 for investment revenue.

Final budgeted expenditures exceeded actual amounts by \$4,614,155 for the fiscal year. The City did not expend as much as expected on capital projects during the year for street improvements.

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

CAPITAL ASSETS

At the end of the year, the City's governmental activities funds had invested \$31,721,552 in a variety of capital assets and infrastructure (net of accumulated depreciation). Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

CITY OF TOMBALL, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended September 30, 2009

Major capital asset events during the current year include the following:

- Several building expansion projects
- Continued street construction

More detailed information about the City's capital assets is presented in the notes, section III, part C to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total certificates of obligation outstanding of \$15,578,000 in governmental activities and \$12,247,000 in business-type activities.

During the year, the City had a net reduction in the long-term debt of \$2,070,000.

More detailed information about the City's long-term liabilities is presented in the notes, section III, part D to the financial statements.

Current underlying ratings on debt issues are as follows:

	Moody's Investors Service	Standard and Poor's
Tax supported debt	A2	A+

ECONOMIC FACTORS

The City's property tax revenue continues to increase. A warrant service is being used to collect on delinquent traffic fines in the court department. The City has also seen a minor decrease in franchise fees this year. However, the City continues to experience growth due to new homes and new commercial entities within City limits.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City. Questions concerning this report or requests for additional financial information should be directed to the Finance Department, 501 James Street, Tomball, Texas, 77375, telephone 281.351.5484, or for general City information, visit the City's website at www.ci.tomball.tx.us.

BASIC FINANCIAL STATEMENTS

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CITY OF TOMBALL, TEXAS

STATEMENT OF NET ASSETS

September 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 8,393,647	\$ 5,114,411	\$ 13,508,058	\$ 5,144,185
Investments	6,362,792	5,812,765	12,175,557	2,777,541
Receivables, net	1,838,319	1,303,575	3,141,894	410,231
Internal balances	(324,483)	324,483	-	-
Inventory	-	77,530	77,530	-
Prepaid expenses	161,492	-	161,492	-
Investments restricted for:				
Debt service	687,069	-	687,069	-
Capital assets:				
Nondepreciable	12,887,200	2,930,754	15,817,954	-
Depreciable capital assets, net	18,834,352	35,396,954	54,231,306	-
Total Assets	48,840,388	50,960,472	99,800,860	8,331,957
Liabilities				
Accounts payable and other current liabilities	1,432,635	1,127,947	2,560,582	52,219
Accrued interest payable	85,440	66,825	152,265	-
Customer deposits	-	679,803	679,803	-
Net OPEB obligation	160,549	-	160,549	-
Noncurrent liabilities:				
Due within one year	1,632,413	1,052,024	2,684,437	-
Due in more than one year	15,744,202	11,397,172	27,141,374	-
Total Liabilities	19,055,239	14,323,771	33,379,010	52,219
Net Assets				
Invested in capital assets, net of related debt	16,143,552	26,080,707	42,224,259	-
Restricted for:				
Debt service	1,201,742	-	1,201,742	-
Special projects	1,076,953	-	1,076,953	-
Unrestricted	11,362,902	10,555,994	21,918,896	8,279,738
Total Net Assets	\$ 29,785,149	\$ 36,636,701	\$ 66,421,850	\$ 8,279,738

See Notes to Financial Statements.

CITY OF TOMBALL, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 3,091,652	\$ -	\$ -
Public safety	6,720,247	1,044,706	
Public works	5,692,269	2,596,344	278,350
Community services	260,561	-	-
Interest on long-term debt	708,109	-	-
Total Governmental Activities	16,472,838	3,641,050	278,350
Business-Type Activities			
General government	2,235,193	146,205	720,000
Water	2,215,841	4,401,598	-
Sewer	1,402,558	2,468,377	-
Gas	2,486,336	4,426,091	-
Total Business-Type Activities	8,339,928	11,442,271	720,000
Total Primary Government	\$ 24,812,766	\$ 15,083,321	\$ 998,350
Component Unit			
Tomball Industrial Development Corporation	\$ 1,482,992	\$ -	\$ -

General Revenues

- Property taxes
- Sales taxes
- Franchise taxes
- Other taxes
- Miscellaneous
- Unrestricted investment earnings

Transfers

Total General Revenues and Transfers

Change in Net Assets

Beginning net assets

Ending Net Assets

See Notes to Financial Statements.

Net Revenue (Expense) and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (3,091,652)	\$ -	\$ (3,091,652)	\$ -
(5,675,541)	-	(5,675,541)	-
(2,817,575)	-	(2,817,575)	-
(260,561)	-	(260,561)	-
(708,109)	-	(708,109)	-
<u>(12,553,438)</u>	<u>-</u>	<u>(12,553,438)</u>	<u>-</u>
-	(1,368,988)	(1,368,988)	-
-	2,185,757	2,185,757	-
-	1,065,819	1,065,819	-
-	1,939,755	1,939,755	-
-	3,822,343	3,822,343	-
<u>(12,553,438)</u>	<u>3,822,343</u>	<u>(8,731,095)</u>	<u>-</u>
-	-	-	(1,482,992)
3,036,649	-	3,036,649	-
7,038,176	-	7,038,176	2,328,263
1,150,591	-	1,150,591	-
308,100	-	308,100	-
405,391	2,860	408,251	-
325,789	175,119	500,908	166,600
1,749,561	(1,749,561)	-	-
<u>14,014,257</u>	<u>(1,571,582)</u>	<u>12,442,675</u>	<u>2,494,863</u>
1,460,819	2,250,761	3,711,580	1,011,871
28,324,330	34,385,940	62,710,270	7,267,867
<u>\$ 29,785,149</u>	<u>\$ 36,636,701</u>	<u>\$ 66,421,850</u>	<u>\$ 8,279,738</u>

CITY OF TOMBALL, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2009

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 5,329,429	\$ 510,245	\$ 1,425,703	\$ 7,265,377
Investments	6,362,792	-	-	6,362,792
Receivables, net	1,646,663	157,056	34,600	1,838,319
Restricted investments for:				
Debt service	-	687,069	-	687,069
Prepaid items	23,724	-	-	23,724
Total Assets	\$ 13,362,608	\$ 1,354,370	\$ 1,460,303	\$ 16,177,281
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 1,038,531	\$ -	\$ 249,852	\$ 1,288,383
Deferred revenue	105,384	158,707	-	264,091
Total Liabilities	1,143,915	158,707	249,852	1,552,474
Fund balances:				
Reserved for:				
Prepaid items	23,724	-	-	23,724
Debt service	-	1,195,663	-	1,195,663
Court security	-	-	195,994	195,994
Court technology	-	-	138,619	138,619
Unreserved, undesignated reported in:				
General fund	12,194,969	-	-	12,194,969
Special revenue funds	-	-	742,340	742,340
Capital projects funds	-	-	133,498	133,498
Total Fund Balances	12,218,693	1,195,663	1,210,451	14,624,807
Total Liabilities and Fund Balances	\$ 13,362,608	\$ 1,354,370	\$ 1,460,303	

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

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

Nondepreciable capital assets	12,887,200
Depreciable capital assets, net	18,034,728

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	264,091
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Internal service funds are used by management to charge the costs of certain capital assets to individual funds.	1,596,927
--	-----------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest payable	(85,440)
Net OPEB obligation	(160,549)
Noncurrent liabilities due in one year	(1,632,413)
Noncurrent liabilities due in more than one year	(15,744,202)

Net Assets of Governmental Activities	\$ 29,785,149
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See Notes to Financial Statements

CITY OF TOMBALL, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2009

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 1,533,374	\$ 1,412,056	\$ -	\$ 2,945,430
Sales, franchise, and other taxes	8,233,352	-	263,515	8,496,867
Permits and licenses	247,548	-	-	247,548
Fines and forfeitures	784,232	-	260,474	1,044,706
Charges for services	2,348,796	-	-	2,348,796
Intergovernmental	103,769	-	174,581	278,350
Interest on investments	292,080	14,439	5,771	312,290
Other revenue	196,366	-	165,626	361,992
Total Revenues	13,739,517	1,426,495	869,967	16,035,979
Expenditures				
Current:				
Administrative	2,829,460	-	128,080	2,957,540
Police	4,948,900	-	-	4,948,900
Fire	1,190,375	-	-	1,190,375
Court	370,252	-	157,879	528,131
Public works	1,470,628	-	-	1,470,628
Sanitation	2,096,660	-	-	2,096,660
Streets	5,899,780	-	-	5,899,780
Permits	359,031	-	-	359,031
Garage	93,168	-	-	93,168
Parks	605,714	-	-	605,714
Community services	126,318	-	134,243	260,561
Debt service:				
Principal	-	1,328,619	-	1,328,619
Interest and fiscal agent fees	-	714,188	-	714,188
Total Expenditures	19,990,286	2,042,807	420,202	22,453,295
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,250,769)	(616,312)	449,765	(6,417,316)
Other Financing Sources (Uses)				
Sale of capital assets	43,399	-	-	43,399
Transfers in	1,749,561	-	-	1,749,561
Total Other Financing Sources (Uses)	1,792,960	-	-	1,792,960
Net Change in Fund Balance	(4,457,809)	(616,312)	449,765	(4,624,356)
Beginning fund balances	16,676,502	1,811,975	760,686	19,249,163
Ending Fund Balances	\$ 12,218,693	\$ 1,195,663	\$ 1,210,451	\$ 14,624,807

See Notes to Financial Statements.

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CITY OF TOMBALL, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2009

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balance - total governmental funds	\$ (4,624,356)
<p>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 in the current period.</p>	
Capital outlay	5,387,966
Depreciation	(1,175,033)
<p>The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.</p>	
Principal payments	1,328,619
<p>Revenue in the Statement of Activities that does not provide current financial resources are not reported as revenue in the funds.</p>	
	91,219
<p>Internal service funds are used by management to charge the costs of certain capital assets to individual funds. The net revenue (expense) is reported with governmental activities.</p>	
	547,007
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
	<u>(94,603)</u>
Change in Net Assets of Governmental Activities	\$ <u>1,460,819</u>

See Notes to Financial Statements.

CITY OF TOMBALL, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUND

September 30, 2009

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 5,114,411	\$ 1,128,270
Investments	5,812,765	-
Accounts receivable, net	1,303,575	-
Inventory	77,530	-
Prepaid expenses	-	137,768
Total Current Assets	12,308,281	1,266,038
Noncurrent assets:		
Nondepreciable capital assets	2,930,754	-
Depreciable capital assets	51,005,503	998,963
Less: accumulated depreciation	(15,608,549)	(199,339)
Total Capital Assets (Net of Accumulated Depreciation)	38,327,708	799,624
Total Noncurrent Assets	38,327,708	799,624
Total Assets	\$ 50,635,989	\$ 2,065,662
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,127,947	\$ 144,252
Customer deposits	679,803	-
Current portion of bonds and other debt	1,052,024	-
Accrued interest payable	66,825	-
Total Current Liabilities	2,926,599	144,252
Noncurrent liabilities:		
Long-term portion of bonds payable	11,397,172	-
Total Noncurrent Liabilities	11,397,172	-
Total Liabilities	14,323,771	144,252
<u>Net Assets</u>		
Invested in capital assets, net of related debt	26,080,707	-
Unrestricted	10,231,511	1,921,410
Total Net Assets	\$ 36,312,218	\$ 1,921,410
Reconciliation to government-wide Statement of Net Assets:		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	324,483	
Net assets of business-type activities	\$ 36,636,701	

See Notes to Financial Statements.

CITY OF TOMBALL, TEXAS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

For the Year Ended September 30, 2009

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
<u>Operating Revenues</u>		
Charges for sales and services	\$ 11,001,747	\$ 1,644,318
Taps and connections	91,650	-
Penalties	94,613	-
Capital recovery fees	208,318	-
Miscellaneous	45,943	-
Total Operating Revenues	11,442,271	1,644,318
 <u>Operating Expenses</u>		
Costs of sales and services	6,593,348	860,205
Depreciation	1,303,505	133,494
Total Operating Expenses	7,896,853	993,699
Operating Income	3,545,418	650,619
 <u>Non-Operating Revenues (Expenses)</u>		
Investment income	162,471	7,845
Unrealized gain (loss) on investments	12,648	5,654
Interest expense	(560,186)	-
Contribution from component unit	720,000	-
Gain on sale of assets	2,860	-
Total Non-Operating Revenues (Expenses)	337,793	13,499
Income (Loss) Before Transfers	3,883,211	664,118
Transfers (out)	(1,749,561)	-
Change in Net Assets	2,133,650	664,118
Beginning net assets	34,178,568	1,257,292
Ending Net Assets	\$ 36,312,218	\$ 1,921,410
 Reconciliation to government-wide Statement of Activities:		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	117,111	
Change in net assets of business-type activities	\$ 2,250,761	

See Notes to Financial Statements.

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CITY OF TOMBALL, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended September 30, 2009

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$ 11,283,904	\$ 1,644,318
Payments to suppliers	(4,668,199)	(853,721)
Payments to employees	(1,298,537)	-
Net Cash Provided by Operating Activities	5,317,168	790,597
<u>Cash Flows from Noncapital Financing Activities</u>		
Transfers	(1,749,561)	-
Contribution from component unit	720,000	-
Net Cash (Used) by Noncapital Financing Activities	(1,029,561)	-
<u>Cash Flows from Capital and Related Financing Activities</u>		
Acquisition and construction of capital assets	(1,640,771)	(567,258)
Principal paid on capital debt	(959,500)	-
Interest paid on capital debt	(560,186)	-
Net Cash (Used) by Capital and Related Financing Activities	(3,160,457)	(567,258)
<u>Cash Flows from Investing Activities</u>		
Purchase of investments	(3,987,898)	-
Interest received	175,119	13,499
Net Cash Provided (Used) by Investing Activities	(3,812,779)	13,499
Net Increase (Decrease) in Cash and Cash Equivalents	(2,685,629)	236,838
Beginning cash and cash equivalents	7,800,040	891,432
Ending Cash and Cash Equivalents	\$ 5,114,411	\$ 1,128,270
Reconciliation of Operating Income		
to Net Cash Provided by Operating Activities		
Operating income	\$ 3,545,418	\$ 650,619
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,303,505	133,494
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Current Assets:		
Accounts receivable	(488,314)	-
Inventory	18,968	-
Prepaid expenses	-	(137,768)
Increase (Decrease) in Current Liabilities:		
Accounts payable and accrued liabilities	607,644	144,252
Customer deposits	329,947	-
Net Cash Provided by Operating Activities	\$ 5,317,168	\$ 790,597

See Notes to Financial Statements.

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CITY OF TOMBALL, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

Discretely Presented Component Unit

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

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

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

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

Blended Component Unit

Employee Benefits Trust

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

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain requirements of the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities.
- A change in the fund financial statements to focus on the major funds.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted -This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted -This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

C. Government-Wide and Fund Financial Statements

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

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

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

Governmental Funds

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

General Fund

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

Special Revenue Funds

The special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include court security fund, court technology fund, housing trust fund, hotel occupancy tax fund, red light camera fund, and disaster preparedness fund and the special general fund. The special revenue funds are considered nonmajor funds for reporting purposes.

Debt Service Fund

The debt service fund is used to account for 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.

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

Capital Projects Fund

The capital projects fund is used to account for 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 nonmajor fund for reporting purposes.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow generally accepted accounting principles (GAAP) prescribed by the Governmental Accounting Standards Board (GASB) and all Financial Accounting Standards Board's (FASB) standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB.

The proprietary fund types used by the City include the following:

Enterprise Fund

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

Internal Service Funds

The internal service funds are used to account for equipment replacement services and employee benefits provided to other departments or agencies of the City, on a cost reimbursement basis.

D. Measurement Focus and Basis of Accounting

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

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

The City uses the modified accrual basis of accounting in the governmental fund type and component units. Under the modified accrual basis of accounting, revenues are recognized in the accounting

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

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

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the City 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. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The Statements of Net Assets, Statements 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.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. Assets, Liabilities, and Net Assets or Fund Equity

1. Deposits and Investments

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

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

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

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

Direct obligations of the U.S. government
Money market mutual funds that meet certain criteria
Statewide investment pools

2. Receivables

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

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

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

Property taxes

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

3. Inventories and Prepaid Items

The costs of governmental fund type inventories 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) are recognized as expenditures when utilized.

4. Capital Assets

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

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

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

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

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:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	20 to 50 years
Machinery and equipment	3 to 10 years
Vehicles	5 years
Water, sewer, and gas system	20 to 30 years
Infrastructure	40 to 50 years

5. 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 amounts, 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 maintained separately and represent a reconciling item between the fund and government-wide presentations.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities Statement of Net Assets. The long-term debt consists primarily of bonds payable and accrued compensated absences.

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

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

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

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

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

7. Landfill Post-Closure Care Costs

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

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Estimates

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP for the general fund and debt service 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. Supplemental budget appropriations were made for the year ended.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of year end, market values of pledged securities and FDIC coverage exceeded bank balances for the City and the component unit.

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

As of year end, the City and component unit had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Risk</u>
City			
U.S. agencies	\$ 7,175,557	1.41	AAA
Certificates of deposit	5,069,317	0.35	N/A
TexPool	7,672,766	0.00	AAAm
Texas class	6,086,444	0.00	AAAm
Total fair value	<u>\$ 26,004,084</u>		
Portfolio weighted average maturity		0.46	
Component Unit			
U.S. agencies	\$ 277,541	3.67	AAA
Certificates of deposit	2,559,346	0.08	N/A
TexPool	3,133,940	0.00	AAAm
Texas class	2,000,475	0.00	AAAm
Total fair value	<u>\$ 7,971,302</u>		
Portfolio weighted average maturity		0.16	

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's as well as to the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

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

Credit risk. The City's investment policy limits investments in money market mutual funds rated as to investment quality not less than AAA by Standard & Poor's. As of September 30, 2009, the City's

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

investment in TexPool was rated AAAM by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency. More specifically, the U.S. agencies held by the City as of September 30, 2009 consist of a variety of bonds and discount notes issued by the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association. These investments were rated not less than AAA by Moody's and Standard & Poor's, respectively.

Texas Class

The Cooperative Liquid Assets Securities System -- Texas ("CLASS") is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended (the "Act"). CLASS is created under an Amended and Restated Trust Agreement, dated as of May 1, 2001 (the "Agreement") among certain Texas governmental entities investing in the pool (the "Participants"), MBIA Municipal Investors Service Corporation ("MBIA-MISC"), as Program Administrator, and Wells Fargo, as Custodian. CLASS is not SEC registered and is not subject to regulation by the State of Texas. Under the agreement, however, CLASS is administered and supervised by a seven member board of trustees (the "Board"), whose members are investment officers of the participants, elected by the participants for overlapping two-year terms. In the Agreement and by resolution of the board, CLASS has contracted with MBIA-MISC to provide for the investment and management of the public funds of CLASS. Separate financial statements for Texas CLASS may be obtained by contacting MBIA Asset Management at 815-A Brazos Street, Suite 345, Austin, TX 78701-9996, (800)707-6242.

B. Receivables

The following comprise receivable balances at year end:

	Nonmajor			
	General	Debt Service	Governmental	Enterprise
Property taxes	\$ 107,036	\$ 157,056	\$ -	\$ -
Sales taxes	1,052,655	-	-	-
Other taxes	105,991	-	749	-
Accounts	271,492	-	33,851	1,276,865
Interest	73,046	-	-	61,930
Intergovernmental	129,808	-	-	-
Other	55,352	-	-	2,303
Less allowance	(148,717)	-	-	(37,523)
	<u>\$ 1,646,663</u>	<u>\$ 157,056</u>	<u>\$ 34,600</u>	<u>\$ 1,303,575</u>

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

C. Capital Assets

A summary of changes in capital assets at year end were as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	(Decreases)	
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,521,005	\$ -	\$ -	\$ 4,521,005
Construction in progress	3,485,171	4,881,024	-	8,366,195
Total capital assets not being depreciated	8,006,176	4,881,024	-	12,887,200
Other capital assets:				
Buildings and improvements	9,620,501	385,456	(3,000)	10,002,957
Machinery and equipment	5,879,291	632,864	(1,107,769)	5,404,386
Vehicles	3,530,317	-	(92,833)	3,437,484
Infrastructure	13,171,602	-	(7,435)	13,164,167
Total other capital assets	32,201,711	1,018,320	(1,211,037)	32,008,994
Less accumulated depreciation for:				
Buildings and improvements	(1,860,691)	(252,674)	690	(2,112,675)
Machinery and equipment	(4,199,442)	(519,987)	1,107,769	(3,611,660)
Vehicles	(2,627,728)	(179,811)	92,833	(2,714,706)
Infrastructure	(4,379,918)	(356,055)	372	(4,735,601)
Total accumulated depreciation	(13,067,779)	(1,308,527)	1,201,664	(13,174,642)
Other capital assets, net	19,133,932	(290,207)	(9,373)	18,834,352
Totals	\$ 27,140,108	\$ 4,590,817	\$ (9,373)	\$ 31,721,552
		Less associated debt		(15,578,000)
		Invested in Capital Assets, Net of Related Debt		\$ 16,143,552

All capital assets constructed or paid for with funds of the component units are titled in the City's name. Accordingly, component unit capital assets and construction in progress are recorded in the governmental activities totals.

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

Depreciation was charged to governmental functions as follows:

Police	\$	252,678
Streets		356,055
Public works		566,300
Internal service		<u>133,494</u>
Total Governmental Activities Depreciation Expense	\$	<u>1,308,527</u>

The following is a summary of changes in capital assets for business-type activities for the year ended:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Reclassifications</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 795,205	\$ -	\$ -	\$ 795,205
Construction in progress	<u>1,258,284</u>	<u>1,647,393</u>	<u>(770,128)</u>	<u>2,135,549</u>
Total capital assets not being depreciated	<u>2,053,489</u>	<u>1,647,393</u>	<u>(770,128)</u>	<u>2,930,754</u>
Other capital assets:				
Gas system	5,625,262	181,515	-	5,806,777
Water and sewer system	40,806,758	731,868	(93)	41,538,533
Machinery and equipment	<u>4,008,971</u>	<u>-</u>	<u>(348,778)</u>	<u>3,660,193</u>
Total other capital assets	<u>50,440,991</u>	<u>913,383</u>	<u>(348,871)</u>	<u>51,005,503</u>
Less accumulated depreciation for:				
Gas system	(1,876,341)	(139,422)	-	(2,015,763)
Water and sewer system	(11,138,502)	(1,018,512)	22	(12,156,992)
Machinery and equipment	<u>(1,498,165)</u>	<u>(145,571)</u>	<u>207,941</u>	<u>(1,435,795)</u>
Total accumulated depreciation	<u>(14,513,008)</u>	<u>(1,303,505)</u>	<u>207,963</u>	<u>(15,608,550)</u>
Other capital assets, net	<u>35,927,983</u>	<u>(390,122)</u>	<u>(140,908)</u>	<u>35,396,953</u>
Totals	<u>\$ 37,981,472</u>	<u>\$ 1,257,271</u>	<u>\$ (911,036)</u>	<u>38,327,707</u>
			Less associated debt	<u>(12,247,000)</u>
			Invested in Capital Assets, Net of Related Debt	<u>\$ 26,080,707</u>

Depreciation was charged to business-type functions as follows:

Water and sewer	\$	1,164,083
Gas		<u>139,422</u>
Total Business-Type Activities Depreciation Expense	\$	<u>1,303,505</u>

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

D. Long-Term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Bonds, notes and other payables:					
Certificates of obligation	\$ 16,688,500	\$ -	\$ 1,110,500	\$ 15,578,000 *	\$ 1,135,500
Capital leases	218,119	-	218,119	-	-
	<u>16,906,619</u>	<u>-</u>	<u>1,328,619</u>	<u>15,578,000</u>	<u>1,135,500</u>
Other liabilities:					
Compensated absences	1,146,820	727,208	417,913	1,456,115	418,913
Landfill postclosure costs	624,500	-	282,000	342,500	78,000
Total Governmental Activities	\$ 18,677,939	\$ 727,208	\$ 2,028,532	\$ 17,376,615	\$ 1,632,413
Long-term debt due in more than one year				<u>\$ 15,744,202</u>	
Business-Type Activities					
Revenue bonds	\$ 13,206,500	\$ -	\$ 959,500	\$ 12,247,000 **	\$ 959,500
Compensated absences	196,468	97,252	91,524	202,196	92,524
Total Business-Type Activities	\$ 13,402,968	\$ 97,252	\$ 1,051,024	\$ 12,449,196	\$ 1,052,024
Long-term debt due in more than one year				<u>\$ 11,397,172</u>	
*Debt associated with governmental activity capital assets				<u>\$ 15,578,000</u>	
**Debt associated with business-type activity capital assets				<u>\$ 12,247,000</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences and landfill postclosure costs are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

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

<u>Description</u>	<u>Interest Rates</u>	<u>Balance</u>
<u>Governmental Activities</u>		
Certificates of Obligation		
Series 1995	4.6-5.125%	\$ 200,000
Series 1998	4.75-6.3%	2,270,000
Series 2002	4.125-5.125%	6,363,000
Series 2003	1-4.5%	6,745,000
Total Certificates of Obligation		15,578,000
Total Governmental Activities Long-Term Debt		\$ 15,578,000
Business-Type Activities		
Revenue Bonds		
Series 1999	2.9-4.1%	\$ 4,470,000
Series 2002	4.125-5.125%	7,777,000
Total Business-Type Activities Long-Term Debt		\$ 12,247,000

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

<u>Year Ending Sep 30</u>	<u>Governmental Activity</u>		<u>Business-Type Activity</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,135,500	\$ 659,984	\$ 969,500	\$ 515,480
2011	1,165,500	612,038	984,500	476,034
2012	1,090,500	565,297	999,500	435,673
2013	1,125,500	519,365	1,014,500	394,663
2014-2018	6,143,000	1,830,784	5,357,000	1,302,818
2019-2023	4,918,000	535,997	2,922,000	249,669
Total	\$ 15,578,000	\$ 4,723,465	\$ 12,247,000	\$ 3,374,337

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City also issued bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The City is not obligated in any manner for special assessment debt.

Federal Arbitrage

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

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

periodically engages an arbitrage consultant to perform the calculations in accordance with the IRS's rules and regulations.

E. Interfund Transactions

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

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
Enterprise fund	General fund	\$ 1,749,561

The enterprise fund reimbursed the general fund for the administrative costs incurred in supporting enterprise fund operations.

F. Landfill Post-Closure Liability

State and federal regulations required the City to place a final cover on the City's landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site until determined by the State. The \$342,500 reported as accrued landfill post-closure costs at year end represent the remaining estimated post-closure costs. The landfill is in the post-closure process as the landfill has been closed. These amounts are based on what it would cost to perform all post-closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. State and federal laws require owners to demonstrate financial assurance for closure, post-closure, and/or corrective action. The City complies with the financial and public notice components of the local government financial test and government guarantee of the test.

IV. OTHER INFORMATION

A. 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 along with 2,596 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The pool purchases commercial insurance at group rates for participants in the pool. The City has no additional risk or responsibility to the pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

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

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

C. Pension Plans

1. Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 833 administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8611; in addition the report is available on TMRS' website at www.TMRS.com.

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

	<u>2009</u>	<u>2008</u>
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/yrs 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

Benefits

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. City financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit. This is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence, and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 29-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2007 valuation is effective for rates beginning January 2009). The annual pension cost and the net pension obligation (asset) are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual Req. Contrib. (ARC)	\$ 963,335	\$ 792,454	\$ 683,317
Contributions Made	963,335	792,454	683,317
NPO at the End of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarial Valuation Date	12/31/2008	12/31/2007	12/31/2006
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Unit Credit
Amortization Method	Level % of Payroll 29 Years - Closed	Level % of Payroll 30 Years - Closed	Level % of Payroll 25 Years - Open
Remaining Amortization Period	period	period	period
Asset Valuation Method	Amortized cost	Amortized cost	Amortized cost
Investment Rate of Return	7.5%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.10%	2.10%	NA

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

The funded status as of December 31, 2008, the most recent valuation date, is as follows:

	2009
Actuarial Valuation Date	12/31/2008
Actuarial Value of Assets	\$ 10,293,118
Actuarial Accrued Liability	\$ 15,605,065
Percentage Funded	66.0%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 5,311,947
Annual Covered Payroll	\$ 7,040,733
UAAL as a Percentage of Covered Payroll	75.4%

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.

2. Texas Emergency Services Retirement System

Plan Description

The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing, multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2008, there were 186 member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50 percent vested after the tenth year of service, with the vesting percent increasing ten percent for each of the next five years of service so that a member becomes 100 percent vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2 percent compounded annually. On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump-sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contribution provisions were established by S.B. 411, 65th Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up a limited amount to make TESRS actuarially sound.

Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2008, total contributions (dues and prior service) of \$2,439,339 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. In addition, the state appropriated \$8,800,000 for the fiscal year ending August 31, 2008. Total contributions made were greater than the contributions required by the state statute and were greater than the contributions required based on the revised August 31, 2006 actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the financing arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2008 revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2009 (\$415,405 to help pay for the System's administrative expenses), and with the assumed continuation of legislative appropriations of (1) the maximum state contribution amount in future years as is necessary for the system to have a 30-year amortization period and (2) approximately \$425,000 each year to help pay for the system's administrative expenses. Expected contributions for the fiscal year ending August 31, 2009, are equal to the contributions required.

The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Entry Age
Amortization Method	Level dollar, open
Remaining Amortization Period	6 years
Asset Valuation Method	Market value smoothed
Investment Rate of Return	8%
Projected Salary Increases	N/A
Includes Inflation at	3.5%
Cost of Living Adjustments	None

Three-Year Contribution Information

<i>Fiscal year</i>	<i>Annual Pension Percentage of ARC</i>		<i>Net Pension Obligation</i>
	<i>Cost (ARC)</i>	<i>Contributions</i>	
2007	\$ 5,072	100%	\$ -
2008	\$ 8,604	100%	\$ -
2009	\$ 7,512	100%	\$ -

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

D. Other Post-Employment Benefits (OPEB)

1. City of Tomball Retiree Health Care Plan

Plan Description

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

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

Beginning with retirement and ending when the person is eligible for Medicare coverage, the City shall pay a portion of the retiree medical and dental coverage premiums in accordance with the following: 40 percent of the premium costs for retirees having at least ten years, but less than 15 years, of full-time service with the City; 55 percent of the premium costs for retirees having at least 15 years, but less than 20 years, of full-time service with the City; 70 percent of the premium costs for retirees having at least 20 years, but less than 25 years, of full-time service with the City; or 85 percent of the premium costs for retirees having at least 25 years of full-time service with the City. To cover their spouses, eligible retirees must pay 100 percent of the cost for their eligible spouse. Eligible retirees shall pay 100 percent of the premiums for basic life insurance (\$2,000).

Benefit continuation of medical, dental, and life insurance coverage provided to retirees at the City's expense to retirees ends when the retiree is eligible for Medicare coverage. Retirees who are eligible for Medicare coverage may, at their sole expense, continue to purchase coverage for themselves and their eligible dependents as provided under the applicable terms of City's policies. The policy will be a secondary policy only.

Funding Policy

The City has elected to finance the OPEB plan on a pay-as-you-go basis. The City paid \$11,577 related to the plan for two retirees during the year.

Actuarial Information

The contribution requirement has been actuarially determined. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

benefit costs between the employer and plan members to that point, and the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective, and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. As of the actuarial valuation date of April 30, 2008, the actuarial value of plan assets is zero dollars, the actuarial accrued liability is \$698,417, the total unfunded actuarial liability is \$698,417, and the actuarial value of assets as a percentage of the actuarial accrued liability is zero percent. The actuarial determined annual required contribution (ARC) is \$89,777. The components of the ARC consist of the employer's normal cost and the amortization of the unfunded actuarial accrued liabilities.

The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level % of Payroll
Remaining Amortization Period	30 Years - Open period
Asset Valuation Method	Market value smoothed
Investment Rate of Return	4.5%
Projected Salary Increases	3.0%
Healthcare Cost Trend Rate (Initial/Ulimate)	10.0%/4.5%

Three-Year Contribution Information

<i>Fiscal year</i>	<i>Annual OPEB Percentage of ARC</i>		<i>Net OPEB Obligation</i>	
	<i>Cost (ARC)</i>	<i>Contributions</i>	<i>Beginning</i>	<i>Ending</i>
2007	\$ N/A	N/A	\$ N/A	\$ N/A
2008	\$ 87,162	5,110	\$ -	\$ 82,052
2009	\$ 90,074	11,577	\$ 82,052	\$ 160,549

2. TMRS – Supplemental Death Benefit Fund

Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. For the year ended September 30, 2009, the City offered the supplemental death benefit to both active and retired employees.

CITY OF TOMBALL, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2009

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 contribution rate to the TMRS SDBF, for the retiree portion, for the year ended September 30, 2009 is shown below.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual Req. Contrib. (Rate)	0.03%	0.03%	0.02%
Actual Contribution Made	0.03%	0.03%	0.02%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF TOMBALL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2009

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 1,772,115	\$ 1,567,237	\$ 1,533,374	\$ (33,863)
Sales, franchise, and other taxes	8,491,680	7,379,220	8,233,352	854,132
Permits and licenses	329,660	318,660	247,548	(71,112)
Fines and forfeitures	698,700	643,700	784,232	140,532
Services revenue	2,100,000	2,100,000	2,348,796	248,796
Intergovernmental	283,700	131,900	103,769	(28,131)
Interest on investments	800,000	580,000	292,080	(287,920)
Other revenues	241,880	241,880	196,366	(45,514)
Total Revenues	<u>14,717,735</u>	<u>12,962,597</u>	<u>13,739,517</u>	<u>776,920</u>
Expenditures				
Administrative	2,684,365	3,156,882	2,829,460	327,422
Police	5,445,938	5,077,746	4,948,900	128,846
Fire	1,728,471	1,407,255	1,190,375	216,880
Court	445,136	421,694	370,252	51,442
Public works	1,689,120	1,471,430	1,470,628	802
Sanitation	2,350,100	2,366,600	2,096,660	269,940
Streets	3,674,492	9,447,115	5,899,780	3,547,335
Permits	412,632	390,202	359,031	31,171
Garage	201,370	106,050	93,168	12,882
Parks	572,381	610,853	605,714	5,139
Community services	159,571	148,614	126,318	22,296
Total Expenditures	<u>19,363,576</u>	<u>24,604,441</u>	<u>19,990,286</u>	<u>4,614,155</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,645,841)</u>	<u>(11,641,844)</u>	<u>(6,250,769)</u>	<u>5,391,075</u>
Other Financing Sources				
Transfers in	1,778,313	1,778,313	1,749,561	(28,752)
Sale of capital assets	-	-	43,399	43,399
Total Other Financing Sources	<u>1,778,313</u>	<u>1,778,313</u>	<u>1,792,960</u>	<u>14,647</u>
Net Change in Fund Balance	<u>\$ (2,867,528)</u>	<u>\$ (9,863,531)</u>	<u>(4,457,809)</u>	<u>\$ 5,405,722</u>
Beginning fund balance			<u>16,676,502</u>	
Ending Fund Balance			<u>\$ 12,218,693</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF TOMBALL, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2009

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the City makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the City's Schedule of Funding Progress.

Fiscal Year	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Actuarial Valuation Date	12/31/2008	12/31/2007	12/31/2006	12/31/2005	12/31/2004
Actuarial Value of Assets	\$ 10,293,118	\$ 9,288,904	\$ 9,557,364	\$ 8,738,552	\$ 7,757,000
Actuarial Accrued Liability	\$ 15,605,065	\$ 14,020,342	\$ 11,949,758	\$ 10,737,581	\$ 9,547,034
Percentage Funded	66.0%	66.3%	80.0%	81.4%	81.3%
Unfunded Actuarial					
Accrued Liability	\$ 5,311,947	\$ 4,731,438	\$ 2,392,394	\$ 1,999,029	\$ 1,790,034
Annual Covered Payroll	\$ 7,040,733	\$ 6,052,532	\$ 5,500,061	\$ 5,270,959	\$ 5,088,456
Unfunded Actuarial Accrued Liability					
(UAAL) % of Covered Payroll	75.4%	78.2%	43.5%	37.9%	35.2%
Net Pension Obligation (NPO)					
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	963,335	792,454	683,317	617,905	587,980
Contributions Made	963,335	792,454	683,317	617,905	587,980
NPO at the End of Period	<u><u>\$ -</u></u>				

CITY OF TOMBALL, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
For the Year Ended September 30, 2009

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the City makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the City's Schedule of Funding Progress.

Fiscal Year	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Actuarial Valuation Date	8/31/2008	8/31/2006	8/31/2006	8/31/2004	8/31/2004
Actuarial Value of Assets	\$ 60,987,157	\$ 42,268,305	\$ 42,268,305	\$ 38,140,501	\$ 38,140,501
Actuarial Accrued Liability	\$ 64,227,341	\$ 58,082,828	\$ 58,082,828	\$ 51,567,426	\$ 51,567,426
Percentage Funded	95.0%	72.8%	72.8%	74.0%	74.0%
Unfunded Actuarial					
Accrued Liability	\$ 3,240,184	\$ 15,814,523	\$ 15,814,523	\$ 13,426,925	\$ 13,426,925
Total Members Covered	8,254	8,061	8,061	7,994	7,994
Unfunded Actuarial Accrued Liability					
(UAAL) Per Member Covered	\$ 393	\$ 1,962	\$ 1,962	\$ 1,680	\$ 1,680
Net Pension Obligation (NPO)					
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	7,512	8,604	5,072	3,708	2,744
Contributions Made	7,512	8,604	5,072	3,708	2,744
NPO at the End of Period	\$ -				

An actuarial valuation is performed every two years.

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CITY OF TOMBALL, TEXAS

SCHEDULE OF FUNDING PROGRESS-

FOR THE OPEB PLAN¹

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
04/30/08	\$ -	\$ 698,417	\$ 698,417	0.0%	\$ 7,419,044	9.4%

¹ The City implemented GASB Statement No. 45 and the requirements have been implemented prospectively, therefore, the above illustration does not reflect similar information for the two preceding years.

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***COMBINING STATEMENTS
AND SCHEDULES***

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CITY OF TOMBALL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Year Ended September 30, 2009

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Property taxes	\$ 1,449,241	\$ 1,412,056	\$ (37,185)
Interest on investments	70,000	14,439	(55,561)
Total Revenues	<u>1,519,241</u>	<u>1,426,495</u>	<u>(92,746)</u>
<u>Expenditures</u>			
Debt service:			
Principal	1,401,293	1,328,619	72,674
Interest and fiscal agent fees	735,366	714,188	21,178
Total Expenditures	<u>2,136,659</u>	<u>2,042,807</u>	<u>93,852</u>
Net Change in Fund Balance	<u>\$ (617,418)</u>	<u>(616,312)</u>	<u>\$ 1,106</u>
Beginning fund balance		<u>1,811,975</u>	
Ending Fund Balance		<u>\$ 1,195,663</u>	

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CITY OF TOMBALL, TEXAS

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2009

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

CAPITAL PROJECTS FUNDS

Capital Projects Fund is used to account for resources used in the acquisition or construction of major general capital assets.

CITY OF TOMBALL, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2009

	Capital Projects	Special General	Court Security	Court Technology
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 133,498	\$ 156,482	\$ 195,994	\$ 138,619
Accounts receivable	-	-	-	-
Total Assets	\$ 133,498	\$ 156,482	\$ 195,994	\$ 138,619
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
Fund balances:				
Reserved for court security	-	-	195,994	-
Reserved for court technology	-	-	-	138,619
Unreserved	133,498	156,482	-	-
Total Fund Balances	133,498	156,482	195,994	138,619
Total Liabilities and Fund Balances	\$ 133,498	\$ 156,482	\$ 195,994	\$ 138,619

<u>Housing Trust</u>	<u>Hotel Occupancy Tax</u>	<u>Red Light Camera</u>	<u>District Attorney</u>	<u>Bunny Run</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 5,952	\$ 225,372	\$ 546,566	\$ 22,702	\$ 518	\$ 1,425,703
-	749	33,851	-	-	34,600
<u>\$ 5,952</u>	<u>\$ 226,121</u>	<u>\$ 580,417</u>	<u>\$ 22,702</u>	<u>\$ 518</u>	<u>\$ 1,460,303</u>
\$ -	\$ 1,240	\$ 242,612	\$ 6,000	\$ -	\$ 249,852
-	1,240	242,612	6,000	-	249,852
-	-	-	-	-	195,994
-	-	-	-	-	138,619
5,952	224,881	337,805	16,702	518	875,838
5,952	224,881	337,805	16,702	518	1,210,451
<u>\$ 5,952</u>	<u>\$ 226,121</u>	<u>\$ 580,417</u>	<u>\$ 22,702</u>	<u>\$ 518</u>	<u>\$ 1,460,303</u>

CITY OF TOMBALL, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2009

	<u>Capital Projects</u>	<u>Special General</u>	<u>Court Security</u>	<u>Court Technology</u>
<u>Revenues</u>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	23,566	31,443
Intergovernmental	-	-	-	-
Interest on investments	994	609	1,454	993
Other revenue	11,079	145,172	-	-
Total Revenue	<u>12,073</u>	<u>145,781</u>	<u>25,020</u>	<u>32,436</u>
<u>Expenditures</u>				
Current:				
Administrative	-	12,460	-	8,577
Court	-	-	-	-
Community services	-	-	-	-
Total Expenditures	<u>-</u>	<u>12,460</u>	<u>-</u>	<u>8,577</u>
Net Change in Fund Balances	12,073	133,321	25,020	23,859
Beginning fund balances	<u>121,425</u>	<u>23,161</u>	<u>170,974</u>	<u>114,760</u>
Ending Fund Balances	<u>\$ 133,498</u>	<u>\$ 156,482</u>	<u>\$ 195,994</u>	<u>\$ 138,619</u>

<u>Housing Trust</u>	<u>Hotel Occupancy Tax</u>	<u>Red Light Camera</u>	<u>District Attorney</u>	<u>Bunny Run</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 263,515	\$ -	\$ -	\$ -	\$ 263,515
-	-	205,465	-	-	260,474
-	-	-	174,581	-	174,581
210	1,511	-	-	-	5,771
-	-	1,319	-	8,056	165,626
<u>210</u>	<u>265,026</u>	<u>206,784</u>	<u>174,581</u>	<u>8,056</u>	<u>869,967</u>
22,518	55,924	28,601	-	-	128,080
-	-	-	157,879	-	157,879
-	126,705	-	-	7,538	134,243
<u>22,518</u>	<u>182,629</u>	<u>28,601</u>	<u>157,879</u>	<u>7,538</u>	<u>420,202</u>
(22,308)	82,397	178,183	16,702	518	449,765
<u>28,260</u>	<u>142,484</u>	<u>159,622</u>	<u>-</u>	<u>-</u>	<u>760,686</u>
<u>\$ 5,952</u>	<u>\$ 224,881</u>	<u>\$ 337,805</u>	<u>\$ 16,702</u>	<u>\$ 518</u>	<u>\$ 1,210,451</u>

CITY OF TOMBALL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended September 30, 2009

COURT SECURITY				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 22,000	\$ 22,000	\$ 23,566	\$ 1,566
Interest on investments	6,000	6,000	1,454	(4,546)
Total Revenues	28,000	28,000	25,020	(2,980)
Net Change in Fund Balance	\$ 28,000	\$ 28,000	25,020	\$ (2,980)
Beginning fund balance			170,974	
		Ending Fund Balance	\$ 195,994	

COURT TECHNOLOGY				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 31,000	\$ 31,000	\$ 31,443	\$ 443
Interest on investments	3,000	3,000	993	(2,007)
Total Revenues	34,000	34,000	32,436	(1,564)
Expenditures				
Administrative	6,525	6,525	8,577	(2,052)
Total Expenditures	6,525	6,525	8,577	(2,052)
Net Change in Fund Balance	\$ 27,475	\$ 27,475	23,859	\$ (3,616)
Beginning fund balance			114,760	
		Ending Fund Balance	\$ 138,619	

CITY OF TOMBALL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended September 30, 2009

	HOTEL OCCUPANCY TAX			
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Other taxes	\$ 190,000	\$ 190,000	\$ 263,515	\$ 73,515
Interest on investments	3,000	3,000	1,511	(1,489)
Total Revenues	193,000	193,000	265,026	72,026
<u>Expenditures</u>				
Administrative	8,000	8,000	55,924	(47,924)
Community services	100,000	113,001	126,705	(13,704)
Total Expenditures	108,000	121,001	182,629	(61,628)
Net Change in Fund Balance	\$ 85,000	\$ 71,999	82,397	\$ 10,398
Beginning fund balance			142,484	
		Ending Fund Balance	\$ 224,881	

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CITY OF TOMBALL, TEXAS

INTERNAL SERVICE FUNDS

September 30, 2009

Fleet Replacement Fund

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

Health Benefits Fund

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

CITY OF TOMBALL, TEXAS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
September 30, 2009

	Fleet Replacement	Health Benefits	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 1,121,758	\$ 6,512	\$ 1,128,270
Prepaid expenses	-	137,768	137,768
Total Current Assets	1,121,758	144,280	1,266,038
Noncurrent assets:			
Depreciable capital assets	998,963	-	998,963
Less: accumulated depreciation	(199,339)	-	(199,339)
Total Capital Assets (Net of Accumulated Depreciation)	799,624	-	799,624
Total Noncurrent Assets	799,624	-	799,624
Total Assets	\$ 1,921,382	\$ 144,280	\$ 2,065,662
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 144,252	\$ 144,252
Total Current Liabilities	-	144,252	144,252
Total Liabilities	-	144,252	144,252
<u>Net Assets</u>			
Unrestricted	1,921,382	28	1,921,410
Total Net Assets	\$ 1,921,382	\$ 28	\$ 1,921,410

CITY OF TOMBALL, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2009

	<u>Fleet Replacement</u>	<u>Health Benefits</u>	<u>Total</u>
<u>Operating Revenues</u>			
Charges for sales and services	\$ 838,172	\$ 806,146	\$ 1,644,318
Total Operating Revenues	<u>838,172</u>	<u>806,146</u>	<u>1,644,318</u>
<u>Operating Expenses</u>			
Costs of sales and services	54,059	806,146	860,205
Depreciation	133,494	-	133,494
Total Operating Expenses	<u>187,553</u>	<u>806,146</u>	<u>993,699</u>
Operating Income	<u>650,619</u>	<u>-</u>	<u>650,619</u>
<u>Non-Operating Revenues (Expenses)</u>			
Investment income	7,817	28	7,845
Unrealized gain (loss) on investments	5,654	-	5,654
Total Non-Operating Revenues (Expenses)	<u>13,471</u>	<u>28</u>	<u>13,499</u>
Change in Net Assets	664,090	28	664,118
Beginning net assets	<u>1,257,292</u>	<u>-</u>	<u>1,257,292</u>
Ending Net Assets	<u>\$ 1,921,382</u>	<u>\$ 28</u>	<u>\$ 1,921,410</u>

See Notes to Financial Statements.

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CITY OF TOMBALL, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2009

	Fleet Replacement	Health Benefits	Total
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 838,172	\$ 806,146	\$ 1,644,318
Payments to suppliers	(54,059)	(799,662)	(853,721)
Net Cash Provided by Operating Activities	<u>784,113</u>	<u>6,484</u>	<u>790,597</u>
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition and construction of capital assets	(567,258)	-	(567,258)
Net Cash (Used) by Capital and Related Financing Activities	<u>(567,258)</u>	<u>-</u>	<u>(567,258)</u>
<u>Cash Flows from Investing Activities</u>			
Interest received	13,471	28	13,499
Net Cash Provided by Investing Activities	<u>13,471</u>	<u>28</u>	<u>13,499</u>
Net Increase in Cash and Cash Equivalents	230,326	6,512	236,838
Beginning cash and cash equivalents	891,432	-	891,432
Ending Cash and Cash Equivalents	<u>\$ 1,121,758</u>	<u>\$ 6,512</u>	<u>\$ 1,128,270</u>
Reconciliation of Operating Income			
to Net Cash Provided by Operating Activities			
Operating income	\$ 650,619	\$ -	\$ 650,619
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	133,494	-	133,494
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in Current Assets:			
Prepaid expenses	-	(137,768)	(137,768)
Increase (Decrease) in Current Liabilities:			
Accounts payable and accrued liabilities	-	144,252	144,252
Net Cash Provided by Operating Activities	<u>\$ 784,113</u>	<u>\$ 6,484</u>	<u>\$ 790,597</u>

See Notes to Financial Statements.

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STATISTICAL SECTION

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

Contents	Page
Financial Trends	88
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	98
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	
Debt Capacity	108
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	118
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	120
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

CITY OF TOMBALL, TEXAS

NET ASSETS BY COMPONENT

Last Seven Years (1)

(Accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 1,181,805	\$ 4,441,423	\$ 4,007,407	\$ 2,886,256
Restricted	8,853,454	7,957,216	4,802,952	2,323,077
Unrestricted	14,288,573	8,565,864	13,761,452	20,707,302
Total governmental activities net assets	\$ 24,323,832	\$ 20,964,503	\$ 22,571,811	\$ 25,916,635
Business-type activities				
Invested in capital assets, net of related debt	\$ 6,353,013	\$ 10,928,309	\$ 16,178,138	\$ 23,478,199
Restricted	10,045,644	10,409,786	7,760,255	2,305,729
Unrestricted	4,857,704	5,055,643	5,379,709	6,386,872
Total business-type activities net assets	\$ 21,256,361	\$ 26,393,738	\$ 29,318,102	\$ 32,170,800
Primary government				
Invested in capital assets, net of related debt	\$ 7,534,818	\$ 15,369,732	\$ 20,185,545	\$ 26,364,455
Restricted	18,899,098	18,367,002	12,563,207	4,628,806
Unrestricted	19,146,277	13,621,507	19,141,161	27,094,174
Total primary government net assets	\$ 45,580,193	\$ 47,358,241	\$ 51,889,913	\$ 58,087,435

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

<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 7,175,862	\$ 10,206,785	\$ 16,143,552
3,686,000	1,835,397	2,278,695
17,884,555	16,282,148	11,362,902
<u>\$ 28,746,417</u>	<u>\$ 28,324,330</u>	<u>\$ 29,785,149</u>
\$ 25,045,502	\$ 24,774,972	\$ 26,080,707
876,468	-	-
7,493,793	9,610,968	10,555,994
<u>\$ 33,415,763</u>	<u>\$ 34,385,940</u>	<u>\$ 36,636,701</u>
\$ 32,221,364	\$ 34,981,757	\$ 42,224,259
4,562,468	1,835,397	2,278,695
25,378,348	25,893,116	21,918,896
<u>\$ 62,162,180</u>	<u>\$ 62,710,270</u>	<u>\$ 66,421,850</u>

CITY OF TOMBALL, TEXAS

CHANGES IN NET ASSETS

Last Seven Years (1)

(Accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities				
General government	\$ 1,609,976	\$ 1,808,900	\$ 1,878,285	\$ 1,889,935
Public safety	3,674,996	4,248,752	5,053,045	5,057,268
Public works	2,923,519	3,326,545	3,435,589	3,709,054
Community services	366,273	394,829	510,454	512,679
Interest and fiscal agent fees	711,446	984,989	938,772	873,035
Total governmental activities expenses	<u>9,286,210</u>	<u>10,764,015</u>	<u>11,816,145</u>	<u>12,041,971</u>
Business-type activities				
General government	895,288	1,038,905	1,670,035	1,309,655
Water	1,273,146	1,520,015	1,742,380	1,488,771
Sewer	1,376,314	1,620,045	2,089,770	2,575,820
Gas	1,888,619	1,955,713	1,223,218	2,048,247
Total business-type activities expenses	<u>5,433,367</u>	<u>6,134,678</u>	<u>6,725,403</u>	<u>7,422,493</u>
Total primary government expenses	<u>\$ 14,719,577</u>	<u>\$ 16,898,693</u>	<u>\$ 18,541,548</u>	<u>\$ 19,464,464</u>
Program Revenues				
Governmental activities				
Charges for services				
Public safety	\$ 984,789	\$ 1,027,034	\$ 1,203,548	\$ 1,443,068
Public works	1,584,663	1,689,041	1,787,578	1,749,695
Operating grants and contributions	<u>1,170,684</u>	<u>130,331</u>	<u>130,217</u>	<u>207,951</u>
Total governmental activities program revenues	<u>3,740,136</u>	<u>2,846,406</u>	<u>3,121,343</u>	<u>3,400,714</u>
Business-type activities				
Charges for services				
Water	2,018,000	2,363,284	2,637,614	3,041,240
Sewer	1,261,810	1,259,970	1,309,939	1,587,786
Gas	1,787,152	2,110,902	2,173,694	2,460,885
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	280,785	2,439,084	137,444
Total business-type activities program revenues	<u>5,066,962</u>	<u>6,014,941</u>	<u>8,560,331</u>	<u>7,227,355</u>
Total primary government program revenues	<u>\$ 8,807,098</u>	<u>\$ 8,861,347</u>	<u>\$ 11,681,674</u>	<u>\$ 10,628,069</u>
Net (Expense)/Revenue				
Governmental activities	\$ (5,546,074)	\$ (7,917,609)	\$ (8,694,802)	\$ (8,641,257)
Business-type activities	<u>(366,405)</u>	<u>(119,737)</u>	<u>1,834,928</u>	<u>(195,138)</u>
Total primary government net expense	<u>\$ (5,912,479)</u>	<u>\$ (8,037,346)</u>	<u>\$ (6,859,874)</u>	<u>\$ (8,836,395)</u>

	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$	1,438,117	\$ 1,734,307	3,091,652
	5,449,912	7,224,244	6,720,247
	5,076,429	6,325,789	5,692,269
	355,348	471,539	260,561
	824,168	790,736	708,109
	<u>13,143,974</u>	<u>16,546,615</u>	<u>16,472,838</u>
	2,744,139	2,775,923	2,235,193
	1,890,696	2,305,841	2,215,841
	1,081,343	1,164,702	1,402,558
	2,496,747	2,727,066	2,486,336
	<u>8,212,925</u>	<u>8,973,532</u>	<u>8,339,928</u>
\$	<u>21,356,899</u>	<u>\$ 25,520,147</u>	<u>\$ 24,812,766</u>
\$	1,352,444	\$ 922,073	1,044,706
	1,938,750	2,612,619	2,596,344
	<u>141,750</u>	<u>265,047</u>	<u>278,350</u>
	<u>3,432,944</u>	<u>3,799,739</u>	<u>3,919,400</u>
	3,208,398	3,435,595	4,547,803
	1,401,640	1,725,839	2,468,377
	3,675,752	3,792,717	4,426,091
	-	-	720,000
	-	-	-
	<u>8,285,790</u>	<u>8,954,151</u>	<u>12,162,271</u>
\$	<u>11,718,734</u>	<u>\$ 12,753,890</u>	<u>\$ 16,081,671</u>
\$	(9,711,030)	\$ (12,746,876)	(12,553,438)
	72,865	(19,381)	3,822,343
\$	<u>(9,638,165)</u>	<u>\$ (12,766,257)</u>	<u>\$ (8,731,095)</u>

CITY OF TOMBALL, TEXAS

CHANGES IN NET ASSETS (Continued)

Last Seven Years (1)

(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental activities				
Taxes				
Property taxes, levied for general purposes	\$ 101,356	\$ 721,527	\$ 805,285	\$ 952,673
Property taxes, levied for debt service	1,721,414	1,243,803	1,238,004	1,286,693
Sales taxes	5,134,332	5,556,890	6,479,974	7,491,415
Franchise and local taxes	1,011,342	1,020,001	1,067,621	1,069,381
Other taxes	50,312	95,995	100,056	112,527
Investment earnings	402,958	291,197	558,759	988,431
Other revenues	159,714	119,949	43,774	62,362
Gain (loss) on sale of capital assets	25,581	8,920	8,637	22,599
Transfers	-	(4,500,000)	-	-
Total governmental activities	<u>8,607,009</u>	<u>4,558,282</u>	<u>10,302,110</u>	<u>11,986,081</u>
Business-type activities				
Investment earnings	231,462	175,176	366,816	477,600
Other revenues	869,862	760,976	722,620	2,570,236
Transfers	-	4,500,000	-	-
Total business-type activities	<u>1,101,324</u>	<u>5,436,152</u>	<u>1,089,436</u>	<u>3,047,836</u>
Total primary government	<u>\$ 9,708,333</u>	<u>\$ 9,994,434</u>	<u>\$ 11,391,546</u>	<u>\$ 15,033,917</u>
Change in Net Assets				
Governmental activities	\$ 3,060,935	\$ (3,359,327)	\$ 1,607,308	\$ 3,344,824
Business-type activities	734,919	5,316,415	2,924,364	2,852,698
Total primary government	<u>\$ 3,795,854</u>	<u>\$ 1,957,088</u>	<u>\$ 4,531,672</u>	<u>\$ 6,197,522</u>

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$	1,168,491	\$ 933,885	1,587,560
	1,299,344	1,511,139	1,449,089
	7,304,280	7,100,293	7,038,176
	1,140,734	1,201,401	1,150,591
	181,503	267,133	308,100
	1,222,816	756,431	325,789
	223,644	515,216	405,391
	-	-	-
	-	39,291	1,749,561
	<u>12,540,812</u>	<u>12,324,789</u>	<u>14,014,257</u>
	452,098	308,849	175,119
	720,000	720,000	2,860
	-	(39,291)	(1,749,561)
	<u>1,172,098</u>	<u>989,558</u>	<u>(1,571,582)</u>
\$	<u>13,712,910</u>	<u>\$ 13,314,347</u>	<u>\$ 12,442,675</u>
\$	2,829,782	\$ (422,087)	1,460,819
	1,244,963	970,177	2,250,761
\$	<u>4,074,745</u>	<u>\$ 548,090</u>	<u>\$ 3,711,580</u>

CITY OF TOMBALL, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Years
 (Modified accrual basis of accounting)

	Fiscal Year			
	2000	2001	2002	2003
General Fund				
Reserved	\$ -	\$ -	\$ 3,314,775	\$ 7,877,234
Unreserved	11,734,819	11,998,860	18,571,716	14,046,018
Total general fund	<u>\$ 11,734,819</u>	<u>\$ 11,998,860</u>	<u>\$ 21,886,491</u>	<u>\$ 21,923,252</u>
 All Other Governmental Funds				
Reserved	\$ 1,370,026	\$ 1,609,563	\$ 1,383,613	\$ 1,629,739
Unreserved, reported in:				
Capital project funds	-	-	-	612
Special revenue funds	25,805	14,107	15,716	21,429
Total all other governmental funds	<u>\$ 1,395,831</u>	<u>\$ 1,623,670</u>	<u>\$ 1,399,329</u>	<u>\$ 1,651,780</u>

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 7,274,055	\$ 4,268,304	\$ 1,646,027	\$ -	\$ -	\$ 23,724
15,224,108	18,009,256	21,048,552	21,199,234	16,676,502	12,194,969
<u>\$ 22,498,163</u>	<u>\$ 22,277,560</u>	<u>\$ 22,694,579</u>	<u>\$ 21,199,234</u>	<u>\$ 16,676,502</u>	<u>\$ 12,218,693</u>
\$ 1,253,170	\$ 915,699	\$ 1,205,549	\$ 2,407,556	\$ 2,097,709	\$ 1,530,276
9,218	9,637	9,757	79,883	121,425	133,498
38,108	34,187	23,333	138,137	353,527	742,340
<u>\$ 1,300,496</u>	<u>\$ 959,523</u>	<u>\$ 1,238,639</u>	<u>\$ 2,625,576</u>	<u>\$ 2,572,661</u>	<u>\$ 2,406,114</u>

CITY OF TOMBALL, TEXAS
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
 Last Ten Years
 (Modified accrual basis of accounting)

	Fiscal Year			
	2000	2001	2002	2003
Revenues				
Taxes	\$ 6,139,677	\$ 6,786,305	\$ 7,507,370	\$ 8,090,360
Permits, licenses, and fees	276,890	395,010	495,521	372,621
Fines and forfeitures	665,483	650,348	683,007	537,494
Charges for services	1,234,510	1,405,308	1,577,404	1,626,644
Intergovernmental	897,911	243,656	140,536	1,242,684
Investment earnings	663,483	938,798	630,748	402,958
Other revenues	95,674	56,971	77,525	121,119
Total revenues	<u>9,973,628</u>	<u>10,476,396</u>	<u>11,112,111</u>	<u>12,393,880</u>
Expenditures				
General government	1,127,362	1,223,239	1,259,828	1,366,138
Public safety	2,582,371	2,867,985	3,072,942	3,236,266
Public works	1,556,792	1,757,733	2,170,635	2,095,207
Public service	651,088	514,182	346,732	369,130
Capital outlay	1,633,988	2,276,988	3,026,723	4,466,088
Debt service				
Principal	622,633	545,000	813,061	861,452
Interest and paying agent	348,893	341,127	437,206	719,307
Total expenditures	<u>8,523,127</u>	<u>9,526,254</u>	<u>11,127,127</u>	<u>13,113,588</u>
Excess of revenues over (under) expenditures	1,450,501	950,142	(15,016)	(719,708)
Other Financing Sources (Uses)				
Transfers in	-	-	180,000	-
Transfers out	(68,407)	(1,185,000)	-	-
Issuance of debt	-	726,738	9,500,147	-
Sale of capital assets	-	-	-	42,972
Total other financing sources	<u>(68,407)</u>	<u>(458,262)</u>	<u>9,680,147</u>	<u>42,972</u>
Net change in fund balances	<u>\$ 1,382,094</u>	<u>\$ 491,880</u>	<u>\$ 9,665,131</u>	<u>\$ (676,736)</u>
Debt service as a percentage of noncapital expenditures	14.10%	12.22%	15.43%	18.28%

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$	8,012,912	\$ 9,716,624	\$ 10,931,747	\$ 10,936,779	\$ 11,193,185	\$ 11,442,297
	317,369	331,660	409,694	414,713	319,177	247,548
	531,439	700,112	832,314	728,148	922,073	1,044,706
	1,749,537	1,850,595	1,850,925	2,059,958	2,293,442	2,348,796
	202,331	202,217	279,950	213,750	265,047	278,350
	291,197	558,759	878,636	1,222,817	713,433	312,290
	187,369	81,671	98,866	168,216	332,551	361,992
	<u>11,292,154</u>	<u>13,441,638</u>	<u>15,282,132</u>	<u>15,744,381</u>	<u>16,038,908</u>	<u>16,035,979</u>
	1,628,722	1,727,172	1,800,747	1,837,112	3,822,202	2,606,885
	3,777,556	4,548,579	4,741,965	5,130,493	6,010,899	7,770,127
	2,764,994	2,734,706	2,856,974	3,112,853	3,635,764	3,713,018
	385,465	449,795	424,129	1,113,084	550,513	932,492
	4,850,051	2,236,496	2,814,130	2,762,545	3,521,127	5,387,966
	1,373,838	1,391,273	1,194,405	1,138,174	1,158,174	1,328,619
	949,814	948,260	891,842	830,330	795,482	714,188
	<u>15,730,440</u>	<u>14,036,281</u>	<u>14,724,192</u>	<u>15,924,591</u>	<u>19,494,161</u>	<u>22,453,295</u>
	(4,438,286)	(594,643)	557,940	(180,210)	(3,455,253)	(6,417,316)
	-	-	-	-	-	1,749,561
	(4,500,000)	-	-	-	(1,248,846)	-
	8,500,000	-	-	-	-	-
	23,413	33,064	28,399	-	182,665	43,399
	<u>4,023,413</u>	<u>33,064</u>	<u>28,399</u>	<u>-</u>	<u>(1,066,181)</u>	<u>1,792,960</u>
\$	<u>(414,873)</u>	<u>(561,579)</u>	<u>586,339</u>	<u>(180,210)</u>	<u>(4,521,434)</u>	<u>(4,624,356)</u>
	21.36%	19.83%	17.52%	14.96%	12.26%	12.27%

CITY OF TOMBALL, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES
 Last Ten Years
 (Accrual basis of accounting)

<u>Function</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Property	\$ 1,494,389	\$ 1,469,880	\$ 1,656,767	\$ 1,894,374	\$ 1,978,526
Sales	3,809,017	4,323,015	4,725,338	5,134,332	4,918,390
Franchise fees	772,295	929,450	1,060,206	1,011,342	1,020,001
Other taxes	63,976	63,960	65,059	50,312	95,995
	<u>\$ 6,139,677</u>	<u>\$ 6,786,305</u>	<u>\$ 7,507,370</u>	<u>\$ 8,090,360</u>	<u>\$ 8,012,912</u>

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Change 2008-2009</u>
\$	2,068,974	\$ 2,258,424	\$ 2,310,262	\$ 2,570,145	\$ 3,036,649	18.15%
	6,479,974	7,491,415	7,304,280	7,206,713	7,038,176	-2.34%
	1,067,620	1,069,381	1,140,734	1,149,261	1,150,591	0.12%
	100,056	112,527	181,503	267,066	308,100	15.36%
	<u>9,716,624</u>	<u>\$ 10,931,747</u>	<u>\$ 10,936,779</u>	<u>\$ 11,193,185</u>	<u>\$ 11,533,516</u>	3.04%

CITY OF TOMBALL, TEXAS
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 Last Six Years (2)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Residential Property	\$ 312,970,420	\$ 346,417,520	\$ 534,830,588	\$ 548,645,926
Commercial Property	349,489,260	362,762,930	439,434,785	420,414,851
Less: Tax Exempt Property	<u>(35,756,520)</u>	<u>(36,272,730)</u>	<u>(192,670,546)</u>	<u>(221,138,305)</u>
Total Taxable Assessed Value (1)	<u>\$ 626,703,160</u>	<u>\$ 672,907,720</u>	<u>\$ 781,594,827</u>	<u>\$ 747,922,472</u>
Total Direct Tax Rate	0.280000	0.280000	0.251455	0.251455

Source: Harris County Certified / Uncertified Tax Roll

(1) Property is assessed at actual value, therefore, the assessed values are equal to actual value.

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

Tax rates are per \$100 of assessed value.

<u>2008</u>	<u>2009</u>
\$ 562,126,135	\$ 494,490,612
516,025,633	962,896,368
<u>(213,059,540)</u>	<u>(302,822,021)</u>
<u>\$ 865,092,228</u>	<u>\$ 1,154,564,959</u>
0.251455	0.251455

CITY OF TOMBALL, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Years

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
City of Tomball by fund:				
General	\$ 0.122770	\$ 0.117600	\$ 0.114000	\$ 0.015410
Debt service	0.219750	0.189240	0.166000	0.264590
Total Direct Rates	<u>0.342520</u>	<u>0.306840</u>	<u>0.280000</u>	<u>0.280000</u>
Tomball Independent School District	1.590000	1.650000	1.680000	1.750000
Harris County	0.394800	0.394800	0.359000	0.383900
Harris County Flood Control District	0.080000	0.080000	0.061700	0.047600
Port of Houston Authority	0.021300	0.020400	0.018300	0.018300
Harris County Hospital District	0.146500	0.146500	0.202700	0.190200
School Equalization	0.006290	0.006290	0.006290	0.006290
Lone Star College System District	0.001174	0.001100	0.001100	0.001055
Emergency Service District #8	-	-	-	-
Total Direct and Overlapping Rates (1)	<u>\$ 2.582584</u>	<u>\$ 2.605930</u>	<u>\$ 2.609090</u>	<u>\$ 2.677345</u>

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

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

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 0.100000	\$ 0.108000	\$ 0.116640	\$ 0.106468	\$ 0.101455	\$ 0.131455
0.180000	0.172000	0.163360	0.144987	0.150000	0.120000
<u>0.280000</u>	<u>0.280000</u>	<u>0.280000</u>	<u>0.251455</u>	<u>0.251455</u>	<u>0.251455</u>
1.730000	1.730000	1.710000	1.580000	1.275000	1.360000
0.388100	0.388000	0.399860	0.402390	0.392390	0.389230
0.041700	0.041700	0.033220	0.032410	0.031060	0.030860
0.019900	0.020000	0.014740	0.013020	0.014370	0.017730
0.190200	0.190200	0.192160	0.192160	0.192160	0.192160
0.006290	0.006290	0.006290	0.006290	0.005853	0.005840
0.001055	0.114500	0.120700	0.114400	0.114400	0.110100
-	0.030000	0.030000	0.030000	0.030000	0.050000
<u>\$ 2.657245</u>	<u>\$ 2.800690</u>	<u>\$ 2.786970</u>	<u>\$ 2.622125</u>	<u>\$ 2.306688</u>	<u>\$ 2.407375</u>

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CITY OF TOMBALL, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Ten Years Ago

Property Tax Payer	2009			1999		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
B. J. Services	\$ 183,798,798	1	15.92%	\$ 11,406,220	2	3.08%
Wal-Mart	20,315,713	2	1.76%	13,020,640	1	3.52%
MSR TX Tomball LP	18,955,529	3	1.64%		n/a	
Lowe's	15,103,772	4	1.31%		n/a	
Centerpoint Energy	14,783,169	5	1.28%		n/a	
HEB Grocery	13,328,160	6	1.15%		n/a	
Weingarten Investments	12,887,614	7	1.12%		n/a	
NNN Park at Spring Creek LLC	12,655,681	8	1.10%		n/a	
Target Corporation	11,776,723	9	1.02%		n/a	
A S 62 HWY 249 & FM 2920	11,481,912	10	0.99%		n/a	
Reliant Energy - HL & P		n/a		10,853,210	3	2.93%
Southwestern Bell Telephone		n/a		8,756,090	4	2.37%
Park at Spring Creek L.C.		n/a		6,472,980	5	1.75%
Center America Properties		n/a		5,784,310	6	1.56%
Four Corners Equity Corporation		n/a		5,766,920	7	1.56%
Commonwealth SW		n/a		4,515,700	8	1.22%
KB Fund IV		n/a		4,375,270	9	1.18%
Alphil Investments		n/a		4,370,500	10	1.18%
Subtotal	\$ 315,087,071		27.29%	\$ 75,321,840		20.35%
Other Taxpayers	839,477,888		72.71%	294,890,360		79.65%
Total	\$ 1,154,564,959		100.00%	\$ 370,212,200		100.00%

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

CITY OF TOMBALL, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Tax levy	\$ 1,311,000	\$ 1,330,000	\$ 1,549,800	\$ 1,600,000
Current tax collected	\$ 1,154,230	\$ 1,249,890	\$ 1,411,192	\$ 1,425,600
Percent of current tax collections	88.04%	93.98%	91.06%	89.10%
Delinquent tax collections	<u>\$ 243,005</u>	<u>\$ 153,558</u>	<u>\$ 124,493</u>	<u>\$ 294,015</u>
Total tax collections	<u>\$ 1,397,235</u>	<u>\$ 1,403,448</u>	<u>\$ 1,535,685</u>	<u>\$ 1,719,615</u>
Total collections as a percentage of current levy	106.58%	105.52%	99.09%	107.48%
Outstanding delinquent taxes	\$ 203,774	\$ 237,298	\$ 217,429	\$ 195,650
Outstanding delinquent taxes as percentage of current levy	15.543%	17.842%	14.029%	12.228%

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 1,915,562	\$ 2,013,497	\$ 1,993,481	\$ 2,130,000	\$ 2,517,121	\$ 2,919,478
\$ 1,771,895	\$ 1,834,296	\$ 1,798,120	\$ 1,904,220	\$ 2,469,639	\$ 2,843,461
92.50%	91.10%	90.20%	89.40%	98.11%	97.40%
<u>\$ 118,583</u>	<u>\$ 135,905</u>	<u>\$ 350,119</u>	<u>\$ 265,982</u>	<u>\$ 165,471</u>	<u>\$ 34,679</u>
<u>\$ 1,890,478</u>	<u>\$ 1,970,201</u>	<u>\$ 2,148,239</u>	<u>\$ 2,170,202</u>	<u>\$ 2,635,110</u>	<u>\$ 2,878,140</u>
98.69%	97.85%	107.76%	101.89%	104.69%	98.58%
\$ 274,597	\$ 254,685	\$ 208,636	\$ 346,256	\$ 139,955	\$ 105,276
14.335%	12.649%	10.466%	16.256%	5.560%	3.606%

CITY OF TOMBALL, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE

Last Seven Years (1)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Primary Government				
Governmental Activities:				
General obligation bonds	\$ 13,920,000	\$ 21,170,000	\$ 19,905,000	\$ 18,839,500
Capital leases	742,483	618,645	492,372	363,467
Subtotal	<u>14,662,483</u>	<u>21,788,645</u>	<u>20,397,372</u>	<u>19,202,967</u>
Business-Type Activities:				
Revenue bonds	17,110,000	16,590,000	16,005,000	15,085,500
Total Primary Government	<u>\$ 31,772,483</u>	<u>\$ 38,378,645</u>	<u>\$ 36,402,372</u>	<u>\$ 34,288,467</u>
Personal Income	\$ 37,787	\$ 22,334	\$ 30,222	\$ 26,401
Debt as a Percentage				
Of Personal Income	8.542%	17.387%	12.130%	12.224%
Population	9,843	9,883	9,930	10,625
Debt Per Capita	\$ 3,228	\$ 3,883	\$ 3,666	\$ 3,227

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

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

<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 17,774,000	\$ 16,688,500	\$ 15,578,000
290,793	218,540	-
<u>18,064,793</u>	<u>16,907,040</u>	<u>15,578,000</u>
14,151,000	13,206,500	12,247,000
<u>\$ 32,215,793</u>	<u>\$ 30,113,540</u>	<u>\$ 27,825,000</u>
\$ 24,564	\$ 24,002	\$ 24,576
11.404%	10.880%	9.760%
11,500	11,531	11,600
\$ 2,801	\$ 2,612	\$ 2,399

CITY OF TOMBALL, TEXAS
RATIO OF NET BONDED DEBT TO ASSESSED VALUE,
NET BONDED DEBT PER CAPITA, AND ASSESSED
AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Years

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Net Taxable Assessed Value				
All property	\$ 386,692,748	\$ 493,134,250	\$ 561,181,320	\$ 580,358,740
Net Bonded Debt				
Gross bonded debt	\$ 14,750,000	\$ 13,780,000	\$ 32,780,000	\$ 31,030,000
Less debt service funds	-	-	-	-
Net Bonded Debt	<u>\$ 14,750,000</u>	<u>\$ 13,780,000</u>	<u>\$ 32,780,000</u>	<u>\$ 31,030,000</u>
Ratio of Net Bonded Debt To Assessed Value	3.81%	2.79%	5.84%	5.35%
Population	9,089	9,543	9,829	9,843
Net Bonded Debt Per Capita	\$ 1,623	\$ 1,444	\$ 3,335	\$ 3,152

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 683,847,570	\$ 672,907,720	\$ 783,134,388	\$ 981,484,973	\$ 1,078,151,768	\$ 1,154,564,959
\$ 37,760,000	\$ 35,910,000	\$ 33,925,000	\$ 31,925,000	\$ 29,895,000	\$ 27,825,000
-	-	-	-	-	-
<u>\$ 37,760,000</u>	<u>\$ 35,910,000</u>	<u>\$ 33,925,000</u>	<u>\$ 31,925,000</u>	<u>\$ 29,895,000</u>	<u>\$ 27,825,000</u>
5.52%	5.34%	4.33%	3.25%	2.77%	2.41%
9,883	9,930	10,625	11,500	11,500	11,600
\$ 3,821	\$ 3,616	\$ 3,193	\$ 2,776	\$ 2,600	\$ 2,399

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CITY OF TOMBALL, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2009

Governmental Unit	<u>Net Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Tomball ISD	\$ 219,177,814	20.860%	\$ 54,158,818
Harris County	2,233,931,628	0.340%	6,436,255
Harris Co. Flood Control District	105,482,945	0.340%	370,535
Lone Star College System	155,503,000	1.030%	4,334,446
Port of Houston Authority	547,415,000	0.340%	<u>1,861,211</u>
Subtotal, overlapping debt			67,161,265
City Direct Debt		100.000%	<u>15,578,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 82,739,265</u></u>

Source: First Southwest Company

CITY OF TOMBALL, TEXAS

LEGAL DEBT MARGIN INFORMATION

Last Seven Years (1)

	Fiscal Year			
	2003	2004	2005	2006
Debt limit	\$ 58,035,874	\$ 68,384,757	\$ 67,290,772	\$ 78,313,439
Total net debt applicable to limit	13,920,000	21,170,000	19,905,000	18,839,500
Legal debt margin	\$ 44,115,874	\$ 47,214,757	\$ 47,385,772	\$ 59,473,939
Total net debt applicable to the limit as a percentage of debt limit	23.99%	30.96%	29.58%	24.06%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 1,154,564,959	
Debt limit (10% of assessed value)	115,456,496	(2)
Debt applicable to limit:		
General obligation bonds	15,578,000	
Less: amount set aside for repayment of general obligation debt	-	
Total net debt applicable to limit	15,578,000	
Legal debt margin	\$ 99,878,496	

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

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

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

<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 80,374,497	\$ 91,126,677	\$ 115,456,496
17,774,000	15,578,000	15,578,000
<u>\$ 62,600,497</u>	<u>\$ 75,548,677</u>	<u>\$ 99,878,496</u>
22.11%	17.09%	13.49%

CITY OF TOMBALL, TEXAS

PLEDGED-REVENUE COVERAGE

Last Ten Years

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Gross revenues	\$ 4,703,321	\$ 6,366,787	\$ 5,748,215	\$ 6,204,814
Operating expenses (1)	<u>2,279,247</u>	<u>3,579,876</u>	<u>3,070,238</u>	<u>3,850,816</u>
Net revenues available for debt service	<u>\$ 2,424,074</u>	<u>\$ 2,786,911</u>	<u>\$ 2,677,977</u>	<u>\$ 2,353,998</u>
DEBT SERVICE REQUIREMENTS (2)				
**Principal and interest	<u>\$ 602,736</u>	<u>\$ 575,996</u>	<u>\$ 538,239</u>	<u>\$ 538,846</u>
Coverage	4.02	4.84	4.98	4.37

(1) Total operating expenses less depreciation

(2) Includes revenue bonds only

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 7,005,922	\$ 9,637,212	\$ 7,014,177	\$ 9,450,511	\$ 9,987,545	\$ 11,442,271
<u>4,539,346</u>	<u>4,941,774</u>	<u>5,603,456</u>	<u>6,238,127</u>	<u>7,039,498</u>	<u>6,842,990</u>
<u>\$ 2,466,576</u>	<u>\$ 4,695,438</u>	<u>\$ 1,410,721</u>	<u>\$ 3,212,384</u>	<u>\$ 2,948,047</u>	<u>\$ 4,599,281</u>
<u>\$ 538,846</u>	<u>\$ 540,020</u>	<u>\$ 540,674</u>	<u>\$ 541,047</u>	<u>\$ 541,575</u>	<u>\$ 538,595</u>
4.58	8.69	2.61	5.94	5.44	8.54

CITY OF TOMBALL, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years

Fiscal Year Ended Sept 30	Population(1)	Personal Income	Per Capita Personal Income(5)	Median Age(2)	School Enrollment(3)	Unemployment Rate(4)
2000	9,089	222,198,783	24,447	33.5	6,982	4.80%
2001	9,543	399,469,980	41,860	36.3	7,775	5.60%
2002	9,829	321,418,129	32,701	36.3	8,048	6.50%
2003	9,843	371,937,441	37,787	34.6	8,394	6.90%
2004	9,883	220,726,922	22,334	34.6	8,730	5.50%
2005	9,930	300,104,460	30,222	36.3	8,968	5.30%
2006	10,625	280,510,625	26,401	34.1	9,075	4.70%
2007	11,500	282,486,000	24,564	35.6	9,358	4.30%
2008	11,531	276,767,062	24,002	36.8	9,311	5.10%
2009	11,600	285,081,600	24,576	36.8	9,691	8.40%

Data sources:

- (1) Estimated (2000 census adjusted for growth)
- (2) Tomball Economic Development Corporation
- (3) Tomball Independent School District
- (4) Texas Employment Commission, Houston Primary Metropolitan Statistical Area
- (5) Tomball Economic Development Corporation

CITY OF TOMBALL, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Ten Years Ago

Employer	2009			2000	
	Employees	Rank	Percentage of Total City Employment	Employees	Rank
Tomball Regional Hospital	1,600	1	33.74%	1,200	1
Tomball ISD	1,346	2	28.38%	958	2
Tomball College (NHMCCD)	1,205	3	25.41%	471	4
Wal-Mart	450	4	9.49%	330	5
BJ Services Company, USA	400	5	8.44%	500	3
HEB	270	6	5.69%	n/a	n/a
City of Tomball	222	7	4.68%	86	6
Kroger	130	8	2.74%	n/a	n/a
Lowes	129	9	2.72%	n/a	n/a
Target	117	10	2.47%	n/a	n/a

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund:										
Administration	7.5	7.5	7.5	7.5	8	8.25	8.5	9.5	9.5	9.5
Permits & inspection	2	2	3.5	3.5	4.5	4.5	5	6	5	5
Police department	39	41.5	44	44	47.5	50.5	50.5	52.5	52.5	52.5
Municipal court	6	6	7	6	5.5	4.5	4	4	5	5
Community center	4	4	4	3	3	3	3	3	3	3
Fire department	1	1	1.5	5.5	8.5	9	9	12	12	12
Public works admin.	3.5	3.5	4	4.5	4.5	6	5.5	6	7	7
Garage	1.5	1.5	1.5	1.5	1	1	1	1	1	1
Parks	2.5	3.5	3.5	3.5	3.2	4.2	4.2	4.2	5.2	5.2
Streets	7.3	7.3	7.3	8.3	10.2	9.2	9.2	7.2	8.2	8.2
General Fund Total	74.3	77.8	83.8	87.3	95.9	100.15	99.9	105.4	108.4	108.4
Enterprise Fund:										
Utility administration	7.5	7.5	8.5	8.5	9	11.25	11.5	11.5	11.5	11.5
Water	4.08	4.42	5.76	5.92	6.82	6.83	8.2	7.2	7.2	7.2
Wastewater	5.96	6.29	7.62	7.79	9.64	9.64	10.2	10.2	10.2	10.2
Gas	3.96	4.29	4.62	5.29	7.14	7.14	6.2	7.2	7.2	7.2
Enterprise Fund Total	21.5	22.5	26.5	27.5	32.6	34.86	36.1	36.1	36.1	36.1
TOTAL CITY POSITIONS	<u>95.8</u>	<u>100.3</u>	<u>110.3</u>	<u>114.8</u>	<u>128.5</u>	<u>135.01</u>	<u>136</u>	<u>141.5</u>	<u>144.5</u>	<u>144.5</u>

NOTES:

Around 20-35 temporary and seasonal employees are hired during the summer months as public works temporary employees, pool personnel and front desk. This count is not reflected above.
 Police reserves (25) are not included.
 Fire Department volunteers (60) are not included.

CITY OF TOMBALL, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
 Last Seven Years (1)

Function/Program	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Police							
Arrests	2,034	1,804	1,766	1,611	1,812	1,840	1,625
Accident reports	704	650	563	523	609	499	440
Citations	5,518	8,153	13,194	12,473	7,602	12,445	10,820
Offense reports	2,319	2,959	2,130	2,321	2,174	2,398	2,050
Calls for service	9,323	8,553	8,804	8,861	8,558	8,299	7,688
Fire							
Emergency responses	N/A	647	623	860	1,028	1,241	1,056
Fire incidents	N/A	113	170	278	170	206	218
Average response time	N/A	6:19	6:17	6:07	5:40	5:34	4:38
Water							
New accounts	597	639	674	875	719	663	532
Source:							
Water	597	639	674	875	719	663	532
Sewer	597	639	674	875	719	663	532
Average daily consumption (millions of gallons)	1,798	1,798	1,851	2,002	1,897	1,980	2,166
Number of million gallons of well water pumped	656,384	675,448	751,880	730,198	692,163	722,788	790,409
Total consumption (millions of gallons)	656,384	675,448	751,880	730,198	692,363	722,788	790,409
Peak daily consumption (millions of gallons)	3,492	3,492	3,322	3,395	3,241	4,425	3,791
Sewer							
Average daily sewage treatment (millions of gallons)	1.339	1.595	1.468	1.500	1.636	1.422	1.428
Total consumption (millions of gallons)	488.735	582.175	535.820	547.500	597.140	519.030	521.220
Peak daily consumption (millions of gallons)	3.30	4.50	4.30	4.50	5.10	5.90	5.10

Source: Various City departments

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

CITY OF TOMBALL, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Seven Years (1)

Function/Program	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Police							
Stations	1	1	1	1	1	1	1
Patrol units	26	26	27	31	32	26	28
Fire stations	2	2	2	2	2	2	2
Other public works							
Streets (miles - centerlines)	69.9	71.0	71.0	72.0	72.0	72.6	73.0
Streetlights	462	462	639	642	648	648	648
Parks and recreation							
Parks	4	4	4	4	4	4	4
Parks acreage	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres
Swimming pools	1	1	1	1	1	1	1
Baseball/softball diamonds	8	8	8	8	8	8	8
Tennis courts	4	4	4	4	4	4	4
Basketball courts	1	1	1	1	1	1	1
Water							
Water mains (miles)	59	59	74	86	88	89	91.29
Fire hydrants	630	630	668	802	831	831	869
Storage capacity (millions of gallons)	N/A	N/A	N/A	N/A	1.85	1.85	1.85
Sewer							
Sanitary sewers (miles)	48.0	48.0	51.5	54.5	56.0	56.17	58.6
Storm sewers (miles)	15.0	16.2	16.9	16.9	16.9	16.9	17.2
Open ditch/creek/canal drainage (miles)	N/A	N/A	N/A	N/A	52.00	53	53.4
Treatment capacity (millions of gallons)	3	3	3	3	3	3	3

Source: Various City departments

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