

***COMPREHENSIVE  
ANNUAL FINANCIAL REPORT***

of the

**CITY OF TOMBALL, TEXAS**

**For the Year Ended  
September 30, 2011**

**CITY MANAGER**

George Shackelford

Prepared by:

Glenn Windsor, CPA, CGFO  
Finance Director

Kacie Richardson, CGFO  
Senior Accountant

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# CITY OF TOMBALL, TEXAS

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# CITY OF TOMBALL, TEXAS

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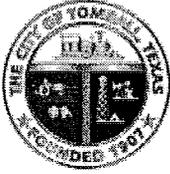
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***INTRODUCTORY SECTION***

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# City of Tomball

*Gretchen Fagan*

*Mayor*

*George Shackelford*

*City Manager*

January 11, 2012

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

It is with great pleasure that we present to you a copy of the Comprehensive Annual Financial Report (CAFR) of the City of Tomball, Texas (the "City") for the fiscal year ended September 30, 2011. The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the results of operations of the various funds of the City, as well as the fund balances. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

## **Profile of the Government**

The City, incorporated on July 18, 1933, is located northwest of Houston, Texas, in a rapidly growing area of Harris County. The City currently occupies a land area of 11.71 square miles and serves an estimated population of 10,753. The City of Tomball is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

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

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

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

#### **Local Economy**

The City is located approximately 32 miles northwest of Houston and is primarily surrounded by municipal utility districts, making it one of the only incorporated areas in this portion of Harris County. As a result, the City has evolved into the principal commercial center, fueling a property tax base growth of 8.3% on an average annual basis over the past five years. In fiscal 2011, the assessed values declined by 1.7%, in line with regional and national economic trends. Assessed values for Fiscal 2012 were received prior to September 30, 2011 and reflected a continued decline of 1.8% to \$ 1.11 billion which excludes the value of properties remaining uncertified (\$ 35 million) of which some percent of value is expected to be added back to the rolls thereby reducing the decline. BJ Services, which was recently acquired by Baker Hughes, is the City's primary taxpayer with 14% of the City's total assessed value. BJ Services provides technology and operational support for the company's natural gas related pressure pumping operation. Tomball has substantial land for further development both in the City limits and in its annexable extra-territorial jurisdictions.

After three years of declining sales tax revenues, the City experienced a 5.62% increase during 2011-2012. Additionally, several new retail businesses were opened including one large national retail store.

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 the prospect of continued residential growth.

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

The City continued to allocate funds to revitalize the historic downtown area of Tomball. At the end of the fiscal year, a scenic fountain was planned for the area with additional landscaping. The City also entered into a contract to exchange the existing tax office building for two other buildings that will be renovated and used for additional improvements to the Depot Plaza. 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 downtown area.

Transmittal Letter  
City of Tomball, Texas  
September 30, 2011

In conjunction with the Tomball Economic Development Corporation, the City continues to expand water, sewer, and gas utilities east, west, and south to accommodate the anticipated future commercial development. Utilities on the west side of the City are along the Texas Farm-to-Market Highway 2920 linking I-45 (which runs north to

Dallas from Houston) to SH290 (which runs west to Austin from Houston). This road is heavily traveled and attractive to commercial industry. During 2011-2012, the City will cash fund capital projects in the amount of \$ 4,375,860 and shortly after year-end, \$ 14.5 million in Certificates of Obligation will be issued to fund the construction of the M121 West drainage channel and the extension of the existing Medical Complex Drive to South Cherry Street.

Drainage detention and channels have been ongoing projects for several years and are designed to provide a means of flood control in the area to reduce the impact of increased 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. Although additional retail establishments continue to come to Tomball, with the state of the national economy, the City chose to take a conservative approach for the 2012 fiscal year and submitted a budget with a three percent projected increase in sales tax revenues from the projected fiscal 2011 level.

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

The City initiated a number of actions during 2008 aimed at responsibly planning for the City's future. In November 2008, the City completed an FM 2920 Access Management Study, in conjunction with the Texas Department of Transportation and the Houston Galveston Area Council, to address safety and mobility along the FM 2920 corridor from US 290 to Interstate 45. The City also completed a Livable Centers Downtown Plan in cooperation with a grant received through the Houston Galveston Area Council. The Plan addressed public improvements to preserve, promote, and enhance Tomball's Downtown as the identifiable physical, social, and cultural heart of Tomball. In 2009 the City completed its first citywide Comprehensive Plan to guide and shape the community's future physical growth and development. The Comprehensive Plan was the result of a year-long community involvement process that involved over 1,700 stakeholders. The City approved a Professional Services agreement for the development of a Downtown Specific Plan during 2011, which will address land use and zoning regulations for the downtown area.

### **Financial Information**

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

benefits likely to be derived and (2) the valuation of cost and benefits requires estimates and judgments to be made by management.

### **Budgeting Controls**

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

### **Debt Administration**

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

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

### **Independent Audit**

The City Charter requires an independent audit of the accounts of the City by an independent auditor. Belt Harris Pechacek, LLLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Tomball's financial statements for the year ended September 30, 2011. The independent auditors' report is located at the front of the financial section of this report.

### **Awards**

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2010. In order to be awarded the Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is held for a period of one year only. Our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement requirements, and has been submitted to GFOA to determine its eligibility for another certificate.

The City also received the Distinguished Budget Presentation Award for the fiscal year beginning October 1, 2010. This is the third 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

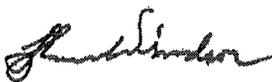
Transmittal Letter  
City of Tomball, Texas  
September 30, 2011

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 City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Tomball's finances.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Glenn Windsor".

Glenn Windsor, CPA  
Finance Director

# CITY OF TOMBALL, TEXAS

## ORGANIZATIONAL CHART

September 30, 2011

### Staff Organizational Chart

Tomball Citizens

Mayor and City Council

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

City Manager

- City Secretary
  - Reception/Vital Statistics
- Assistant to City Manager
  - Municipal Court
  - Community Center
- Human Resources
  - Personnel
  - Payroll
  - Risk Management
- Director of Finance
  - Accounting
  - Budgeting
  - Purchasing
  - Utility Billing
- Fire Chief
  - Fire Marshal
  - Firefighters
  - Emergency Management
- Police Chief
  - Investigations
  - Patrol

Assistant City Manager

- Building Official
  - Code Enforcement
  - Building Inspections
  - Permits
- Director of Engineering & Planning
  - Engineering
  - Planning
  - Construction Inspection
  - GIS
- Director of Public Works
  - General Services
    - Facilities
    - Streets
    - Parks
    - Garage
    - Sanitation
  - Utility Services
    - Water
    - Sewer
    - Gas

**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, 2010

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.



*Linda C. Danson*

President

*Jeffrey R. Emmer*

Executive Director

# CITY OF TOMBALL, TEXAS

## PRINCIPAL OFFICIALS

September 30, 2011

<u>City Officials</u>	<u>Elected Position</u>	<u>Term Expires</u>
Gretchen Fagan	Mayor	2013
F.S. Hudgens	Councilman Position 1	2014
Mark Stoll	Councilman Position 2	2012
Rick Brown	Councilman Position 3	2013
Derek Townsend, Sr.	Councilman Position 4	2012
Preston Dodson	Councilman Position 5	2014

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

***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, 2011, 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, 2011, 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, budgetary comparison information, and schedules of funding progress 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. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and schedules,

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**Partners**

Robert Belt, CPA  
Stephanie E. Harris, CPA  
Nathan Krupke, CPA

**Houston**

3210 Bingle Rd., Ste. 300  
Houston, TX 77055  
713.263.1123

**Bellville**

6100 Windy Hill Lane  
Bellville, TX 77418  
979.865.3169

**Austin**

100 Congress Ave., Ste. 2000  
Austin, TX 78701  
512.381.0222

**All Offices**

www.texasauditors.com  
info@txauditors.com  
713.263.1550 fax



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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
January 11, 2012

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

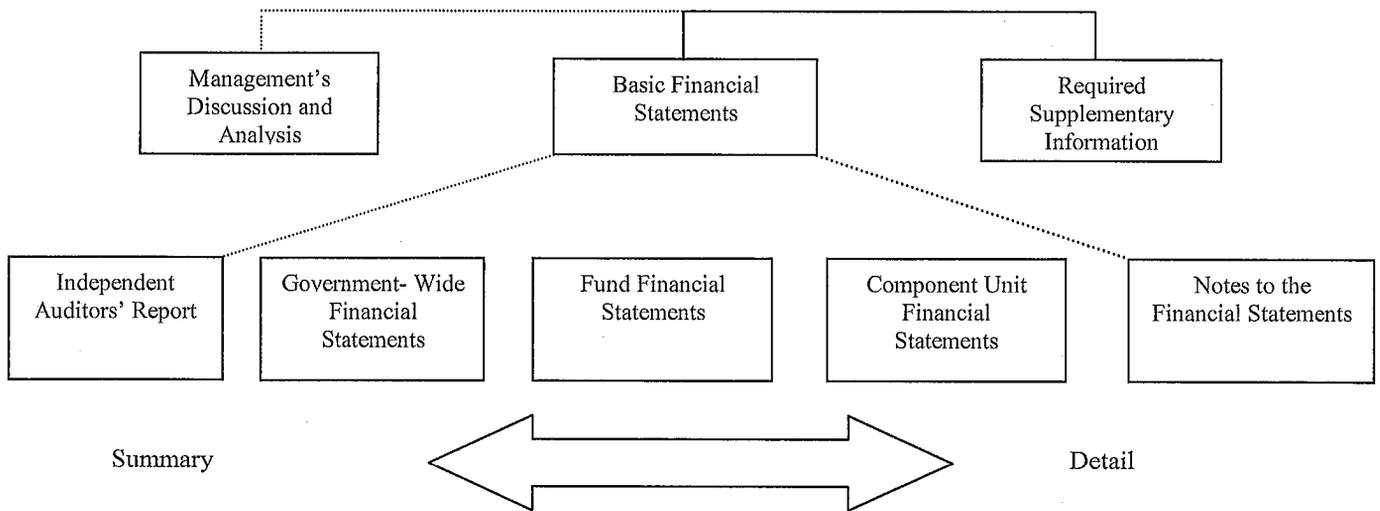
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**CITY OF TOMBALL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2011

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, 2011. 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**

**Components of the Financial Section**



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 well 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 government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate economic development corporation for which the City is financially accountable.

**CITY OF TOMBALL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2011**

Financial information on the component unit is reported separately from the financial information presented for the primary government itself.

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, 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 public safety, streets, garage, sanitation, parks and recreation, 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*.

**CITY OF TOMBALL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2011**

The City maintains twelve 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, debt service fund, and all special revenue funds. Budgetary comparison schedules have been provided for general fund, debt service fund, court security, court technology, hotel occupancy tax, and special general funds to demonstrate compliance with these budgets.

**Proprietary Funds**

The City maintains two types of proprietary funds, an enterprise fund and internal service fund. 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. The proprietary fund financial statements provide separate information for the water distribution, wastewater collection/treatment, and gas operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

The City uses internal service funds to account for its equipment replacement services as well as health benefits. The internal service funds have been included within governmental activities in the government-wide financial statements.

**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 a budgetary comparison schedule for the general fund, schedule of funding progress for Texas Municipal Retirement System, schedule of funding progress for Texas Emergency Services Retirement System, and a schedule of funding progress for the City's other post employee benefits plan. 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 \$72,359,093 as of September 30, 2011. 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, 2011.

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, 2011

**Statement of Net Assets**

The following table reflects the condensed statement of net assets:

**SUMMARY OF STATEMENT OF NET ASSETS**

	Governmental		Business-Type		Total	
	Activities		Activities		Primary	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 17,483,455	\$ 17,357,970	\$ 12,087,941	\$ 10,597,661	\$ 29,571,396	\$ 27,955,631
Capital assets, net	31,469,504	31,287,699	39,738,593	40,351,294	71,208,097	71,638,993
<b>Total Assets</b>	<b>48,952,959</b>	<b>48,645,669</b>	<b>51,826,534</b>	<b>50,948,955</b>	<b>100,779,493</b>	<b>99,594,624</b>
Long-term liabilities	14,630,358	15,990,680	10,692,344	11,549,058	25,322,702	27,539,738
Other liabilities	1,601,199	1,392,952	1,496,499	1,572,309	3,097,698	2,965,261
<b>Total Liabilities</b>	<b>16,231,557</b>	<b>17,383,632</b>	<b>12,188,843</b>	<b>13,121,367</b>	<b>28,420,400</b>	<b>30,504,999</b>
Net Assets:						
Invested in capital assets, net of related debt	18,306,705	16,790,199	29,338,053	29,073,794	47,644,758	45,863,993
Restricted	1,895,850	1,423,521	-	-	1,895,850	1,423,521
Unrestricted	12,518,847	13,048,317	10,299,638	8,753,794	22,818,485	21,802,111
<b>Total Net Assets</b>	<b>\$ 32,721,402</b>	<b>\$ 31,262,037</b>	<b>\$ 39,637,691</b>	<b>\$ 37,827,588</b>	<b>\$ 72,359,093</b>	<b>\$ 69,089,625</b>

A portion of the primary government's net assets, \$1,895,850 or three (3) percent, represents resources that are subject to external restriction on how they may be used. This is an increase of 33 percent, primarily as a result of the City increasing these restricted funds. The remaining balance of unrestricted net assets, \$22,818,485 or 32 percent may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net assets increased by \$3,269,468 during the current fiscal year, an increase of five (5) percent in comparison to the prior year. This increase is primarily the result of a decrease in gas and public works expenses. While economic conditions were affected by the nation's economy, the City's overall condition improved.

**CITY OF TOMBALL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2011

**Statement of Activities**

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

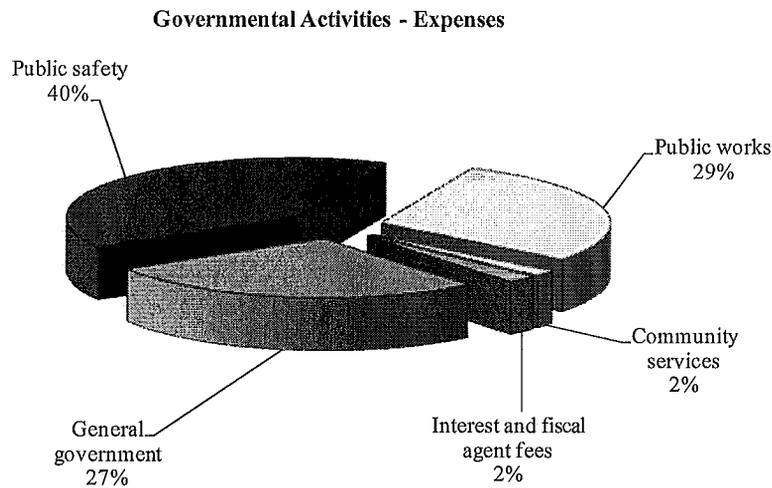
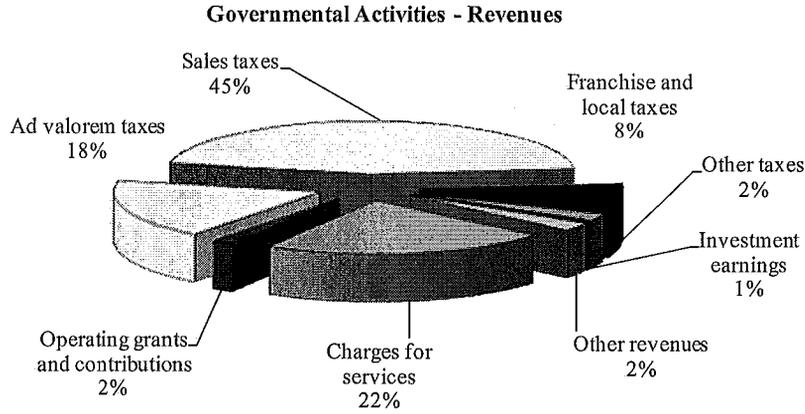
	CHANGES IN NET ASSETS					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 3,367,890	\$ 3,435,876	\$ 11,519,709	\$ 10,657,749	\$ 14,887,599	\$ 14,093,625
Operating grants and contributions	268,675	83,130	798,300	720,000	1,066,975	803,130
General revenues:						
Property taxes	2,857,563	2,922,913	-	-	2,857,563	2,922,913
Sales taxes	7,023,409	6,651,064	-	-	7,023,409	6,651,064
Franchise and local taxes	1,186,272	1,153,954	-	-	1,186,272	1,153,954
Other taxes	325,360	154,174	-	-	325,360	154,174
Investment earnings	43,035	80,426	30,414	93,361	73,449	173,787
Other revenues	361,026	254,615	121,344	43,076	482,370	297,691
<b>Total Revenues</b>	<b>15,433,230</b>	<b>14,736,152</b>	<b>12,469,767</b>	<b>11,514,186</b>	<b>27,902,997</b>	<b>26,250,338</b>
<b>Expenses</b>						
General government	4,472,541	3,476,001	2,207,488	1,843,501	6,680,029	5,319,502
Public safety	6,546,562	5,907,235	-	-	6,546,562	5,907,235
Public works	4,739,268	5,205,824	-	-	4,739,268	5,205,824
Community services	255,764	272,034	-	-	255,764	272,034
Interest and fiscal agent fees	353,188	658,304	481,542	512,851	834,730	1,171,155
Water	-	-	2,549,230	2,197,679	2,549,230	2,197,679
Sewer	-	-	1,226,582	1,134,907	1,226,582	1,134,907
Gas	-	-	1,801,364	2,374,227	1,801,364	2,374,227
<b>Total Expenses</b>	<b>16,367,323</b>	<b>15,519,398</b>	<b>8,266,206</b>	<b>8,063,165</b>	<b>24,633,529</b>	<b>23,582,563</b>
<b>Increase in Net Assets</b>						
<b>Before Transfers</b>	(934,093)	(783,246)	4,203,561	3,451,021	3,269,468	2,667,775
Transfers in (out)	2,393,458	2,260,134	(2,393,458)	(2,260,134)	-	-
<b>Change in Net Assets</b>	<b>1,459,365</b>	<b>1,476,888</b>	<b>1,810,103</b>	<b>1,190,887</b>	<b>3,269,468</b>	<b>2,667,775</b>
<b>Beginning net assets</b>	<b>31,262,037</b>	<b>29,785,149</b>	<b>37,827,588</b>	<b>36,636,701</b>	<b>69,089,625</b>	<b>66,421,850</b>
<b>Ending net assets</b>	<b>\$ 32,721,402</b>	<b>\$ 31,262,037</b>	<b>\$ 39,637,691</b>	<b>\$ 37,827,588</b>	<b>\$ 72,359,093</b>	<b>\$ 69,089,625</b>

For the year ended September 30, 2011, revenues from governmental activities totaled \$15,433,230. Increases in sales taxes, franchise and local taxes, and other taxes contributed to the increase in revenues during the year.

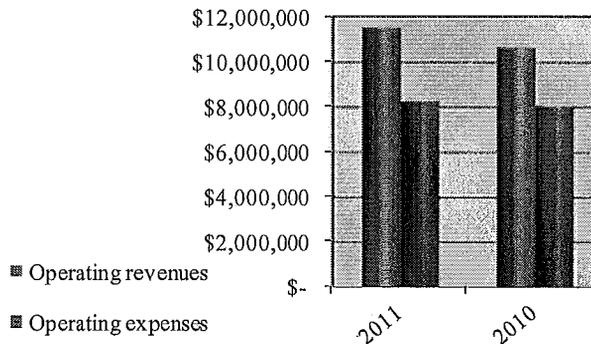
Expenses for governmental activities totaled \$16,367,323, an increase of \$847,925 from last year. A contributing factor is the increase in personnel for general government and public safety.

**CITY OF TOMBALL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2011

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.



**Business-Type Activities - Revenues and Expenses**



Business-type activities are shown comparing operating costs to revenues generated by related services.

**CITY OF TOMBALL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2011

**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, unassigned 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 \$13,970,653. Of this, \$771,274 is restricted for debt service and \$1,125,106 for enabling legislation.

There was a decrease in the combined fund balance of \$502,870 in comparison to the prior year. The decrease is related to the City's plan to use existing fund balance in the general fund.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$11,764,596. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 73 percent of total general fund expenditures.

The debt service fund has a total fund balance of \$771,274, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$154,681. 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 \$3,363,496 in the general fund. However, the net change in fund balance decreased by \$364,146 resulting in a positive variance of \$2,999,350 from final budgeted over actual.

Actual revenues exceeded final budgeted revenues by \$731,026 during 2011. This variance includes a positive variance of \$424,681 for sales tax revenue and a negative variance of \$312,974 for investment revenue.

Final budgeted expenditures exceeded actual amounts by \$2,268,324 for the fiscal year, which is a positive variance. The City did not expend as much as expected in the streets department as evidenced by the positive variance of \$783,836.

*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.

**CITY OF TOMBALL, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2011

**CAPITAL ASSETS**

At the end of the year, the City's governmental activities funds had invested \$31,469,504 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.

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

- Continued street construction

More detailed information about the City's capital assets is presented in note III. C to the financial statements.

**LONG-TERM DEBT**

At the end of the current year, the City had total certificates of obligation outstanding of \$13,284,000 in governmental activities and \$10,271,000 in revenue bonds for business-type activities.

During the year, the City had a net reduction in the long-term debt of \$2,211,661.

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

**ECONOMIC FACTORS**

The City strives to offer a positive business environment and home town feel through excellent public safety services, utilities, public facilities and good mobility. In continuing the vision of Tomball, the City plans to expand and improve quality infrastructure, facilities and public services to meet current and future needs. The City will implement economic development strategies to increase revenues to the City, diversify the tax base, create quality employment and housing opportunities, grow local businesses and maximize the community's economic assets. The City continues to experience growth due to new construction and developments and will continue to focus on maintaining an even balance within the 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 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](http://www.ci.tomball.tx.us).

***BASIC FINANCIAL STATEMENTS***

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# CITY OF TOMBALL, TEXAS

## STATEMENT OF NET ASSETS

September 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 13,045,016	\$ 7,985,876	\$ 21,030,892	\$ 5,210,703
Investments	1,970,361	2,516,588	4,486,949	4,290,767
Receivables, net	2,025,526	1,436,260	3,461,786	412,441
Internal balances	29,087	(29,087)	-	-
Inventory	-	97,787	97,787	-
Prepaid expenses	32,939	-	32,939	-
Investments restricted for:				
Debt service	266,754	-	266,754	-
Deferred charges	113,772	80,517	194,289	-
Capital assets:				
Nondepreciable	14,760,139	2,476,562	17,236,701	-
Depreciable capital assets, net	16,709,365	37,262,031	53,971,396	-
<b>Total Assets</b>	<b>48,952,959</b>	<b>51,826,534</b>	<b>100,779,493</b>	<b>9,913,911</b>
<b><u>Liabilities</u></b>				
Accounts payable and other current liabilities	1,528,314	694,638	2,222,952	52,374
Accrued interest payable	72,885	64,276	137,161	-
Customer deposits	-	737,585	737,585	-
Noncurrent liabilities:				
Due within one year	1,568,318	1,081,504	2,649,822	-
Due in more than one year	13,062,040	9,610,840	22,672,880	-
<b>Total Liabilities</b>	<b>16,231,557</b>	<b>12,188,843</b>	<b>28,420,400</b>	<b>52,374</b>
<b><u>Net Assets</u></b>				
Invested in capital assets, net of related debt	18,306,705	29,338,053	47,644,758	-
Restricted for:				
Debt service	770,744	-	770,744	-
Enabling legislation	1,125,106	-	1,125,106	-
Unrestricted	12,518,847	10,299,638	22,818,485	9,861,537
<b>Total Net Assets</b>	<b>\$ 32,721,402</b>	<b>\$ 39,637,691</b>	<b>\$ 72,359,093</b>	<b>\$ 9,861,537</b>

See Notes to Financial Statements.

# CITY OF TOMBALL, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 4,472,541	\$ -	\$ -
Public safety	6,546,562	1,083,408	268,675
Public works	4,739,268	2,284,482	-
Community services	255,764	-	-
Interest and fiscal agent fees	353,188	-	-
<b>Total Governmental Activities</b>	<b>16,367,323</b>	<b>3,367,890</b>	<b>268,675</b>
<b>Business-Type Activities</b>			
General government	2,207,488	413,523	798,300
Water	2,549,230	5,199,565	-
Sewer	1,226,582	2,368,469	-
Gas	1,801,364	3,538,152	-
Interest and fiscal agent fees	481,542	-	-
<b>Total Business-Type Activities</b>	<b>8,266,206</b>	<b>11,519,709</b>	<b>798,300</b>
<b>Total Primary Government</b>	<b>\$ 24,633,529</b>	<b>\$ 14,887,599</b>	<b>\$ 1,066,975</b>
<b>Component Unit</b>			
Tomball Industrial Development Corporation	\$ 1,486,422	\$ -	\$ -

**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**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (4,472,541)	\$ -	\$ (4,472,541)	\$ -
(5,194,479)	-	(5,194,479)	-
(2,454,786)	-	(2,454,786)	-
(255,764)	-	(255,764)	-
(353,188)	-	(353,188)	-
<u>(12,730,758)</u>	<u>-</u>	<u>(12,730,758)</u>	<u>-</u>
-	(995,665)	(995,665)	-
-	2,650,335	2,650,335	-
-	1,141,887	1,141,887	-
-	1,736,788	1,736,788	-
-	(481,542)	(481,542)	-
-	4,051,803	4,051,803	-
<u>(12,730,758)</u>	<u>4,051,803</u>	<u>(8,678,955)</u>	<u>-</u>
-	-	-	(1,486,422)
2,857,563	-	2,857,563	-
7,023,409	-	7,023,409	2,333,383
1,186,272	-	1,186,272	-
325,360	-	325,360	-
361,026	121,344	482,370	-
43,035	30,414	73,449	62,225
2,393,458	(2,393,458)	-	-
<u>14,190,123</u>	<u>(2,241,700)</u>	<u>11,948,423</u>	<u>2,395,608</u>
1,459,365	1,810,103	3,269,468	909,186
31,262,037	37,827,588	69,089,625	8,952,351
<u>\$ 32,721,402</u>	<u>\$ 39,637,691</u>	<u>\$ 72,359,093</u>	<u>\$ 9,861,537</u>

# CITY OF TOMBALL, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

September 30, 2011

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 9,378,675	\$ 503,143	\$ 1,558,442	\$ 11,440,260
Investments	1,970,361	-	-	1,970,361
Receivables, net	1,835,633	147,432	35,233	2,018,298
Restricted investments for:				
Debt service	-	266,754	-	266,754
Prepaid costs	32,939	-	-	32,939
<b>Total Assets</b>	<b>\$ 13,217,608</b>	<b>\$ 917,329</b>	<b>\$ 1,593,675</b>	<b>\$ 15,728,612</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 1,326,078	\$ -	\$ 191,831	\$ 1,517,909
Deferred revenue	93,995	146,055	-	240,050
<b>Total Liabilities</b>	<b>1,420,073</b>	<b>146,055</b>	<b>191,831</b>	<b>1,757,959</b>
Fund balances:				
Nonspendable:				
Prepaid costs	32,939	-	-	32,939
Restricted for:				
Debt service	-	771,274	-	771,274
Enabling legislation	-	-	1,125,106	1,125,106
Assigned to:				
Special revenue funds	-	-	141,129	141,129
Capital projects funds	-	-	135,609	135,609
Unassigned:				
General fund	11,764,596	-	-	11,764,596
<b>Total Fund Balances</b>	<b>11,797,535</b>	<b>771,274</b>	<b>1,401,844</b>	<b>13,970,653</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,217,608</b>	<b>\$ 917,329</b>	<b>\$ 1,593,675</b>	
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				14,760,139
Depreciable capital assets, net				16,109,730
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				
				240,050
Internal service funds are used by management to charge the costs of certain capital assets to individual funds.				
				2,230,301
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				
Accrued interest payable				(72,885)
Deferred charges				113,772
Noncurrent liabilities due in one year				(1,568,318)
Noncurrent liabilities due in more than one year				(13,062,040)
<b>Net Assets of Governmental Activities</b>				<b>\$ 32,721,402</b>

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, 2011

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 1,274,350	\$ 1,591,573	\$ -	\$ 2,865,923
Sales, franchise, and other taxes	8,209,681	-	325,360	8,535,041
Permits and licenses	262,713	-	-	262,713
Fines and forfeitures	818,956	-	264,452	1,083,408
Service revenue	2,021,769	-	-	2,021,769
Intergovernmental	164,886	-	3,896	168,782
Contributions from component unit	99,893	-	-	99,893
Interest on investments	37,026	1,492	2,242	40,760
Other revenue	334,077	-	52,858	386,935
<b>Total Revenues</b>	<b>13,223,351</b>	<b>1,593,065</b>	<b>648,808</b>	<b>15,465,224</b>
<b>Expenditures</b>				
Current:				
Administrative	4,019,906	-	487,384	4,507,290
Police	4,268,811	-	-	4,268,811
Fire	1,732,351	-	-	1,732,351
Court	377,702	-	12,152	389,854
Public works	1,302,857	-	-	1,302,857
Sanitation	1,787,733	-	-	1,787,733
Streets	1,576,899	-	-	1,576,899
Permits	358,155	-	-	358,155
Garage	126,159	-	-	126,159
Parks	313,394	-	-	313,394
Community services	116,988	-	133,315	250,303
Debt service:				
Principal	-	1,195,500	-	1,195,500
Interest and fiscal agent fees	-	560,370	-	560,370
Issuance cost	-	65,877	-	65,877
<b>Total Expenditures</b>	<b>15,980,955</b>	<b>1,821,747</b>	<b>632,851</b>	<b>18,435,553</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(2,757,604)</b>	<b>(228,682)</b>	<b>15,957</b>	<b>(2,970,329)</b>
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	-	3,892,500	-	3,892,500
Premium on refunding bonds	-	278,253	-	278,253
Payment to refunded bond escrow agent	-	(4,096,752)	-	(4,096,752)
Transfers in	2,393,458	-	-	2,393,458
<b>Total Other Financing Sources (Uses)</b>	<b>2,393,458</b>	<b>74,001</b>	<b>-</b>	<b>2,467,459</b>
<b>Net Change in Fund Balances</b>	<b>(364,146)</b>	<b>(154,681)</b>	<b>15,957</b>	<b>(502,870)</b>
Beginning fund balances	12,161,681	925,955	1,385,887	14,473,523
<b>Ending Fund Balances</b>	<b>\$ 11,797,535</b>	<b>\$ 771,274</b>	<b>\$ 1,401,844</b>	<b>\$ 13,970,653</b>

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, 2011**

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

Net changes in fund balances - total governmental funds \$ (502,870)

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.

Capital outlay	1,445,273
Depreciation	(1,067,792)
Loss on disposal of capital assets	(25,909)

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.

Principal payments	1,195,500
Issuance of refunding bonds	(3,892,500)
Premium on bonds issued	(255,065)
Bond issuance costs	60,387
Payment to refunded bond escrow agent	3,910,500
Other debt items	376,266

Revenue in the Statement of Activities that does not provide current financial resources are not reported as revenue in the funds. (8,360)

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. 198,844

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. 25,091

**Change in Net Assets of Governmental Activities** **\$ 1,459,365**

See Notes to Financial Statements.

# CITY OF TOMBALL, TEXAS

## STATEMENT OF NET ASSETS

### PROPRIETARY FUND

September 30, 2011

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,985,876	\$ 1,604,756
Investments	2,516,588	-
Accounts receivable, net	1,436,260	7,228
Inventory	97,787	-
<b>Total Current Assets</b>	<b>12,036,511</b>	<b>1,611,984</b>
Noncurrent assets:		
Deferred charges	80,517	-
Nondepreciable capital assets	2,476,562	-
Depreciable capital assets	55,252,948	1,306,125
Less: accumulated depreciation	(18,159,010)	(538,397)
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>39,651,017</b>	<b>767,728</b>
<b>Total Noncurrent Assets</b>	<b>39,651,017</b>	<b>767,728</b>
<b>Total Assets</b>	<b>\$ 51,687,528</b>	<b>\$ 2,379,712</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 694,638	\$ 10,405
Customer deposits	737,585	-
Current portion of bonds and other debt	1,081,504	-
Accrued interest payable	64,276	-
<b>Total Current Liabilities</b>	<b>2,578,003</b>	<b>10,405</b>
Noncurrent liabilities:		
Compensated absences	251,017	-
Long-term portion of bonds payable (net of deferred charges)	9,359,823	-
<b>Total Noncurrent Liabilities</b>	<b>9,610,840</b>	<b>-</b>
<b>Total Liabilities</b>	<b>12,188,843</b>	<b>10,405</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	29,338,053	767,728
Unrestricted	10,160,632	1,601,579
<b>Total Net Assets</b>	<b>\$ 39,498,685</b>	<b>\$ 2,369,307</b>
Reconciliation to government-wide Statement of Net Assets:		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	139,006	
Net Assets of Business-Type Activities	<b>\$ 39,637,691</b>	

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, 2011

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
<b><u>Operating Revenues</u></b>		
Charges for sales and services	\$ 11,106,186	\$ 1,890,295
Taps and connections	89,282	-
Penalties	109,348	-
Capital recovery fees	214,893	-
Miscellaneous	121,344	-
<b>Total Operating Revenues</b>	11,641,053	1,890,295
 <b><u>Operating Expenses</u></b>		
Costs of sales and services	6,165,226	1,752,218
Depreciation	1,370,016	190,930
<b>Total Operating Expenses</b>	7,535,242	1,943,148
<b>Operating Income</b>	4,105,811	(52,853)
 <b><u>Non-Operating Revenues (Expenses)</u></b>		
Investment income	49,397	2,275
Unrealized gain (loss) on investments	(18,983)	-
Interest expense	(481,542)	-
Contribution from component unit	798,300	-
<b>Total Non-Operating Revenues (Expenses)</b>	347,172	2,275
<b>Income (Loss) Before Transfers</b>	4,452,983	(50,578)
Transfers (out)	(2,393,458)	-
<b>Change in Net Assets</b>	2,059,525	(50,578)
Beginning net assets	37,439,160	2,419,885
<b>Ending Net Assets</b>	\$ 39,498,685	\$ 2,369,307
 Reconciliation to government-wide Statement of Activities:		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(249,422)	
Change in Net Assets of Business-Type Activities	\$ 1,810,103	

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, 2011

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Funds
<b><u>Cash Flows from Operating Activities</u></b>		
Receipts from customers	\$ 11,439,255	\$ 1,888,331
Payments to suppliers	(4,265,618)	(1,765,270)
Payments to employees	(1,467,877)	-
<b>Net Cash Provided by Operating Activities</b>	<b>5,705,760</b>	<b>123,061</b>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>		
Transfers	(2,393,458)	-
Contribution from component unit	798,300	-
<b>Net Cash (Used) by Noncapital Financing Activities</b>	<b>(1,595,158)</b>	<b>-</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Acquisition and construction of capital assets	(589,222)	(189,256)
Principal paid on capital debt	(879,455)	-
Interest paid on capital debt	(481,542)	-
	(80,517)	-
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(2,030,736)</b>	<b>(189,256)</b>
<b><u>Cash Flows from Investing Activities</u></b>		
Investment earnings	30,414	2,275
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>30,414</b>	<b>2,275</b>
<b>Net Increase in Cash and Cash Equivalents</b>	2,110,280	(63,920)
Beginning cash and cash equivalents	5,875,596	1,668,676
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 7,985,876</b>	<b>\$ 1,604,756</b>
<b>Reconciliation of Operating Income</b>		
<b>to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 4,105,811	\$ (52,853)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	1,370,016	190,930
<b>Changes in Operating Assets and Liabilities:</b>		
<b>(Increase) Decrease in Current Assets:</b>		
Investments	545,403	-
Accounts receivable	(252,998)	(1,964)
Inventory	(9,403)	-
<b>Increase (Decrease) in Current Liabilities:</b>		
Accounts payable and accrued liabilities	(127,010)	(13,052)
Customer deposits	51,200	-
Compensated absences	22,741	-
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 5,705,760</b>	<b>\$ 123,061</b>

See Notes to Financial Statements.

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# CITY OF TOMBALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

### 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", which provides for a Council-City Manager form of government, since 1987. The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

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

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

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

#### Discretely Presented Component Unit

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

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

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

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2011

**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 of the significant changes in 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.”

**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

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2011**

and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

**Governmental Funds**

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

**General Fund**

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

**Special Revenue Funds**

The special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue funds include Court Security Fund, Court Technology Fund, Housing Trust Fund, Hotel Occupancy Tax Fund, Red Light Camera Fund, and 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 and report the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2011

**Capital Projects Fund**

The capital projects funds are used to account for and report the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The capital projects fund is considered a 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 GASB and all Financial Accounting Standards Board's 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**

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

**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

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2011**

increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

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

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.

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2011**

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:

- 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.

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2011**

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

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

<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 are reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

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

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

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

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

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2011**

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

**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**

Fund balances of governmental funds are classified as follows:

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

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

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

**Assigned fund balance** – represents amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. Assignments can be made at any time.

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

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed, then assigned funds, and finally unassigned funds.

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2011**

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

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

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

**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, debt service fund, court security fund, court technology fund, hotel occupancy tax fund, special general funds, and the housing trust 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.

**A. Excess of Expenditures Over Appropriations**

General government:	
Permits	\$ 926
Debt service:	
Principal	\$ 30,000
Issuance costs	\$ 57,877
Payment to refunded bond escrow agent	\$ 4,096,752
Court technology	\$ 217
Hotel occupancy tax	\$ 51,655

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2011

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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>
<b>City</b>			
U.S. Agencies	\$ 4,486,949	0.25	AAA
TexPool	14,241,298	0.00	AAAM
TEXAS Class	6,113,505	0.00	AAAM
<b>Total fair value</b>	<b>\$ 24,841,752</b>		
Portfolio weighted average maturity		0.25	
<b>Component Unit</b>			
U.S. Agencies	\$ 4,290,767	0.97	AAA
TexPool	2,180,474	0.00	AAAM
TEXAS Class	2,009,369	0.00	AAAM
<b>Total fair value</b>	<b>\$ 8,480,610</b>		
Portfolio weighted average maturity		0.97	

*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 were \$2,839,909 and bank balances were \$2,328,395 for the City and the component unit combined.

**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.

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2011

**MBIA 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. The fair value of the City’s position in the pool is the same as the value of the pool shares. 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 MBIS-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.

*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, 2011, the City’s investment in TexPool and Texas CLASS 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, 2011, 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.

**B. Receivables**

The following comprise receivable balances at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Nonmajor Governmental</u>	<u>Component Unit</u>	<u>Internal Service</u>
Property taxes	\$ 95,126	\$ 147,432	\$ -	\$ -	\$ -	\$ -
Sales taxes	1,237,324	-	-	-	-	-
Other taxes	55,080	-	-	-	-	-
Accounts	467,841	-	1,521,461	-	-	-
Interest	12,342	-	11,046	-	-	-
Intergovernmental	-	-	-	-	-	-
Other	-	-	-	35,233	412,441	7,228
Less allowance	(32,080)	-	(96,247)	-	-	-
	<u>\$ 1,835,633</u>	<u>\$ 147,432</u>	<u>\$ 1,436,260</u>	<u>\$ 35,233</u>	<u>\$ 412,441</u>	<u>\$ 7,228</u>

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2011

**C. Capital Assets**

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

	Primary Government			Ending Balance
	Beginning Balance	Increases	Reclassifications /(Decreases)	
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,521,005	\$ -	\$ -	\$ 4,521,005
Construction in progress	8,999,111	1,240,023	-	10,239,134
Total capital assets not being depreciated	<u>13,520,116</u>	<u>1,240,023</u>	<u>-</u>	<u>14,760,139</u>
Other capital assets:				
Buildings and improvements	10,227,826	-	-	10,227,826
Machinery and equipment	5,567,945	226,413	-	5,794,358
Vehicles	3,185,479	-	(450,989)	2,734,490
Infrastructure	13,186,915	-	-	13,186,915
Total other capital assets	<u>32,168,165</u>	<u>226,413</u>	<u>(450,989)</u>	<u>31,943,589</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,376,597)	(263,918)	-	(2,640,515)
Machinery and equipment	(4,056,148)	(481,528)	-	(4,537,676)
Vehicles	(2,875,695)	(156,785)	425,080	(2,607,400)
Infrastructure	(5,092,142)	(356,491)	-	(5,448,633)
Total accumulated depreciation	<u>(14,400,582)</u>	<u>(1,258,722)</u>	<u>425,080</u>	<u>(15,234,224)</u>
Other capital assets, net	17,767,583	(1,032,309)	(25,909)	16,709,365
<b>Totals</b>	<u>\$ 31,287,699</u>	<u>\$ 207,714</u>	<u>\$ (25,909)</u>	<u>31,469,504</u>
			Less associated debt	<u>(13,162,799)</u>
			<b>Invested in Capital Assets, Net of Related Debt</b>	<u>\$ 18,306,705</u>

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.

Depreciation was charged to governmental functions as follows:

Police	\$ 302,084
Streets	263,918
Public works	501,790
Internal service	<u>190,930</u>

**Total Governmental Activities Depreciation Expense** \$ 1,258,722

Capital assets for governmental activities include capital assets held in the fleet replacement (internal service) fund.

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2011

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

**Governmental Activities:**

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Agg Road Extension (Medical Complex)	\$ 1,141,234	\$ 612,011	\$ 529,223
Brown-Hufsmith Road Utilities	254,370	156,332	98,038
Central Fire Station Renovation	441,000	298,936	142,064
Utilities GIS	98,000	94,678	3,322
M124 Drainage Ditch	545,235	338,517	206,718
Rudolph Road Utilities Phase II	145,000	116,996	28,004
Floodplain & Drainage Ordinance	47,358	47,210	148
Master Drainage Plan	125,000	5,570	119,430
Downtown Specific Plan	177,400	154,157	23,243
Utilities Extension Brown Rd. West of 249	65,160	47,301	17,859
Downtown Parking Lots (3)	105,249	48,784	56,465
Business Park	58,405	33,446	24,959
<b>Total</b>	<b>\$ 3,203,411</b>	<b>\$ 1,953,938</b>	<b>\$ 1,249,473</b>

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

	Beginning Balance	Increases	(Decreases)	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 795,205	\$ 233,079	\$ -	\$ 1,028,284
Construction in progress	5,352,520	545,955	(4,450,197)	1,448,278
Total capital assets not being depreciated	6,147,725	779,034	(4,450,197)	2,476,562
Other capital assets:				
Gas system	5,806,157	-	-	5,806,157
Water and sewer system	41,622,192	4,260,385	-	45,882,577
Machinery and equipment	3,660,193	246,320	(95,979)	3,810,534
Total other capital assets	51,088,542	4,506,705	(95,979)	55,499,268
Less accumulated depreciation for:				
Gas system	(2,154,926)	(139,530)	-	(2,294,456)
Water and sewer system	(13,164,404)	(1,126,977)	-	(14,291,381)
Machinery and equipment	(1,565,643)	(181,736)	95,979	(1,651,400)
Total accumulated depreciation	(16,884,973)	(1,448,243)	95,979	(18,237,237)
Other capital assets, net	34,203,569	3,058,462	-	37,262,031
<b>Totals</b>	<b>\$ 40,351,294</b>	<b>\$ 3,837,496</b>	<b>\$ (4,450,197)</b>	<b>39,738,593</b>
			Less associated debt	(10,400,540)
			<b>Invested in Capital Assets, Net</b>	
			<b>of Related Debt</b>	<b>\$ 29,338,053</b>

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2011

Depreciation was charged to business-type functions as follows:

Water and sewer	\$	1,308,713
Gas		139,530
<b>Total Business-Type Activities Depreciation Expense</b>	<b>\$</b>	<b>1,448,243</b>

Capital assets for the business-type activities include capital assets held in the fleet replacement (internal service) fund.

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

**Business-Type Activities:**

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Hufsmith Sanitary Sewer Improvements	\$ 52,600	\$ 21,986	\$ 30,614
Hufsmith Water and Gas Improvements	264,625	199,192	65,433
Rudolph Road Utilities Phase II	208,700	128,128	80,572
Tomball Hills Lift Station	405,375	149,938	255,437
Water Well #5	405,415	379,986	25,429
Utilities Extension Brown Rd. West of 249	7,000	6,104	896
<b>Total</b>	<b>\$ 1,343,715</b>	<b>\$ 885,334</b>	<b>\$ 458,381</b>

**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.

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

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
<b>Governmental Activities</b>					
Bonds, notes and other payables:					
Certificates of obligation	\$ 14,497,500	\$ 3,892,500	\$ 5,106,000	\$ 13,284,000 *	\$ 1,131,250
Premiums	-	278,253	23,188	255,065 *	-
Other debt items	-	(413,893)	(37,627)	(376,266) *	-
	<u>14,497,500</u>	<u>3,756,860</u>	<u>5,091,561</u>	<u>13,162,799</u>	<u>1,131,250</u>
Other liabilities:					
Net OPEB obligation	197,583	-	11,750	185,833	-
Compensated absences	1,031,097	179,537	115,408	1,095,226	328,568
Landfill postclosure costs	264,500	-	78,000	186,500	108,500
<b>Total Governmental         Activities</b>	<u>\$ 15,990,680</u>	<u>\$ 3,936,397</u>	<u>\$ 5,296,719</u>	<u>\$ 14,630,358</u>	<u>\$ 1,568,318</u>
<b>Long-term debt due in more than one year</b>				<u>\$ 13,062,040</u>	
<b>Business-Type Activities</b>					
Revenue bonds	\$ 11,277,500	\$ 4,757,500	\$ 5,764,000	\$ 10,271,000 **	\$ 1,018,750
Premiums	-	129,540	-	129,540 **	-
	<u>11,277,500</u>	<u>4,887,040</u>	<u>5,764,000</u>	<u>10,400,540</u>	<u>1,018,750</u>
Other liabilities:					
Net OPEB obligation	43,282	-	2,495	40,787	-
Compensated absences	228,276	40,446	17,705	251,017	62,754
<b>Total Business-Type         Activities</b>	<u>\$ 11,549,058</u>	<u>\$ 4,927,486</u>	<u>\$ 5,784,200</u>	<u>\$ 10,692,344</u>	<u>\$ 1,081,504</u>
<b>Long-term debt due in more than one year</b>				<u>\$ 9,610,840</u>	
<b>*Debt associated with governmental activity capital assets</b>				<u>\$ 13,162,799</u>	
<b>**Debt associated with business-type activity capital assets</b>				<u>\$ 10,400,540</u>	

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2011

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

Description	Interest Rates	Balance
<b><u>Governmental Activities</u></b>		
<b>Certificates of Obligation</b>		
Series 2002	4.25-4.5%	\$ 1,471,500
Series 2003	3.5-4.5%	6,045,000
Series 2010	1.5-2.2%	1,875,000
Series 2011	2-4%	3,892,500
<b>Total Certificates of Obligation</b>		<b>13,284,000</b>
<b>Total Governmental Activities Long-Term Debt</b>		<b>\$ 13,284,000</b>
<b><u>Business-Type Activities</u></b>		
<b>Revenue Bonds</b>		
Series 1999	3.65-4.1%	\$ 3,715,000
Series 2002	4.25-4.5%	1,798,500
Series 2011	2-4%	4,757,500
<b>Total Business-Type Activities Long-Term Debt</b>		<b>\$ 10,271,000</b>

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

Year Ending Sep 30	<u>Governmental Activity</u>		<u>Business-Type Activity</u>	
	Principal	Interest	Principal	Interest
2012	\$ 1,131,250	\$ 461,065	\$ 1,018,750	\$ 368,854
2013	1,172,500	406,676	1,047,500	309,448
2014	1,194,750	365,599	1,070,250	266,036
2015	1,223,000	328,563	1,082,000	228,783
2016	1,231,750	294,598	1,083,250	196,574
2017-2021	5,605,750	894,749	4,419,250	462,767
2022-2023	1,725,000	66,853	550,000	11,000
	<b>\$ 13,284,000</b>	<b>\$ 2,818,103</b>	<b>\$ 10,271,000</b>	<b>\$ 1,843,462</b>

**Current Refunding**

The City issued \$8,650,000 of general obligation refunding bond, series 2011 for a current refunding of \$8,690,000 certificates of obligation, series 2002. The reacquisition price exceeded the net carrying amount of the old debt by \$413,893. The transaction also resulted in an economic gain of \$868,480 and a reduction of \$1,020,657 in future debt service payments.

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.

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2011

**Federal Arbitrage**

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

**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	\$ 2,393,458

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 \$186,500 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 2,696 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.

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2011**

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.

**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 842 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 800-924-8677; in addition the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

	<u>2011</u>	<u>2010</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

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2011**

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 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 28-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, 2008 valuation is effective for rates beginning January 2010).

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

<u>Fiscal year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 944,327	\$ 944,327	\$ 100.00%	\$ -
2010	\$ 969,758	\$ 969,758	\$ 100.00%	\$ -
2011	\$ 1,089,566	\$ 1,089,566	\$ 100.00%	\$ -

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

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2011

	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarial Valuation Date	12/31/2010 - Restructured	12/31/2010 - Prior to Restructuring	12/31/2009	12/31/2008
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period	27.2 Years - Closed period	27.1 Years - Closed period	28 Years - Closed period	29 Years - Closed period
Asset Valuation Method	Smoothed market	Smoothed market	Smoothed market	Amortized cost
Investment Rate of Return	7.00%	7.50%	7.50%	7.50%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.00%	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.10%	2.10%	2.10%	2.10%

The funded status as of December 31, 2010, the most recent valuation date, is as follows:

	<u>New Fund Structure</u>	<u>Original Fund Structure</u>
Actuarial Valuation Date	12/31/2010	12/31/2010
Actuarial Value of Assets	\$ 17,806,137	\$ 12,543,963
Actuarial Accrued Liability	\$ 23,168,802	\$ 18,376,637
Percentage Funded	76.9%	68.3%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 5,362,665	\$ 5,832,674
Annual Covered Payroll	\$ 7,188,172	\$ 7,188,172
UAAL as a Percentage of Covered Payroll	74.6%	81.1%

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.

**D. Other Post-Employment Benefits (OPEB)**

**Plan Description**

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

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2011**

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 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. A separate postemployment benefit plan report is not available for the City of Tomball Retirement Health Care Plan.

**Funding Policy**

The City has elected to finance the OPEB plan on a pay-as-you-go basis. The City paid \$22,606 related to the plan for four 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 estimate 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 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 December 31, 2009, the actuarial value of plan assets is zero dollars, the actuarial accrued liability is \$780,043, the total unfunded actuarial liability is \$780,043, and the actuarial value of assets as a percentage of the actuarial accrued liability is zero percent. The annual covered payroll at December 31, 2009 was \$7,171,519 and the unfunded actuarial accrued liability as a percentage of covered payroll is 10.9%. The actuarial determined annual required contribution (ARC) is \$103,610. The components of the ARC consist of the employer's normal cost and the amortization of the unfunded actuarial accrued liabilities.

**CITY OF TOMBALL, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2011**

The following table shows the components of the City's annual OPEB cost of the year, the amount actually contributed to the plan, and the City's net OPEB obligation.

Annual required contribution	\$	103,610
Interest on OPEB Obligation		10,839
Adjustment to ARC		(10,839)
Contribution made		<u>(117,940)</u>
Increase in net OPEB Obligation		(14,330)
Net OPEB obligation-beginning of year		<u>240,865</u>
Net OPEB obligation-end of year	\$	<u><u>226,535</u></u>

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 amortization
Asset Valuation Method	Market value smoothed
Investment Rate of Return	4.5%
Projected Salary Increases	3.0%
Healthcare Cost Trend Rate (Initial/Ultimate)	9.0%/4.5%

**Three-Year Contribution Information**

Fiscal year	Annual OPEB Percentage of ARC		Net Pension Obligation	
	Cost (ARC)	Contributions	Beginning	Ending
2009	\$ 89,777	12.90%	\$ 82,052	\$ 160,252
2010	\$ 99,818	19.56%	\$ 160,252	\$ 240,865
2011	\$ 103,610	113.80%	\$ 240,865	\$ 226,535

**1. 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, 2011, the City offered the supplemental death benefit to both active and retired employees.

# CITY OF TOMBALL, TEXAS

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2011

### 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 years ended 2011, 2010, and 2009 were \$1,509, \$1,631, and \$2,193, respectively. The City's contribution rates for the past three years are shown below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual Req. Contrib. (Rate)	0.02%	0.02%	0.03%
Actual Contribution Made	0.02%	0.02%	0.03%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

### **E. Subsequent Events**

On December 5, 2012, subsequent to year end, the City issued series 2012 combination tax and revenue certificates of obligation in the amount of \$14,500,000. Proceeds from the sale of the certificates will be used to pay for various construction and improvement project. In addition, the proceeds will be used for the right-of-way acquisition for the M121 West Drainage project.

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***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, 2011

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 1,228,925	\$ 1,228,925	\$ 1,274,350	\$ 45,425
Sales, franchise, and other taxes	7,785,000	7,785,000	8,209,681	424,681
Permits and licenses	228,750	228,750	262,713	33,963
Fines and forfeitures	885,000	885,000	818,956	(66,044)
Services revenue	1,868,000	1,868,000	2,021,769	153,769
Intergovernmental	50,000	50,000	164,886	114,886
Contributions from component unit	20,000	20,000	99,893	79,893
Interest on investments	350,000	350,000	37,026	(312,974)
Other revenues	76,650	76,650	334,077	257,427
<b>Total Revenues</b>	<u>12,492,325</u>	<u>12,492,325</u>	<u>13,223,351</u>	<u>731,026</u>
<b>Expenditures</b>				
Administrative	4,411,055	4,411,055	4,019,906	391,149
Police	4,430,565	4,430,565	4,268,811	161,754
Fire	1,793,765	1,793,765	1,732,351	61,414
Court	470,459	470,459	377,702	92,757
Public works	1,769,920	1,769,920	1,302,857	467,063
Sanitation	2,045,000	2,045,000	1,787,733	257,267
Streets	2,360,735	2,360,735	1,576,899	783,836
Permits	357,229	357,229	358,155	(926) *
Garage	149,824	149,824	126,159	23,665
Parks	320,639	320,639	313,394	7,245
Community services	140,088	140,088	116,988	23,100
<b>Total Expenditures</b>	<u>18,249,279</u>	<u>18,249,279</u>	<u>15,980,955</u>	<u>2,268,324</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(5,756,954)</u>	<u>(5,756,954)</u>	<u>(2,757,604)</u>	<u>2,999,350</u>
<b>Other Financing Sources</b>				
Transfers in	2,393,458	2,393,458	2,393,458	-
<b>Total Other Financing Sources</b>	<u>2,393,458</u>	<u>2,393,458</u>	<u>2,393,458</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (3,363,496)</u>	<u>\$ (3,363,496)</u>	<u>(364,146)</u>	<u>\$ 2,999,350</u>
Beginning fund balance			<u>12,161,681</u>	
<b>Ending Fund Balance</b>			<u>\$ 11,797,535</u>	

Notes to Required Supplementary Information:

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

**CITY OF TOMBALL, TEXAS**  
**SCHEDULE OF FUNDING PROGRESS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
For the year ended September 30, 2011

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>2011 (2)</u>	<u>2011 (1)</u>	<u>2010</u>	<u>2009</u>
Actuarial Valuation Date	12/31/2010	12/31/2010	12/31/2009	12/31/2008
Actuarial Value of Assets	\$ 17,806,137	\$ 12,543,963	\$ 11,538,535	\$ 10,293,118
Actuarial Accrued Liability	\$ 23,168,802	\$ 18,376,637	\$ 17,190,687	\$ 15,605,065
Percentage Funded	76.9%	68.3%	67.1%	66.0%
Unfunded Actuarial				
Accrued Liability	\$ 5,362,665	\$ 5,832,674	\$ 5,652,152	\$ 5,311,947
Annual Covered Payroll	\$ 7,188,172	\$ 7,188,172	\$ 7,278,133	\$ 7,040,733
Unfunded Actuarial Accrued Liability				
(UAAL) % of Covered Payroll	74.6%	81.1%	77.7%	75.4%
Net Pension Obligation (NPO)				
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	\$ 1,089,566	\$ 1,089,566	\$ 969,758	\$ 944,327
Contributions Made	\$ 1,089,566	\$ 1,089,566	\$ 969,758	\$ 944,327
<b>NPO at the End of Period</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

**CITY OF TOMBALL, TEXAS**  
**SCHEDULE OF FUNDING PROGRESS**  
**OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN**  
For the Year Ended September 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (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%
12/31/09	\$ -	\$ 780,043	\$ 780,043	0.0%	\$ 7,171,519	10.9%

<sup>1</sup> The City implemented GASB Statement No. 45 and the requirements have been implemented prospectively.

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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, 2011

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 1,545,423	\$ 1,591,573	\$ 46,150
Interest on investments	15,000	1,492	(13,508)
<b>Total Revenues</b>	1,560,423	1,593,065	32,642
<b>Expenditures</b>			
Debt service:			
Principal	1,165,500	1,195,500	(30,000) *
Interest and fiscal agent fees	612,036	560,370	51,666
Issuance costs	8,000	65,877	(57,877) *
<b>Total Expenditures</b>	1,785,536	1,821,747	(36,211)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(225,113)	(228,682)	68,853
<b>Other Financing Sources (Uses)</b>			
Refunding bonds issued	-	3,892,500	3,892,500
Premium on refunding bond	-	278,253	278,253
Payment to refunded bond escrow agent	-	(4,096,752)	(4,096,752) *
<b>Total Other Financing Sources (Uses)</b>	-	74,001	74,001
<b>Net Change in Fund Balance</b>	\$ (225,113)	(154,681)	\$ 70,432
Beginning fund balance		925,955	
<b>Ending Fund Balance</b>		\$ 771,274	

1. \*Expenditures exceeded appropriations at the legal level of control.

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# **CITY OF TOMBALL, TEXAS**

## ***NONMAJOR GOVERNMENTAL FUNDS***

**For the year ended September 30, 2011**

### **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 (Page 1 of 2)**  
September 30, 2011

	<u>Special General</u>	<u>Capital Projects</u>	<u>Court Security</u>	<u>Court Technology</u>
<b><u>Assets</u></b>				
Current assets:				
Cash and cash equivalents	\$ 138,810	\$ 135,609	\$ 162,323	\$ 200,226
Accounts receivable	-	-	-	-
<b>Total Assets</b>	<u>\$ 138,810</u>	<u>\$ 135,609</u>	<u>\$ 162,323</u>	<u>\$ 200,226</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	-	-	-	-
Fund balances:				
Restricted for enabling legislation	-	-	162,323	200,226
Assigned	138,810	135,609	-	-
<b>Total Fund Balances</b>	<u>138,810</u>	<u>135,609</u>	<u>162,323</u>	<u>200,226</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 138,810</u>	<u>\$ 135,609</u>	<u>\$ 162,323</u>	<u>\$ 200,226</u>

<u>Housing Trust</u>	<u>Hotel Occupancy Tax</u>	<u>Red Light Camera</u>	<u>District Attorney</u>	<u>Bunny Run</u>
\$ -	\$ 315,650	\$ 599,474	\$ 440	\$ 2,319
-	3,400	31,833	-	-
<u>\$ -</u>	<u>\$ 319,050</u>	<u>\$ 631,307</u>	<u>\$ 440</u>	<u>\$ 2,319</u>
\$ -	\$ 11,000	\$ 180,831	\$ -	\$ -
-	11,000	180,831	-	-
-	308,050	450,476	440	-
-	-	-	-	2,319
<u>-</u>	<u>308,050</u>	<u>450,476</u>	<u>440</u>	<u>2,319</u>
<u>\$ -</u>	<u>\$ 319,050</u>	<u>\$ 631,307</u>	<u>\$ 440</u>	<u>\$ 2,319</u>

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**CITY OF TOMBALL, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)**  
September 30, 2011

	<b>Department of Justice Grant</b>	<b>Total Nonmajor Governmental Funds</b>
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 3,591	\$ 1,558,442
Accounts receivable	-	35,233
<b>Total Assets</b>	<b>\$ 3,591</b>	<b>\$ 1,593,675</b>
 <b><u>Liabilities and Fund Balances</u></b>		
Liabilities:		
Accounts payable	\$ -	\$ 191,831
<b>Total Liabilities</b>	<b>-</b>	<b>191,831</b>
Fund balances:		
Restricted for enabling legislation	3,591	1,125,106
Assigned	-	276,738
<b>Total Fund Balances</b>	<b>3,591</b>	<b>1,401,844</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,591</b>	<b>\$ 1,593,675</b>

**CITY OF TOMBALL, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)**  
**For the Year Ended September 30, 2011**

	<u>Special General</u>	<u>Capital Projects</u>	<u>Court Security</u>	<u>Court Technology</u>
<b>Revenues</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	22,935	30,582
Intergovernmental	-	-	-	-
Interest on investments	233	199	281	263
Other revenues	11,236	1,620	-	-
<b>Total Revenue</b>	<u>11,469</u>	<u>1,819</u>	<u>23,216</u>	<u>30,845</u>
<b>Expenditures</b>				
Current:				
Administrative	26,479	-	40,486	1,717
Court	-	-	-	-
Community services	-	-	-	-
<b>Total Expenditures</b>	<u>26,479</u>	<u>-</u>	<u>40,486</u>	<u>1,717</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(15,010)</u>	<u>1,819</u>	<u>(17,270)</u>	<u>29,128</u>
<b>Net Change in Fund Balances</b>	<u>(15,010)</u>	<u>1,819</u>	<u>(17,270)</u>	<u>29,128</u>
Beginning fund balances	<u>153,820</u>	<u>133,790</u>	<u>179,593</u>	<u>171,098</u>
<b>Ending Fund Balances</b>	<u>\$ 138,810</u>	<u>\$ 135,609</u>	<u>\$ 162,323</u>	<u>\$ 200,226</u>

<b>Housing Trust</b>	<b>Hotel Occupancy Tax</b>	<b>Red Light Camera</b>	<b>District Attorney</b>	<b>Bunny Run</b>
\$ -	\$ 325,360	\$ -	\$ -	\$ -
-	-	210,935	-	-
-	-	-	-	3,896
-	459	802	3	-
-	-	40,002	-	-
-	325,819	251,739	3	3,896
2,515	145,808	264,801	-	394
-	-	-	12,152	-
-	129,655	-	-	3,660
2,515	275,463	264,801	12,152	4,054
(2,515)	50,356	(13,062)	(12,149)	(158)
(2,515)	50,356	(13,062)	(12,149)	(158)
2,515	257,694	463,538	12,589	2,477
\$ -	\$ 308,050	\$ 450,476	\$ 440	\$ 2,319

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**CITY OF TOMBALL, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)**  
**For the Year Ended September 30, 2011**

	<b>Department of Justice Grant</b>	<b>Total Nonmajor Governmental Funds</b>
<b><u>Revenues</u></b>		
Other taxes	\$ -	\$ 325,360
Fines and forfeitures	-	264,452
Intergovernmental	-	3,896
Interest on investments	2	2,242
Other revenues	-	52,858
<b>Total Revenue</b>	2	648,808
 <b><u>Expenditures</u></b>		
Current:		
Administrative	5,184	487,384
Court	-	12,152
Community services	-	133,315
<b>Total Expenditures</b>	5,184	632,851
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(5,182)	15,957
<b>Net Change in Fund Balances</b>	(5,182)	15,957
Beginning fund balances	8,773	1,385,887
<b>Ending Fund Balances</b>	\$ 3,591	\$ 1,401,844

**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, 2011

**COURT SECURITY**

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Fines and forfeitures	\$ 25,000	\$ 25,000	\$ 22,935	\$ (2,065)
Interest on investments	500	500	281	(219)
<b>Total Revenues</b>	<u>25,500</u>	<u>25,500</u>	<u>23,216</u>	<u>(2,284)</u>
<b>Expenditures</b>				
Administrative	57,000	57,000	40,486	16,514
<b>Total Expenditures</b>	<u>57,000</u>	<u>57,000</u>	<u>40,486</u>	<u>16,514</u>
<b>Net Change in Fund Balance</b>	<u>\$ (31,500)</u>	<u>\$ (31,500)</u>	(17,270)	<u>\$ 14,230</u>
Beginning fund balance			<u>179,593</u>	
		<b>Ending Fund Balance</b>	<u>\$ 162,323</u>	

**COURT TECHNOLOGY**

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Fines and forfeitures	\$ 32,000	\$ 32,000	\$ 30,582	\$ (1,418)
Interest on investments	500	500	263	(237)
<b>Total Revenues</b>	<u>32,500</u>	<u>32,500</u>	<u>30,845</u>	<u>(1,655)</u>
<b>Expenditures</b>				
Administrative	1,500	1,500	1,717	(217) *
<b>Total Expenditures</b>	<u>1,500</u>	<u>1,500</u>	<u>1,717</u>	<u>(217)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 31,000</u>	<u>\$ 31,000</u>	29,128	<u>\$ (1,872)</u>
Beginning fund balance			<u>171,098</u>	
		<b>Ending Fund Balance</b>	<u>\$ 200,226</u>	

1. \*Expenditures exceeded appropriations at the legal level of control.

**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, 2011

HOTEL OCCUPANCY TAX				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Other taxes	\$ 251,000	\$ 251,000	\$ 325,360	\$ 74,360
Interest and fiscal agent fees	1,000	1,000	459	(541)
<b>Total Revenues</b>	252,000	252,000	325,819	73,819
<b>Expenditures</b>				
Administrative	278,000	278,000	145,808	132,192
Community services	78,000	78,000	129,655	(51,655) *
<b>Total Expenditures</b>	356,000	356,000	275,463	80,537
<b>Net Change in Fund Balance</b>	\$ (104,000)	\$ (104,000)	50,356	\$ 154,356
Beginning fund balance			257,694	
		<b>Ending Fund Balance</b>	\$ 308,050	

1. \*Expenditures exceeded appropriations at the legal level of control.

SPECIAL GENERAL				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Other revenues	\$ 10,000	\$ 10,000	\$ 11,236	\$ 1,236
Interest on investments	500	500	233	(267)
<b>Total Revenues</b>	10,500	10,500	11,469	969
<b>Expenditures</b>				
Administrative	34,500	34,500	26,479	8,021
<b>Total Expenditures</b>	34,500	34,500	26,479	8,021
<b>Net Change in Fund Balance</b>	\$ (24,000)	\$ (24,000)	(15,010)	\$ 8,990
Beginning fund balance			153,820	
		<b>Ending Fund Balance</b>	\$ 138,810	

**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, 2011

HOUSING TRUST				
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Interest on investments	\$ 30	\$ 30	\$ -	\$ (30)
<b>Total Revenues</b>	30	30	-	(30)
<b><u>Expenditures</u></b>				
Administrative	2,673	2,673	2,515	158
<b>Total Expenditures</b>	2,673	2,673	2,515	158
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(2,643)	(2,643)	(2,515)	128
<b>Net Change in Fund Balance</b>	\$ (2,643)	\$ (2,643)	(2,515)	\$ 128
Beginning fund balance			2,515	
		<b>Ending Fund Balance</b>	\$ -	

# **CITY OF TOMBALL, TEXAS**

## ***INTERNAL SERVICE FUNDS***

September 30, 2011

### **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, 2011

	Fleet Replacement	Health Benefits	Total
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 1,207,925	\$ 396,831	\$ 1,604,756
Accounts receivable, net	-	7,228	7,228
<b>Total Current Assets</b>	1,207,925	404,059	1,611,984
Noncurrent assets:			
Depreciable capital assets	1,306,125	-	1,306,125
Less: accumulated depreciation	(538,397)	-	(538,397)
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	767,728	-	767,728
<b>Total Noncurrent Assets</b>	767,728	-	767,728
<b>Total Assets</b>	\$ 1,975,653	\$ 404,059	\$ 2,379,712
<b><u>Liabilities</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 10,405	\$ 10,405
<b>Total Current Liabilities</b>	-	10,405	10,405
<b><u>Net Assets</u></b>			
Invested in capital assets	767,728	-	767,728
Unrestricted	1,207,925	393,654	1,601,579
<b>Total Net Assets</b>	\$ 1,975,653	\$ 393,654	\$ 2,369,307

**CITY OF TOMBALL, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended September 30, 2011

	<u>Fleet Replacement</u>	<u>Health Benefits</u>	<u>Total</u>
<b><u>Operating Revenues</u></b>			
Charges for sales and services	\$ 43,827	\$ 1,846,468	\$ 1,890,295
<b>Total Operating Revenues</b>	<u>43,827</u>	<u>1,846,468</u>	<u>1,890,295</u>
<b><u>Operating Expenses</u></b>			
Costs of sales and services	102,319	1,649,899	1,752,218
Depreciation	190,930	-	190,930
<b>Total Operating Expenses</b>	<u>293,249</u>	<u>1,649,899</u>	<u>1,943,148</u>
<b>Operating Income</b>	<u>(249,422)</u>	<u>196,569</u>	<u>(52,853)</u>
<b><u>Non-Operating Revenues (Expenses)</u></b>			
Investment income	1,987	288	2,275
<b>Total Non-Operating Revenues (Expenses)</b>	<u>1,987</u>	<u>288</u>	<u>2,275</u>
<b>Change in Net Assets</b>	<u>(247,435)</u>	<u>196,857</u>	<u>(50,578)</u>
Beginning net assets	<u>2,223,088</u>	<u>196,797</u>	<u>2,419,885</u>
<b>Ending Net Assets</b>	<u>\$ 1,975,653</u>	<u>\$ 393,654</u>	<u>\$ 2,369,307</u>

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**CITY OF TOMBALL, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
For the Year Ended September 30, 2011

	<b>Fleet Replacement</b>	<b>Health Benefits</b>	<b>Total</b>
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers	\$ 43,827	\$ 1,844,504	\$ 1,888,331
Payments to suppliers	(121,460)	(1,643,810)	(1,765,270)
<b>Net Cash Provided by Operating Activities</b>	<b>(77,633)</b>	<b>200,694</b>	<b>123,061</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Acquisition and construction of capital assets	(189,256)	-	(189,256)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>(189,256)</b>	<b>-</b>	<b>(189,256)</b>
<b><u>Cash Flows from Investing Activities</u></b>			
Investment earnings	1,987	288	2,275
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>1,987</b>	<b>288</b>	<b>2,275</b>
<b>Net Increase in Cash and Cash Equivalents</b>	(264,902)	200,982	(63,920)
Beginning cash and cash equivalents	1,472,827	195,849	1,668,676
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 1,207,925</b>	<b>\$ 396,831</b>	<b>\$ 1,604,756</b>
<b>Reconciliation of Operating Income</b>			
<b>to Net Cash Provided by Operating Activities</b>			
Operating income	\$ (249,422)	\$ 196,569	\$ (52,853)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	190,930	-	190,930
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in Current Assets:</b>			
Accounts receivable	-	(1,964)	(1,964)
<b>Increase (Decrease) in Current Liabilities:</b>			
Accounts payable and accrued liabilities	(19,141)	6,089	(13,052)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (77,633)</b>	<b>\$ 200,694</b>	<b>\$ 123,061</b>

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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.

<b>Contents</b>	<b>Page</b>
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<b>Financial Trends</b>	<b>92</b>
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*These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.*

<b>Revenue Capacity</b>	<b>102</b>
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*These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.*

<b>Debt Capacity</b>	<b>114</b>
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*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.*

<b>Demographic and Economic Information</b>	<b>124</b>
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*These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.*

<b>Operating Information</b>	<b>128</b>
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*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.*

# CITY OF TOMBALL, TEXAS

## NET ASSETS BY COMPONENT

Last Nine 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 nine years are available at this time.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 7,175,862	\$ 10,206,785	\$ 16,143,552	\$ 16,790,199	\$ 18,306,705
3,686,000	2,474,658	2,278,695	1,423,521	1,895,850
17,884,555	15,642,887	11,362,902	13,048,317	12,518,847
<u>\$ 28,746,417</u>	<u>\$ 28,324,330</u>	<u>\$ 29,785,149</u>	<u>\$ 31,262,037</u>	<u>\$ 32,721,402</u>
\$ 25,045,502	\$ 24,774,972	\$ 26,080,707	\$ 29,073,794	\$ 29,338,053
876,468	-	-	-	-
7,493,793	9,610,968	10,555,994	8,753,794	10,299,638
<u>\$ 33,415,763</u>	<u>\$ 34,385,940</u>	<u>\$ 36,636,701</u>	<u>\$ 37,827,588</u>	<u>\$ 39,637,691</u>
\$ 32,221,364	\$ 34,981,757	\$ 42,224,259	\$ 45,863,993	\$ 47,644,758
4,562,468	2,474,658	2,278,695	1,423,521	1,895,850
25,378,348	25,253,855	21,918,896	21,802,111	22,818,485
<u>\$ 62,162,180</u>	<u>\$ 62,710,270</u>	<u>\$ 66,421,850</u>	<u>\$ 69,089,625</u>	<u>\$ 72,359,093</u>

# CITY OF TOMBALL, TEXAS

## CHANGES IN NET ASSETS

Last Nine Years (1)

(Accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
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
Interest and fiscal agent fees	-	-	-	-
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>
<b>Program Revenues</b>				
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	1,170,684	96,279	93,897	93,042
Total governmental activities program revenues	<u>3,740,136</u>	<u>2,812,354</u>	<u>3,085,023</u>	<u>3,285,805</u>
Business-type activities				
Charges for services				
General government	-	-	-	-
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
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>\$ 8,827,295</u>	<u>\$ 11,645,354</u>	<u>\$ 10,513,160</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (5,546,074)	\$ (7,951,661)	\$ (8,731,122)	\$ (8,756,166)
Business-type activities	(366,405)	(119,737)	1,834,928	(195,138)
Total primary government net expense	<u>\$ (5,912,479)</u>	<u>\$ (8,071,398)</u>	<u>\$ (6,896,194)</u>	<u>\$ (8,951,304)</u>

		Fiscal Year							
		2007	2008	2009	2010	2011			
\$	1,438,117	\$	1,734,307	\$	3,091,652	\$	3,476,001	\$	4,472,541
	5,449,912		7,224,244		6,720,247		5,907,235		6,546,562
	5,076,429		6,325,789		5,692,269		5,205,824		4,739,268
	355,348		471,539		260,561		272,034		255,764
	824,168		790,736		708,109		658,304		353,188
	<u>13,143,974</u>		<u>16,546,615</u>		<u>16,472,838</u>		<u>15,519,398</u>		<u>16,367,323</u>
	2,744,139		2,775,923		2,235,193		1,843,501		2,207,488
	1,259,961		1,720,131		2,215,841		2,197,679		2,549,230
	1,081,343		1,164,702		1,402,558		1,134,907		1,226,582
	2,496,747		2,727,066		2,486,336		2,374,227		1,801,364
	630,735		585,710		-		512,851		481,542
	<u>8,212,925</u>		<u>8,973,532</u>		<u>8,339,928</u>		<u>8,063,165</u>		<u>8,266,206</u>
\$	<u>21,356,899</u>	\$	<u>25,520,147</u>	\$	<u>24,812,766</u>	\$	<u>23,582,563</u>	\$	<u>24,633,529</u>
\$	1,352,444	\$	922,073	\$	1,044,706	\$	1,204,099	\$	1,083,408
	1,938,750		2,612,619		2,596,344		2,231,777		2,284,482
	135,750		259,047		278,350		83,130		268,675
	<u>3,426,944</u>		<u>3,793,739</u>		<u>3,919,400</u>		<u>3,519,006</u>		<u>3,636,565</u>
	-		118,192		-		427,519		413,523
	3,208,398		3,317,403		4,547,803		3,985,231		5,199,565
	1,401,640		1,725,839		2,468,377		2,233,364		2,368,469
	3,675,752		3,792,717		4,426,091		4,011,635		3,538,152
	-		-		720,000		720,000		798,300
	<u>8,285,790</u>		<u>8,954,151</u>		<u>12,162,271</u>		<u>11,377,749</u>		<u>12,318,009</u>
\$	<u>11,712,734</u>	\$	<u>12,747,890</u>	\$	<u>16,081,671</u>	\$	<u>14,896,755</u>	\$	<u>15,954,574</u>
\$	(9,717,030)	\$	(12,752,876)	\$	(12,553,438)	\$	(12,000,392)	\$	(12,730,758)
	72,865		(19,381)		3,822,343		3,314,584		4,051,803
\$	<u>(9,644,165)</u>	\$	<u>(12,772,257)</u>	\$	<u>(8,731,095)</u>	\$	<u>(8,685,808)</u>	\$	<u>(8,678,955)</u>

# CITY OF TOMBALL, TEXAS

## CHANGES IN NET ASSETS (Continued)

Last Nine Years (1)

(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities				
Taxes				
Property taxes, levied for general purposes	\$ 101,356	\$ 721,527	\$ 805,285	\$ 952,673
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
Contributions	402,958	34,052	36,320	114,909
Investment earnings	159,714	291,197	558,759	988,431
Other revenues	25,581	119,949	43,774	62,362
Gain (loss) on sale of capital assets	-	8,920	8,637	22,599
Transfers	-	(4,500,000)	-	-
Total governmental activities	<u>8,607,009</u>	<u>4,592,334</u>	<u>10,338,430</u>	<u>12,100,990</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>\$ 10,028,486</u>	<u>\$ 11,427,866</u>	<u>\$ 15,148,826</u>
<b>Change in Net Assets</b>				
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 nine years are available at this time.

		Fiscal Year							
		2007	2008	2009	2010	2011			
\$	1,168,491	\$	933,885	\$	1,587,560	\$	1,422,603	\$	1,270,645
	1,299,344		1,511,139		1,449,089		1,500,310		1,586,918
	7,304,280		7,100,293		7,038,176		6,651,064		7,023,409
	1,140,734		1,201,401		1,150,591		1,153,954		1,186,272
	181,503		267,133		308,100		229,636		325,360
	6,000		6,000		-		-		-
	1,222,816		756,431		325,789		80,426		43,035
	223,644		515,216		405,391		166,287		361,026
	-		-		-		-		-
	-		39,291		1,749,561		2,260,134		2,393,458
	<u>12,546,812</u>		<u>12,330,789</u>		<u>14,014,257</u>		<u>13,464,414</u>		<u>14,190,123</u>
	452,098		308,849		175,119		93,361		30,414
	720,000		720,000		2,860		43,076		121,344
	-		(39,291)		(1,749,561)		(2,260,134)		(2,393,458)
	<u>1,172,098</u>		<u>989,558</u>		<u>(1,571,582)</u>		<u>(2,123,697)</u>		<u>(2,241,700)</u>
\$	<u>13,718,910</u>	\$	<u>13,320,347</u>	\$	<u>12,442,675</u>	\$	<u>11,340,717</u>	\$	<u>11,948,423</u>
\$	2,829,782	\$	(422,087)	\$	1,460,819	\$	1,464,022	\$	1,459,365
	1,244,963		970,177		2,250,761		1,190,887		1,810,103
\$	<u>4,074,745</u>	\$	<u>548,090</u>	\$	<u>3,711,580</u>	\$	<u>2,654,909</u>	\$	<u>3,269,468</u>

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

	Fiscal Year			
	2002	2003	2004	2005
General Fund				
Restricted	\$ 3,314,775	\$ 7,877,234	\$ 7,274,055	\$ 4,268,304
Unassigned	18,571,716	14,046,018	15,224,108	18,009,256
Total general fund	<u>\$ 21,886,491</u>	<u>\$ 21,923,252</u>	<u>\$ 22,498,163</u>	<u>\$ 22,277,560</u>
All Other Governmental Funds				
Restricted	\$ 1,383,613	\$ 1,629,739	\$ 1,253,170	\$ 915,699
Assigned, reported in:				
Capital project funds	-	612	9,218	9,637
Nonmajor governmental funds	15,716	21,429	38,108	34,187
Total all other governmental funds	<u>\$ 1,399,329</u>	<u>\$ 1,651,780</u>	<u>\$ 1,300,496</u>	<u>\$ 959,523</u>

Fiscal Year

2006	2007	2008	2009	2010	2011
\$ 1,646,027	\$ -	\$ -	\$ 23,724	\$ -	\$ -
21,048,552	21,199,234	16,676,502	12,194,969	12,161,681	11,797,535
<u>\$ 22,694,579</u>	<u>\$ 21,199,234</u>	<u>\$ 16,676,502</u>	<u>\$ 12,218,693</u>	<u>\$ 12,161,681</u>	<u>\$ 11,797,535</u>
\$ 1,205,549	\$ 2,407,556	\$ 2,097,709	\$ 1,530,276	\$ 1,276,646	\$ 1,896,380
9,757	79,883	121,425	133,498	133,790	135,609
23,333	138,137	353,527	742,340	901,406	141,129
<u>\$ 1,238,639</u>	<u>\$ 2,625,576</u>	<u>\$ 2,572,661</u>	<u>\$ 2,406,114</u>	<u>\$ 2,311,842</u>	<u>\$ 2,173,118</u>

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

	Fiscal Year			
	2002	2003	2004	2005
<b>Revenues</b>				
Taxes	\$ 7,507,370	\$ 8,090,360	\$ 8,012,912	\$ 9,716,624
Permits, licenses, and fees	495,521	372,621	317,369	331,660
Fines and forfeitures	683,007	537,494	531,439	700,112
Charges for services	1,577,404	1,626,644	1,749,537	1,850,595
Intergovernmental	140,536	1,242,684	202,331	202,217
Contributions from Component Unit	-	-	-	-
Investment earnings	630,748	402,958	291,197	558,759
Other revenues	77,525	121,119	187,369	81,671
<b>Total revenues</b>	<b>11,112,111</b>	<b>12,393,880</b>	<b>11,292,154</b>	<b>13,441,638</b>
<b>Expenditures</b>				
General government	1,259,828	1,366,138	1,628,722	1,727,172
Public safety	3,072,942	3,236,266	3,777,556	4,548,579
Public works	2,170,635	2,095,207	2,764,994	2,734,706
Public service	346,732	369,130	385,465	449,795
Capital outlay	3,026,723	4,466,088	4,850,051	2,236,496
Debt service				
Principal	813,061	861,452	1,373,838	1,391,273
Interest and paying agent	437,206	719,307	949,814	948,260
<b>Total expenditures</b>	<b>11,127,127</b>	<b>13,113,588</b>	<b>15,730,440</b>	<b>14,036,281</b>
Excess of revenues over (under) expenditures	(15,016)	(719,708)	(4,438,286)	(594,643)
<b>Other Financing Sources (Uses)</b>				
Transfers in	180,000	-	-	-
Transfers out	-	-	(4,500,000)	-
Issuance of debt	9,500,147	-	8,500,000	-
Premium on debt issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Sale of capital assets	-	42,972	23,413	33,064
<b>Total other financing sources</b>	<b>9,680,147</b>	<b>42,972</b>	<b>4,023,413</b>	<b>33,064</b>
<b>Net change in fund balances</b>	<b>\$ 9,665,131</b>	<b>\$ (676,736)</b>	<b>\$ (414,873)</b>	<b>\$ (561,579)</b>
Debt service as a percentage of noncapital expenditures	15.43%	18.28%	21.36%	19.83%

**Fiscal Year**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
\$	10,931,747	\$ 10,936,779	\$ 11,193,185	\$ 11,442,297	\$ 10,897,786	\$ 11,400,964
	409,694	414,713	319,177	247,548	311,563	262,713
	832,314	728,148	922,073	1,044,706	1,204,099	1,083,408
	1,850,925	2,059,958	2,293,442	2,348,796	1,920,214	2,021,769
	279,950	213,750	265,047	278,350	73,130	168,782
	-	-	-	-	10,000	99,893
	878,636	1,222,817	713,433	312,290	99,837	40,760
	98,866	168,216	332,551	361,992	254,615	386,935
	<u>15,282,132</u>	<u>15,744,381</u>	<u>16,038,908</u>	<u>16,035,979</u>	<u>14,771,244</u>	<u>15,465,224</u>
	1,800,747	1,837,112	3,822,202	2,606,885	3,990,931	4,507,290
	4,741,965	5,130,493	6,010,899	7,770,127	5,851,013	6,391,016
	2,856,974	3,112,853	3,635,764	3,713,018	2,982,362	3,090,590
	424,129	1,113,084	550,513	932,492	1,731,723	1,179,637
	2,814,130	2,762,545	3,521,127	5,387,966	821,359	1,445,273
	1,194,405	1,138,174	1,158,174	1,328,619	1,135,500	1,195,500
	891,842	830,330	795,482	714,188	723,159	626,247
	<u>14,724,192</u>	<u>15,924,591</u>	<u>19,494,161</u>	<u>22,453,295</u>	<u>17,236,047</u>	<u>18,435,553</u>
	557,940	(180,210)	(3,455,253)	(6,417,316)	(2,464,803)	(2,970,329)
	-	-	-	1,749,561	2,260,134	2,393,458
	-	-	(1,248,846)	-	-	-
	-	-	-	-	2,120,000	3,892,500
	-	-	-	-	4,945	278,253
	-	-	-	-	(2,071,560)	(4,096,752)
	28,399	-	182,665	43,399	-	-
	<u>28,399</u>	<u>-</u>	<u>(1,066,181)</u>	<u>1,792,960</u>	<u>2,313,519</u>	<u>2,467,459</u>
\$	<u>586,339</u>	<u>(180,210)</u>	<u>(4,521,434)</u>	<u>(4,624,356)</u>	<u>(151,284)</u>	<u>(502,870)</u>
	17.52%	14.96%	12.26%	12.27%	11.33%	10.99%

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

<u>Function</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Property	\$ 1,656,767	\$ 1,894,374	\$ 1,978,526	\$ 2,068,974	\$ 2,258,424
Sales	4,725,338	5,134,332	4,918,390	6,479,974	7,491,415
Franchise fee	1,060,206	1,011,342	1,020,001	1,067,620	1,069,381
Other taxes	65,059	50,312	95,995	100,056	112,527
	<u>\$ 7,507,370</u>	<u>\$ 8,090,360</u>	<u>\$ 8,012,912</u>	<u>\$ 9,716,624</u>	<u>\$ 10,931,747</u>

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Change 2010-2011</u>
\$	2,310,262	\$ 2,570,145	\$ 2,945,430	\$ 2,938,594	\$ 2,865,923	-2.47%
	7,304,280	7,206,713	7,038,176	6,651,064	6,976,875	4.90%
	1,140,734	1,149,261	1,150,591	1,153,954	1,262,187	9.38%
	181,503	212,853	308,100	154,174	295,979	91.98%
	<u>10,936,779</u>	<u>11,138,972</u>	<u>11,442,297</u>	<u>10,897,786</u>	<u>11,400,964</u>	4.62%

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Residential Property</b>	\$ 312,970,420	\$ 346,417,520	\$ 534,830,588	\$ 548,645,926
<b>Commercial Property</b>	349,489,260	362,762,930	439,434,785	420,414,851
<b>Less: Tax Exempt Property</b>	<u>(35,756,520)</u>	<u>(36,272,730)</u>	<u>(192,670,546)</u>	<u>(221,138,305)</u>
<b>Total Taxable Assessed Value (1)</b>	<u>\$ 626,703,160</u>	<u>\$ 672,907,720</u>	<u>\$ 781,594,827</u>	<u>\$ 747,922,472</u>
<b>Total Direct Tax Rate</b>	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 eight years are available at this time  
Tax rates are per \$100 of assessed value.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 562,126,135	\$ 494,490,612	\$ 431,346,771	\$ 410,091,337
516,025,633	962,896,368	1,041,882,736	897,086,386
<u>(213,059,540)</u>	<u>(302,822,021)</u>	<u>(317,120,571)</u>	<u>(299,024,613)</u>
<u>\$ 865,092,228</u>	<u>\$ 1,154,564,959</u>	<u>\$ 1,156,108,936</u>	<u>\$ 1,008,153,110</u>
0.251455	0.251455	0.251455	0.251455

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
City of Tomball by fund:				
General	\$ 0.114000	\$ 0.015410	\$ 0.100000	\$ 0.108000
Debt service	0.166000	0.264590	0.180000	0.172000
<b>Total Direct Rates</b>	<u>0.280000</u>	<u>0.280000</u>	<u>0.280000</u>	<u>0.280000</u>
Tomball Independent School District	1.680000	1.750000	1.730000	1.730000
Harris County	0.359000	0.383900	0.388100	0.388000
Harris County Flood Control District	0.061700	0.047600	0.041700	0.041700
Port of Houston Authority	0.018300	0.018300	0.019900	0.020000
Harris County Hospital District	0.202700	0.190200	0.190200	0.190200
Harris County Dept. of Education	0.006290	0.006290	0.006290	0.006290
Lone Star College System District	0.001100	0.001055	0.001055	0.114500
Emergency Service District #8	-	-	-	0.030000
<b>Total Direct and Overlapping Rates (1)</b>	<u>\$ 2.609090</u>	<u>\$ 2.677345</u>	<u>\$ 2.657245</u>	<u>\$ 2.800690</u>

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

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 0.116640	\$ 0.106468	\$ 0.101455	\$ 0.131455	\$ 0.121455	\$ 0.111455
0.163360	0.144987	0.150000	0.120000	0.130000	0.140000
<u>0.280000</u>	<u>0.251455</u>	<u>0.251455</u>	<u>0.251455</u>	<u>0.251455</u>	<u>0.251455</u>
1.710000	1.580000	1.275000	1.360000	1.360000	1.360000
0.399860	0.402390	0.392390	0.389230	0.392240	0.388050
0.033220	0.032410	0.031060	0.030860	0.029220	0.029230
0.014740	0.013020	0.014370	0.017730	0.016360	0.020540
0.192160	0.192160	0.192160	0.192160	0.192160	0.192160
0.006290	0.006290	0.005853	0.005840	0.006050	0.006581
0.120700	0.114400	0.114400	0.110100	0.110100	0.117600
0.030000	0.030000	0.030000	0.050000	0.050000	0.050000
<u>\$ 2.786970</u>	<u>\$ 2.622125</u>	<u>\$ 2.306688</u>	<u>\$ 2.407375</u>	<u>\$ 2.407585</u>	<u>\$ 2.415616</u>

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# CITY OF TOMBALL, TEXAS

## PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Tax Payer	2011			2002		
	Taxable Assessed Value	Rank	% of Taxable Assessed Value	Taxable Assessed Value	Rank	% of Taxable Assessed Value
B. J. Services	\$ 143,360,751	1	14.22%	\$ 54,662,220	1	9.42%
Wal-Mart	18,141,178	2	1.80%	22,655,999	2	3.90%
MSR TX Tomball LP	16,593,203	3	1.65%		n/a	
Weingarten Investments Inc.	15,258,558	4	1.51%		n/a	
Centerpoint Energy	14,893,289	5	1.48%	13,830,260	4	2.38%
Lowe's	13,234,575	6	1.31%	14,343,810	3	2.47%
HEB Grocery	11,447,514	7	1.14%		n/a	
Target Corporation	10,591,803	8	1.05%		n/a	
NNN Park at Spring Creek LLC	9,500,000	9	0.94%		n/a	
Kroger Co.	9,493,791	10	0.94%		n/a	
Southwestern Bell Telephone		n/a		7,281,350	5	1.25%
Tomball Center		n/a		6,937,830	6	1.20%
Number One Fountains		n/a		6,800,000	7	1.17%
American National Carbide		n/a		6,560,408	8	1.13%
Parkway Chevrolet Properties		n/a		6,533,890	9	1.13%
CFD 1 LP		n/a		5,733,770	10	0.99%
Subtotal	\$ 262,514,662		26.04%	\$ 145,339,537		25.04%
Other Taxpayers	745,638,448		73.96%	435,019,203		74.96%
Total	<u>\$ 1,008,153,110</u>		<u>100.00%</u>	<u>\$ 580,358,740</u>		<u>100.00%</u>

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

# CITY OF TOMBALL, TEXAS

## PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Tax levy	\$ 1,549,800	\$ 1,600,000	\$ 1,915,562	\$ 2,013,497
Current tax collected	\$ 1,411,192	\$ 1,425,600	\$ 1,771,895	\$ 1,834,296
Percent of current tax collections	91.06%	89.10%	92.50%	91.10%
Delinquent tax collections	<u>\$ 136,512</u>	<u>\$ 169,413</u>	<u>\$ 136,423</u>	<u>\$ 171,096</u>
Total tax collections	<u>\$ 1,547,704</u>	<u>\$ 1,595,013</u>	<u>\$ 1,908,318</u>	<u>\$ 2,005,392</u>
Total collections as a percentage of current levy	99.86%	99.69%	99.62%	99.60%

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 1,993,481	\$ 2,130,000	\$ 2,517,121	\$ 2,903,211	\$ 2,907,289	\$ 2,813,700
\$ 1,798,120	\$ 1,904,220	\$ 2,469,639	\$ 2,843,461	\$ 2,850,087	\$ 2,776,954
90.20%	89.40%	98.11%	97.40%	98.03%	98.69%
<u>\$ 184,577</u>	<u>\$ 212,660</u>	<u>\$ 30,853</u>	<u>\$ 37,482</u>	<u>\$ 50,654</u>	<u>\$ -</u>
<u><u>\$ 1,982,697</u></u>	<u><u>\$ 2,116,880</u></u>	<u><u>\$ 2,500,492</u></u>	<u><u>\$ 2,880,943</u></u>	<u><u>\$ 2,900,741</u></u>	<u><u>\$ 2,776,954</u></u>
99.46%	99.38%	99.34%	99.23%	99.77%	98.69%

# CITY OF TOMBALL, TEXAS

## SALES TAX REVENUE BY INDUSTRY

Current Year and Eight Years Ago

(dollars are in thousands)

Sales Tax Remitter	Calendar Year 2011			
	Number of Outlets	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	1,221	25.13%	\$ 3,919	41.17%
Services	926	19.06%	1,440	15.12%
Wholesale Trade	729	15.01%	498	5.23%
Utilities, Transportation, Communications	335	6.90%	527	5.53%
Manufacturing	427	8.79%	321	3.38%
Construction	275	5.66%	198	2.08%
Finance, Insurance, Real Estate	196	4.03%	361	3.79%
All other outlets	749	15.42%	2,256	23.70%
Total	4,858	100.00%	\$ 9,520	100.00%

Source: Texas State Comptroller of Public Accounts

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

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

Only the current year and eight years ago is available.

Calendar Year 2003

<u>Number of Outlets</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Percentage of Total</u>
1,023	28.69%	\$ 3,775	53.61%
706	19.80%	1,132	16.08%
410	11.50%	136	1.93%
164	4.60%	219	3.11%
191	5.36%	169	2.39%
186	5.22%	66	0.93%
164	4.60%	211	2.99%
722	20.25%	1,334	18.95%
<u>3,566</u>	<u>100.00%</u>	<u>\$ 7,042</u>	<u>100.00%</u>

**CITY OF TOMBALL, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
 Last Nine Years (1)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities:</b>				
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
<b>Subtotal</b>	<u>14,662,483</u>	<u>21,788,645</u>	<u>20,397,372</u>	<u>19,202,967</u>
<b>Business-Type Activities:</b>				
Revenue bonds	17,110,000	16,590,000	16,005,000	15,085,500
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 31,772,483</u>	<u>\$ 38,378,645</u>	<u>\$ 36,402,372</u>	<u>\$ 34,288,467</u>
 <b>PERSONAL INCOME</b>	 \$ 371,937,441	 \$ 220,726,922	 \$ 300,104,460	 \$ 280,510,625
 <b>DEBT AS A PERCENTAGE     OF PERSONAL INCOME</b>	 8.542%	 17.387%	 12.130%	 12.224%
 <b>POPULATION</b>	 9,843	 9,883	 9,930	 10,625
 <b>DEBT PER CAPITA</b>	 \$ 3,228	 \$ 3,883	 \$ 3,666	 \$ 3,227

(1) The requirement for statistical data is ten years; only nine 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>	<u>2010</u>	<u>2011</u>
\$ 17,774,000	\$ 16,688,500	\$ 15,578,000	\$ 14,497,500	\$ 13,284,000
290,793	218,540	-	-	-
<u>18,064,793</u>	<u>16,907,040</u>	<u>15,578,000</u>	<u>14,497,500</u>	<u>13,284,000</u>
14,151,000	13,206,500	12,247,000	11,277,500	10,271,000
<u>\$ 32,215,793</u>	<u>\$ 30,113,540</u>	<u>\$ 27,825,000</u>	<u>\$ 25,775,000</u>	<u>\$ 23,555,000</u>
\$ 282,486,000	\$ 276,767,062	\$ 285,081,600	\$ 290,186,220	\$ 273,663,850
11.404%	10.880%	9.760%	8.882%	8.607%
11,500	11,531	11,600	11,670	10,753
\$ 2,801	\$ 2,612	\$ 2,399	\$ 2,209	\$ 2,191

**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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>NET TAXABLE ASSESSED VALUE</b>				
All property	\$ 561,181,320	\$ 580,358,740	\$ 683,847,570	\$ 672,907,720
<b>NET BONDED DEBT</b>				
Gross bonded debt	32,780,000	31,030,000	37,760,000	35,910,000
Less debt service funds	-	-	-	-
<b>Net Bonded Debt</b>	<u>\$ 32,780,000</u>	<u>\$ 31,030,000</u>	<u>\$ 37,760,000</u>	<u>\$ 35,910,000</u>
<b>RATIO OF NET BONDED DEBT TO ASSESSED VALUE</b>	5.84%	5.35%	5.52%	5.34%
<b>POPULATION</b>	9,829	9,843	9,883	9,930
<b>NET BONDED DEBT PER CAPITA</b>	\$ 3,335	\$ 3,152	\$ 3,821	\$ 3,616

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 783,134,388	\$ 981,484,973	\$ 1,078,151,768	\$ 1,154,564,959	\$ 1,156,108,936	\$ 1,008,153,110
33,925,000	31,925,000	29,895,000	27,825,000	25,775,000	23,555,000
<u>\$ 33,925,000</u>	<u>\$ 31,925,000</u>	<u>\$ 29,895,000</u>	<u>\$ 27,825,000</u>	<u>\$ 25,775,000</u>	<u>\$ 23,555,000</u>
4.33%	3.25%	2.77%	2.41%	2.23%	2.34%
10,625	11,500	11,531	11,600	11,670	10,753
\$ 3,193	\$ 2,776	\$ 2,593	\$ 2,399	\$ 2,209	\$ 2,191

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**CITY OF TOMBALL, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
September 30, 2011

Governmental Unit	Net Bonded Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Tomball ISD	\$ 305,365,000	22.00%	\$ 67,180,300
Harris County	2,339,501,628	0.42%	9,825,907
Harris Co. Flood Control District	102,539,024	0.42%	430,664
Port of Houston Authority	763,619,397	0.42%	3,207,201
Harris County Dept of Education	7,980,000	0.42%	33,516
Lone Star College System	526,035,000	0.98%	<u>5,155,143</u>
Subtotal, overlapping debt			85,832,731
City direct debt (2)		100.000%	<u>13,284,000</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 99,116,731</u></u>

Source: First Southwest Company

Notes:

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

# CITY OF TOMBALL, TEXAS

## LEGAL DEBT MARGIN INFORMATION

Last Nine 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 2011

Assessed value	\$ 1,008,153,110
Debt limit (10% of assessed value)	100,815,311 (2)
Debt applicable to limit:	
General obligation bonds	13,284,000
Less: amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	13,284,000
Legal debt margin	\$ 87,531,311

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

- (1) The requirement for statistical data is ten years; only nine years are available at this time.  
 (2) According to the City Charter, the City has no legal debt limit

Fiscal Year				
2007	2008	2009	2010	2011
\$ 98,148,497	\$ 107,815,177	\$ 115,456,496	\$ 115,610,894	\$ 100,815,311
17,774,000	16,688,500	15,578,000	14,497,500	13,284,000
<u>\$ 80,374,497</u>	<u>\$ 91,126,677</u>	<u>\$ 99,878,496</u>	<u>\$ 101,113,394</u>	<u>\$ 114,099,311</u>
18.11%	15.48%	13.49%	12.54%	13.18%

# CITY OF TOMBALL, TEXAS

## PLEGDED-REVENUE COVERAGE

Last Ten Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Gross revenues	\$ 5,748,215	\$ 6,204,814	\$ 7,005,922	\$ 9,637,212
Operating expenses (1)	<u>3,070,238</u>	<u>3,850,816</u>	<u>4,539,346</u>	<u>4,941,774</u>
Net revenues available for debt service	<u>\$ 2,677,977</u>	<u>\$ 2,353,998</u>	<u>\$ 2,466,576</u>	<u>\$ 4,695,438</u>
<b>DEBT SERVICE REQUIREMENTS (2)</b>				
Principal and interest	\$ 538,239	\$ 538,846	\$ 538,846	\$ 540,020
Total	<u>\$ 538,239</u>	<u>\$ 538,846</u>	<u>\$ 538,846</u>	<u>\$ 540,020</u>
Coverage	4.98	4.37	4.58	8.69

(1) Total operating expenses less depreciation

(2) Includes revenue bonds only

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 7,014,177	\$ 9,450,511	\$ 9,987,545	\$ 12,327,602	\$ 11,493,769	\$ 12,488,750
<u>5,603,456</u>	<u>6,238,127</u>	<u>7,039,498</u>	<u>6,593,348</u>	<u>6,338,235</u>	<u>6,165,226</u>
<u>\$ 1,410,721</u>	<u>\$ 3,212,384</u>	<u>\$ 2,948,047</u>	<u>\$ 4,599,281</u>	<u>\$ 5,155,534</u>	<u>\$ 6,323,524</u>
\$ 540,674	\$ 541,047	\$ 541,575	\$ 538,595	\$ 542,505	\$ 481,542
<u>\$ 540,674</u>	<u>\$ 541,047</u>	<u>\$ 541,575</u>	<u>\$ 538,595</u>	<u>\$ 542,505</u>	<u>\$ 481,542</u>
2.61	5.94	5.44	8.54	9.50	13.13

**CITY OF TOMBALL, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
 Last Ten Years

<b>Fiscal Year Ended Sept 30</b>	<b>Population(1)</b>	<b>Personal Income</b>	<b>Per Capita Personal Income(5)</b>	<b>Median Age(2)</b>	<b>School Enrollment(3)</b>	<b>Unemployment Rate(4)</b>
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	34,576	36.8	9,691	8.40%
2010	11,670	290,186,220	24,866	36.8	10,229	8.70%
2011	10,753	273,663,850	25,450	36.0	10,633	8.50%

Data sources:

- (1) Estimated (2000 census adjusted for growth for fiscal years 2002-2010). Actual 2011 census population shown for fiscal year 2011.
- (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	2011			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Tomball Regional Hospital	1,600	1	33.74%	1,200	1	25.31%
Tomball ISD	1,436	2	30.28%	958	2	20.20%
Tomball College (NHMCCD)	800	3	16.87%	471	4	9.93%
BJ Services Company, USA	600	4	12.65%	330	5	6.96%
Wal-Mart	457	5	9.64%	500	3	10.54%
HEB	262	6	5.53%	-	n/a	0.00%
City of Tomball	161	7	3.40%	86	6	1.81%
Kroger	138	8	2.91%	-	n/a	0.00%
Lowes	124	9	2.61%	-	n/a	0.00%
Target	118	10	2.49%	-	n/a	0.00%

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 (4742). Data was only available for the top six employees ranked in 2001.

**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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Fund:</b>										
Administration	7.5	7.5	8	8.5	8.5	9.5	10	15	14.5	14.5
Permits & Inspection	3.5	3.5	4.5	4.5	5	6	6	5	5	5
Police Department	44	44	47.5	50.5	50.5	52.5	55	55	55	57
Municipal Court	7	6	5.5	4.5	4	4	5	5	5	5.5
Community Center	4	3	3	3	3	3	3	3	3	3
Fire Department	1.5	5.5	8.5	9	9	12	14	14	14	16
Public Works Admin.	4	4.5	4.5	6	5.5	6	9	9	9	9
Garage	1.5	1.5	1	1	1	1	1	1	1	2
Parks	3.5	3.5	3.2	4.2	4.2	4.2	5.2	5.2	5.2	5.2
Streets	7.3	8.3	10.2	9.2	9.2	7.2	7.2	8.2	8.2	8.2
<b>General Fund Total</b>	83.8	87.3	95.9	100.4	99.9	105.4	115.4	120.4	119.9	125.4
<b>Enterprise Fund:</b>										
Utility Administration	8.5	8.5	9	11.25	11.5	11.5	12	10	9	9
Water	5.76	5.92	6.82	6.83	8.2	7.2	8.2	6.2	7.2	7.2
Wastewater	7.62	7.79	9.64	9.64	10.2	10.2	10.2	10.2	10.2	10.2
Gas	4.62	5.29	7.14	7.14	6.2	7.2	7.2	6.2	6.2	6.2
<b>Enterprise Fund Total</b>	26.5	27.5	32.6	34.86	36.1	36.1	37.6	32.6	32.6	32.6
<b>Special Revenue Fund:</b>	0	0	0	0	0	0	0	0	0	3
<b>Special Revenue Fund Total</b>	0	0	0	0	0	0	0	0	0	3
<b>TOTAL CITY POSITIONS</b>	<u>110.3</u>	<u>114.8</u>	<u>128.5</u>	<u>135.26</u>	<u>136</u>	<u>141.5</u>	<u>153</u>	<u>153</u>	<u>152.5</u>	<u>161</u>

**NOTES:**

Temporary and seasonal employees are hired during the summer months.

This count is not reflected above.

Police reserves are not included.

Fire Department volunteers (60) are not included.

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

Function/Program	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Police</b>									
Arrests	2,034	1,804	1,766	1,611	1,812	1,840	1,625	2,049	2,012
Accident reports	704	650	563	523	609	499	440	330	334
Citations	5,518	8,153	13,194	12,473	7,602	12,445	10,820	14,694	12,798
Offense reports	2,319	2,959	2,130	2,321	2,174	2,398	2,050	1,705	1,915
Calls for service	9,323	8,553	8,804	8,861	8,558	8,299	7,688	7,348	6,774
<b>Fire</b>									
Emergency responses	N/A	647	623	860	1,028	1,241	1,056	1,341	1,364
Fire incidents	N/A	113	170	278	170	206	218	220	207
Average response time	N/A	6:19	6:17	6:07	5:40	5:34	4:38	5:15	5:54
<b>Water</b>									
New accounts	597	639	674	875	719	663	532	89	79
<b>Source:</b>									
Water	597	639	674	875	719	663	532	89	79
Sewer	597	639	674	875	719	663	532	89	79
<b>Average daily consumption</b>									
(millions of gallons)	1,798	1,798	1,851	2,002	1,897	1,980	2,166	1,941	2,525
<b>Number of million gallons of well water pumped</b>									
	656,384	675,448	751,880	730,198	692,163	722,788	790,409	708,565	923,261
<b>Total consumption (millions of gallons)</b>									
	656,384	675,448	751,880	730,198	692,363	722,788	790,409	708,565	923,261
<b>Peak daily consumption</b>									
(millions of gallons)	3,492	3,492	3,322	3,395	3,241	4,425	3,791	3,480	4,392
<b>Sewer</b>									
<b>Average daily sewage treatment</b>									
(millions of gallons)	1.339	1.595	1.468	1.500	1.636	1.422	1.428	1.362	1.174
<b>Total consumption (millions of gallons)</b>									
	488.735	582.175	535.820	547.500	597.140	519.030	521.220	497.166	429.608
<b>Peak daily consumption</b>									
(millions of gallons)	3.30	4.50	4.30	4.50	5.10	5.90	5.10	3.72	2.18

Source: Various City departments

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

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

Function/Program	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Police</b>									
Stations	1	1	1	1	1	1	1	1	1
Patrol units	26	26	27	31	32	26	28	30	32
Fire stations	2	2	2	2	2	2	2	2	2
<b>Other public works</b>									
Streets (miles - centerlines)	69.9	71.0	71.0	72.0	72.0	72.6	73.0	56.2	56.2
Streetlights	462	462	639	642	648	648	648	650	654
<b>Parks and recreation</b>									
Parks	4	4	4	4	4	4	4	4	4
Parks acreage	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres
Swimming pools	1	1	1	1	1	1	1	1	1
Baseball/softball diamonds	8	8	8	8	8	8	8	8	8
Tennis courts	4	4	4	4	4	4	4	4	4
Basketball courts	1	1	1	1	1	1	1	1	1
<b>Water</b>									
Water mains (miles)	59	59	74	86	88	89	91.29	91.59	91.79
Fire hydrants	630	630	668	802	831	831	869	874	878
Storage capacity (millions of gallons)	N/A	N/A	N/A	N/A	1.85	1.85	1.85	1.85	2.35
<b>Sewer</b>									
Sanitary sewers (miles)	48.0	48.0	51.5	54.5	56.0	56.17	58.6	58.86	59.44
Storm sewers (miles)	15.0	16.2	16.9	16.9	16.9	16.9	17.2	17.4	17.4
Open ditch/creek/canal drainage (miles)	N/A	N/A	N/A	N/A	52.00	53	53.4	53.7	54
Treatment capacity (millions of gallons)	3	3	3	3	3	3	3	3	3

Source: Various City departments

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