

City of Tomball, Texas



Comprehensive
Annual Financial
Report
Fiscal Year Ended September 30, 2019



City of Tomball, Texas
Comprehensive Annual Financial Report
Year Ended September 30, 2019

City Manager

Robert S. Hauck

Prepared by

Glenn Windsor, CPA, CGFO
Finance Director

Christine Brookshire, CGFO
Senior Accountant

City of Tomball, Texas

September 30, 2019

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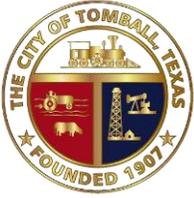
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Introductory Section (Unaudited)



City of Tomball

*Gretchen Fagan
Mayor*

*Robert S. Hauck
City Manager*

July 9, 2020

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, 2019. The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the results of operations of the various funds of the City, as well as the fund balances. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

Profile of the Government

The City, incorporated on July 18, 1933, is located northwest of Houston, Texas, in a rapidly growing area of Harris County. The City currently occupies a land area of 12.34 square miles and serves an estimated population of 11,761. The City of Tomball is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the governing council.

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

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

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the Finance Director. These requests serve as a starting point for developing a proposed budget. The Finance Director provides the information to the City Manager, who then presents this proposed budget to the Council for review. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function and department. Department heads may make requests to the City Manager for transfers of appropriations within a department. Transfers of appropriations between departments, however, require the approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on Page 62 as part of required supplementary information. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the non-major governmental fund subsection of this report, which starts on Page 64.

Factors Affecting Financial Condition

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

Local Economy

The City is located approximately 32 miles northwest of Houston and is primarily surrounded by various taxing districts, making it one of the only incorporated areas in this portion of Harris County. As a result, the City has evolved into the area's principal commercial center. Assessed values for fiscal 2019 reflect an increase of 10.9 percent to \$2.07 billion. This property value increase is the result of continued commercial development within the City including both residential and commercial. New single-family residential development continues with the addition of several Public Improvement Districts.

Sales tax revenues increased .63 percent during fiscal year 2019. The City had anticipated this revenue source remaining level when the budget was adopted. At this writing, for fiscal year 2020, sales taxes are down by 4.26 percent for the first eight months. However, new residential and commercial development continues to increase throughout the City and the surrounding area. At the current time, the City has 2,000 residential properties under development.

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

Long-term Financial Planning

The City issued \$20,240,000 Certificates of Obligation in 2016 for the construction of Medical Complex Drive, Section 4B and the extension of Persimmon Street. These projects are under construction with substantial completion expected near the end of fiscal 2021. Construction also continued on the M121 drainage channel with completion expected near the end of fiscal 2021. This project is being funded from the 2012 Certificates of Obligations which totaled \$14,500,000.

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

Major Initiatives

The largest revenue source in the General Fund is sales tax. The City has experienced significant commercial and retail growth over the last several years however a conservative approach in budgeting sales tax revenues continued. For fiscal year 2019, sales tax revenues were projected at \$11,900,000. Because of significant increases in this major revenue source during 2019, the projection of \$12,000,000 was made for fiscal year 2020.

The Capital Project Fund includes major funding for park improvements, streets, sidewalks and infrastructure for fiscal year 2020.

Financial Information

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

Budgeting Controls

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

Debt Administration

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

Independent Audit

The City Charter requires an independent audit of the accounts of the City by an independent auditor. The firm of BKD, LLP, Certified Public Accountants, has issued unmodified (clean) opinions on the City of Tomball's financial statements for the years ended September 30, 2017 and 2018. The independent auditor's report for the year ended September 30, 2019 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, 2018. This was the 29th consecutive year that the City has received this award. In order to be awarded the Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is held for a period of one year only. Our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement requirements, and will be submitted to GFOA to determine its eligibility for another certificate.

The City also received the Distinguished Budget Presentation Award for the fiscal year beginning October 1, 2019. This is the eleventh consecutive year that the City has received this award from the GFOA. The award is made to those cities whose budget presentations meet very stringent presentation guidelines. The budget document must be of the very highest quality that reflects both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's recommended practices on budgeting.

Three years ago, the State Comptroller's office revised their transparency program award to what is now called the "Five Star Rating Designation" for transparency. This program involves publishing financial information such as CAFRs, budgets, and check registers to demonstrate transparency to both the citizens and other members of the public. The City has received the Star Award for Traditional Finances and Debt Obligations and is currently working on Public Pensions and Economic Development.

Acknowledgements

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

Respectfully submitted,



Glenn Windsor, CPA, CFE, CGFO
Finance Director

City of Tomball, Texas

Principal Officials

As of September 30, 2019

| City Officials | Elected Position | Term Expires |
|-----------------------|-------------------------|---------------------|
| Gretchen Fagan | Mayor | 2022 |
| John F. Ford | Councilman Position 1 | 2023 |
| Mark Stoll | Councilman Position 2 | 2021 |
| | Mayor Pro Tem | |
| Chad Degges | Councilman Position 3 | 2022 |
| Derek Townsend, Sr. | Councilman Position 4 | 2021 |
| Lori Klein Quinn | Councilman Position 5 | 2023 |

| Department Heads | Appointive Position |
|-------------------------|-----------------------------------|
| Robert S. Hauck | City Manager |
| David Esauivel | Assistant City Manager |
| Doris Speer | City Secretary |
| Skip Oliver | Chief of Police |
| Beth Jones | Director of Public Works |
| Randall Parr | Fire Chief |
| Craig Mevers | Director of Community Development |
| Glenn Windsor | Finance Director |
| Lisa Coe | Director of Human Resources |
| Doug Tidbey | Information Technology |
| Mike Baxter | Marketing Director |



Government Finance Officers Association

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

Presented to

**City of Tomball
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

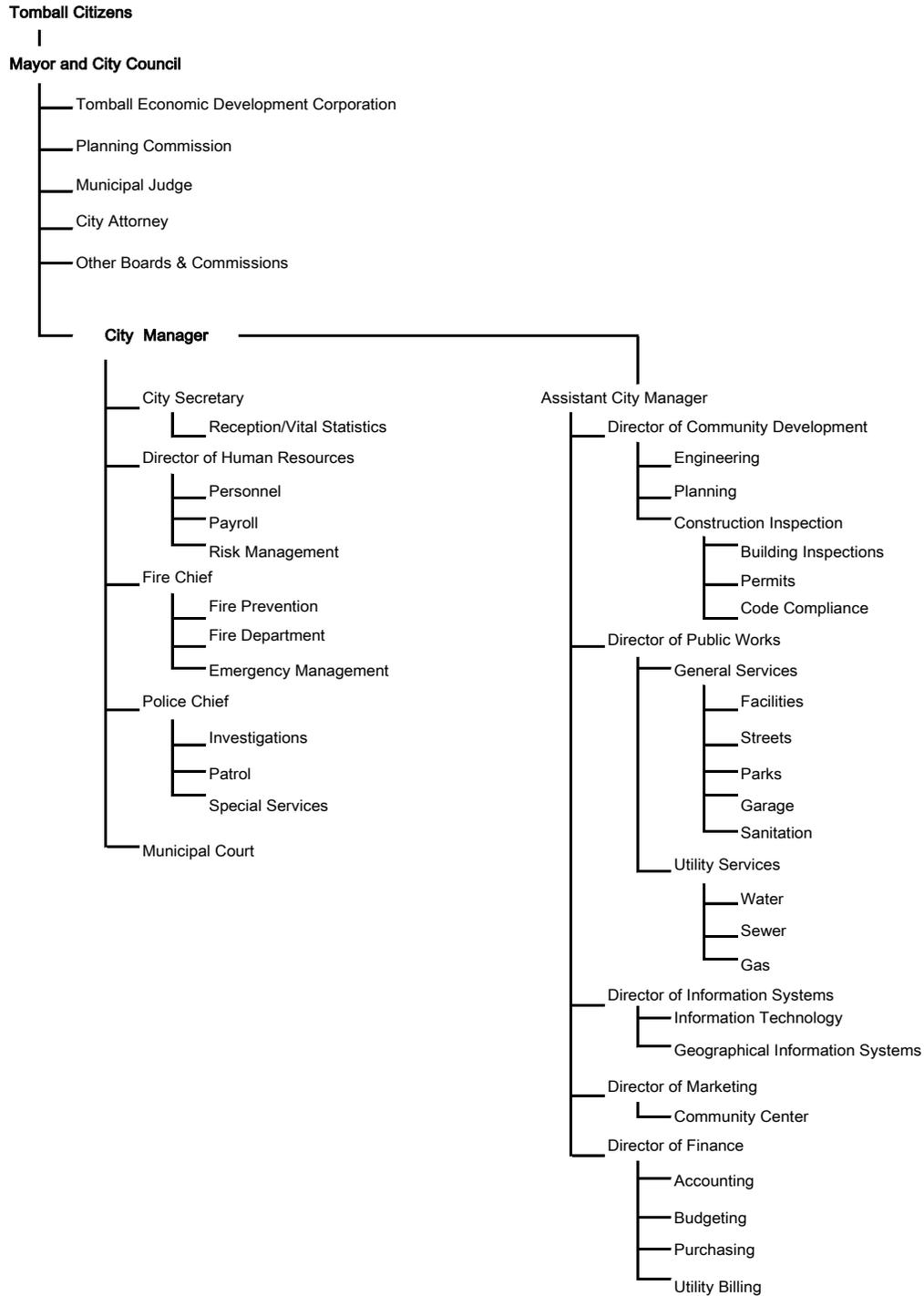
Christopher P. Morill

Executive Director/CEO

City of Tomball, Texas

Staff Organizational Chart

As of September 30, 2019



Financial Section

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Tomball, Texas (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tomball, Texas, as of September 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund budgetary comparison schedule, and pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

The Honorable Mayor and
Council Members of the
City of Tomball, Texas
Page 3

basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

BKD, LLP

Houston, Texas
July 29, 2020

City of Tomball, Texas

Management's Discussion and Analysis

Year Ended September 30, 2019

As Management of the City of Tomball, Texas (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. This information is not intended to be a complete statement of the City's financial condition. We recommend and encourage readers to consider the information presented here in conjunction with the additional information presented in the accompanying transmittal letter (Pages i-iv of this report), and the statistical section (Pages 82-104 of this report), as well as the annual budget found on the City's website at <http://www.ci.tomball.tx.us/>.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$107,127,488 (net position). Included in this amount is the City's net investment in capital assets of \$76,480,189. The net position restricted for specific purposes totals \$6,024,527. The remaining \$24,622,772 is unrestricted net position which may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fiscal policies.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$58,623,706 an increase of \$4,082,597 from the prior year. The majority of the increase consists of inter-fund transfers to the capital projects fund for the "cash funding" of major infrastructure projects and an increase in the transfer to the general fund as a reimbursement for administrative costs. Approximately 72 percent of governmental fund balance, or \$42,382,622 is restricted by specific legal requirements such as bond instruments and related debt covenants and 28 percent of this amount, or \$16,040,036 is available for spending at the government's discretion (unassigned fund balance).
- The City's debt decreased by \$4,281,688 due to existing debt retirements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) required supplementary information which includes this management's discussion and analysis, information related to the City's pension plan and retiree health plans and budgetary comparison information. This report also contains other supplementary information as listed in the table of contents in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the City's assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position serve as useful indicators of whether the financial

position of the City is improving or deteriorating. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (*i.e.*, roads, drainage improvements, storm sewer, gas distribution, water distribution and sewer collection lines, etc.), to assess the overall financial condition of the City.

The statement of activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (*e.g.*, uncollected taxes and earned but not used compensated absences). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in the governmental fund statements.

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees (business-type activities). The governmental activities include most of the City's basic services, (general government, public safety, public works and community development). Property taxes, sales taxes and franchise fees primarily finance these activities. The business-type activities include the City's water, sewer and gas system. Charges for services cover all or most of the costs for these services. Component unit activities include activities of The Tomball Economic Development Corporation.

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

Governmental Funds – Governmental funds are used to account for similar functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds focus on current sources and uses of spendable resources. The governmental fund statements provide a detailed short-term view of the City's general government operations and help you to determine whether resources are available in the near future to finance City programs. Comparing the information presented for governmental funds with the information presented for governmental activities in the government-wide financial statements will help the reader to better understand the long-term impact of the government's near-term financing decisions.

The governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances include a reconciliation to provide such comparison.

The City maintains 11 governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the debt service fund and the capital projects fund; these funds are considered to be major funds. The other eight funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements found in this report.

Proprietary Funds – The City maintains two types of proprietary funds. The City uses the Enterprise Fund for water, sewer and gas operations. The Enterprise Fund reports the same functions presented as business-type activities in the government-wide financial statements. The second proprietary fund is the Internal Service Fund. This fund is used to account for fleet replacements and employee benefits. The Internal Service Fund is included within the governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, with more detail, and include the Internal Service Fund type activity.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, the basic financial statements contain required supplementary information including this discussion and analysis and information concerning the City's progress in funding its obligations to provide pension and retiree health benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions and other post-employment benefits (OPEB) and the general fund budget to actual schedule. Combining and individual fund statements and schedules can be found on Pages 64-81 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$107,127,488 at the close of the most recent fiscal year.

| | Net Position | | | | | |
|----------------------------------|--------------------------------|---------------|---------------------------------|---------------|----------------|----------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and other assets | \$ 63,760,884 | \$ 61,814,289 | \$ 9,034,150 | \$ 12,744,995 | \$ 72,795,034 | \$ 74,559,284 |
| Capital assets | 52,387,435 | 50,159,249 | 38,457,745 | 37,167,047 | 90,845,180 | 87,326,296 |
| Total assets | 116,148,319 | 111,973,538 | 47,491,895 | 49,912,042 | 163,640,214 | 161,885,580 |
| Deferred outflows of resources | 3,076,496 | 1,547,464 | 600,025 | 322,804 | 3,676,521 | 1,870,268 |
| Noncurrent liabilities | 48,334,658 | 48,867,775 | 3,219,765 | 3,304,299 | 51,554,422 | 52,172,074 |
| Other liabilities | 6,054,812 | 7,143,005 | 2,216,100 | 2,059,813 | 8,270,912 | 9,202,818 |
| Total liabilities | 54,389,470 | 56,010,780 | 5,435,864 | 5,364,112 | 59,825,334 | 61,374,892 |
| Deferred inflows of resources | 301,036 | 874,003 | 62,877 | 157,620 | 363,913 | 1,031,623 |
| Net position: | | | | | | |
| Net investment in capital assets | 39,717,999 | 38,896,658 | 36,762,190 | 34,874,499 | 76,480,189 | 73,771,157 |
| Restricted | 6,024,527 | 4,303,114 | - | - | 6,024,527 | 4,303,114 |
| Unrestricted | 18,791,783 | 13,436,447 | 5,830,989 | 9,838,615 | 24,622,772 | 23,275,062 |
| Total net position | \$ 64,534,309 | \$ 56,636,219 | \$ 42,593,179 | \$ 44,713,114 | \$ 107,127,488 | \$ 101,349,333 |

The largest portion of the City's net position (71 percent) reflects its investments in capital assets (*e.g.*, land, buildings, equipment, improvements, construction in progress and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide

services to citizens; therefore, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$24,622,772 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

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

Combined governmental and business-type activities increased the City's net position by \$5,778,155 in 2019. The following table provides a summary of the City's operations for the year ended September 30, 2019. Governmental activities increased the City of Tomball's net position by \$7,898,090. This is the result of increases in revenues such as sales tax and investment income however the majority of the increase is from transfers to the Capital Projects Fund for the construction of infrastructure capital assets. Business-type activities decreased the City's net position by \$2,119,935. This decrease was related primarily to transfers that will fund system-wide infrastructure capital assets.

| | Changes in Net Position | | | | | |
|--|-------------------------|---------------|--------------------------|---------------|----------------|----------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 4,412,612 | \$ 4,003,902 | \$ 12,011,055 | \$ 12,228,559 | \$ 16,423,667 | \$ 16,232,461 |
| Operating grants and contributions | 839,316 | 1,012,028 | - | 558,148 | 839,316 | 1,570,176 |
| General revenues: | | | | | | |
| Property taxes | 6,241,709 | 6,519,413 | - | - | 6,241,709 | 6,519,413 |
| Sales tax | 12,523,084 | 12,427,660 | - | - | 12,523,084 | 12,427,660 |
| Franchise taxes | 1,300,064 | 1,270,927 | - | - | 1,300,064 | 1,270,927 |
| Other taxes | 798,623 | 711,245 | - | - | 798,623 | 711,245 |
| Gain on sale of capital assets | - | - | 38,462 | - | 38,462 | - |
| Contributions | 536,112 | - | 558,148 | - | 1,094,260 | - |
| Investment income | 1,234,387 | 920,613 | 266,639 | 154,619 | 1,501,026 | 1,075,232 |
| Other | 184,901 | 376,266 | - | 4,417 | 184,901 | 380,683 |
| Total revenues | 28,070,808 | 27,242,054 | 12,874,304 | 12,945,743 | 40,945,112 | 40,187,797 |
| Expenses | | | | | | |
| General government | 5,944,428 | 5,107,870 | 2,938,276 | 2,876,373 | 8,882,704 | 7,984,243 |
| Public safety | 10,435,902 | 10,000,655 | - | - | 10,435,902 | 10,000,655 |
| Public works | 7,074,104 | 8,912,367 | - | - | 7,074,104 | 8,912,367 |
| Community development | 430,360 | 431,157 | - | - | 430,360 | 431,157 |
| Water | - | - | 3,793,224 | 3,356,893 | 3,793,224 | 3,356,893 |
| Sewer | - | - | 1,448,029 | 1,239,276 | 1,448,029 | 1,239,276 |
| Gas | - | - | 1,774,315 | 1,529,924 | 1,774,315 | 1,529,924 |
| Interest on long-term debt | 1,328,319 | 1,452,252 | - | - | 1,328,319 | 1,452,252 |
| Total expenses | 25,213,113 | 25,904,301 | 9,953,844 | 9,002,466 | 35,166,957 | 34,906,767 |
| Increase in Net Position Before Transfers | 2,857,695 | 1,337,753 | 2,920,460 | 3,943,277 | 5,778,155 | 5,281,030 |
| Transfers | 5,040,395 | 836,473 | (5,040,395) | (836,473) | - | - |
| Change in Net Position | 7,898,090 | 2,174,226 | (2,119,935) | 3,106,804 | 5,778,155 | 5,281,030 |
| Net Position, Beginning | 56,636,219 | 54,461,993 | 44,713,114 | 41,606,310 | 101,349,333 | 96,068,303 |
| Net Position, Ending | \$ 64,534,309 | \$ 56,636,219 | \$ 42,593,179 | \$ 44,713,114 | \$ 107,127,488 | \$ 101,349,333 |

Financial Analysis of the Government's Funds

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure

of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$58,623,706. Approximately 28 percent of this amount, or \$16,040,036 is unassigned fund balance and \$160,021 is assigned. Additionally, \$42,423,649 is non-spendable or restricted as follows:

| | |
|-----------------------|--------------|
| Non-spendable (.07%): | |
| Prepaid items | \$ 41,027 |
| Restricted (72%): | |
| Debt service | \$ 4,638,310 |
| Construction | 36,358,095 |
| Enabling legislation | 1,386,217 |

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$16,040,036, while total fund balance was \$16,081,063. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned and total fund balance represent approximately 78 percent of total general fund expenditures. In the general fund, fund balance increased by \$1,330,512. This increase is primarily due to some increases in revenues (1.4 percent) over the previous year, offset by an increase in expenditures (4.3 percent) and net transfers of \$1,077,073. The charter requires a "reserve" balance of 25 percent of annual expenditures and the general fund currently exceeds that level.

The debt service fund balance, a major fund, decreased by \$121,169 primarily from a decrease in property tax revenues. This decrease was temporary as the taxable values for the following fiscal year increased \$200 million.

The capital projects fund, a major fund, had a \$2,577,727 increase in fund balance during the current fiscal year due to transfers in of (\$3,684,686) to "cash fund" a portion of the expenditures on capital projects resulting in an ending fund balance of \$36,358,095 as of September 30, 2019.

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

Unrestricted net position of the enterprise fund is \$5,605,561 and unrestricted net position of the internal service fund is \$2,064,455 at September 30, 2019. The net position of the enterprise fund decreased \$2,146,725 primarily because of a transfer to the capital projects fund to cash fund major infrastructure capital assets. Net position of the internal service fund decreased because of a decrease in the amount of the transfer in to the fleet replacement fund. Additionally, there was a 10 percent increase in the amount paid for group health insurance.

General Fund Budgetary Highlights – The City budgeted a net decrease in fund balance of the general fund of \$532,863 for the year ended September 30, 2019. The actual increase in the general fund ending fund balance for the year ended September 30, 2019, was \$1,330,512, a favorable variance of \$1,863,375. This significant variance relates to most departments having less expenditures than final appropriations.

Capital Assets

The City of Tomball's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of September 30, 2019, is \$76,480,189. The investment in capital assets includes land, buildings and improvements, equipment, infrastructure and construction in progress.

| | Capital Assets | | | | | |
|----------------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Land | \$ 7,255,744 | \$ 7,255,744 | \$ 1,897,333 | \$ 1,897,333 | \$ 9,153,077 | \$ 9,153,077 |
| Buildings and improvements | 6,744,869 | 6,759,165 | - | - | 6,744,869 | 6,759,165 |
| Gas system | - | - | 2,894,903 | 2,998,347 | 2,894,903 | 2,998,347 |
| Water and sewer system | - | - | 25,757,312 | 26,793,537 | 25,757,312 | 26,793,537 |
| Equipment | 1,204,464 | 1,163,816 | 2,291,152 | 2,408,078 | 3,495,616 | 3,571,894 |
| Vehicles | 2,349,340 | 1,071,933 | - | - | 2,349,340 | 1,071,933 |
| Infrastructure | 26,195,656 | 26,173,430 | - | - | 26,195,656 | 26,173,430 |
| Construction in progress | 8,637,362 | 7,735,161 | 5,617,045 | 3,069,752 | 14,254,407 | 10,804,913 |
| Total capital assets | \$ 52,387,435 | \$ 50,159,249 | \$ 38,457,745 | \$ 37,167,047 | \$ 90,845,180 | \$ 87,326,296 |

Additional information on the City's capital assets can be found in the notes on Pages 38 through 41 of this report.

Debt Administration

At the end of the current fiscal year, the City had a total bonded debt, equipment finance contract liability and capital lease obligations of \$40,654,868.

| | Outstanding Debt | | | | | |
|--|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| General obligations | \$ 3,603,000 | \$ 4,603,250 | \$ 1,672,000 | \$ 2,246,750 | \$ 5,275,000 | \$ 6,850,000 |
| Certificates of obligation | 34,210,000 | 36,200,000 | - | - | 34,210,000 | 36,200,000 |
| Public property finance contract obligations | 1,169,868 | 1,300,000 | - | - | 1,169,868 | 1,300,000 |
| Capital leases | - | 586,556 | - | - | - | 586,556 |
| Total | \$ 38,982,868 | \$ 42,689,806 | \$ 1,672,000 | \$ 2,246,750 | \$ 40,654,868 | \$ 44,936,556 |

The City's debt decreased by \$4,281,688, primarily due to existing debt retirements.

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

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

Additional information on the City's outstanding debt can be found on Pages 41 through 43 of this report.

Economic Factors and Next Year's Budgets and Rates

Tomball continues to experience growth, both within the corporate City limits and the surrounding area. The City's current population is estimated to be 11,761. However, within a three-mile radius it is estimated to be approximately 16,000. Within a five-mile radius, the estimate rises to approximately 78,000.

The City is continuing to focus on economic development initiatives, including the revitalization of the historic downtown area and the continuing development of two major retail developments on the west side of the City. There was significant development within the City's industrial development park with the addition of two major employers. Residential development continues throughout the City with the addition of three additional Planned Improvement Districts (PIDs). Active single family residential development at year end exceeded 1,500 new homes.

The City's largest source of revenue continues to be sales taxes. During the fiscal year, the City experienced a small increase in this resource of .63 percent. This will continue to be the major financial resource for the city. City management will continue to closely monitor this major resource and will budget accordingly to ensure that financial goals and objectives are achieved.

Additional development continues within the City and is expected to continue with the growth that is taking place in the Tomball area. At September 30, 2019, development continues in several of the existing PID developments with construction beginning in the newest PIDs, Copper Cove, Grand Junction and Timber Trails. Three additional PID developments are being presented after year-end.

The City's largest taxpayer is now HCA Houston Healthcare Tomball (North Houston Trmc, LLC) which encompasses the medical center in the center of the City. Growth in this area is expected to continue in fiscal year 2020.

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

For fiscal year 2020, the City expects continued growth in sales tax revenues and no changes to the existing property tax rates. A comprehensive rate analysis was completed during the year and increases in user fees are expected in the next few years to fund required infrastructure improvements.

Construction continues on several capital projects, including the extension of Medical Complex Drive Section 4B, and the M-121 drainage channel.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the resources it receives. Questions concerning this report or requests for additional financial information should be directed to: Finance Department, 501 James Street, Tomball, Texas, 77375, telephone 281.290.1417, or for general City information, please visit the City's website at <http://www.tomballtx.gov>.

Basic Financial Statements

City of Tomball, Texas
Statement of Net Position
September 30, 2019

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|-----------------------|---|
| | Governmental Activities | Business-type Activities | Total | Tomball Economic Development Corporation |
| Assets | | | | |
| Cash and cash equivalents | \$ 1,110,052 | \$ - | \$ 1,110,052 | \$ 328,464 |
| Investments | 29,333,558 | 6,079,132 | 35,412,690 | 21,061,836 |
| Receivables (net of allowance for uncollectibles, where applicable) | 2,443,316 | 1,719,756 | 4,163,072 | 667,287 |
| Due from other government | 526,372 | - | 526,372 | - |
| Due from component unit | 208,327 | - | 208,327 | - |
| Internal balances | (225,428) | 225,428 | - | - |
| Inventories | - | 96,481 | 96,481 | - |
| Prepays | 41,027 | - | 41,027 | - |
| Cash and cash equivalents and investment restricted for: | | | | |
| Construction | 26,630,034 | - | 26,630,034 | - |
| Debt service | 3,647,311 | - | 3,647,311 | - |
| Deposits | 46,315 | 913,353 | 959,668 | - |
| Capital assets: | | | | |
| Nondepreciable | 15,893,106 | 7,514,378 | 23,407,484 | 3,594,811 |
| Depreciable, net | 36,494,329 | 30,943,367 | 67,437,696 | - |
| Total assets | <u>116,148,319</u> | <u>47,491,895</u> | <u>163,640,214</u> | <u>25,652,398</u> |
| Deferred Outflows of Resources | | | | |
| Deferred charge on refunding | 97,481 | - | 97,481 | - |
| OPEB | 186,908 | 42,427 | 229,335 | - |
| Pensions | 2,792,107 | 557,598 | 3,349,705 | - |
| Total deferred outflows of resources | <u>3,076,496</u> | <u>600,025</u> | <u>3,676,521</u> | <u>0</u> |
| Liabilities | | | | |
| Accounts payable and other accrued liabilities | 2,081,968 | 636,767 | 2,718,735 | 200,204 |
| Accrued interest payable | 175,893 | 6,405 | 182,298 | - |
| Deposits payable | 46,315 | 913,353 | 959,668 | - |
| Due to primary government | - | - | - | 208,327 |
| Noncurrent liabilities: | | | | |
| Due within one year | 3,750,636 | 659,575 | 4,410,211 | - |
| Due in more than one year | 48,334,658 | 3,219,765 | 51,554,422 | - |
| Total liabilities | <u>54,389,470</u> | <u>5,435,864</u> | <u>59,825,334</u> | <u>408,531</u> |
| Deferred Inflows of Resources | | | | |
| OPEB | 112,151 | 25,458 | 137,609 | - |
| Pensions | 188,885 | 37,419 | 226,304 | - |
| Total deferred inflows of resources | <u>301,036</u> | <u>62,877</u> | <u>363,913</u> | <u>0</u> |
| Net Position | | | | |
| Net investment in capital assets | 39,717,999 | 36,762,190 | 76,480,189 | 3,594,811 |
| Restricted for: | | | | |
| Debt service | 4,638,310 | - | 4,638,310 | - |
| Enabling legislation | 1,386,217 | - | 1,386,217 | - |
| Unrestricted | 18,791,783 | 5,830,989 | 24,622,772 | 21,649,056 |
| Total net position | <u>\$ 64,534,309</u> | <u>\$ 42,593,179</u> | <u>\$ 107,127,488</u> | <u>\$ 25,243,867</u> |

Net (Expense) Revenue and Changes in Net Position

| Primary Government | | | Component Unit |
|--------------------------------|---------------------------------|-----------------------|---|
| Governmental Activities | Business-type Activities | Total | Tomball Economic Development Corporation |
| \$ (5,750,441) | \$ - | \$ (5,750,441) | \$ - |
| (8,149,875) | - | (8,149,875) | - |
| (4,861,182) | - | (4,861,182) | - |
| 128,632 | - | 128,632 | - |
| (1,328,319) | - | (1,328,319) | - |
| <u>(19,961,185)</u> | <u>0</u> | <u>(19,961,185)</u> | <u>0</u> |
| - | (2,003,424) | (2,003,424) | - |
| - | 1,700,859 | 1,700,859 | - |
| - | 862,223 | 862,223 | - |
| - | 1,497,553 | 1,497,553 | - |
| <u>0</u> | <u>2,057,211</u> | <u>2,057,211</u> | <u>0</u> |
| <u>(19,961,185)</u> | <u>2,057,211</u> | <u>(17,903,974)</u> | <u>0</u> |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>(2,424,580)</u> |
| 6,241,709 | - | 6,241,709 | - |
| 12,523,084 | - | 12,523,084 | 4,168,199 |
| 1,300,064 | - | 1,300,064 | - |
| 798,623 | - | 798,623 | - |
| - | 38,462 | 38,462 | 2,596,223 |
| 536,112 | 558,148 | 1,094,260 | - |
| 1,234,387 | 266,639 | 1,501,026 | 551,967 |
| 184,901 | - | 184,901 | - |
| 5,040,395 | (5,040,395) | - | - |
| <u>27,859,275</u> | <u>(4,177,146)</u> | <u>23,682,129</u> | <u>7,316,389</u> |
| <u>7,898,090</u> | <u>(2,119,935)</u> | <u>5,778,155</u> | <u>4,891,809</u> |
| <u>56,636,219</u> | <u>44,713,114</u> | <u>101,349,333</u> | <u>20,352,058</u> |
| <u>\$ 64,534,309</u> | <u>\$ 42,593,179</u> | <u>\$ 107,127,488</u> | <u>\$ 25,243,867</u> |

City of Tomball, Texas
Balance Sheet – Governmental Funds
September 30, 2019

| | General Fund | Debt Service Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|-------------------------|-----------------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 376,579 | \$ 408,531 | \$ - | \$ 297,714 | \$ 1,082,824 |
| Investments | 13,919,996 | 498,465 | 10,428,455 | 1,441,785 | 26,288,701 |
| Receivables (net of allowance for uncollectibles, where applicable) | 2,407,572 | 7,847 | 24,497 | 3,400 | 2,443,316 |
| Due from other governments | 301,328 | - | - | - | 301,328 |
| Due from component unit | 132,171 | 76,156 | - | - | 208,327 |
| Cash and cash equivalents and investments restricted for: | | | | | |
| Construction | - | - | 26,630,034 | - | 26,630,034 |
| Debt service | - | 3,647,311 | - | - | 3,647,311 |
| Deposits | 46,315 | - | - | - | 46,315 |
| Prepaid items | 41,027 | - | - | - | 41,027 |
| Total assets | \$ 17,224,988 | \$ 4,638,310 | \$ 37,082,986 | \$ 1,742,899 | \$ 60,689,183 |
| Liabilities | | | | | |
| Accounts payable | \$ 645,210 | \$ - | \$ 724,891 | \$ 186,428 | \$ 1,556,529 |
| Accrued liabilities | 452,400 | - | - | 10,233 | 462,633 |
| Deposits payable | 46,315 | - | - | - | 46,315 |
| Total liabilities | 1,143,925 | 0 | 724,891 | 196,661 | 2,065,477 |
| Fund Balances | | | | | |
| Nonspendable, prepaid items | 41,027 | - | - | - | 41,027 |
| Restricted: | | | | | |
| Debt service | - | 4,638,310 | - | - | 4,638,310 |
| Construction | - | - | 36,358,095 | - | 36,358,095 |
| Enabling legislation | - | - | - | 1,386,217 | 1,386,217 |
| Assigned: | | | | | |
| Special revenue funds | - | - | - | 160,021 | 160,021 |
| Unassigned | 16,040,036 | - | - | - | 16,040,036 |
| Total fund balances | 16,081,063 | 4,638,310 | 36,358,095 | 1,546,238 | 58,623,706 |
| Total liabilities and fund balances | \$ 17,224,988 | \$ 4,638,310 | \$ 37,082,986 | \$ 1,742,899 | \$ 60,689,183 |

City of Tomball, Texas
Reconciliation of the Balance Sheet – Governmental Funds to the
Government-wide Statement of Net Position
September 30, 2019

Total fund balances - governmental funds \$ 58,623,706

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 50,038,897

Deferred loss on issuance of refunding bonds is not recorded in the fund financial statements but is recorded as a deferred outflow of resources on the statement of net position. 97,481

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

| | | |
|-------------------------|------------------|-------------|
| Total OPEB liability | \$ (2,812,311) | |
| Deferred outflows, OPEB | 186,908 | |
| Deferred inflows, OPEB | <u>(112,151)</u> | (2,737,554) |

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

| | | |
|-----------------------------|------------------|-------------|
| Net pension liability | (7,160,095) | |
| Deferred outflows, pensions | 2,792,107 | |
| Deferred inflows, pensions | <u>(188,885)</u> | (4,556,873) |

Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet. (175,893)

Internal service funds are used by management to charge the cost of certain activities, such as fleet management, to individual funds. A portion of the assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 4,187,565

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

| | | |
|--|--------------------|---------------------|
| Bonds payable | (37,813,000) | |
| Landfill post closure costs | (345,375) | |
| Compensated absences payable | (1,767,481) | |
| Premiums received on issuance of bonds | <u>(1,017,164)</u> | <u>(40,943,020)</u> |

Net position of governmental activities \$ 64,534,309

City of Tomball, Texas
Statement of Revenues, Expenditures and Changes
in Fund Balances – Governmental Funds
Year Ended September 30, 2019

| | General Fund | Debt Service Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------------|----------------------------------|--------------------------------------|---|---|
| Revenues | | | | | |
| Property tax | \$ 2,046,480 | \$ 4,195,229 | \$ - | \$ - | \$ 6,241,709 |
| Sales tax | 12,594,274 | - | - | - | 12,594,274 |
| Franchise and other taxes | 1,300,074 | - | - | 727,423 | 2,027,497 |
| Licenses and permits | 580,397 | - | - | - | 580,397 |
| Fines and forfeitures | 510,671 | - | - | 191,793 | 702,464 |
| Charges for services | 2,944,374 | - | - | - | 2,944,374 |
| Intergovernmental | 555,996 | - | 258,320 | - | 814,316 |
| Contributions from component unit | 25,000 | 536,112 | - | - | 561,112 |
| Investment earnings | 282,968 | 103,329 | 816,827 | 31,263 | 1,234,387 |
| Other | 109,377 | - | 191,846 | 69,054 | 370,277 |
| Total revenues | 20,949,611 | 4,834,670 | 1,266,993 | 1,019,533 | 28,070,807 |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 5,781,637 | - | - | 82,539 | 5,864,176 |
| Public safety | 9,309,878 | - | - | 34,066 | 9,343,944 |
| Public works | 3,981,985 | - | - | - | 3,981,985 |
| Parks and recreation | 762,036 | - | - | 18,763 | 780,799 |
| Tourism and arts | - | - | - | 688,638 | 688,638 |
| Community development | 430,037 | - | - | - | 430,037 |
| Debt service: | | | | | |
| Principal | - | 3,576,806 | - | - | 3,576,806 |
| Interest | - | 1,367,451 | - | - | 1,367,451 |
| Bond issuance costs | - | 11,582 | - | - | 11,582 |
| Capital outlay | 430,599 | - | 2,373,952 | - | 2,804,551 |
| Total expenditures | 20,696,172 | 4,955,839 | 2,373,952 | 824,006 | 28,849,969 |
| Excess (Deficiency) of Revenues Over Expenditures | 253,439 | (121,169) | (1,106,959) | 195,527 | (779,162) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 2,530,209 | - | 3,684,686 | 100,000 | 6,314,895 |
| Transfers out | (1,453,136) | - | - | - | (1,453,136) |
| Total other financing sources (uses) | 1,077,073 | - | 3,684,686 | 100,000 | 4,861,759 |
| Net Change in Fund Balances | 1,330,512 | (121,169) | 2,577,727 | 295,527 | 4,082,597 |
| Fund Balances, Beginning of Year | 14,750,551 | 4,759,479 | 33,780,368 | 1,250,711 | 54,541,109 |
| Fund Balances, End of Year | \$ 16,081,063 | \$ 4,638,310 | \$ 36,358,095 | \$ 1,546,238 | \$ 58,623,706 |

City of Tomball, Texas
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds to the
Government-wide Statement of Activities
Year Ended September 30, 2019

Net change in fund balances – total governmental funds \$ 4,082,597

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$2,804,551 exceeded depreciation expense of \$1,575,187 and write off of construction in progress of \$332,412 in the current period. 896,952

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transaction, however, does not have any effect on net position. Also, governmental funds report the effect of bond premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term

| | | |
|--|-----------------|-----------|
| Repayment of long-term debt | \$ 3,576,806 | |
| Amortization of premiums on bonds payable | 85,873 | |
| Amortization of deferred loss on refunding | <u>(58,891)</u> | 3,603,788 |

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

| | | |
|-----------------------------|---------------|-----------|
| Compensated absences | (202,205) | |
| Landfill post-closure costs | <u>90,125</u> | (112,080) |

Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as an expenditure in the governmental funds. 12,149

The net change in the OPEB-related deferred outflows of resources and total OPEB liability do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds. (101,561)

The net change in the pension-related deferred outflows and inflows of resources and net pension liability do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds. (576,957)

An internal service fund is used by management to charge the cost of certain activities, such as fleet management, to individual funds. A portion of the change in net position of the internal service funds is included in governmental activities in the statement of activities. 93,202

Change in net position of governmental activities \$ 7,898,090

City of Tomball, Texas
Statement of Net Position – Proprietary Funds
September 30, 2019

| | Business-type Activities | Governmental Activities |
|---|-------------------------------------|------------------------------------|
| | Enterprise Fund | Internal Service Fund |
| Current Assets | | |
| Cash and cash equivalents | \$ - | \$ 27,228 |
| Investments | 6,079,132 | 3,044,857 |
| Receivables (net of allowance for uncollectibles, where applicable) | 1,719,756 | - |
| Due from other government | - | 225,044 |
| Due from component unit | - | - |
| Inventories | 96,481 | - |
| Total current assets | <u>7,895,369</u> | <u>3,297,129</u> |
| Noncurrent Assets | | |
| Restricted investments | 913,353 | |
| Capital assets | | |
| Nondepreciable | 7,514,378 | - |
| Depreciable, net | <u>30,943,367</u> | <u>2,348,538</u> |
| Net capital assets | <u>38,457,745</u> | <u>2,348,538</u> |
| Total assets | <u>47,266,467</u> | <u>5,645,667</u> |
| Deferred Outflows of Resources | | |
| OPEB | 42,427 | - |
| Pensions | <u>557,598</u> | <u>-</u> |
| Total deferred outflows of resources | <u>600,025</u> | <u>0</u> |
| Current Liabilities | | |
| Accounts payable | 553,797 | 62,806 |
| Accrued liabilities | 82,970 | - |
| Accrued interest payable | 6,405 | - |
| Deposits payable | 913,353 | - |
| Bonds payable, current | 563,750 | - |
| Public property finance contract obligation, current | - | 130,000 |
| Compensated absences, current | <u>72,345</u> | <u>-</u> |
| Total current liabilities | <u>2,192,620</u> | <u>192,806</u> |

City of Tomball, Texas
Statement of Net Position – Proprietary Funds (Continued)
September 30, 2019

| | Business-type Activities | Governmental Activities |
|---|-------------------------------------|------------------------------------|
| | Enterprise Fund | Internal Service Fund |
| Noncurrent Liabilities | | |
| Bonds payable, net of premium | \$ 1,131,805 | \$ - |
| Public property finance contract obligation | - | 1,039,868 |
| Total OPEB liability | 638,377 | - |
| Net pension liability | 1,256,029 | - |
| Compensated absences | 217,034 | - |
| | 3,243,245 | 1,039,868 |
| Total noncurrent liabilities | | |
| | 5,435,864 | 1,232,674 |
| Total liabilities | | |
| Deferred Inflows of Resources | | |
| OPEB | 25,458 | - |
| Pensions | 37,419 | - |
| | 62,877 | 0 |
| Total deferred outflows of resources | | |
| Net Position | | |
| Net investment in capital assets | 36,762,190 | 2,348,538 |
| Unrestricted | 5,605,561 | 2,064,455 |
| | 42,367,751 | \$ 4,412,993 |
| Total net position | | |
| Adjustment to reflect the consolidation of internal services fund activities related to enterprise funds | 225,428 | |
| | 225,428 | |
| Adjustment | | |
| Net Position of Business-type Activities | \$ 42,593,179 | |

City of Tomball, Texas
Statement of Revenues, Expenses and Changes
in Net Position – Proprietary Funds
Year Ended September 30, 2019

| | Business-type Activities | Governmental Activities |
|---|-------------------------------------|------------------------------------|
| | Enterprise Fund | Internal Service Fund |
| Operating Revenues | | |
| Charges for sales and services: | | |
| Water sales | \$ 5,494,083 | \$ - |
| Sewer sales | 2,310,252 | - |
| Gas sales | 3,271,868 | - |
| Internal service fund charges to other funds and participants | - | 3,212,473 |
| Capital recovery fees | 723,034 | - |
| Miscellaneous | 211,818 | - |
| Total operating revenues | <u>12,011,055</u> | <u>3,212,473</u> |
| Operating Expenses | | |
| Costs of sales and services | 8,444,761 | 2,847,035 |
| Depreciation | 1,475,750 | 426,705 |
| Total operating expenses | <u>9,920,511</u> | <u>3,273,740</u> |
| Operating Income (loss) | <u>2,090,544</u> | <u>(61,267)</u> |
| Nonoperating Revenues (Expenses) | | |
| Investment earnings | 266,639 | 51,127 |
| Contributions from component unit | 558,148 | |
| Interest expense | (60,123) | (48,504) |
| Gain on disposal of property | 38,462 | - |
| Net nonoperating revenues | <u>803,126</u> | <u>2,623</u> |
| Income Before Transfers | 2,893,670 | (58,644) |
| Transfers in | - | 178,636 |
| Transfers out | (5,040,395) | - |
| Change in Net Position | <u>(2,146,725)</u> | <u>119,992</u> |
| Net Position, Beginning | 44,514,476 | 4,293,001 |
| Net Position, Ending | <u>\$ 42,367,751</u> | <u>\$ 4,412,993</u> |
| Reconciliation to government-wide statement of activities: | | |
| Change in net position | \$ (2,146,725) | |
| Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds | <u>26,790</u> | |
| Change in net position of business-type activities | <u>\$ (2,119,935)</u> | |

City of Tomball, Texas
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2019

| | Business-type Activities | Governmental Activities |
|---|-------------------------------------|------------------------------------|
| | Enterprise Fund | Internal Service Fund |
| Cash Flows from Operating Activities | | |
| Receipts from customers | \$ 12,081,948 | \$ - |
| Receipts from interfund charges for fleet management services | - | 217,501 |
| Receipts from interfund charges for health benefits services | - | 2,863,167 |
| Receipts from component unit for services | - | - |
| Payments to employees for salaries and benefits | (1,971,726) | - |
| Payments to suppliers and service providers | (6,205,339) | (2,852,965) |
| Net cash provided by operating activities | <u>3,904,883</u> | <u>227,703</u> |
| Cash Flows from Noncapital Financing Activity | | |
| Transfers to other funds | <u>(5,040,395)</u> | <u>-</u> |
| Net cash used in noncapital financing activity | <u>(5,040,395)</u> | <u>-</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Acquisition and construction of capital assets | (2,766,448) | (1,757,939) |
| Transfers from other funds for debt service | - | 178,636 |
| Receipts from component unit for debt service | 558,148 | - |
| Gain on disposal of property | 38,462 | - |
| Principal paid on capital debt | (575,000) | (130,132) |
| Interest paid on capital debt | (75,711) | (48,504) |
| Net cash used in capital and related financing activities | <u>(2,820,549)</u> | <u>(1,757,939)</u> |
| Cash Flows from Investing Activities | | |
| Interest on investments | 266,639 | 51,127 |
| Investment maturities | <u>3,152,470</u> | <u>256,056</u> |
| Net cash provided by investing activities | <u>3,419,109</u> | <u>307,183</u> |
| Decrease in Cash and Cash Equivalents | (536,952) | (1,223,053) |
| Cash and Cash Equivalents, Beginning of Year | <u>536,952</u> | <u>1,250,281</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 0</u> | <u>\$ 27,228</u> |

City of Tomball, Texas
Statement of Cash Flows – Proprietary Funds (Continued)
Year Ended September 30, 2019

| | Business-type Activities | Governmental Activities |
|--|-------------------------------------|------------------------------------|
| | Enterprise Fund | Internal Service Fund |
| Reconciliation of Operating Income to Net Cash Provided By Operating Activities | | |
| Operating income (loss) | \$ 2,090,544 | \$ (61,267) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 1,475,750 | 426,705 |
| Changes in: | | |
| Receivables, net | 48,213 | (189,633) |
| Accounts payable and accrued liabilities | 143,440 | 51,898 |
| Deposits payable | 22,680 | - |
| Compensated absences | 9,365 | - |
| Total OPEB liability | 2,360 | - |
| Net pension liability | 484,495 | - |
| OPEB deferred outflows | (4,764) | - |
| OPEB deferred inflows | 25,458 | - |
| Pension deferred outflows | (272,457) | - |
| Pension deferred inflows | (120,201) | - |
| | <u>\$ 3,904,883</u> | <u>\$ 227,703</u> |
| Net cash provided by operating activities | <u>\$ 3,904,883</u> | <u>\$ 227,703</u> |

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Tomball, Texas (the City) was incorporated on July 18, 1933. The City has operated under a "Home Rule Charter," which provides for a Council-City Manager form of government, since 1987. The City Council is the principal legislative body of the City.

The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

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

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

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

Discretely Presented Component Unit

Tomball Economic Development Corporation – This Corporation was formed in 1994 pursuant to the *Development Corporation Act of 1979* (the Act), governed under Section 4B of the Act. It receives and utilizes the proceeds of a one-half cent sales tax to promote and assist in the economic development of the City. The seven directors of the Corporation are appointed by the

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

governing body of the City. Directors are removable by the governing body of the City at any time without cause. Financial information for the Tomball Economic Development Corporation may be obtained from the following address:

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

Blended Component Units

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

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

Government-wide and Fund Financial Statements

The government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information about the City as a whole. These statements include all activities of the primary government and its discretely presented component unit. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

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

Governmental Funds

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

General Fund

The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, parks and recreation, and community development.

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Fund

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

City of Tomball, Texas

Notes to Basic Financial Statements

September 30, 2019

Proprietary Funds

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

Enterprise Fund

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

Internal Service Funds

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

Measurement Focus and Basis of Accounting

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

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

The City uses the modified accrual basis of accounting in the governmental funds. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (*i.e.*, when they are measurable and available). Measurable means the

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

amount of the transaction can be determined, and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period.

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

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

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

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

Deposits and Investments

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

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

The City has adopted a written investment policy regarding the investment of its funds as defined in the *Public Funds Investment Act*, Chapter 2256, Texas Governmental Code.

In summary, the City is authorized to invest in the following.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities;
5. Obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent;
6. Certificates of deposit, repurchase agreements and commercial paper that meet certain criteria; and
7. An eligible investment pool authorized by the governing body.

Property Taxes

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

Receivables

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

All accounts receivable are shown net of an allowance for uncollectable.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

Inventory and Prepaid Items

Inventories include stock and parts that are on hand and will be utilized in conducting business within the next year. Inventories are accounted for using the consumption method (an expense is recorded when the inventory item is used). Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures), and are recognized as expenditures when utilized.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (*e.g.*, roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statement. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

| | |
|-----------------------------|-------------|
| Buildings and improvements | 20-50 years |
| Machinery and equipment | 3-10 years |
| Vehicles | 4-7 years |
| Water, sewer and gas system | 20-30 years |
| Infrastructure | 40-50 years |

Compensated Employee Absences

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

City of Tomball, Texas

Notes to Basic Financial Statements

September 30, 2019

Long-term Obligations

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

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

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

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

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

Landfill Post-closure Care Costs

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

Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Defined Benefit Other Postemployment Benefit Plans

The City has two single-employer defined benefit other postemployment benefit (OPEB) plans (Plans). For purposes of measuring the total OPEB liability of each OPEB plan, deferred outflows of resources and deferred inflows of resources related to each OPEB plan, and OPEB expense have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms for the Plans. Allocations of OPEB items to the City's enterprise fund is determined on the basis of full-time employee counts by department.

Deferred Inflows and Outflows of Resources

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

Government-wide

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and reported as a reduction in net pension liability in the year subsequent to their deferral.
- OPEB benefit and premium payments after measurement date – These benefit payments are deferred and reported as a reduction in total OPEB liability in the year subsequent to their deferral.
- Difference between projected and actual earnings on pension plan investments – This difference is deferred and amortized to pension expense over a closed five-year period.

City of Tomball, Texas
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- Difference in expected and actual experience (Pension) – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Change of assumptions (Pension and OPEB) – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

Fund Equity

Government-wide and Proprietary Fund Net Position

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

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, and adding back unspent proceeds.

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

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

Governmental Funds Fund Balance

Fund balances of governmental funds are classified as follows:

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

Restricted Fund Balance – Represents amounts that are constrained by external parties, constitutional provisions or by enabling legislation.

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

City of Tomball, Texas

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

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

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

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

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

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

Estimates

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

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

Future Adoption of Accounting Pronouncements

The GASB has issued the following potentially significant statements which the City has not yet adopted and which require adoption subsequent to September 30, 2019.

| Statement No. | | Adoption Required |
|--------------------------|---|------------------------------|
| 83 | <i>Asset Retirement Obligations</i> | September 30, 2020 |
| 88 | <i>Debt Disclosures</i> | September 30, 2020 |
| 84 | <i>Fiduciary Activities</i> | September 30, 2021 |
| 90 | <i>Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61</i> | September 30, 2021 |
| 87 | <i>Leases</i> | September 30, 2022 |
| 91 | <i>Conduit Debt Obligations</i> | September 30, 2023 |
| 92 | <i>Omnibus</i> | September 30, 2023 |
| 93 | <i>Reference Rate Reform</i> | September 30, 2023 |
| 94 | <i>Public-Private Partnerships</i> | September 30, 2024 |
| 95 | <i>Postponement of the Effective Dates of Certain Authoritative Guidance</i> | September 30, 2020 |
| 96 | <i>Subscription-Based Information Technology Arrangements</i> | September 30, 2023 |
| 97 | <i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements Nos 14 and 84, and a Supersession of GASB Statement No. 32</i> | September 30, 2022 |

Note 2: Stewardship, Compliance and Accountability

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

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

Excess of Expenditures Over Appropriations

| | |
|-----------------------------|------------|
| General Fund: | |
| Legal | \$ 5,302 |
| Non-departmental | 216,057 |
| Emergency management | 3,603 |
| Public works administration | 1,241 |
| Streets | 6,868 |
| Transfers out | 178,636 |
| | |
| Debt Service Fund: | |
| Principal | \$ 586,556 |
| Interest | 34,620 |
| | |
| Special General Fund: | |
| General government | \$ 6,375 |

Note 3: Deposits and Investments

Cash and cash equivalents and investments as of September 30, 2019, are classified in the accompanying financial statements as follows:

| | |
|--------------------------|---------------------------------|
| Governmental activities | \$ 60,767,270 |
| Business-type activities | 6,992,485 |
| Component unit | <u>21,390,300</u> |
| Total | <u><u>\$ 89,150,055</u></u> |

Cash and cash equivalents and investments as of September 30, 2019, consist of the following:

| | <u>Primary Government</u> | <u>Component Unit</u> | <u>Total</u> |
|--|---------------------------------|---------------------------------|---------------------------------|
| Cash and cash equivalents with financial institutions (carrying value) | \$ 3,076,611 | \$ 328,464 | \$ 3,405,075 |
| Investments | <u>64,683,144</u> | <u>21,061,836</u> | <u>85,744,980</u> |
| Total | <u><u>\$ 67,759,755</u></u> | <u><u>\$ 21,390,300</u></u> | <u><u>\$ 89,150,055</u></u> |

Disclosures About Fair Value of Assets and Liabilities

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

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

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

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019:

| | Fair Value Measurements Using | | | |
|--|-------------------------------|--|---|--|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level: | | | | |
| Municipal bonds | \$ 13,189,121 | \$ - | \$ 13,189,121 | \$ - |
| U.S. agencies | 1,499,487 | - | 1,499,487 | - |
| Total investments by fair value level | 14,688,608 | \$ 0 | \$ 14,688,608 | \$ 0 |
| Investments measured at amortized cost: | | | | |
| TexPool | 35,736,985 | | | |
| TexPool Prime | 26,656,389 | | | |
| Investments measured at net asset value: | | | | |
| Texas CLASS | 8,662,998 | | | |
| | 71,056,372 | | | |
| Total investments | \$ 85,744,980 | | | |

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

Investment Pools

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

City of Tomball, Texas

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September 30, 2019

Comptroller has established an advisory board composed of both participants in TexPool and others not otherwise associated. TexPool uses amortized cost rather than the fair value to report net position to compute share prices.

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

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

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2019, \$1,533,105 of the City's deposits with financial institutions were fully collateralized with securities held by the pledging financial institution in the City's name or fully insured by the Federal Deposit Insurance Corporation, and \$200,639 were uncollateralized and uninsured. The component unit's deposits were fully insured by the Federal Deposit Insurance Corporation.

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

The weighted average maturity of the City and component unit investment portfolios as of September 30, 2019, is shown below.

City of Tomball, Texas
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September 30, 2019

| | Weighted Average | |
|-------------------|------------------|----------------|
| | City | Component Unit |
| Fixed income: | | |
| Municipal bonds | 50 | 62 |
| U.S. agencies | 2 | 556 |
| Investment pools: | | |
| TexPool | 34 | 34 |
| TexPool Prime | 32 | 32 |
| Texas CLASS | 50 | 50 |

Concentration of Credit Risk

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

Credit Risk

The City's investment policy limits investments in external investment pools to pools rated as to investment quality not less than "AAA" or "AAAm" or at an equivalent rating by at least one nationally recognized rating service. Obligations of states, agencies, counties, cities and other political subdivisions of any state must be rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent. The City's investments as of September 30, 2019, were rated as follows:

| Investment Type | Rating | Rating Agency |
|-----------------|--------------------------------|---|
| Municipal Bonds | A+ to AAA Aa3 to AAA AAA | Standard & Poor's Moody's Investors Service Fitch ratings |
| U.S. Agencies | AA+ or Not Rated | Standard & Poor's |
| TexPool | AAAm | Standard & Poor's |
| TexPool Prime | AAAm | Standard & Poor's |
| Texas CLASS | AAAm | Standard & Poor's |

Note 4: Receivables

The following comprise receivable balances at year-end.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

| | General Fund | Debt Service Fund | Capital Projects Fund | Other Governmental Funds | Enterprise Fund |
|---|-------------------------|----------------------------------|--------------------------------------|---|----------------------------|
| Property taxes | \$ 102,620 | \$ 189,349 | \$ - | \$ - | \$ - |
| Sales taxes | 2,001,860 | - | - | - | - |
| Franchise and other taxes | 119,973 | - | - | 3,400 | - |
| Customer accounts | 349,559 | - | - | - | 2,017,875 |
| Other | 43,523 | 7,847 | 24,497 | - | 88 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Gross receivable | 2,617,535 | 197,196 | 24,497 | 3,400 | 2,017,963 |
| Less allowance for uncollectible accounts | (209,963) | (189,349) | - | - | (298,207) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Net receivable | <u>\$ 2,407,572</u> | <u>\$ 7,847</u> | <u>\$ 24,497</u> | <u>\$ 3,400</u> | <u>\$ 1,719,756</u> |

Note 5: Capital Assets

Changes in capital assets for governmental activities for the year ended September 30, 2019, are summarized as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|---------------------|---------------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 7,255,744 | \$ - | \$ - | \$ 7,255,744 |
| Construction in progress | 7,735,161 | 2,259,933 | 1,357,732 | 8,637,362 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total capital assets, not being depreciated | 14,990,905 | 2,259,933 | 1,357,732 | 15,893,106 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 11,252,775 | 254,518 | - | 11,507,293 |
| Machinery and equipment | 6,444,754 | 219,313 | 39,967 | 6,624,100 |
| Vehicles | 5,421,284 | 1,676,956 | 159,601 | 6,938,639 |
| Infrastructure | 37,029,199 | 1,185,083 | - | 38,214,282 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total capital assets, being depreciated | 60,148,012 | 3,335,870 | 199,568 | 63,284,314 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (4,493,610) | (268,814) | - | (4,762,424) |
| Machinery and equipment | (5,280,938) | (170,672) | (31,974) | (5,419,636) |
| Vehicles | (4,349,351) | (399,549) | (159,601) | (4,589,299) |
| Infrastructure | (10,855,769) | (1,162,857) | - | (12,018,626) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total accumulated depreciation | (24,979,668) | (2,001,892) | (191,575) | (26,789,985) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total capital assets, net | 35,168,344 | 1,333,978 | 7,993 | 36,494,329 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Governmental activities capital assets, net | <u>\$ 50,159,249</u> | <u>\$ 3,593,911</u> | <u>\$ 1,365,725</u> | <u>\$ 52,387,435</u> |

Changes in capital assets for business-type activities for the year ended September 30, 2019, are summarized as follows.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|------------------|------------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,897,333 | \$ - | \$ - | \$ 1,897,333 |
| Construction in progress | 3,069,752 | 2,547,293 | - | 5,617,045 |
| Total capital assets, not being depreciated | 4,967,085 | 2,547,293 | 0 | 7,514,378 |
| Capital assets, being depreciated: | | | | |
| Gas system | 6,289,101 | 46,255 | - | 6,335,356 |
| Water and sewer system | 49,261,656 | 172,900 | - | 49,434,556 |
| Machinery and equipment | 4,600,395 | - | - | 4,600,395 |
| Total capital assets, being depreciated | 60,151,152 | 219,155 | 0 | 60,370,307 |
| Less accumulated depreciation: | | | | |
| Gas system | (3,290,754) | (149,699) | - | (3,440,453) |
| Water and sewer system | (22,468,119) | (1,209,125) | - | (23,677,244) |
| Machinery and equipment | (2,192,317) | (116,926) | - | (2,309,243) |
| Total accumulated depreciation | (27,951,190) | (1,475,750) | 0 | (29,426,940) |
| Total capital assets, net | 32,199,962 | (1,256,595) | 0 | 30,943,367 |
| Business-type activities, net | \$ 37,167,047 | \$ 1,290,698 | \$ 0 | \$ 38,457,745 |

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

| | | |
|--|----|-----------|
| Governmental activities: | | |
| Public safety | \$ | 433,232 |
| Public works | | 1,141,955 |
| Internal service fund | | 426,705 |
| Total depreciation expense | | 2,001,892 |
| Business-type activities: | | |
| Water and wastewater | | 1,326,051 |
| Gas | | 149,699 |
| Total depreciation expense | | 1,475,750 |
| Total depreciation expense, primary government | \$ | 3,477,642 |

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

| Project Description | Project Authorization | Expended Through September 30, 2019 | Remaining Commitment |
|---|----------------------------------|--|---------------------------------|
| Governmental activities: | | | |
| Tomball Business Park | \$ 42,521 | \$ 42,521 | \$ - |
| M121 Final Phase | 11,362,332 | 5,840,876 | 5,521,456 |
| Rudolph Road and utilities | 211,135 | 171,092 | 40,043 |
| Broussard Park | 1,774,429 | 1,255,524 | 518,905 |
| Wayne Stovall Sports Complex Improvement | 461,908 | 72,656 | 389,252 |

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

| Project Description | Project Authorization | Expended Through September 30, 2019 | Remaining Commitment |
|--------------------------------------|-----------------------|-------------------------------------|----------------------|
| Medical Complex Segment 4B | \$ 18,029,295 | \$ 1,158,950 | \$ 16,870,345 |
| Public Works Parking Lot | 31,067 | 31,067 | - |
| North Star Estates/Rigel Court | 453,941 | 42,407 | 411,534 |
| Theis Nature Preserve | 31,874 | 22,269 | 9,605 |
| Total governmental activities | <u>32,398,502</u> | <u>8,637,362</u> | <u>23,761,140</u> |
| Business-type activities: | | | |
| Rudolph Road | 299,245 | 185,926 | 113,319 |
| Wastewater Master Plan | 192,587 | 192,587 | - |
| Critical Needs Assessment | 4,608,270 | 4,236,706 | 371,564 |
| Medical Complex Drive Segment 4B | 41,811 | 41,811 | - |
| East Side Water Loop Line | 1,252,342 | 705,205 | 547,137 |
| Water Modeling | 75,798 | 76,814 | - |
| Utility Easement Survey and Clearing | 57,150 | 2,900 | 54,250 |
| DRI-PRIME System | 31,430 | 2,196 | 29,234 |
| Pine Street Ground Water Tank Rehab | 172,900 | 172,900 | - |
| Total business-type activities | <u>6,731,533</u> | <u>5,617,045</u> | <u>1,115,504</u> |
| Grand total projects | <u>\$ 39,130,035</u> | <u>\$ 14,254,407</u> | <u>\$ 24,876,644</u> |

Due to a change in management priorities and budget constraints, the City determined that certain construction projects previously recorded as construction in progress will not be completed in the foreseeable future. As a result, the City removed these assets from construction in progress in 2019 resulting in \$332,412 reported in government type activities as public works expense.

Changes in capital assets for the component unit for the year ended September 30, 2019, are summarized as follows:

| Component Unit | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---------------------|-------------------|-------------------|---------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,529,875 | \$ - | \$ 405,193 | \$ 1,124,682 |
| Construction in progress | 2,025,780 | 444,349 | - | 2,470,129 |
| Total capital assets, not being depreciated | <u>\$ 3,555,655</u> | <u>\$ 444,349</u> | <u>\$ 405,193</u> | <u>\$ 3,594,811</u> |

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

The component unit sold land during the year for proceeds of 3,001,418, resulting in a gain on sale of property of \$2,596,223 as reported in the statement of activities.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

| Project Description | Project Authorization | Expended Through September 30, 2019 | Remaining Commitment |
|---|-----------------------|---|-------------------------|
| Tomball Business Park and Technology Park | \$ 2,664,518 | \$ 2,470,129 | \$ 194,389 |

Note 6: Long-term Liabilities

The following is a summary of changes in the City's total governmental and business-type long-term liabilities for the year ended September 30, 2019. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities and enterprise funds to liquidate business-type long-term liabilities.

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due in One Year |
|--|----------------------|---------------------|---------------------|----------------------|----------------------------|
| Governmental Activities | | | | | |
| Certificates of obligation and bonds payable | \$ 40,803,250 | \$ - | \$ 2,990,250 | \$ 37,813,000 | \$ 3,016,250 |
| Unamortized discount/premium | 1,103,038 | - | 85,874 | 1,017,164 | - |
| | 41,906,288 | - | 3,076,124 | 38,830,164 | 3,016,250 |
| Capital lease obligation | 586,556 | - | 586,556 | - | - |
| Public property finance contractual obligation | 1,300,000 | - | 130,132 | 1,169,868 | 130,000 |
| Total OPEB liability | 2,801,916 | 10,395 | - | 2,812,311 | 103,441 |
| Net pension liability | 4,331,082 | 2,829,013 | - | 7,160,095 | - |
| Compensated absences | 1,565,276 | 930,418 | 728,213 | 1,767,481 | 441,870 |
| Landfill postclosure costs | 435,500 | - | 90,125 | 345,375 | 59,075 |
| Total governmental activities long-term liabilities | <u>\$ 52,926,618</u> | <u>\$ 3,769,826</u> | <u>\$ 4,611,150</u> | <u>\$ 52,085,294</u> | <u>\$ 3,750,636</u> |
| Business-type Activities | | | | | |
| Bonds payable | \$ 2,246,750 | \$ - | \$ 574,750 | \$ 1,672,000 | \$ 563,750 |
| Unamortized discount/premium | 35,331 | - | 11,776 | 23,555 | - |
| | 2,282,081 | - | 586,526 | 1,695,555 | 563,750 |
| Total OPEB liability | 636,017 | 2,360 | - | 638,377 | 23,480 |
| Net pension liability | 771,534 | 484,495 | - | 1,256,029 | - |
| Compensated absences | 280,013 | 164,146 | 154,781 | 289,378 | 72,345 |
| Total business-type activities long-term liabilities | <u>\$ 3,969,645</u> | <u>\$ 651,001</u> | <u>\$ 741,307</u> | <u>\$ 3,879,339</u> | <u>\$ 659,575</u> |

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

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

Certificates of Obligation and General Obligation Bonds

| | Interest Rates | Final Maturity | Original Issue | Governmental Activities | Business-type Activities |
|--|-----------------------|-----------------------|-----------------------|--------------------------------|---------------------------------|
| Certificates of obligation: | | | | | |
| Series 2012 | 3-4.25% | 2032 | \$ 14,500,000 | \$ 10,315,000 | \$ - |
| Series 2013 | 2-3% | 2033 | 8,500,000 | 6,405,000 | - |
| Series 2016 | 3-5% | 2037 | 20,240,000 | 17,490,000 | - |
| | | | | <u>34,210,000</u> | <u>0</u> |
| General obligation bonds: | | | | | |
| Series 2011 | 2-4% | 2022 | 8,650,000 | 1,368,000 | 1,672,000 |
| Series 2013 | 1-1.65% | 2023 | 6,370,000 | 2,235,000 | - |
| | | | | <u>3,603,000</u> | <u>1,672,000</u> |
| Total bonds and certificates of obligation | | | | <u>\$ 37,813,000</u> | <u>\$ 1,672,000</u> |

Annual debt service requirements to maturity for certificates of obligation and general obligation bonds at year-end were as follows:

| Fiscal Year | Governmental Activities | | Business-type Activities | |
|--------------------|--------------------------------|---------------------|---------------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2020 | \$ 3,016,250 | \$ 1,239,564 | \$ 563,750 | \$ 75,501 |
| 2021 | 3,046,750 | 1,147,348 | 558,250 | 55,605 |
| 2022 | 3,080,000 | 1,048,748 | 550,000 | 33,165 |
| 2023 | 2,680,000 | 952,673 | - | 11,000 |
| 2024 | 2,135,000 | 868,175 | - | - |
| 2025-2029 | 11,215,000 | 313,600 | - | - |
| 2030-2034 | 9,730,000 | 1,234,038 | - | - |
| 2035-2037 | 2,910,000 | 157,625 | - | - |
| | <u>\$ 37,813,000</u> | <u>\$ 6,961,771</u> | <u>\$ 1,672,000</u> | <u>\$ 175,271</u> |

Public Property Finance Contractual Obligation

The City issued Public Property Finance Obligations to finance acquisition of equipment for the Fire Department as described below:

Governmental Activities

\$1,300,000 Public Property Finance Act Contract, payable in annual installments of \$130,000, including principal and interest, through November 1, 2028, interest at 3.65 percent through November 1, 2023, and at a fixed rate equal to the Wall Street Journal Prime Rate minus 1.35 percent per annum from November 1, 2023 through 2028.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

| <u>Fiscal Year</u> | <u>Governmental Activities</u> | |
|--------------------|--------------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2020 | \$ 130,000 | \$ 42,705 |
| 2021 | 130,000 | 34,960 |
| 2022 | 130,000 | 33,215 |
| 2023 | 130,000 | 28,470 |
| 2024 | 130,000 | 23,725 |
| 2025-2029 | 519,868 | 47,450 |
| | <u>\$ 1,169,868</u> | <u>\$ 210,525</u> |

Federal Arbitrage

The *Tax Reform Act of 1986* instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the Internal Revenue Service's rules and regulations. The City owed no arbitrage liability as of September 30, 2019.

Note 7: Commitments and Contingencies

Risk Management

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

Contingent Liabilities

The City is a party to various legal actions. Although the outcome is not presently determinable, it is the opinion of the City's management that resolution of these matters will not have a material adverse effect on the financial condition of the City. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

Note 8: Interfund Transfers

Interfund transfers in and transfers out for the year ended September 30, 2019, are as follows:

| Transfers In | Transfers Out | | | Total |
|--------------------------|--------------------|-------------------|-------------------|--------------|
| | Governmental Funds | | Proprietary Funds | |
| | General Fund | Debt Service Fund | Enterprise Fund | |
| General fund | \$ - | \$ - | \$ 2,530,209 | \$ 2,530,209 |
| Capital projects fund | 1,174,500 | - | 2,510,186 | 3,684,686 |
| Other governmental funds | 100,000 | - | - | 100,000 |
| Enterprise Fund | 178,636 | - | - | 178,636 |
| Internal Service Fund | 178,636 | - | - | 178,636 |
| | \$ 1,453,136 | \$ 0 | \$ 5,040,395 | \$ 6,493,531 |

Transfers are primarily used to move funds from:

- The general fund to the capital projects fund to fund projects.
- The general fund to other governmental funds to fund projects.
- The general fund to the internal service fund to pay principal and interest related to the purchase of a fire truck.
- The enterprise fund to the general fund to fund indirect costs for administrative expenses.
- The enterprise fund to the capital projects fund to fund projects.

Note 9: Pension Plan

Plan Description

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid agent multiple-employer defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the *TMRS Act*, Subtitle G, Title 8, Texas Government Code (the *TMRS Act*) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The *TMRS Act* places the general administration and management of the system with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

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

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

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

| | Plan Year 2018 | Plan Year 2019 |
|--|------------------------------|------------------------------|
| Employee deposit rate | 7.00% | 7.00% |
| Matching ratio (city to employee) | 2 to 1 | 2 to 1 |
| Years required for vesting | 5 | 5 |
| Service requirement eligibility (expressed as age/years of service) | 60/5, 0/20 | 60/5, 0/20 |
| Updated service credit | 100% Repeating, Transfers | 100% Repeating, Transfers |
| Annuity increase (to retirees) | 70% of CPI Repeating | 70% of CPI Repeating |

Employees Covered by Benefit Terms

At the December 31, 2018, valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | 86 |
| Inactive employees entitled to but not yet receiving benefits | 80 |
| Active employees | 174 |
| Total | 340 |

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

Contributions

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

Employees for the City were required to contribute 7 percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.42 percent and 13.49 percent in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$1,542,211, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions.

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109 percent and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

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

City of Tomball, Texas
Notes to Basic Financial Statements
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Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy.

Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return (Arithmetic) |
|-----------------------|--------------------------|--|
| Domestic equity | 17.50% | 4.30% |
| International equity | 17.50% | 6.10% |
| Core fixed income | 10.00% | 1.00% |
| Non-core fixed income | 20.00% | 3.39% |
| Real return | 10.00% | 3.78% |
| Real estate | 10.00% | 4.44% |
| Absolute return | 10.00% | 3.56% |
| Private equity | 5.00% | 7.75% |
| Total | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL

| | TPL (a) | Plan Fiduciary Net Position (b) | NPL (a) - (b) |
|---|----------------------|--|--------------------------|
| Balances at October 1, 2018 | \$ 41,524,424 | \$ 36,421,808 | \$ 5,102,616 |
| Changes for the year: | | | |
| Service cost | 1,799,563 | - | 1,799,563 |
| Interest | 2,801,748 | - | 2,801,748 |
| Difference between expected and actual experience | (223,279) | - | (223,279) |
| Contributions – employer | - | 1,431,544 | (1,431,544) |
| Contributions – employee | - | 746,707 | (746,707) |
| Net investment income | - | (1,091,540) | 1,091,540 |
| Benefit payments, including refunds of employee contributions | (1,833,649) | (1,833,649) | - |
| Administrative expenses | - | (21,086) | 21,086 |
| Other | - | (1,101) | 1,101 |
| Net changes | 2,544,383 | (769,125) | 3,313,508 |
| Balances at September 30, 2019 | \$ 44,068,807 | \$ 35,652,683 | \$ 8,416,124 |

Sensitivity of the NPL to Changes in the Discount Rate

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

| | 1% Decrease 5.75% | Current Single Rate Assumption 6.75% | 1% Increase 7.75% |
|-------------------------------|------------------------------|---|------------------------------|
| Net Pension Liability (Asset) | \$ 15,172,955 | \$ 8,416,124 | \$ 2,963,459 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained at www.tmr.com.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

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

For the year ended September 30, 2019, the City recognized pension expense of \$2,190,738.

At September 30, 2019, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual pension experience | \$ 295,503 | \$ 226,304 |
| Changes of actuarial assumptions | 27,323 | - |
| Difference between projected and actual pension plan investment earnings | 1,889,129 | - |
| Contributions subsequent to the measurement date | <u>1,137,750</u> | <u>-</u> |
| Total | <u>\$ 3,349,705</u> | <u>\$ 226,304</u> |

\$1,137,750 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending September 30,</u> | |
|----------------------------------|---------------------|
| 2020 | \$ 715,958 |
| 2021 | 300,952 |
| 2022 | 296,724 |
| 2023 | <u>672,017</u> |
| Total | <u>\$ 1,985,651</u> |

Note 10: Postemployment Benefits Other Than Pensions

The City offers two other postemployment benefit (OPEB) plans; the Retiree Health Care Plan and the TMRS-Supplemental Death Benefits Fund as discussed below. OPEB items for the two plans are as follows.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

| | Retiree Health Care Plan | TMRS - Supplemental Death Benefits Fund | Total |
|-----------------------------------|-----------------------------|--|--------------|
| Total OPEB Liability | \$ 3,008,781 | \$ 441,907 | \$ 3,450,688 |
| Deferred outflows of resources | 203,668 | 25,667 | 229,335 |
| Deferred inflows of resources | (110,555) | (27,054) | (137,609) |
| OPEB expense | 250,400 | 39,790 | 290,190 |

Note 11: Retiree Health Care Plan

Plan Description

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

In order to be eligible for this benefit, the retiree must be vested, age 55 or older and a current recipient of retirement benefits from the TMRS, have been a full-time employee of the City for ten consecutive years immediately prior to retirement, and satisfy the applicable plan requirements for the extension of retiree coverage under the medical and dental insurance benefit plan offered by the City at the time of retirement. The City's retiree healthcare benefit is only provided to employees who were hired prior to October 1, 2014.

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

Benefit continuation of medical, dental and life insurance coverage provided at the City's expense to retirees ends when the retiree is eligible for Medicare coverage. Retirees who are eligible for Medicare coverage may, at their sole expense, continue to purchase coverage for themselves and

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

As of December 31, 2018, the measurement date, the following employees were covered by the benefit terms:

| | | |
|----------------------------|-----|-----|
| Retirees and beneficiaries | 26 | |
| Active employees | 109 | |
| Total | | 135 |

Funding Policy

The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual retiree contributions are equal to the benefits that are paid on behalf of the retirees.

Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2018, actuarial valuation are as follows:

| Actuarial Cost Method | Individual Entry-Age |
|------------------------------|--|
| Discount Rate | 3.71 percent as of December 31, 2018 (3.31 percent in prior year) Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Fidelity "20-Year Municipal GO AA Index" as of December 31, 2018. |
| Inflation | 2.50 percent per annum |
| Salary Increases | 3.50 percent to 10.50 percent, including inflation |
| Demographic Assumption | Based on the experience study covering the four-year period ending December 31, 2014, as conducted for the Texas Municipal Retirement System (TMRS) |

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

| Actuarial Cost Method | Individual Entry-Age | | | | | | | | | | | | |
|------------------------------|--|------------------------------|---------------------------------|------|----|---------|-----|---------|-----|---------|-----|------|-----|
| Mortality | For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109 percent and female rates multiplied by 103 percent. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. | | | | | | | | | | | | |
| Health Care Trend Rates | 7.50 percent decreasing to an ultimate rate of 5.50 percent over 9 years. | | | | | | | | | | | | |
| Participation Rates | It was assumed that retirees would choose to receive retiree health care benefits through the City as follows: | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th style="text-align: center;"><u>Years of City Service</u></th> <th style="text-align: center;"><u>Participation Assumption</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">< 10</td> <td style="text-align: center;">0%</td> </tr> <tr> <td style="text-align: center;">10 – 15</td> <td style="text-align: center;">25%</td> </tr> <tr> <td style="text-align: center;">15 – 20</td> <td style="text-align: center;">45%</td> </tr> <tr> <td style="text-align: center;">20 – 25</td> <td style="text-align: center;">65%</td> </tr> <tr> <td style="text-align: center;">25 +</td> <td style="text-align: center;">85%</td> </tr> </tbody> </table> | <u>Years of City Service</u> | <u>Participation Assumption</u> | < 10 | 0% | 10 – 15 | 25% | 15 – 20 | 45% | 20 – 25 | 65% | 25 + | 85% |
| <u>Years of City Service</u> | <u>Participation Assumption</u> | | | | | | | | | | | | |
| < 10 | 0% | | | | | | | | | | | | |
| 10 – 15 | 25% | | | | | | | | | | | | |
| 15 – 20 | 45% | | | | | | | | | | | | |
| 20 – 25 | 65% | | | | | | | | | | | | |
| 25 + | 85% | | | | | | | | | | | | |

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

Total OPEB Liability

The total OPEB liability of \$3,008,781 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

The total OPEB liability and related information are as follows at September 30, 2019:

| | Total OPEB Liability |
|--|---------------------------------|
| Balance as of October 1, 2018 | \$ 2,999,689 |
| Changes for the year: | |
| Service cost | 145,528 |
| Interest on total OPEB liability | 99,651 |
| Differences between expected and actual experience | 14,732 |
| Change of assumptions (discount rate change) | (127,098) |
| Benefit payments | (123,721) |
| Balance as of September 30, 2019 | \$ 3,008,781 |

City of Tomball, Texas
Notes to Basic Financial Statements
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OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$250,400. At September 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference between expected and actual experience | \$ 12,815 | \$ - |
| Changes of assumptions | 112,790 | 110,555 |
| Benefit payments subsequent to the measurement date | 78,063 | - |
| Total | \$ 203,668 | \$ 110,555 |

Deferred outflows of resources related to OPEBs resulting from benefit payments subsequent to the measurement date of \$78,063 will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2020.

Other amounts reported as deferred outflows related to OPEBs will be recognized in OPEB expense as follows:

Year Ending September 30

| | |
|------------|-----------|
| 2020 | \$ 5,221 |
| 2021 | 5,221 |
| 2022 | 5,221 |
| 2023 | 5,221 |
| 2024 | 5,221 |
| Thereafter | (11,055) |
| Total | \$ 15,050 |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability calculated using the discount rate of 3.71 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71 percent) or 1-percentage-point higher (4.71 percent) than the current discount rate:

| | 1% Decrease in Discount Rate (2.71%) | Current Discount Rate (3.71%) | 1% Increase in Discount Rate (4.71%) |
|----------------------|---|--|---|
| Total OPEB liability | \$ 3,338,060 | \$ 3,008,781 | \$ 2,715,995 |

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | <u>1% Decrease</u> | <u>Current Healthcare Cost Trend Rates Assumption</u> | <u>1% Increase</u> |
|----------------------|--------------------|---|--------------------|
| Total OPEB liability | \$ 2,611,400 | \$ 3,008,781 | \$ 3,491,556 |

TMRS – Supplemental Death Benefits Fund

Plan Description

The City also participates in a single-employer defined benefit group term life insurance OPEB plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an OPEB.

The plan does not issue a separate financial report.

Benefits Provided

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). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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.

As of December 31, 2018, the measurement date, the following employees were covered by the benefit terms.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

| | |
|---|-----|
| Inactive employees currently receiving benefits | 74 |
| Inactive employees entitled to but not yet receiving benefits | 26 |
| Active employees | 174 |
| | 274 |

Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2018, actuarial valuation are as follows:

| Actuarial Cost Method | Entry Age Normal |
|--|---|
| Discount Rate | 3.71 percent as of December 31, 2018 (3.31 percent in prior year) Source: Fidelity Index's "20-Year Municipal GO AA Index" |
| Inflation | 2.50 percent |
| Salary Increases | 3.50 percent to 10.50 percent, including inflation |
| Retirees' share of benefit related costs | \$0 |
| Administrative expenses | All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68. |
| Mortality rates – service retirees | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109 percent and female rates multiplied by 103 percent and projected on a fully generational basis with scale BB. |
| Mortality rates – disabled retirees | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109 percent and female rates multiplied by 103 percent with a three-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3 percent floor. |

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study for the period of December 31, 2010 to December 31, 2014.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

Total OPEB Liability

The City's total OPEB liability of \$441,907 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

The total OPEB liability and related information are as follows for the City at September 30, 2019:

| | Total OPEB Liability |
|--|---------------------------------|
| Balance as of October 1, 2018 | \$ 438,244 |
| Changes for the year: | |
| Service cost | 24,535 |
| Interest on total OPEB liability | 14,859 |
| Differences between expected and actual experience | (449) |
| Change of assumptions (discount rate change) | (32,082) |
| Benefit payments | (3,200) |
| Balance as of September 30, 2019 | \$ 441,907 |

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$39,790.

At September 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ - | \$ 373 |
| Changes of assumptions | 23,137 | 26,681 |
| Benefit payments subsequent to the measurement date | 2,530 | - |
| Total | \$ 25,667 | \$ 27,054 |

Benefit payments subsequent to the measurement date and before fiscal year-end of \$2,530 will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2020.

Other amounts reported as deferred outflows related to OPEB will be recognized in OPEB expense as follows.

City of Tomball, Texas
Notes to Basic Financial Statements
September 30, 2019

Year Ending September 30

| | | |
|-------|----|---------|
| 2020 | \$ | 396 |
| 2021 | | 396 |
| 2022 | | 396 |
| 2023 | | 41 |
| 2024 | | (5,146) |
| | | (5,146) |
| Total | \$ | (3,917) |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71 percent) or 1-percentage-point higher (4.71 percent) than the current discount rate:

| | 1% Decrease in Discount Rate (2.71%) | Current Discount Rate (3.71%) | 1% Increase in Discount Rate (4.71%) |
|----------------------|---|--|---|
| Total OPEB liability | \$ 529,468 | \$ 441,907 | \$ 373,945 |

Note 12: Landfill Post Closure Care Costs

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

The estimated liability for landfill post closure care costs of \$345,375 as of September 30, 2019, represents the remaining estimated post closure costs required to achieve regulatory approval for closure including costs through 2024. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Note 13: Subsequent Events

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the City. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

The City issued \$9,100,000 General Obligation Refunding Bonds, Series 2019, on November 21, 2019, with proceeds used to refund the General Obligation Refunding Bonds, Series 2011, and Combination Tax & Revenue Certificates of Obligation, Series 2012.

**Required Supplementary Information
(Unaudited)**

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

| | Measurement Year | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Total Pension Liability | | | | | |
| Service cost | \$ 1,405,192 | \$ 1,631,504 | \$ 1,678,897 | \$ 1,780,118 | \$ 1,799,563 |
| Interest | 2,122,080 | 2,283,312 | 2,396,517 | 2,582,435 | 2,801,748 |
| Difference between expected and actual experience | (75,098) | 153,806 | (109,994) | 437,533 | (223,279) |
| Change of assumptions | - | 112,706 | - | - | - |
| Benefit payments, including refunds of employee contributions | (1,120,036) | (1,404,009) | (1,235,596) | (1,287,794) | (1,833,649) |
| Net Change in Total Pension Liability | 2,332,138 | 2,777,319 | 2,729,824 | 3,512,292 | 2,544,383 |
| Total pension liability - beginning | 30,172,851 | 32,504,989 | 35,282,308 | 38,012,132 | 41,524,424 |
| Total pension liability - ending (a) | <u>\$ 32,504,989</u> | <u>\$ 35,282,308</u> | <u>\$ 38,012,132</u> | <u>\$ 41,524,424</u> | <u>\$ 44,068,807</u> |
| Plan Fiduciary Net Position | | | | | |
| Contributions - employer | \$ 1,106,867 | \$ 1,321,927 | \$ 1,309,638 | \$ 1,428,931 | \$ 1,431,544 |
| Contributions - employee | 629,009 | 680,604 | 689,283 | 736,020 | 746,707 |
| Net investment income | 1,480,415 | 41,253 | 1,930,676 | 4,330,256 | (1,091,540) |
| Benefit payments, including refunds of employee contributions | (1,120,036) | (1,404,009) | (1,235,596) | (1,287,794) | (1,833,649) |
| Administrative expense | (15,453) | (25,124) | (21,804) | (22,437) | (21,086) |
| Other | (1,271) | (1,240) | (1,175) | (1,137) | (1,101) |
| Net Change in Plan Fiduciary Net Position | 2,079,531 | 613,411 | 2,671,022 | 5,183,839 | (769,125) |
| Plan Fiduciary Net Position, Beginning | 25,874,005 | 27,953,536 | 28,566,947 | 31,237,969 | 36,421,808 |
| Plan Fiduciary Net Position, Ending (B) | <u>\$ 27,953,536</u> | <u>\$ 28,566,947</u> | <u>\$ 31,237,969</u> | <u>\$ 36,421,808</u> | <u>\$ 35,652,683</u> |
| Net Pension Liability, Ending (a) - (b) | \$ 4,551,453 | \$ 6,715,361 | \$ 6,774,163 | \$ 5,102,616 | \$ 8,416,124 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 86.00% | 80.97% | 82.18% | 87.71% | 80.90% |
| Covered-Employee Payroll | \$ 8,985,838 | \$ 9,722,909 | \$ 9,846,905 | \$ 10,514,577 | \$ 10,667,238 |
| Net Pension Liability as a Percentage of Covered-Employee Payroll | 50.65% | 69.07% | 68.79% | 48.53% | 78.90% |

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

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

City of Tomball, Texas

Schedule of Pension Contributions – Last Five Fiscal Years

| | Fiscal Year | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Actuarially determined contribution | \$ 1,246,735 | \$ 1,285,841 | \$ 1,435,572 | \$ 1,439,971 | \$ 1,542,211 |
| Contributions in relation to the actuarially determined contribution | <u>1,246,735</u> | <u>1,285,841</u> | <u>1,435,572</u> | <u>1,439,971</u> | <u>1,542,211</u> |
| Contribution deficiency | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered employee payroll | \$ 9,404,137 | \$ 9,620,867 | \$ 10,481,687 | \$ 10,693,441 | \$ 11,447,890 |
| Contributions as a percentage of covered employee payroll | 13.26% | 13.37% | 13.70% | 13.47% | 13.47% |

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

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 28 years |
| Asset Valuation Method | 10 year smoothed market; 15% soft corridor |
| Inflation | 2.5% |
| Salary Increases | 3.50% to 10.5% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014. |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |

Other Information:

There were no benefit changes during the year.

City of Tomball, Texas
Schedule of Changes in the City's Total OPEB Liability
and Related Ratios – (Retiree Health Care Plan)

| | Measurement Year 2017 | Measurement Year 2018 |
|---|----------------------------------|----------------------------------|
| TOTAL OPEB LIABILITY | | |
| Service cost | \$ 130,909 | \$ 145,528 |
| Interest | 104,080 | 99,651 |
| Difference between expected and actual experience | - | 14,732 |
| Change of assumptions | 152,484 | (127,098) |
| Benefit payments, including refunds of employee contributions | (108,157) | (123,721) |
| Net Change in Total OPEB Liability | 279,316 | 9,092 |
| Total OPEB Liability - Beginning | 2,720,373 | 2,999,689 |
| Total OPEB Liability - Ending | <u>\$ 2,999,689</u> | <u>\$ 3,008,781</u> |
| Covered-Employee Payroll | \$ 10,520,156 | \$ 7,633,706 |
| Total OPEB Liability as a Percentage of Covered-Employee Payroll | 28.51% | 39.41% |

The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods for which such information is available are presented.

Changes of assumptions reflect a change in the discount rate from 3.31 percent as of December 31, 2017, to 3.71 percent as of December 31, 2018.

City of Tomball, Texas
Schedule of Changes in the City's Total OPEB Liability
and Related Ratios – (Supplemental Death Benefits Fund)

| | Measurement Year 2017 | Measurement Year 2018 |
|---|--------------------------|--------------------------|
| TOTAL OPEB LIABILITY | | |
| Service cost | \$ 21,029 | \$ 24,535 |
| Interest | 14,366 | 14,859 |
| Change of assumptions | 34,883 | (32,082) |
| Benefit payments, including refunds of employee contributions | (3,154) | (3,200) |
| Net Change in Total OPEB Liability | 67,124 | 4,112 |
| Total OPEB Liability - Beginning | 371,120 | 438,244 |
| Total OPEB Liability - Ending | \$ 438,244 | \$ 442,356 |
| Covered-Employee Payroll | \$ 10,514,577 | \$ 10,667,238 |
| Total OPEB Liability as a Percentage of Covered-Employee Payroll | 4.17% | 4.15% |

The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 75, only periods for which such information is available are presented.

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (General Fund)
Year Ended September 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Budget Favorable (Unfavorable) |
|-----------------------------------|--------------------|-------------------|-------------------|---|
| Revenues | | | | |
| Taxes: | | | | |
| Property | \$ 2,245,000 | \$ 2,185,000 | \$ 2,046,480 | \$ (138,520) |
| Sales | 12,585,000 | 11,995,000 | 12,594,274 | 599,274 |
| Franchise and other | 1,265,025 | 1,275,000 | 1,300,074 | 25,074 |
| License and permits | 485,700 | 574,200 | 580,397 | 6,197 |
| Fines and forfeitures | 551,200 | 462,200 | 510,671 | 48,471 |
| Charges for services | 3,146,091 | 2,958,180 | 2,944,374 | (13,806) |
| Intergovernmental | 367,817 | 367,876 | 555,996 | 188,120 |
| Contributions from component unit | 25,000 | 25,000 | 25,000 | - |
| Investment earnings | 185,528 | 225,000 | 282,968 | 57,968 |
| Other | 74,175 | 100,175 | 109,377 | 9,202 |
| | <u>20,930,536</u> | <u>20,167,631</u> | <u>20,949,611</u> | <u>781,980</u> |
| Expenditures | | | | |
| General government: | | | | |
| City manager's office | 389,832 | 386,417 | 378,442 | 7,975 |
| Mayor and Council | 97,198 | 78,720 | 53,935 | 24,785 |
| City secretary | 414,819 | 368,223 | 345,936 | 22,287 |
| Human resources | 478,447 | 473,961 | 425,829 | 48,132 |
| Finance | 754,098 | 745,772 | 735,397 | 10,375 |
| Information systems | 853,203 | 848,360 | 707,607 | 140,753 |
| Legal | 142,000 | 125,000 | 130,302 | (5,302) |
| Non-departmental | 3,173,671 | 3,148,867 | 3,364,924 | (216,057) |
| | <u>6,303,268</u> | <u>6,175,320</u> | <u>6,142,372</u> | <u>32,948</u> |
| Public safety: | | | | |
| Police | 5,708,159 | 5,571,479 | 5,336,681 | 234,798 |
| Fire | 2,826,961 | 2,886,153 | 2,773,460 | 112,693 |
| Municipal court | 446,906 | 422,948 | 414,404 | 8,544 |
| Emergency management | 27,850 | 27,290 | 30,893 | (3,603) |
| ESD#15 - Station 5 | 837,297 | 920,619 | 754,440 | 166,179 |
| | <u>9,847,173</u> | <u>9,828,489</u> | <u>9,309,878</u> | <u>518,611</u> |
| Public works: | | | | |
| Public works administration | 57,375 | 61,365 | 62,606 | (1,241) |
| Garage | 165,474 | 160,830 | 154,128 | 6,702 |
| Streets | 2,141,449 | 1,779,898 | 1,786,766 | (6,868) |
| Engineering and Planning | 645,496 | 575,036 | 532,565 | 42,471 |
| Sanitation | 2,227,772 | 2,190,172 | 1,600,928 | 589,244 |
| Facilities maintenance | 797,366 | 818,975 | 796,356 | 22,619 |
| | <u>6,034,932</u> | <u>5,586,276</u> | <u>4,933,349</u> | <u>652,927</u> |

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (General Fund) (Continued)
Year Ended September 30, 2019

| | Original Budget | Original Budget | Actual | Variance With Final Budget Favorable (Unfavorable) |
|---|---------------------|---------------------|----------------------|---|
| Expenditures | | | | |
| Parks and recreation: | | | | |
| Parks | \$ 1,111,913 | \$ 1,006,147 | \$ 989,833 | \$ 16,314 |
| Community center | 167,624 | 177,020 | 165,203 | 11,817 |
| | <u>1,279,537</u> | <u>1,183,167</u> | <u>1,155,036</u> | <u>28,131</u> |
| Community development: | | | | |
| Permits and inspections | 458,449 | 457,451 | 430,037 | 27,414 |
| Total expenditures | <u>23,923,359</u> | <u>23,230,703</u> | <u>21,970,672</u> | <u>1,260,031</u> |
| Deficiency of Revenues Over Expenditures | <u>(2,992,823)</u> | <u>(3,063,072)</u> | <u>(1,021,061)</u> | <u>2,042,011</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 2,530,209 | 2,530,209 | 2,530,209 | - |
| Transfers out | - | - | (178,636) | (178,636) |
| Total other financing sources | <u>2,530,209</u> | <u>2,530,209</u> | <u>2,351,573</u> | <u>(178,636)</u> |
| Net Change in Fund Balances | <u>\$ (462,614)</u> | <u>\$ (532,863)</u> | 1,330,512 | <u>\$ 1,863,375</u> |
| Fund Balances, Beginning of Year | | | <u>14,750,551</u> | |
| Fund Balances, End of Year | | | <u>\$ 16,081,063</u> | |

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
2. Transfers out which were budgeted within a department are reported as expenditures in the department where budgeted for purposes of this schedule, and as other financing uses on the statement of revenues, expenditures and changes in fund balance.

Combining and Individual Fund Statements and Schedules

City of Tomball, Texas
Nonmajor Governmental Funds
September 30, 2019

Special Revenue Funds

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

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

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

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

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

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

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

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

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

City of Tomball, Texas
Combining Balance Sheet – Nonmajor Governmental Funds
September 30, 2019

| | Special General | Court Security | Court Technology | Hotel Occupancy Tax | Red Light Camera | Bunny Run | Tomball Legacy Fund | Total Nonmajor Governmental Funds |
|---|--------------------|-------------------|---------------------|---------------------------|---------------------|------------------|---------------------------|--|
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 7,135 | \$ 54,995 | \$ 7,808 | \$ 130,725 | \$ 58,898 | \$ 18,153 | \$ 20,000 | \$ 297,714 |
| Investments | 84,063 | 181,196 | 175,846 | 504,572 | 464,521 | 5,233 | 26,354 | 1,441,785 |
| Receivables (net of allowance for uncollectibles, where applicable) | - | - | - | 3,400 | - | - | - | 3,400 |
| Total assets | <u>\$ 91,198</u> | <u>\$ 236,191</u> | <u>\$ 183,654</u> | <u>\$ 638,697</u> | <u>\$ 523,419</u> | <u>\$ 23,386</u> | <u>\$ 46,354</u> | <u>\$ 1,742,899</u> |
| Liabilities and Fund Balances | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable | \$ - | \$ 853 | \$ 2,562 | \$ 16,604 | \$ 165,492 | \$ 917 | \$ - | \$ 186,428 |
| Accrued liabilities | - | - | - | 9,728 | 505 | - | - | 10,233 |
| Total liabilities | <u>0</u> | <u>853</u> | <u>2,562</u> | <u>26,332</u> | <u>165,997</u> | <u>917</u> | <u>0</u> | <u>196,661</u> |
| Fund Balances | | | | | | | | |
| Restricted by enabling legislation | - | 235,338 | 181,092 | 612,365 | 357,422 | - | - | 1,386,217 |
| Assigned | 91,198 | - | - | - | - | 22,469 | 46,354 | 160,021 |
| Total fund balances | <u>91,198</u> | <u>235,338</u> | <u>181,092</u> | <u>612,365</u> | <u>357,422</u> | <u>22,469</u> | <u>46,354</u> | <u>1,546,238</u> |
| Total liabilities and fund balances | <u>\$ 91,198</u> | <u>\$ 236,191</u> | <u>\$ 183,654</u> | <u>\$ 638,697</u> | <u>\$ 523,419</u> | <u>\$ 23,386</u> | <u>\$ 46,354</u> | <u>\$ 1,742,899</u> |

City of Tomball, Texas
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance – Nonmajor Governmental Funds
Year Ended September 30, 2019

| | Special General | Court Security | Court Technology | Hotel Occupancy Tax | Red Light Camera | Bunny Run | Tomball Legacy Fund | Total Nonmajor Governmental Funds |
|--|--------------------|-------------------|---------------------|---------------------------|---------------------|--------------|---------------------------|--|
| Revenues | | | | | | | | |
| Franchise and other taxes | \$ - | \$ - | \$ - | \$ 727,423 | \$ - | \$ - | \$ - | \$ 727,423 |
| Fines and forfeitures | - | 11,297 | 15,054 | - | 165,442 | - | - | 191,793 |
| Investment earnings | 2,215 | 4,369 | 4,244 | 11,117 | 8,551 | 122 | 645 | 31,263 |
| Other | 15,282 | - | - | 6,576 | - | 27,196 | 20,000 | 69,054 |
| Total revenues | 17,497 | 15,666 | 19,298 | 745,116 | 173,993 | 27,318 | 20,645 | 1,019,533 |
| Expenditures | | | | | | | | |
| Current: | | | | | | | | |
| General government | 37,475 | 8,461 | 36,603 | - | - | - | - | 82,539 |
| Public safety | - | - | - | - | 34,066 | - | - | 34,066 |
| Parks and recreation | - | - | - | - | - | 18,763 | - | 18,763 |
| Tourism and arts | - | - | - | 688,638 | - | - | - | 688,638 |
| Total expenditures | 37,475 | 8,461 | 36,603 | 688,638 | 34,066 | 18,763 | 0 | 824,006 |
| Excess (Deficiency) of Revenues Over Expenditures | (19,978) | 7,205 | (17,305) | 56,478 | 139,927 | 8,555 | 20,645 | 195,527 |
| Other Financing Sources (Uses) | | | | | | | | |
| Transfers in | - | - | - | 100,000 | - | - | - | 100,000 |
| Total other financing sources (uses) | 0 | 0 | 0 | 100,000 | 0 | 0 | 0 | 100,000 |
| Net Change in Fund Balances | (19,978) | 7,205 | (17,305) | 156,478 | 139,927 | 8,555 | 20,645 | 295,527 |
| Fund Balances, Beginning of Year | 111,176 | 228,133 | 198,397 | 455,887 | 217,495 | 13,914 | 25,709 | 1,250,711 |
| Fund Balances, End of Year | \$ 91,198 | \$ 235,338 | \$ 181,092 | \$ 612,365 | \$ 357,422 | \$ 22,469 | \$ 46,354 | \$ 1,546,238 |

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Special General Fund
Year Ended September 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Budget Favorable (Unfavorable) |
|--|----------------------------|-------------------------|------------------|---|
| Revenues | | | | |
| Investment earnings | \$ 750 | \$ 1,500 | \$ 2,215 | \$ 715 |
| Other | 110,500 | 53,000 | 15,282 | (37,718) |
| Total revenues | 111,250 | 54,500 | 17,497 | (37,003) |
| Expenditures | | | | |
| General government | 101,000 | 31,100 | 37,475 | (6,375) |
| Total expenditures | 101,000 | 31,100 | 37,475 | (6,375) |
| Net Change in Fund Balance | <u>\$ 10,250</u> | <u>\$ 23,400</u> | (19,978) | <u>\$ (43,378)</u> |
| Fund Balance, Beginning of Year | | | 111,176 | |
| Fund Balance, End of Year | | | <u>\$ 91,198</u> | |

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Court Security Fund
Year Ended September 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Budget Favorable (Unfavorable) |
|--|----------------------------|-------------------------|-------------------|---|
| Revenues | | | | |
| Fines and forfeitures | \$ 11,000 | \$ 11,000 | \$ 11,297 | \$ 297 |
| Investment earnings | 2,000 | 3,000 | 4,369 | 1,369 |
| Total revenues | 13,000 | 14,000 | 15,666 | 1,666 |
| Expenditures | | | | |
| General government | 50,000 | 20,000 | 8,461 | 11,539 |
| Net Change in Fund Balance | <u>\$ (37,000)</u> | <u>\$ (6,000)</u> | 7,205 | <u>\$ 13,205</u> |
| Fund Balance, Beginning of Year | | | <u>228,133</u> | |
| Fund Balance, End of Year | | | <u>\$ 235,338</u> | |

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Court Technology Fund
Year Ended September 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Budget Favorable (Unfavorable) |
|--|----------------------------|-------------------------|-------------------|---|
| Revenues | | | | |
| Fines and forfeitures | \$ 16,000 | \$ 16,000 | \$ 15,054 | \$ (946) |
| Investment earnings | 2,000 | 3,000 | 4,244 | 1,244 |
| Total revenues | 18,000 | 19,000 | 19,298 | 298 |
| Expenditures | | | | |
| General government | 30,000 | 38,000 | 36,603 | 1,397 |
| Net Change in Fund Balance | <u>\$ (12,000)</u> | <u>\$ (19,000)</u> | (17,305) | <u>\$ 1,695</u> |
| Fund Balance, Beginning of Year | | | <u>198,397</u> | |
| Fund Balance, End of Year | | | <u>\$ 181,092</u> | |

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Hotel Occupancy Tax Fund
Year Ended September 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Budget Favorable (Unfavorable) |
|---|----------------------------|-------------------------|-------------------|---|
| Revenues | | | | |
| Franchise and other taxes | \$ 625,000 | \$ 720,000 | \$ 727,423 | \$ 7,423 |
| Investment earnings | 4,000 | 8,000 | 11,117 | 3,117 |
| Other | 17,500 | 12,500 | 6,576 | (5,924) |
| Total revenues | 646,500 | 740,500 | 745,116 | 4,616 |
| Expenditures | | | | |
| Tourism and arts | 772,403 | 769,261 | 688,638 | 80,623 |
| Deficiency of Revenues Over Expenditures | | | | |
| | (125,903) | (28,761) | 56,478 | 85,239 |
| Other Financing Sources | | | | |
| Transfers in | 30,000 | 100,000 | 100,000 | - |
| Net Change in Fund Balance | <u>\$ (95,903)</u> | <u>\$ 71,239</u> | 156,478 | <u>\$ 85,239</u> |
| Fund Balance, Beginning of Year | | | <u>455,887</u> | |
| Fund Balance, End of Year | | | <u>\$ 612,365</u> | |

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Red Light Camera Fund
Year Ended September 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Budget Favorable (Unfavorable) |
|--|----------------------------|-------------------------|-------------------|---|
| Revenues | | | | |
| Fines and forfeitures | \$ 150,050 | \$ 160,050 | \$ 165,442 | \$ 5,392 |
| Investment earnings | 4,000 | 7,000 | 8,551 | 1,551 |
| Total revenues | 154,050 | 167,050 | 173,993 | 6,943 |
| Expenditures | | | | |
| Public safety | 102,039 | 36,873 | 34,066 | 2,807 |
| Total expenditures | 102,039 | 36,873 | 34,066 | 2,807 |
| Revenues Over Expenditures | 52,011 | 130,177 | 139,927 | 9,750 |
| Other Financing Sources | | | | |
| Transfers out | (20,000) | (20,000) | - | 20,000 |
| Net Change in Fund Balance | <u>\$ 32,011</u> | <u>\$ 110,177</u> | 139,927 | <u>\$ 9,750</u> |
| Fund Balance, Beginning of Year | | | <u>217,495</u> | |
| Fund Balance, End of Year | | | <u>\$ 357,422</u> | |

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Bunny Run Fund
Year Ended September 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Budget Favorable (Unfavorable) |
|--|----------------------------|-------------------------|------------------|---|
| Revenues | | | | |
| Investment earnings | \$ 50 | \$ 200 | \$ 122 | \$ (78) |
| Other | 23,000 | 23,000 | 27,196 | 4,196 |
| Total revenues | 23,050 | 23,200 | 27,318 | 4,118 |
| Expenditures | | | | |
| Parks and recreation | 22,200 | 21,700 | 18,763 | 2,937 |
| Net Change in Fund Balance | \$ 850 | \$ 1,500 | 8,555 | \$ 7,055 |
| Fund Balance, Beginning of Year | | | 13,914 | |
| Fund Balance, End of Year | | | \$ 22,469 | |

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Legacy Fund
Year Ended September 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Budget Favorable (Unfavorable) |
|--|----------------------------|-------------------------|------------------|---|
| Revenues | | | | |
| Investment earnings | \$ 500 | \$ 500 | \$ 645 | \$ 145 |
| Other | - | - | 20,000 | 20,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenues | 500 | 500 | 20,645 | 20,145 |
| Expenditures | | | | |
| Parks and recreation | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net Change in Fund Balance | <u>\$ 500</u> | <u>\$ 500</u> | 20,645 | <u>\$ 20,145</u> |
| Fund Balance, Beginning of Year | | | <hr/> 25,709 | |
| Fund Balance, End of Year | | | <u>\$ 46,354</u> | |

City of Tomball, Texas
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual – Debt Service Fund
Year Ended September 30, 2019

| | Original Budget | Final Budget | Actual | Variance With Final Budget Favorable (Unfavorable) |
|--|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Property tax | \$ 4,600,000 | \$ 4,460,000 | \$ 4,195,229 | \$ (264,771) |
| Contributions from component unit | 536,113 | 536,113 | 536,112 | (1) |
| Investment earnings | 52,500 | 60,000 | 103,329 | 43,329 |
| Total revenues | <u>5,188,613</u> | <u>5,056,113</u> | <u>4,834,670</u> | <u>(221,443)</u> |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal | 3,066,130 | 2,990,250 | 3,576,806 | (586,556) |
| Interest | 1,352,131 | 1,332,831 | 1,367,451 | (34,620) |
| Bond issuance costs | 11,783 | 13,380 | 11,582 | 1,798 |
| Total expenditures | <u>4,430,044</u> | <u>4,336,461</u> | <u>4,955,839</u> | <u>(619,378)</u> |
| Revenues (Deficiency of Revenues) Over Expenditures | 758,569 | 719,652 | (121,169) | 397,935 |
| Other Financing Uses | | | | |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | <u>\$ 758,569</u> | <u>\$ 719,652</u> | (121,169) | <u>\$ 397,935</u> |
| Fund Balance, Beginning of Year | | | <u>4,759,479</u> | |
| Fund Balance, End of Year | | | <u>\$ 4,638,310</u> | |

City of Tomball, Texas
Internal Service Funds
Year Ended September 30, 2019

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

Fleet Replacement Fund

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

Health Benefits Fund

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

City of Tomball, Texas
Combining Statement of Net Position – Internal Service Funds
September 30, 2019

| | Fleet Replacement Fund | Health Benefits Fund | Total Internal Service Funds |
|---|---------------------------------------|-------------------------------------|---|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 27,228 | \$ - | \$ 27,228 |
| Investments | 1,469,284 | 1,575,573 | 3,044,857 |
| Due from other government | - | 225,044 | 225,044 |
| Due from component unit | - | - | - |
| Total current assets | <u>1,496,512</u> | <u>1,800,617</u> | <u>3,297,129</u> |
| Noncurrent Assets | | | |
| Capital assets: | | | |
| Machinery and equipment | 1,378,855 | - | 1,378,855 |
| Vehicles | 3,379,712 | - | 3,379,712 |
| Less accumulated depreciation | <u>(2,410,029)</u> | <u>-</u> | <u>(2,410,029)</u> |
| Total noncurrent assets | <u>2,348,538</u> | <u>0</u> | <u>2,348,538</u> |
| Total assets | <u><u>\$ 3,845,050</u></u> | <u><u>\$ 1,800,617</u></u> | <u><u>\$ 5,645,667</u></u> |
| Liabilities and Net Position | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 1,550 | \$ 61,256 | \$ 62,806 |
| Public property finance contractual obligation, current | <u>130,000</u> | <u>-</u> | <u>130,000</u> |
| Total current liabilities | <u>131,550</u> | <u>61,256</u> | <u>192,806</u> |
| Noncurrent Liabilities | | | |
| Public property finance contractual obligation | <u>1,039,868</u> | <u>-</u> | <u>1,039,868</u> |
| Total liabilities | <u>1,171,418</u> | <u>61,256</u> | <u>1,232,674</u> |
| Net Position | | | |
| Net investment in capital assets | 2,348,538 | - | 2,348,538 |
| Unrestricted | <u>325,094</u> | <u>1,739,361</u> | <u>2,064,455</u> |
| Total net position | <u>2,673,632</u> | <u>1,739,361</u> | <u>4,412,993</u> |
| Total liabilities and net position | <u><u>\$ 3,845,050</u></u> | <u><u>\$ 1,800,617</u></u> | <u><u>\$ 5,645,667</u></u> |

City of Tomball, Texas
Combining Statement of Revenues, Expenses and
Changes In Net Position – Internal Service Funds
Year Ended September 30, 2019

| | Fleet Replacement Fund | Health Benefits Fund | Total Internal Service Funds |
|---|---------------------------------------|-------------------------------------|---|
| Operating Revenues | | | |
| Charges for sales and services | \$ 217,501 | \$ 2,994,973 | \$ 3,212,474 |
| Operating Expenses | | | |
| Costs of sales and services | - | 2,847,036 | 2,847,036 |
| Depreciation | 426,705 | - | 426,705 |
| Total operating expenses | 426,705 | 2,847,036 | 3,273,741 |
| Operating Income (Loss) | (209,204) | 147,937 | (61,267) |
| Nonoperating Revenues (Expenses) | | | |
| Investment earnings | 24,347 | 26,780 | 51,127 |
| Interest expense | (48,504) | - | (48,504) |
| Total nonoperating revenues (expenses) | (24,157) | 26,780 | 2,623 |
| Income (Loss) Before Transfers | (233,361) | 174,717 | (58,644) |
| Transfers in | 178,636 | - | 178,636 |
| Change in Net Position | (54,725) | 174,717 | 119,992 |
| Net Position, Beginning of Year | 2,728,357 | 1,564,644 | 4,293,001 |
| Net Position, End of Year | \$ 2,673,632 | \$ 1,739,361 | \$ 4,412,993 |

City of Tomball, Texas
Combining Statement of Cash Flows – Internal Service Funds
Year Ended September 30, 2019

| | Fleet Replacement Fund | Health Benefits Fund | Total Internal Service Funds |
|--|---------------------------------------|-------------------------------------|---|
| Operating Activities | | | |
| Receipts from interfund charges for fleet management services | \$ 217,501 | \$ - | \$ 217,501 |
| Receipts from interfund charges for health benefits services | - | 2,863,167 | 2,863,167 |
| Payments to suppliers and service providers | <u>(6,089)</u> | <u>(2,846,876)</u> | <u>(2,852,965)</u> |
| Net cash provided by operating activities | <u>211,412</u> | <u>16,291</u> | <u>227,703</u> |
| Capital and Related Financing Activities | | | |
| Acquisition and construction of capital assets | (1,757,939) | - | (1,757,939) |
| Transfers from other funds | 178,636 | - | 178,636 |
| Principal paid on capital debt | (130,132) | - | (130,132) |
| Interest paid on capital debt | <u>(48,504)</u> | <u>-</u> | <u>(48,504)</u> |
| Net cash used by capital and related financing activities | <u>(1,757,939)</u> | <u>0</u> | <u>(1,757,939)</u> |
| Investing Activities | | | |
| Interest on investments | 24,347 | 26,780 | 51,127 |
| Investment maturities (purchases), net | <u>715,677</u> | <u>(459,621)</u> | <u>256,056</u> |
| Net cash provided by (used in) investing activities | <u>740,024</u> | <u>(432,841)</u> | <u>307,183</u> |
| Decrease in Cash and Cash Equivalents | (806,503) | (416,550) | (1,223,053) |
| Cash and Cash Equivalents, Beginning of Year | <u>833,731</u> | <u>416,550</u> | <u>1,250,281</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 27,228</u> | <u>\$ 0</u> | <u>\$ 27,228</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities | | | |
| Operating income (loss) | (209,204) | 147,937 | (61,267) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation | 426,705 | - | 426,705 |
| Changes in: | | | |
| Accounts receivable, net | - | (189,633) | (189,633) |
| Accounts payable and accrued liabilities | <u>(6,089)</u> | <u>57,987</u> | <u>51,898</u> |
| Net cash provided by operating activities | <u>\$ 211,412</u> | <u>\$ 16,291</u> | <u>\$ 227,703</u> |

City of Tomball, Texas
Discretely Presented Component Unit
Year Ended September 30, 2019

Tomball Economic Development Corporation accounts for the proceeds of a one-half cent sales tax to promote and assist in the economic development of the City.

City of Tomball, Texas
Balance Sheet – Discretely Presented Component Unit
(Tomball Economic Development Corporation)
September 30, 2019

Assets

| | | |
|---------------------------|----|--------------------------|
| Cash and cash equivalents | \$ | 328,464 |
| Investments | | 21,061,836 |
| Accounts receivable, net | | <u>667,287</u> |
| Total assets | \$ | <u><u>22,057,587</u></u> |

Liabilities

| | | |
|---------------------------|----|----------------|
| Accounts payable | \$ | 200,204 |
| Due to primary government | | <u>208,327</u> |
| Total liabilities | | <u>408,531</u> |

Fund Balance

| | | |
|------------------------------------|----|--------------------------|
| Assigned | | <u>21,649,056</u> |
| Total liabilities and fund balance | \$ | <u><u>22,057,587</u></u> |

**Reconciliation to Government-wide Statement
of Net Position**

| | | |
|--|----|------------------|
| Total fund balance | \$ | 21,649,056 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund | | <u>3,594,811</u> |

Net Position of Component Unit

\$ 25,243,867

City of Tomball, Texas
Statement of Revenues, Expenditures and Changes in
Fund Balance – Discretely Presented Component Unit
(Tomball Economic Development Corporation)
Year Ended September 30, 2019

| | |
|--|-----------------------------|
| Revenues | |
| Sales tax | \$ 4,168,199 |
| Intergovernmental | 5,500 |
| Investment earnings | <u>551,967</u> |
| Total revenues | 4,725,666 |
| Expenditures | |
| Current: | |
| Economic development | <u>2,874,429</u> |
| Excess of Revenues Over Expenditures | <u>1,851,237</u> |
| Other Financing Source | |
| Proceeds from sale of capital asset | 3,001,416 |
| Net Change in Fund Balance | 4,852,653 |
| Fund Balance, Beginning of Year | <u>16,796,403</u> |
| Fund Balance, End of Year | <u><u>\$ 21,649,056</u></u> |
| Reconciliation to Government-wide Statement of Activities | |
| Net change in fund balance | \$ 4,852,653 |
| Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Transactions in the current period involving capital assets include: | |
| Capital outlay recorded as capital assets | 444,349 |
| Asset retirements/disposals | <u>(405,193)</u> |
| Change in Net Position of Component Unit | <u><u>\$ 4,891,809</u></u> |

Statistical Section (Unaudited)

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

| Contents | Page |
|--|-------------|
| Financial Trends These schedules contain trend information to help the readers understand how the city's financial performance and well-being have changed over time. | 83 |
| Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue sources, sales and property tax. | 89 |
| Debt Capacity 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. | 95 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place. | 100 |
| Operating Information 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. | 102 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 16,790,199 | \$ 18,306,705 | \$ 23,370,524 | \$ 25,646,519 | \$ 28,189,848 | \$ 31,267,016 | \$ 34,220,115 | \$ 40,779,628 | \$ 38,896,658 | \$ 39,717,999 |
| Restricted | 1,423,521 | 1,895,850 | 2,675,627 | 2,804,100 | 3,557,490 | 4,308,595 | 5,821,510 | 3,912,411 | 4,303,114 | 6,024,527 |
| Unrestricted | 13,048,317 | 12,518,847 | 10,571,977 | 12,612,754 | 13,566,745 | 10,694,702 | 10,340,744 | 11,385,550 | 13,436,447 | 18,791,783 |
| Total governmental activities net position | \$ 31,262,037 | \$ 32,721,402 | \$ 36,618,128 | \$ 41,063,373 | \$ 45,314,083 | \$ 46,270,313 | \$ 50,382,369 | \$ 56,077,589 | \$ 56,636,219 | \$ 64,534,309 |
| Business-type Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 29,073,794 | \$ 29,338,053 | \$ 30,368,908 | \$ 30,721,512 | \$ 30,851,835 | \$ 33,433,571 | \$ 33,059,434 | \$ 33,038,353 | \$ 34,874,499 | \$ 36,762,190 |
| Restricted | - | - | - | - | 1,095,173 | - | - | - | - | - |
| Unrestricted | 8,753,794 | 10,299,638 | 9,636,451 | 10,646,792 | 11,354,769 | 10,960,950 | 11,445,362 | 8,966,625 | 9,838,615 | 5,830,989 |
| Total business-type activities net position | \$ 37,827,588 | \$ 39,637,691 | \$ 40,005,359 | \$ 41,368,304 | \$ 43,301,777 | \$ 44,394,521 | \$ 44,504,796 | \$ 42,004,978 | \$ 44,713,114 | \$ 42,593,179 |
| Primary Government | | | | | | | | | | |
| Net investment in capital assets | \$ 45,863,993 | \$ 47,644,758 | \$ 53,739,432 | \$ 56,368,031 | \$ 59,041,683 | \$ 64,700,587 | \$ 67,279,549 | \$ 73,817,981 | \$ 73,771,157 | \$ 76,480,189 |
| Restricted | 1,423,521 | 1,895,850 | 2,675,627 | 2,804,100 | 4,652,663 | 4,308,595 | 5,821,510 | 3,912,411 | 4,303,114 | 6,024,527 |
| Unrestricted | 21,802,111 | 22,818,485 | 20,208,428 | 23,259,546 | 24,921,514 | 21,655,652 | 21,786,106 | 20,352,175 | 23,275,062 | 24,622,772 |
| Total primary government net position | \$ 69,089,625 | \$ 72,359,093 | \$ 76,623,487 | \$ 82,431,677 | \$ 88,615,860 | \$ 90,664,834 | \$ 94,887,165 | \$ 98,082,567 | \$ 101,349,333 | \$ 107,127,488 |

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 3,476,001 | \$ 4,472,541 | \$ 4,077,633 | \$ 5,131,879 | \$ 4,789,051 | \$ 4,968,344 | \$ 5,391,624 | \$ 5,916,485 | \$ 5,107,870 | \$ 5,944,428 |
| Public safety | 5,907,235 | 6,546,562 | 6,845,653 | 7,508,811 | 8,069,621 | 8,493,353 | 9,028,841 | 9,650,665 | 10,000,655 | 10,435,902 |
| Public works | 5,205,824 | 4,739,268 | 5,794,907 | 5,456,886 | 6,137,989 | 6,181,783 | 6,436,355 | 6,952,664 | 8,912,367 | 7,074,104 |
| Community development | 272,034 | 255,764 | 287,085 | 302,564 | 338,381 | 313,713 | 421,381 | 386,153 | 431,157 | 430,360 |
| Interest and fiscal agent fees on long-term debt | 658,304 | 353,188 | 821,705 | 830,054 | 926,584 | 891,258 | 830,716 | 1,252,064 | 1,452,252 | 1,328,319 |
| Total governmental activities expenses | <u>15,519,398</u> | <u>16,367,323</u> | <u>17,826,983</u> | <u>19,230,194</u> | <u>20,261,626</u> | <u>20,848,451</u> | <u>22,108,917</u> | <u>24,158,031</u> | <u>25,904,301</u> | <u>25,213,113</u> |
| Business-type activities: | | | | | | | | | | |
| Utility Administration | 1,843,501 | 2,207,488 | 979,390 | 955,026 | 909,211 | 979,161 | 1,179,100 | 1,362,874 | 2,876,373 | 2,938,276 |
| Water | 2,549,230 | 3,003,537 | 3,262,366 | 2,962,612 | 3,087,563 | 3,410,534 | 3,410,534 | 3,937,152 | 3,356,893 | 3,793,224 |
| Wastewater | 1,226,582 | 1,757,176 | 1,736,531 | 1,978,197 | 2,418,443 | 2,483,923 | 2,483,923 | 2,228,636 | 1,239,276 | 1,448,029 |
| Gas | 1,801,364 | 1,600,490 | 1,743,258 | 2,229,583 | 1,963,162 | 1,429,950 | 1,429,950 | 1,507,955 | 1,529,924 | 1,774,315 |
| Interest and fiscal agent fees | 481,542 | 272,406 | 321,443 | 245,129 | - | - | - | - | - | - |
| Total business-type activities expenses | <u>7,902,219</u> | <u>8,841,097</u> | <u>8,042,988</u> | <u>8,370,547</u> | <u>8,378,379</u> | <u>8,303,568</u> | <u>8,503,507</u> | <u>9,036,617</u> | <u>9,002,466</u> | <u>9,953,844</u> |
| Total primary government expenses | <u>\$ 23,421,617</u> | <u>\$ 25,208,420</u> | <u>\$ 25,869,971</u> | <u>\$ 27,600,741</u> | <u>\$ 28,640,005</u> | <u>\$ 29,152,019</u> | <u>\$ 30,612,424</u> | <u>\$ 33,194,648</u> | <u>\$ 34,906,767</u> | <u>\$ 35,166,957</u> |

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Public safety | \$ 1,083,408 | \$ 1,143,981 | \$ 1,181,742 | \$ 1,066,313 | \$ 999,667 | \$ 1,334,938 | \$ 1,334,938 | \$ 1,315,754 | \$ 1,528,423 | \$ 1,899,018 |
| Public works | 2,284,482 | 2,384,406 | 2,613,043 | 2,695,712 | 2,694,670 | 2,673,999 | 2,673,999 | 2,359,008 | 1,961,957 | 1,954,602 |
| Community development | - | - | - | - | - | - | - | 441,542 | 513,522 | 558,992 |
| Operating grants and contributions | 268,675 | 1,295,653 | 1,313,128 | 1,844,224 | 1,039,237 | 544,607 | 544,607 | 1,420,653 | 1,012,028 | 839,316 |
| Total governmental activities program revenues | <u>3,636,565</u> | <u>4,824,040</u> | <u>5,107,913</u> | <u>5,606,249</u> | <u>4,733,574</u> | <u>4,553,544</u> | <u>4,553,544</u> | <u>5,536,957</u> | <u>5,015,930</u> | <u>5,251,928</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Utility administration | 413,523 | 622,320 | 1,001,306 | 807,673 | 842,468 | 907,654 | 907,654 | 739,061 | 1,335,974 | 934,852 |
| Water | 5,199,565 | 4,470,657 | 4,668,205 | 4,578,777 | 4,449,383 | 4,654,613 | 4,654,613 | 5,092,916 | 5,347,170 | 5,494,083 |
| Wastewater | 2,368,469 | 2,262,268 | 2,365,611 | 2,372,163 | 2,320,748 | 2,316,495 | 2,316,495 | 2,434,143 | 2,405,689 | 2,310,252 |
| Gas | 3,538,152 | 2,894,447 | 3,061,634 | 3,578,145 | 3,295,521 | 2,844,005 | 2,844,005 | 2,655,884 | 3,139,726 | 3,271,868 |
| Operating grants and contributions | 798,300 | 720,000 | 670,000 | 670,000 | 670,000 | 558,148 | 558,148 | 558,148 | 558,148 | - |
| Total business-type activities program revenues | <u>12,318,009</u> | <u>10,969,692</u> | <u>11,766,756</u> | <u>12,006,758</u> | <u>11,578,120</u> | <u>11,280,915</u> | <u>11,280,915</u> | <u>11,480,152</u> | <u>12,786,707</u> | <u>12,011,055</u> |
| Total primary government program revenues | <u>\$ 15,954,574</u> | <u>\$ 15,793,732</u> | <u>\$ 16,874,669</u> | <u>\$ 17,613,007</u> | <u>\$ 16,311,694</u> | <u>\$ 15,834,459</u> | <u>\$ 15,834,459</u> | <u>\$ 17,017,109</u> | <u>\$ 17,802,637</u> | <u>\$ 17,262,983</u> |
| Net (Expense) Revenue | | | | | | | | | | |
| Governmental activities | \$ (11,882,833) | \$ (11,543,283) | \$ (12,719,070) | \$ (13,623,945) | \$ (15,528,052) | \$ (16,294,907) | \$ (17,555,373) | \$ (18,621,074) | \$ (20,888,371) | \$ (19,961,185) |
| Business-type activities | 4,415,790 | 2,128,595 | 3,723,768 | 3,636,211 | 3,199,741 | 2,977,347 | 2,777,408 | 2,443,535 | 3,784,241 | 2,057,211 |
| Total primary government net expense | <u>\$ (7,467,043)</u> | <u>\$ (9,414,688)</u> | <u>\$ (8,995,302)</u> | <u>\$ (9,987,734)</u> | <u>\$ (12,328,311)</u> | <u>\$ (13,317,560)</u> | <u>\$ (14,777,965)</u> | <u>\$ (16,177,539)</u> | <u>\$ (17,104,130)</u> | <u>\$ (17,903,974)</u> |

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes, levied for general purposes | \$ 1,422,603 | \$ 1,270,645 | \$ 1,228,461 | \$ 1,543,913 | \$ 1,638,673 | \$ 1,715,949 | \$ 1,855,706 | \$ 1,964,345 | \$ 2,144,861 | \$ 2,046,480 |
| Property taxes, levied for debt service | 1,500,310 | 1,586,918 | 2,557,169 | 3,164,416 | 3,371,282 | 3,525,979 | 3,818,986 | 4,042,945 | 4,374,552 | 4,195,229 |
| Sales taxes | 6,651,064 | 7,023,409 | 8,189,360 | 9,442,376 | 10,532,691 | 10,839,818 | 10,578,683 | 10,791,147 | 12,427,660 | 12,523,084 |
| Franchise and local taxes | 1,153,954 | 1,186,272 | 1,227,784 | 1,267,302 | 1,253,077 | 1,282,598 | 1,331,077 | 1,307,171 | 1,270,927 | 1,300,064 |
| Other taxes | 229,636 | 325,360 | 444,032 | 428,208 | 590,910 | 538,843 | 628,932 | 554,839 | 711,245 | 798,623 |
| Gain on sale of capital assets | - | - | - | - | - | 17,634 | 127,134 | - | - | - |
| Contributions | - | - | - | - | - | - | - | - | - | 536,112 |
| Other | 166,287 | 361,026 | 151,142 | 227,592 | 253,375 | 475,712 | 395,060 | 145,114 | 376,266 | 1,234,387 |
| Unrestricted investment earnings | 80,426 | 43,035 | 46,763 | 44,877 | 30,636 | 40,115 | 133,673 | 473,077 | 920,613 | 184,901 |
| Transfers | 2,260,134 | 2,393,458 | 3,054,958 | 2,448,842 | 1,691,621 | 1,607,068 | 2,798,178 | 5,037,656 | 836,473 | 5,040,395 |
| Total governmental activities | <u>13,464,414</u> | <u>14,190,123</u> | <u>16,899,669</u> | <u>18,567,526</u> | <u>19,362,265</u> | <u>20,043,716</u> | <u>21,667,429</u> | <u>24,316,294</u> | <u>23,062,597</u> | <u>27,859,275</u> |
| Business-type activities: | | | | | | | | | | |
| Gain on sale of capital assets | - | - | - | - | - | - | - | - | - | 38,462 |
| Other | 43,076 | 121,344 | 44,212 | 50,567 | 45,800 | 47,847 | 87,304 | 11,511 | 4,417 | 266,639 |
| Contributions | - | - | - | - | - | - | - | - | - | 558,148 |
| Unrestricted investment earnings | 93,361 | 30,414 | 21,721 | 13,088 | (1,417) | 33,771 | 43,741 | 82,792 | 154,619 | - |
| Transfers | (2,260,134) | (2,393,458) | (3,054,958) | (2,448,842) | (1,691,621) | (1,607,068) | (2,798,178) | (5,037,656) | (836,473) | (5,040,395) |
| Total business-type activities | <u>(2,123,697)</u> | <u>(2,241,700)</u> | <u>(2,989,025)</u> | <u>(2,385,187)</u> | <u>(1,647,238)</u> | <u>(1,525,450)</u> | <u>(2,667,133)</u> | <u>(4,943,353)</u> | <u>(677,437)</u> | <u>(4,177,146)</u> |
| Total primary government | <u>\$ 11,340,717</u> | <u>\$ 11,948,423</u> | <u>\$ 13,910,644</u> | <u>\$ 16,182,339</u> | <u>\$ 17,715,027</u> | <u>\$ 18,518,266</u> | <u>\$ 19,000,296</u> | <u>\$ 19,372,941</u> | <u>\$ 22,385,160</u> | <u>\$ 23,682,129</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 1,581,581 | \$ 2,646,840 | \$ 4,180,599 | \$ 4,943,581 | \$ 3,834,213 | \$ 3,748,809 | \$ 4,112,056 | \$ 5,695,220 | \$ 2,174,226 | \$ 7,898,090 |
| Business-type activities | 2,292,093 | (113,105) | 734,743 | 1,251,024 | 1,552,503 | 1,451,897 | 110,275 | (2,499,818) | 3,106,804 | (2,119,935) |
| Total primary government | <u>\$ 3,873,674</u> | <u>\$ 2,533,735</u> | <u>\$ 4,915,342</u> | <u>\$ 6,194,605</u> | <u>\$ 5,386,716</u> | <u>\$ 5,200,706</u> | <u>\$ 4,222,331</u> | <u>\$ 3,195,402</u> | <u>\$ 5,281,030</u> | <u>\$ 5,778,155</u> |

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ 39,913 | \$ 30,441 | \$ 15,894 | \$ 14,435 | \$ 12,047 | \$ 14,956 | \$ 22,244 | \$ 41,027 |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Assigned | - | - | 325,879 | 161,921 | 322,702 | 127,671 | 35,379 | 24,767 | 78,620 | - |
| Unassigned | 12,161,681 | 11,797,535 | 9,489,655 | 11,559,755 | 13,075,443 | 13,340,472 | 13,245,355 | 13,021,273 | 14,649,687 | 16,040,036 |
| Total general fund | <u>\$ 12,161,681</u> | <u>\$ 11,797,535</u> | <u>\$ 9,855,447</u> | <u>\$ 11,752,117</u> | <u>\$ 13,414,039</u> | <u>\$ 13,482,578</u> | <u>\$ 13,292,781</u> | <u>\$ 13,060,996</u> | <u>\$ 14,750,551</u> | <u>\$ 16,081,063</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Restricted | \$ 1,276,646 | \$ 1,896,380 | \$ 19,319,655 | \$ 27,524,034 | \$ 26,470,729 | \$ 23,370,264 | \$ 19,434,478 | \$ 42,711,890 | \$ 39,639,759 | \$ 42,382,622 |
| Assigned, reported in: | | | | | | | | | | |
| Capital project funds | 133,790 | 135,609 | - | - | - | - | - | - | - | - |
| Nonmajor governmental funds | 901,406 | 141,129 | 133,570 | 143,436 | 168,245 | 167,060 | 128,489 | 140,059 | 150,799 | 160,021 |
| Total all other governmental funds | <u>\$ 2,311,842</u> | <u>\$ 2,173,118</u> | <u>\$ 19,453,225</u> | <u>\$ 27,667,470</u> | <u>\$ 26,638,974</u> | <u>\$ 23,537,324</u> | <u>\$ 19,562,967</u> | <u>\$ 42,851,949</u> | <u>\$ 39,790,558</u> | <u>\$ 42,542,643</u> |

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|---------------------|---------------------|----------------------|----------------------|--------------------|-----------------------|-----------------------|----------------------|-----------------------|---------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 10,897,786 | \$ 11,400,964 | \$ 13,886,856 | \$ 15,846,215 | \$ 17,386,633 | \$ 17,903,187 | \$ 18,213,384 | \$ 18,660,447 | \$ 20,855,485 | \$ 20,863,480 |
| Licenses and permits | 311,563 | 262,713 | 308,621 | 445,104 | 446,292 | 492,646 | 439,677 | 477,934 | 532,615 | 580,397 |
| Fines and forfeitures | 1,204,099 | 1,083,408 | 1,143,981 | 1,181,742 | 1,066,313 | 999,667 | 892,654 | 811,084 | 664,577 | 702,464 |
| Charges for services | 1,920,214 | 2,021,769 | 2,075,785 | 2,167,939 | 2,249,420 | 2,202,024 | 2,234,322 | 2,236,863 | 1,844,191 | 2,944,374 |
| Intergovernmental | 73,130 | 168,782 | 273,950 | 784,918 | 939,861 | 384,308 | 288,988 | 879,740 | 453,416 | 814,316 |
| Contributions from component unit | 10,000 | 99,893 | 1,021,703 | 528,210 | 904,363 | 606,753 | 538,012 | 540,913 | 558,612 | 561,112 |
| Investment earnings | 99,837 | 40,760 | 44,347 | 42,913 | 29,604 | 38,372 | 125,092 | 451,739 | 920,616 | 1,234,387 |
| Other revenues | 254,615 | 386,935 | 151,143 | 178,501 | 242,361 | 538,244 | 637,104 | 746,050 | 1,412,658 | 370,277 |
| Total revenues | 14,771,244 | 15,465,224 | 18,906,386 | 21,175,542 | 23,264,847 | 23,165,201 | 23,369,233 | 24,804,770 | 27,242,170 | 28,070,807 |
| Expenditures | | | | | | | | | | |
| General government | 4,333,119 | 4,507,290 | 4,520,919 | 5,099,473 | 4,929,295 | 5,128,871 | 5,226,561 | 6,100,527 | 5,393,013 | 5,864,176 |
| Public safety | 5,850,953 | 6,391,016 | 7,344,336 | 7,353,064 | 8,230,705 | 9,114,221 | 8,509,599 | 9,089,408 | 9,299,659 | 9,343,944 |
| Public works | 3,784,400 | 3,090,590 | 3,407,143 | 3,217,149 | 3,364,509 | 3,464,256 | 3,386,348 | 6,526,127 | 4,125,511 | 3,981,985 |
| Public service | 587,557 | 1,179,637 | 266,984 | 1,677,586 | 1,627,610 | 1,366,045 | 2,716,596 | - | - | - |
| Parks and recreation | - | - | - | - | - | - | - | 741,577 | 637,942 | 780,799 |
| Tourism and arts | - | - | - | - | - | - | - | - | 648,305 | 688,638 |
| Community development | - | - | - | - | - | - | - | 702,393 | 431,157 | 430,037 |
| Capital outlay | 821,359 | 1,445,273 | 4,311,250 | 1,939,517 | 2,996,663 | 5,923,542 | 7,384,704 | 777,156 | 4,135,518 | 2,804,551 |
| Debt service: | | | | | | | | | | |
| Principal | 1,135,500 | 1,195,500 | 1,192,057 | 1,800,649 | 2,210,330 | 2,742,812 | 2,285,608 | 3,119,373 | 3,322,713 | 3,576,806 |
| Interest and paying agent | 723,159 | 626,247 | 913,371 | 1,017,839 | 963,930 | 865,633 | 822,149 | 1,657,511 | 1,456,661 | 1,379,033 |
| Total expenditures | 17,236,047 | 18,435,553 | 21,956,060 | 22,105,277 | 24,323,042 | 28,605,380 | 30,331,565 | 28,714,072 | 29,450,479 | 28,849,969 |
| Deficiency of Revenues Over Expenditures | (2,464,803) | (2,970,329) | (3,049,674) | (929,735) | (1,058,195) | (5,440,179) | (6,962,332) | (3,909,302) | (2,208,309) | (779,162) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Transfers in | 2,260,134 | 2,393,458 | 5,206,958 | 2,748,842 | 2,491,049 | 3,261,023 | 3,979,455 | 8,138,353 | 4,204,166 | 6,314,895 |
| Transfers out | - | - | (2,152,000) | (300,000) | (799,428) | (1,653,955) | (1,181,277) | (2,323,541) | (3,367,693) | (1,453,136) |
| Issuance of debt | 2,120,000 | 3,892,500 | 14,500,000 | 14,270,500 | - | - | - | 20,240,000 | - | - |
| Premium on debt issued | 4,945 | 278,253 | 107,735 | 205,934 | - | - | - | 911,687 | - | - |
| Payment to refunded bond escrow agent | (2,071,560) | (4,096,752) | - | (5,884,626) | - | - | - | - | - | - |
| Capital leases | - | - | 725,000 | - | - | 800,000 | - | - | - | - |
| Total other financing sources | 2,313,519 | 2,467,459 | 18,387,693 | 11,040,650 | 1,691,621 | 2,407,068 | 2,798,178 | 26,966,499 | 836,473 | 4,861,759 |
| Net Change in Fund Balances | \$ (151,284) | \$ (502,870) | \$ 15,338,019 | \$ 10,110,915 | \$ 633,426 | \$ (3,033,111) | \$ (4,164,154) | \$ 23,057,197 | \$ (1,371,836) | \$ 4,082,597 |
| Debt service as a percentage of noncapital expenditures | 11.29% | 10.38% | 11.52% | 13.43% | 14.28% | 15.87% | 13.50% | 17.06% | 18.84% | 18.99% |

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Function | | | | | | | | | | |
| Property | \$ 2,938,594 | \$ 2,865,923 | \$ 4,025,680 | \$ 4,708,329 | \$ 5,009,955 | \$ 5,241,928 | \$ 5,674,692 | \$ 6,007,290 | \$ 6,519,413 | \$ 6,241,709 |
| Sales | 6,651,064 | 6,976,875 | 8,189,360 | 9,442,376 | 10,532,691 | 10,839,818 | 10,578,683 | 10,791,147 | 12,427,660 | 12,594,274 |
| Franchise fee | 1,153,954 | 1,262,187 | 964,790 | 1,267,302 | 1,253,077 | 1,282,598 | 1,331,077 | 1,064,371 | 1,026,440 | 996,118 |
| Other taxes | 154,174 | 295,979 | 707,026 | 428,208 | 590,910 | 538,843 | 628,933 | 797,639 | 881,972 | 1,031,379 |
| | <u>\$ 10,897,786</u> | <u>\$ 11,400,964</u> | <u>\$ 13,886,856</u> | <u>\$ 15,846,215</u> | <u>\$ 17,386,633</u> | <u>\$ 17,903,187</u> | <u>\$ 18,213,385</u> | <u>\$ 18,660,447</u> | <u>\$ 20,855,485</u> | <u>\$ 20,863,480</u> |

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Residential property | \$ 431,346,771 | \$ 435,637,242 | \$ 436,949,202 | \$ 433,331,223 | \$ 439,396,850 | \$ 497,193,417 | \$ 561,634,471 | \$ 588,671,706 | \$ 623,634,272 | \$ 710,129,040 |
| Commercial property | 1,041,882,736 | 988,693,074 | 1,071,555,690 | 1,192,905,533 | 1,303,924,316 | 1,314,023,000 | 1,395,710,026 | 1,451,279,183 | 1,469,452,394 | 1,709,373,371 |
| Less tax exempt property | (317,120,571) | (305,154,366) | (341,307,250) | (261,641,054) | (274,973,296) | (280,967,178) | (290,126,523) | (298,380,174) | (263,289,888) | (345,460,031) |
| Total taxable assessed value (1) | <u>\$ 1,156,108,936</u> | <u>\$ 1,119,175,950</u> | <u>\$ 1,167,197,642</u> | <u>\$ 1,364,595,702</u> | <u>\$ 1,468,347,870</u> | <u>\$ 1,530,249,239</u> | <u>\$ 1,667,217,974</u> | <u>\$ 1,741,570,715</u> | <u>\$ 1,829,796,778</u> | <u>\$ 2,074,042,380</u> |
| Total direct tax rate | 0.251455 | 0.251455 | 0.341455 | 0.341455 | 0.341455 | 0.341455 | 0.341455 | 0.341455 | 0.341455 | 0.341455 |

Source: Harris County Certified / Uncertified Tax Roll.

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

Tax rates are per \$100 of assessed value.

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| City of Tomball by Fund: | | | | | | | | | | |
| General | \$ 0.121455 | \$ 0.111455 | \$ 0.111455 | \$ 0.111455 | \$ 0.111455 | \$ 0.111455 | \$ 0.111455 | \$ 0.111455 | \$ 0.111455 | \$ 0.111455 |
| Debt service | 0.130000 | 0.140000 | 0.230000 | 0.230000 | 0.230000 | 0.230000 | 0.230000 | 0.230000 | 0.230000 | 0.230000 |
| Total direct rates | 0.251455 | 0.251455 | 0.341455 | 0.341455 | 0.341455 | 0.341455 | 0.341455 | 0.341455 | 0.341455 | 0.341455 |
| Overlapping Rates: | | | | | | | | | | |
| Tomball Independent School District | 1.360000 | 1.360000 | 1.360000 | 1.360000 | 1.360000 | 1.360000 | 1.340000 | 1.340000 | 1.340000 | 1.290000 |
| Harris County | 0.392240 | 0.388050 | 0.391170 | 0.400210 | 0.414550 | 0.417310 | 0.419230 | 0.416560 | 0.418580 | 0.407130 |
| Harris County Flood Control District | 0.029220 | 0.029230 | 0.028090 | 0.028090 | 0.028270 | 0.027360 | 0.027330 | 0.028290 | 0.028770 | 0.027920 |
| Port of Houston Authority | 0.016360 | 0.020540 | 0.185600 | 0.019520 | 0.017160 | 0.015310 | 0.013420 | 0.013340 | 0.011550 | 0.010740 |
| Harris County Hospital District | 0.192160 | 0.192160 | 0.192160 | 0.182160 | 0.170000 | 0.170000 | 0.170000 | 0.171790 | 0.171080 | 0.165910 |
| Harris County Department of Education | 0.006050 | 0.006581 | 0.006581 | 0.006617 | 0.006358 | 0.005999 | 0.005422 | 0.005200 | 0.005190 | 0.005000 |
| Lone Star College System District | 0.110100 | 0.117600 | 0.121000 | 0.119800 | 0.116000 | 0.108100 | 0.107900 | 0.107800 | 0.107800 | 0.107800 |
| Emergency Service District #8 | 0.050000 | 0.050000 | 0.050000 | 0.050000 | 0.050000 | 0.100000 | 0.100000 | 0.095470 | 0.098250 | 0.096700 |
| Total direct and overlapping rates (1) | \$ 2.4075850 | \$ 2.4156160 | \$ 2.6760560 | \$ 2.5078520 | \$ 2.5037930 | \$ 2.5455340 | \$ 2.5247570 | \$ 2.5199050 | \$ 2.5226750 | \$ 2.452655 |

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

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

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

| Property Taxpayer | 2019 | | Percent of Taxable Assessed Value | 2010 | | Percent of Taxable Assessed Value |
|---------------------------------|------------------|------|-----------------------------------|------------------|------|-----------------------------------|
| | | Rank | | | Rank | |
| North Houston Trmc, LLC | \$ 159,833,875 | 1 | 7.71% | \$ - | n/a | |
| B J Services | 82,993,735 | 2 | 4.00% | 135,007,739 | 1 | 11.68% |
| Weingarten Investments Inc. | 36,963,925 | 3 | 1.78% | 13,402,898 | 7 | 1.16% |
| Baker Hughes | 34,283,183 | 4 | 1.65% | - | n/a | |
| Mustang CAT Manufacturing | 29,455,307 | 5 | 1.42% | - | n/a | |
| STAR Concrete Pumping Co INC | 22,551,312 | 6 | 1.09% | - | n/a | |
| Wal-Mart | 20,385,352 | 7 | 0.98% | 19,904,980 | 2 | 1.72% |
| CenterPoint Energy | 19,308,704 | 8 | 0.93% | 15,132,013 | 5 | 1.31% |
| MB Tomball Town Center | 19,235,296 | 9 | 0.93% | - | n/a | |
| 29807 Tomball LLC | 18,466,984 | 10 | 0.89% | - | n/a | |
| Welltower TCG | - | n/a | | - | n/a | |
| BK 2920 LTD | - | n/a | | - | n/a | |
| Harrison Street Real Estate LLC | - | n/a | | - | n/a | |
| Benadam Corporation | - | n/a | | - | n/a | |
| MSR TX Tomball LP | - | n/a | | 18,600,000 | 3 | 1.61% |
| Tomball Regional Medical Center | - | n/a | | - | n/a | |
| Breaux Machine Works LP | - | n/a | | - | n/a | |
| Lowe's | - | n/a | | 15,914,622 | 4 | 1.38% |
| HEB Grocery Co. LP | - | n/a | | 14,503,723 | 6 | 1.25% |
| NNN Park at Spring Creek LLC | - | n/a | | 11,635,917 | 8 | 1.01% |
| Target Corporation | - | n/a | | 11,018,148 | 9 | 0.95% |
| A S 62 HWY 249 & FM 2920 | - | n/a | | 10,850,000 | 10 | 0.94% |
| Subtotal | 443,477,673 | | 21.38% | 265,970,040 | | 23.01% |
| Other Taxpayers | 1,630,564,707 | | 78.62% | 890,138,896 | | 76.99% |
| Total | \$ 2,074,042,380 | | 100.00% | \$ 1,156,108,936 | | 100.00% |

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

| Fiscal Year Ended September 30, | Total Tax Levy for Fiscal Year | Collected Within the Fiscal Year of the Levy | | Collections in Subsequent Periods | Total Collections to Date | |
|------------------------------------|-----------------------------------|---|--------------------|---|---------------------------|--------------------|
| | | Amount | Percent of Levy | | Amount | Percent of Levy |
| 2010 | \$ 2,910,632 | \$ 2,861,107 | 98% | \$ 35,460 | \$ 2,896,567 | 100% |
| 2011 | 2,815,500 | 2,776,954 | 99% | 31,595 | 2,808,549 | 100% |
| 2012 | 3,983,961 | 3,943,188 | 99% | 23,756 | 3,966,944 | 100% |
| 2013 | 4,649,753 | 4,633,156 | 100% | 7,900 | 4,641,056 | 100% |
| 2014 | 4,985,054 | 4,967,598 | 100% | 11,539 | 4,979,137 | 100% |
| 2015 | 5,185,007 | 5,168,570 | 100% | 21,097 | 5,189,667 | 100% |
| 2016 | 5,688,531 | 5,591,963 | 98% | 58,445 | 5,650,408 | 99% |
| 2017 | 6,077,755 | 5,870,159 | 97% | 185,790 | 6,055,949 | 100% |
| 2018 | 6,285,748 | 6,210,139 | 99% | - | 6,210,139 | 99% |
| 2019 | 6,400,713 | 6,344,039 | 99% | - | 6,344,039 | 99% |

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

| Sales Tax Remitter | Calendar Year 2019 | | | | Calendar Year 2010 | | | |
|--|--------------------|---------------------|----------------------|---------------------|--------------------|---------------------|---------------------|---------------------|
| | Number of Outlets | Percentage of Total | Tax Liability | Percentage of Total | Number of Outlets | Percentage of Total | Tax Liability | Percentage of Total |
| Retail Trade | 3,772 | 43.66% | \$ 8,114,554 | 47.51% | 1,027 | 23.30% | \$ 4,849,588 | 54.21% |
| Services | 1,051 | 12.16% | 934,752 | 5.47% | 924 | 20.96% | 1,496,929 | 16.73% |
| Wholesale Trade | 1,095 | 12.67% | 2,717,024 | 15.91% | 617 | 14.00% | 341,985 | 3.82% |
| Utilities, Transportation, Communications | 209 | 2.42% | 722,530 | 4.23% | 280 | 6.35% | 502,225 | 5.61% |
| Manufacturing | 867 | 10.03% | 987,470 | 5.78% | 327 | 7.42% | 176,273 | 1.97% |
| Construction | 395 | 4.57% | 334,676 | 1.96% | 228 | 5.17% | 634,382 | 7.09% |
| Finance, Insurance and Real Estate | 118 | 1.37% | 103,194 | 0.60% | 106 | 2.40% | 34,037 | 0.38% |
| Mining, Quarrying and Oil and Gas Extraction | 69 | 0.80% | 580,573 | 3.40% | 12 | 0.27% | 37,690 | 0.42% |
| All other outlets | 1,064 | 12.31% | 2,586,699 | 15.14% | 887 | 20.12% | 873,396 | 9.76% |
| Total | 8,640 | 100.00% | \$ 17,081,472 | 100.00% | 4,408 | 100.00% | \$ 8,946,505 | 100.00% |

Source: Texas State Comptroller of Public Accounts

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

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

City of Tomball, Texas

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years (Accrual Basis of Accounting)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Primary Government | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General Obligation Bonds | \$ 2,120,000 | \$ 5,767,500 | \$ 5,501,750 | \$ 10,985,250 | \$ 9,710,500 | \$ 8,437,500 | \$ 7,165,750 | \$ 5,887,500 | \$ 4,603,250 | \$ 3,603,000 |
| Certificates of Obligation | 12,377,500 | 7,516,500 | 21,151,000 | 22,435,000 | 21,565,000 | 20,640,000 | 19,695,000 | 38,165,000 | 36,200,000 | 34,210,000 |
| Premiums | - | 255,065 | 332,990 | 492,862 | 449,806 | 406,750 | 363,694 | 1,188,911 | 1,103,038 | 1,017,164 |
| Public Property Finance | | | | | | | | | | |
| Contractual Obligation | - | - | - | - | - | - | - | - | 1,300,000 | 1,169,868 |
| Other Debt items | - | (376,266) | (338,639) | (453,956) | - | - | - | - | - | - |
| Capital leases | - | - | 664,193 | 601,044 | 535,464 | 800,000 | 731,142 | 660,019 | 586,556 | - |
| Subtotal | 14,497,500 | 13,162,799 | 27,311,294 | 34,060,200 | 32,260,770 | 30,284,250 | 27,955,586 | 45,901,430 | 43,792,844 | 40,000,032 |
| Business-type activities: | | | | | | | | | | |
| General Obligation Bonds | - | 4,757,500 | 4,738,250 | 5,304,750 | 4,669,500 | 4,042,500 | 3,429,250 | 2,832,500 | 2,246,750 | 1,672,000 |
| Certificates of Obligation | 7,177,500 | 1,798,500 | 1,199,000 | - | - | - | - | - | - | - |
| Premiums | - | 129,540 | 105,987 | 94,211 | 82,435 | 70,659 | 58,883 | 47,107 | 35,331 | 23,555 |
| Revenue bonds | 4,100,000 | 3,715,000 | 3,315,000 | 2,900,000 | 2,465,000 | - | - | - | - | - |
| Subtotal | 11,277,500 | 10,400,540 | 9,358,237 | 8,298,961 | 7,216,935 | 4,113,159 | 3,488,133 | 2,879,607 | 2,282,081 | 1,695,555 |
| Total Primary Government | \$ 25,775,000 | \$ 23,563,339 | \$ 36,669,531 | \$ 42,359,161 | \$ 39,477,705 | \$ 34,397,409 | \$ 31,443,719 | \$ 48,781,037 | \$ 46,074,925 | \$ 41,695,587 |
| Personal Income | \$ 290,186,220 | \$ 273,663,850 | \$ 315,207,090 | \$ 315,207,090 | \$ 463,247,856 | \$ 475,348,930 | \$ 508,752,440 | \$ 576,689,433 | \$ 575,773,674 | \$ 420,244,052 |
| Debt as a Percentage of Personal Income | 8.882% | 8.610% | 11.633% | 13.439% | 8.522% | 7.236% | 6.181% | 8.459% | 8.002% | 9.922% |
| Population | 11,670 | 10,753 | 10,979 | 10,979 | 11,124 | 11,299 | 11,540 | 11,643 | 11,707 | 11,761 |
| Debt Per Capita | \$ 2,209 | \$ 2,191 | \$ 3,340 | \$ 3,858 | \$ 3,549 | \$ 3,044 | \$ 2,725 | \$ 4,190 | \$ 3,936 | \$ 3,545 |

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

City of Tomball, Texas

Ratio of Net General Bonded Debt to Assessed Value, Net General Bonded Debt per Capita and Assessed and Estimated Actual Value of Taxable Property Last Ten Fiscal Years (Accrual Basis of Accounting)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Net Taxable Assessed Value | | | | | | | | | | |
| All property | \$ 1,156,108,936 | \$ 1,119,175,950 | \$ 1,167,197,642 | \$ 1,364,595,702 | \$ 1,468,347,870 | \$ 1,530,249,239 | \$ 1,667,217,974 | \$ 1,741,570,715 | \$ 1,829,796,778 | \$ 2,074,042,380 |
| Net Bonded Debt | | | | | | | | | | |
| Net bonded debt | 21,675,000 | 19,718,799 | 32,690,338 | 38,858,117 | 36,477,241 | 33,597,409 | 30,712,577 | 48,121,018 | 42,285,167 | 38,048,276 |
| Net bonded debt | <u>\$ 21,675,000</u> | <u>\$ 19,718,799</u> | <u>\$ 32,690,338</u> | <u>\$ 38,858,117</u> | <u>\$ 36,477,241</u> | <u>\$ 33,597,409</u> | <u>\$ 30,712,577</u> | <u>\$ 48,121,018</u> | <u>\$ 42,285,167</u> | <u>\$ 38,048,276</u> |
| Ratio of Net Bonded Debt to Assessed Value | 1.87% | 1.76% | 2.80% | 2.85% | 2.48% | 2.20% | 1.84% | 2.76% | 2.31% | 1.83% |
| Population | 11,600 | 11,670 | 10,753 | 10,979 | 10,979 | 11,124 | 11,299 | 11,643 | 11,707 | 11,761 |
| Net Bonded Debt Per Capita | 1,869 | 1,690 | 3,040 | 3,539 | 3,322 | 3,020 | 2,718 | 4,133 | 3,612 | 3,235 |

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

| Governmental Unit | Net Bonded Debt Outstanding | Estimated Percentage Applicable (1) | Estimated Share of Overlapping Debt |
|---|--|--|--|
| Debt repaid with property taxes: | | | |
| Tomball ISD | \$ 494,035,000 | 18.17% | \$ 89,766,160 |
| Harris County | 2,042,497,125 | 0.39% | 7,965,739 |
| Harris County Flood Control District | 83,075,000 | 0.39% | 323,993 |
| Harris County Hospital District | 57,300,000 | 0.39% | 223,470 |
| Port of Houston Authority | 593,754,397 | 0.39% | 2,315,642 |
| Harris County Dept of Education | 6,320,000 | 0.39% | 24,648 |
| Lone Star College System | 579,645,000 | 1.02% | <u>5,912,379</u> |
| Subtotal, overlapping debt | | | 106,532,031 |
| City direct debt | | 100.00% | <u>40,000,032</u> |
| Total direct and overlapping debt | | | <u><u>\$ 146,532,063</u></u> |

Source: Hilltop Securities

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

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

The City has no general obligation legal debt limit other than a ceiling on the ad valorem tax rate as specified by the State of Texas. The prescribed maximum is \$2.50 per \$100.00 at 100 percent valuation.

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Gross revenues | \$ 11,493,769 | \$ 12,488,750 | \$ 11,012,281 | \$ 11,831,041 | \$ 12,060,478 | \$ 11,650,417 | \$ 11,371,959 | \$ 10,922,004 | \$ 12,228,559 | \$ 12,011,052 |
| Operating expenses (1) | 6,338,235 | 6,165,226 | 5,968,026 | 6,366,426 | 6,766,405 | 6,989,458 | 6,917,814 | 7,200,566 | 7,492,441 | 8,444,761 |
| Net revenues available for debt service | \$ 5,155,534 | \$ 6,323,524 | \$ 5,044,255 | \$ 5,464,615 | \$ 5,294,073 | \$ 4,660,959 | \$ 4,454,145 | \$ 3,721,438 | \$ 4,736,118 | \$ 3,566,291 |
| Debt Service Requirements (2) | | | | | | | | | | |
| Principal and interest | \$ 542,505 | \$ 560,591 | \$ 563,815 | \$ 568,174 | \$ 273,536 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Total | \$ 542,505 | \$ 560,591 | \$ 563,815 | \$ 568,174 | \$ 273,536 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Coverage | 9.50 | 11.28 | 8.95 | 9.62 | 19.35 | n/a | n/a | n/a | n/a | n/a |

(1) Total operating expenses less depreciation.

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

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

| Fiscal Year Ended September 30 | Population (1) | Personal Income | Per Capita Personal Income (5) | Median Age (2) | School Enrollment (3) | Unemployment Rate (4) |
|---|-----------------------|----------------------------|---|---------------------------|----------------------------------|----------------------------------|
| 2010 | 11,670 | \$ 290,186,220 | \$ 24,866 | 36.8 | 10,229 | 8.70% |
| 2011 | 10,753 | 273,663,850 | 25,450 | 36.0 | 10,633 | 8.50% |
| 2012 | 10,979 | 315,207,090 | 28,710 | 36.9 | 11,132 | 7.50% |
| 2013 | 10,979 | 315,207,090 | 28,710 | 39.8 | 12,362 | 6.20% |
| 2014 | 11,124 | 463,247,856 | 41,644 | 35.6 | 12,461 | 4.90% |
| 2015 | 11,299 | 475,348,930 | 42,070 | 37.2 | 13,270 | 4.40% |
| 2016 | 11,540 | 508,752,440 | 44,086 | 37.3 | 14,077 | 5.70% |
| 2017 | 11,643 | 576,689,433 | 49,531 | 34.5 | 14,700 | 4.80% |
| 2018 | 11,707 | 575,773,674 | 49,182 | 34.5 | 15,934 | 4.72% |
| 2019 | 11,761 | 420,244,052 | 35,732 | 39.3 | 16,962 | 4.40% |

Data sources:

- (1) Estimated (2000 census adjusted for growth for fiscal years 2009-2010). Actual 2011 census population shown for fiscal year 2011. Fiscal year 2014-2016 adjusted for growth based on 2010 census American FactFinder. 2017 estimate from WolframAlpha. 2018 median per American FactFinder.
- (2) Tomball Economic Development Corporation or American FactFinder.
- (3) Tomball Independent School District.
- (4) Texas Employment Commission, SMSA Houston-Sugar Land-Baytown Metropolitan Statistical Area or Houston-The Woodlands-Sugar Land MSA.
- (5) Tomball Economic Development Corporation or American FactFinder.

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

| Employer | 2019 | | | 2010 | | |
|---------------------------------|-----------|------|---|-----------|------|---|
| | Employees | Rank | Percentage of Total City Employment (1) | Employees | Rank | Percentage of Total City Employment (2) |
| Hewlett Packard | 10,000 | 1 | 116.12% | n/a | n/a | n/a |
| Tomball ISD | 1,478 | 2 | 17.16% | 1,436 | 2 | 30.28% |
| Tomball Regional Medical Center | 1,300 | 3 | 15.10% | 1,600 | 1 | 33.74% |
| Lone Star College - Tomball | 1,056 | 4 | 12.26% | 800 | 3 | 16.87% |
| Baker Hughes (B J Services) | 680 | 5 | 7.90% | 460 | 4 | 9.70% |
| Walmart | 357 | 6 | 4.15% | 257 | 6 | 5.42% |
| HEB | 218 | 7 | 2.53% | 169 | 7 | 3.56% |
| City of Tomball | 193 | 8 | 2.24% | 122 | 9 | 2.57% |
| Lowes | 159 | 9 | 1.85% | n/a | n/a | n/a |
| Kindred Hospital | 160 | 10 | 1.86% | 142 | 8 | 2.99% |
| Kroger | 147 | 11 | 1.71% | 116 | 10 | 2.45% |
| Target | 110 | 12 | 1.28% | 600 | 5 | 12.65% |

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

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

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

Sources:

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

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

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| General Fund | | | | | | | | | | |
| Administration | 14.50 | 14.50 | 16.00 | 17.50 | 17.50 | 17.50 | 17.50 | 18.00 | 18.00 | 18.00 |
| Permits and Inspection | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 4.00 | 6.00 | 6.00 | 6.00 | 6.00 |
| Police Department | 55.00 | 57.00 | 59.00 | 58.00 | 58.50 | 59.50 | 59.50 | 61.50 | 61.50 | 62.00 |
| Municipal Court | 5.00 | 5.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 5.50 |
| Community Center | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Fire Department | 14.00 | 16.00 | 18.00 | 18.00 | 18.50 | 27.50 | 27.50 | 27.50 | 27.50 | 35.30 |
| Public Works Admin. | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 10.00 | 8.00 | 8.00 | 8.00 | 8.00 |
| Garage | 1.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Parks | 5.20 | 5.20 | 5.20 | 5.20 | 5.20 | 5.20 | 5.20 | 5.20 | 6.20 | 6.70 |
| Streets | 8.20 | 8.20 | 8.20 | 7.20 | 7.20 | 7.20 | 8.20 | 8.20 | 9.20 | 9.20 |
| Total general fund | 119.90 | 125.40 | 129.90 | 129.40 | 130.40 | 140.40 | 141.40 | 143.90 | 145.90 | 155.70 |
| Enterprise Fund | | | | | | | | | | |
| Utility Administration | 9.00 | 9.00 | 9.00 | 8.00 | 7.00 | 7.00 | 8.00 | 8.00 | 9.00 | 9.00 |
| Water | 7.20 | 7.20 | 7.20 | 7.20 | 8.20 | 8.20 | 8.20 | 8.20 | 8.20 | 8.20 |
| Wastewater | 10.20 | 10.20 | 10.20 | 10.20 | 10.20 | 10.20 | 10.20 | 10.20 | 10.20 | 10.20 |
| Gas | 6.20 | 6.20 | 6.20 | 6.20 | 6.20 | 6.20 | 6.20 | 6.20 | 6.20 | 6.20 |
| Total enterprise fund | 32.60 | 32.60 | 32.60 | 31.60 | 31.60 | 31.60 | 32.60 | 32.60 | 33.60 | 33.60 |
| Special Revenue Fund | 0.50 | 3.00 | 2.50 | 3.00 | 12.00 | 3.00 | 3.00 | 3.50 | 3.50 | 4.00 |
| Total City positions | 153.00 | 161.00 | 165.00 | 164.00 | 174.00 | 175.00 | 177.00 | 180.00 | 183.00 | 193.30 |

NOTES:

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

City of Tomball, Texas

Operating Indicators by Function/Program

Last Ten Fiscal Years

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Function/Program | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Arrests | 2,049 | 2,012 | 1,475 | 2,394 | 1,650 | 1,252 | 883 | 1,073 | 808 | 454 |
| Accident reports | 330 | 334 | 392 | 378 | 453 | 514 | 577 | 489 | 486 | 832 |
| Citations | 14,694 | 12,798 | 13,329 | 11,330 | 10,181 | 7,251 | 6,746 | 5,679 | 4,789 | 4,774 |
| Offense reports | 1,705 | 1,915 | 2,153 | 2,008 | 2,224 | 1,462 | 1,092 | 1,299 | 525 | 886 |
| Calls for service | 7,348 | 6,774 | 7,399 | 7,069 | 7,524 | 7,938 | 7,747 | 7,205 | 28,443 | 34,899 |
| Fire: | | | | | | | | | | |
| Emergency responses | 1,341 | 1,364 | 1,523 | 1,768 | 2,749 | 2,002 | 1,671 | 1,773 | 2,820 | 2162 |
| Fire incidents | 220 | 207 | 178 | 129 | 128 | 104 | 114 | 162 | 135 | 91 |
| Average response time | 5:15 | 5:54 | 6:40 | 4:50 | 5:13 | 5:18 | 6:52 | 6:10 | 6:43 | 6:07 |
| Water: | | | | | | | | | | |
| New accounts | 89 | 79 | 56 | 122 | 126 | 88 | 41 | 148 | 87 | 133 |
| Source: | | | | | | | | | | |
| Water | 89 | 79 | 56 | 122 | 126 | 88 | 41 | 148 | 87 | 133 |
| Sewer | 89 | 79 | 56 | 122 | 126 | 88 | 41 | 148 | 87 | 133 |
| Average daily consumption (millions of gallons) | 1,941 | 2,525 | 2,249 | 2,043 | 1,967 | 2,052 | 2,051 | 1,807 | 2,090 | 2,112 |
| Number of million gallons of well water pumped | 708,565 | 923,261 | 822,215 | 759,817 | 718,069 | 750,434 | 748,615 | 659,814 | 763,060 | 912,707 |
| Total consumption (millions of gallons) | 708,565 | 923,261 | 822,215 | 759,817 | 718,069 | 750,434 | 748,615 | 659,814 | 763,060 | 912,707 |
| Peak daily consumption (millions of gallons) | 3,480 | 4,392 | 4,312 | 4,689 | 3,385 | 2,840 | 2,657 | 4,760 | 3,941 | 5,083 |
| Sewer: | | | | | | | | | | |
| Average daily sewage treatment (millions of gallons) | 1.362 | 1.174 | 1.555 | 1.347 | 1.478 | 1.576 | 1.92 | 1.589 | 1.528 | 1.554 |
| Total consumption (millions of gallons) | 497.166 | 429.608 | 567.754 | 491.660 | 539.470 | 575.240 | 700.800 | 579.985 | 565.824 | 568.764 |
| Peak daily consumption (millions of gallons) | 3.72 | 2.18 | 7.44 | 2.85 | 5.19 | 3.78 | 2.70 | 3.51 | 3.20 | 3.23 |

Source: Various City departments

City of Tomball, Texas

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

| Function/Program | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|----------|----------|----------|----------|----------|----------|----------|-------------|-------------|-------------|
| Police: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 30 | 32 | 33 | 33 | 33 | 35 | 35 | 35 | 35 | 38 |
| Fire stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Other public works: | | | | | | | | | | |
| Streets (miles - centerlines) | 56.2 | 56.2 | 58.2 | 50.6 | 50.6 | 50.6 | 50.6 | 57.94 | 57.94 | 61.67 |
| Streetlights | 650 | 654 | 664 | 689 | 720 | 720 | 720 | 720 | 720 | 751 |
| Parks and recreation: | | | | | | | | | | |
| Parks | 4 | 4 | 4 | 6 | 6 | 7 | 7 | 7 | 7 | 7 |
| Parks acreage | 24 acres | 24 acres | 24 acres | 39 acres | 39 acres | 52 acres | 52 acres | 69.81 acres | 69.81 acres | 69.81 acres |
| Swimming pools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Baseball/softball diamonds | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Tennis courts | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Basketball courts | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Water: | | | | | | | | | | |
| Water mains (miles) | 0.3 | 0.5 | 0.2 | 1.0015 | 92.69 | 92.69 | 94.49 | 95.11 | 121.36 | 123.97 |
| Fire hydrants | 5 | 9 | 14 | 950 | 955 | 955 | 974 | 981 | 1,135 | 1,163 |
| Storage capacity (millions of gallons) | 1.85 | 2.35 | 2.35 | 2.85 | 2.85 | 2.85 | 2.85 | 2.15 | 2.15 | 2.15 |
| Sewer: | | | | | | | | | | |
| Sanitary sewers (miles) | 0.26 | 0.84 | 1.53 | 1.6512 | 1.6512 | 1.6512 | 3.2512 | 3.88 | 98.14 | 84.5 |
| Storm sewers (miles) | 0.2 | 17.4 | 17.4 | 22.9 | 22.9 | 22.9 | 22.9 | 22.9 | 22.90 | 62.85 |
| Open ditch/creek/canal drainage (miles) | 0.3 | 54 | 54 | 54 | 54 | 54 | 54 | 57 | 57.23 | 57.23 |
| Treatment capacity (millions of gallons) | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |

Source: Various City departments. In 2018, water and sewer mains (miles) were determined using a Geographic Imaging System.

Streets (miles-centerlines) for 2009 and previous years included County.