NOTICE OF REGULAR CITY COUNCIL MEETING
CITY OF TOMBALL, TEXAS

MONDAY, APRIL 20, 2015

6:00 P.M.

Notice is hereby given of a meeting of the Tomball City Council, to be held on Monday, April 20, 2015 at 6:00 P.M., City Hall, 401 Market Street, Tomball, Texas 77375, for the purpose of considering the following agenda items. All agenda items are subject to action. The Tomball City Council reserves the right to meet in a closed session for consultation with attorney on any agenda item should the need arise and if applicable pursuant to authorization by Title 5, Chapter 551, of the Texas Government Code.

1.0 Call to Order

2.0 Invocation

- Led by Pastor Bryan Donahoo, Graceview Baptist Church

3.0 Pledges to U.S. and Texas Flags

- Led by Members of the Tomball High School Student Council

4.0 Public Comments and Receipt of Petitions *[At this time, anyone will be allowed to speak on any matter other than personnel matters or matters under litigation, for length of time not to exceed three minutes. No Council/Board discussion or action may take place on a matter until such matter has been placed on an agenda and posted in* *accordance with law.]*

5.0 Presentations:

- **William Hunter Lang** – Eagle Scout – Troop 471 – Letter of Recognition

6.0 Reports and Announcements

- April 20-24, 2015 – Annual **Spring Clean-Up and Chipping Week**
- April 25, 2015 – **Tomball Consolidated Recycling Day –** Lone Star College-Tomball Campus, 30555 Tomball Parkway, South Entrance **–** 10:00 a.m.-2:00 p.m.
- April 25, 2015 – **Tomball Rotary Annual Fish Fry** at the Depot
- May 2 and 3, 2015 – ***Rails and Tails Mudbug Festival***, with ***"Roux Run"* at Depot Downs** on Sunday, May 3
- May 9, 2015 – **2nd Saturday at the Depot**
- May 17, 2015 – **Lions Club Car Show** at the Depot
- May 23, 2015 – ***4th Annual Memorial Day Weekend Chili Challenge***
- ***June 1 through July 30*** – Meetings of the **City Council, Planning and Zoning Commission, Board of Adjustments, Tourism Advisory Committee**, and **Tomball Municipal Court Sessions** will be held at the **Public Works Building, 501 James Street**, due to renovations at City Hall.
- ***Walk Tomball!*** – Every Saturday at 9:00 a.m. at the Depot
- Reports by City staff and members of Council about items of community interest on which no action will be taken:
    - Mike Baxter/Grady Martin – Report on the success of the **Annual German Heritage Festival**
    - Mike Baxter – Report on the success of the ***"Stroll the Toll"*** , the ***"2015 Ride 2 Recovery Texas Challenge" Welcome and Reception, 7th Annual 5K Bunny Run and 1 Mile Kids Walk,*** the ***Tomball Honky Tonk Music Festival and "Texas Two-Step" Washers Tournament,*** and the ***Antique Auto Show***
    - Randy Parr – Report on the success of the ***Shattered Lives Event*** at Concordia Lutheran High School

7.0 Approve the Minutes of the April 6, 2015 Regular City Council Meeting

8.0 Old Business:

8.1 Adopt, on Second Reading, Ordinance No. 2015-07, an Ordinance of the City of Tomball, Texas, Amending Chapter 50 (Zoning) of the Tomball Code of Ordinances By Amending Sections 50-2 ("Definitions") and 50-82 (B) ("Use Charts") to Add a Land Use and Associated Definition for "Brewpub"; Providing for Severability; Providing for a Penalty of an Amount Not to Exceed $2,000 for Each Day of Violation of Any Provision Hereof, Making Findings of Fact; and Providing for Other Related Matters.

9.0 New Business:

9.1 Adopt Resolution No. 2015-07, a Resolution of the City Council of the City of Tomball, Texas, Supporting the Eighth Annual Homecoming Parade and Pep Rally, to be held at the Tomball Depot, Sponsored by the Tomball Independent School District and the Tomball High School Student Council, on Wednesday, October 7, 2015

9.2 Approve the Sale of Lot 43, Block 81, located at 0 Chestnut Street, to Adjacent Property Owner, Cecilia Briceno, for $2,020

9.3 Consideration and Possible Action regarding Request to Expand the Area for Waiver of Impact Fees to Cover Main Street, West of Pine Street to SH 249 Business and East of Elm Street to FM 2978

9.4 Appoint Member to Unexpired Position 9 (Hotel Industry) on the Tourism Advisory Committee for Term Expiring December 5, 2016

9.5 Appoint Erik P. Berglund as Associate Municipal Court Prosecutor for the Tomball Municipal Court, with Term Beginning April 21, 2015 and Expiring December 31, 2016.

9.6 Approve Resolution No. 2015-06, a Resolution of the City of Tomball, Texas, Stating the City of Tomball's Intent to Participate in Tax Abatement and Establishing the Guidelines and Criteria for Granting Tax Abatements in a Reinvestment Zone Created in the City of Tomball

9.7 Consideration and Possible Action to Approve, as a Project of the Tomball Economic Development Corporation, an Agreement with Packers Plus Energy Services (USA) Inc., to Make Direct Incentives to or Expenditures for the Creation or Retention of Primary Jobs Associated with the Development of a Corporate Headquarters Campus Consisting of a Research and Development Facility, a Manufacturing Facility, and a Corporate Office Facility on Approximately 17.38 Acres of Land, out of Lot 4 of the Recorded Plat of the Tomball Business and Technology Park, Generally Located at the Southwest Corner of Spell Road and Hufsmith-Kohrville Road. The Estimated Amount of Expenditures for such Project is up to $338,011.00.

9.8 Adopt, on First Reading, Ordinance No. 2015-08, an Ordinance of the City of Tomball, Texas, Authorizing the Redemption Prior to Maturity of Outstanding City of Tomball, Texas Waterworks and Sewer System Revenue Bonds, Series 1999

9.9 Approve Resolution No. 2015-08, a Resolution of the City Council of the City of Tomball, Texas Approving a First Amendment to the Agreement regarding the Payment of Obligations Issued for Authorized Tomball Economic Development Corporation Projects

9.10 Presentation of Comprehensive Annual Financial Report (CAFR Audit) and the Single Audit Report for the Fiscal Year Ended September 30, 2014

9.11 Receive Update from City Attorney regarding Licensing Requirements for Mobile Vendors

9.12 Discussion and Possible Action to Approve Proposed Renovations to City Hall Council Chambers

10.0 Adjournment

C E R T I F I C A T I O N

I hereby certify that the above notice of meeting was posted on the bulletin board of City Hall, City of Tomball, Texas, a place readily accessible to the general public at all times, on the 16th day of April 2015 by 5:00 p.m., and remained posted for at least 72 continuous hours preceding the scheduled time of said meeting.

Doris Speer ____________________
Doris Speer
City Secretary, TRMC

This facility is wheelchair accessible and accessible parking spaces are available Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please feel free to contact the City Secretary's office at (281) 290-1002 or FAX (281) 351-6256 for further information.

AGENDAS MAY ALSO BE VIEWED ONLINE AT www.ci.tomball.tx.us.

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:

- Led by Pastor Bryan Donahoo, Graceview Baptist Church

Background:

Origination:

Recommendation:

Funding:

Party(ies) responsible for placing this item on agenda:

City Secretary

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:

- Led by Members of the Tomball High School Student Council

Background:

Origination:

Recommendation:

Funding:

Party(ies) responsible for placing this item on agenda:

City Secretary

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:

- **William Hunter Lang** – Eagle Scout – Troop 471 – Letter of Recognition

Background:

Origination:
Mr. Lang

Recommendation:
N/A

Funding:

Party(ies) responsible for placing this item on agenda:
City Secretary

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:

- April 20-24, 2015 – Annual **Spring Clean-Up and Chipping Week**
- April 25, 2015 – **Tomball Consolidated Recycling Day –** Lone Star College-Tomball Campus, 30555 Tomball Parkway, South Entrance – 10:00 a.m.-2:00 p.m.
- April 25, 2015 – **Tomball Rotary Annual Fish Fry** at the Depot
- May 2 and 3, 2015 – ***Rails and Tails Mudbug Festival***, with ***"Roux Run"*** **at Depot Downs** on Sunday, May 3
- May 9, 2015 – **2nd Saturday at the Depot**
- May 17, 2015 – **Lions Club Car Show** at the Depot
- May 23, 2015 – ***4th Annual Memorial Day Weekend Chili Challenge***
- ***June 1 through July 30*** – Meetings of the **City Council, Planning and Zoning Commission, Board of Adjustments, Tourism Advisory Committee**, and **Tomball Municipal Court Sessions** will be held at the **Public Works Building, 501 James Street**, due to renovations at City Hall.
- ***Walk Tomball!*** – Every Saturday at 9:00 a.m. at the Depot
- Reports by City staff and members of Council about items of community interest on which no action will be taken:
    - Mike Baxter/Grady Martin – Report on the success of the **Annual German Heritage Festival**
    - Mike Baxter – Report on the success of the ***"Stroll the Toll"*** , the ***"2015 Ride 2 Recovery Texas Challenge" Welcome and Reception, 7th Annual 5K Bunny Run and 1 Mile Kids Walk,*** the ***Tomball Honky Tonk Music Festival and "Texas Two-Step" Washers Tournament,*** and the ***Antique Auto Show***
    - Randy Parr – Report on the success of the ***Shattered Lives Event*** at Concordia Lutheran High School

Background:

Origination:

Various

Recommendation:

N/A

Funding:

Party(ies) responsible for placing this item on agenda:

City Secretary

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

ATTACHMENTS:

Annual Spring Clean-Up and Chipping Week
Tomball Consolidated Recycling Day
4th Annual Memorial Day Weekend Chili Challenge

City of Tomball
Spring Clean up
Week of April 20-25, 2015
Monday – Saturday - 8:00 am - 4:30 pm

Objective:
Provide the citizens of Tomball the opportunity to dispose of large, hard-to-handle items that cannot be collected under the normal garbage service. **** (Remember this is for residents of Tomball only (must have City utility bill as proof); NO COMMERCIAL BUSINESS OPERATORS).****
Roll Offs will be available at the City Landfill Site (0.4 miles north of E. Hufsmith on Rudolph) to dispose of the acceptable items. See map to landfill site below.

Acceptable Items:

- Lumber
- Bicycle parts
- Plywood (4 cubic yd. max)
- Rugs/carpet
- Siding
- Clothing
- Box springs and mattresses
- Bricks (small amount)
- Empty buckets or pails
- Rocks (small amount)
- Washing machines
- Dryers
- Water heaters
- Furniture
- Gutter material
- Cardboard boxes
- Lawn mowers (oil & gas removed)
- Dishwashers

Not Acceptable:

- Tree trimmings
- Limbs or stumps
- Tires
- Engine blocks
- Structural steel
- Equipment with oil or gasoline
- Fertilizers
- Pool chemicals
- Batteries
- Oil filters
- Insecticides
- Container with unmarked labels holding liquids
- Sealed containers of any type
- Large amounts of construction or demolition material
- Smoke detectors
- Pressurized vessels
- Flammable, combustible or corrosive products
- Raw meats, food products or byproducts
- Televisions
- Computers
- Refrigerators
- AC units
- Appliances with Freon or fluids
- Paint

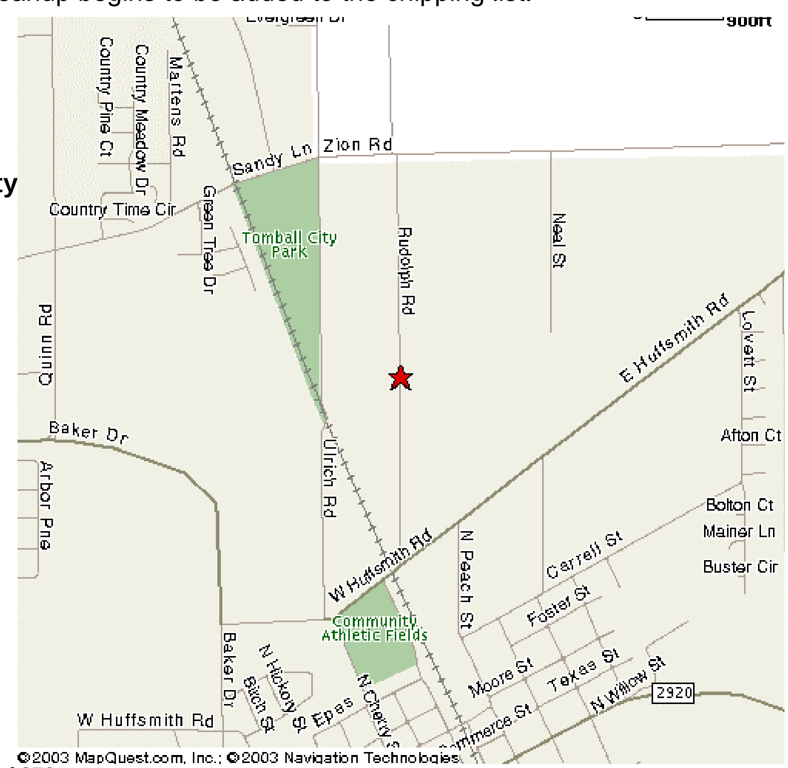
All appliances must be drained and tagged by a licensed technician.
Acceptable items are anything that is inert and would not harm the environment before or after disposal into a landfill.

The City of Tomball will provide a free chipping service for brush and small limbs during the week of Tomball Cleanup. To participate, please call **(281) 290-1400** the week before the cleanup begins to be added to the chipping list.

CHIPPING SPECIFICATIONS:

- **Turn all big ends toward road or in one direction**
- **Limit size to 6 ft.-8 ft., maximum**
- **Keep logs separate from limbs, nothing over 6" dia.**
- **Place limbs & brush near roadside and not on property**
- **Leaves, please bag for regular garbage pickup**

Map to Tomball landfill site →



Tomball Consolidated Recycling Day

Lone Star College –Tomball Campus
30555 Tomball Parkway
South entrance

April 25th Saturday - 10am-2pm

Drive Thru and Drop Off the following APPROVED items:
E-Waste (computers and all accessories, Fax machines, laptop batteries, UPS/Lithium/Ni-Cad Batteries, Small kitchen applianc-es), Prescription Drugs (pill & liquid), Tires (car/truck/atv), Car Battery (Non-Leaking), Used Motor Oil, Household paper/plastics/glass, Paper Shredding

~~Plastic Bags, Paint, Styrofoam~~

Thanks to our Community Partners and Sponsors!!!

The City of Tomball, Texas — Founded 1907
Tomball Police
Northwest Rural EMS
Tomball Fire Department
Lone Star College Tomball
Southern Shred
Interstate Batteries
Buffalo Wild Wings Grill & Bar
CompuCycle — Responsible E-cycling Solutions.
Tire and Wheel Connection
Walgreens — At the corner of Happy & Healthy™
WCA
Phoenix Oil www.phoenixoil-tx.com
Locatelli's Pizza
Got Drugs? dispose unused Rx

"This information is being distributed as a community service. Tomball Independent School District is not a sponsoring organization for this activity."

Memorial Day Weekend
Chili Challenge

Tomball, Texas — Depot Plaza

May 23, 2015

CASI cook teams
Local Business Teams
A Kids' Cook-off
Margarita Pour-off
Live Music
Kids Zone
Food Vendors
Free Admission
And Parking

Presented by CASI
Chili Appreciation
Society International

For information or to register a cook team, e-mail KDKONE @AOL.COM or call 281-351-5484

*Proceeds benefit Tomball Christmas Charities

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:
Approve the Minutes of the April 6, 2015 Regular City Council Meeting

Background:

Origination:
City Secretary

Recommendation:
N/A

Funding:

Party(ies) responsible for placing this item on agenda:
City Secretary

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

ATTACHMENTS:

Draft Minutes - April 6, 2015 Regular City Council Meeting

MINUTES OF REGULAR CITY COUNCIL MEETING
CITY OF TOMBALL, TEXAS

MONDAY, APRIL 6, 2015

6:00 P.M.

1.0 Call to Order

The Council meeting was called to order at 6:00 p.m. by Mayor Fagan. Other members present:

Councilman Townsend
Councilman Klein Quinn
Councilman Hudgens
Councilman Degges

Members absent:

Councilman Stoll - Excused

Others present:

City Manager – George Shackelford
Assistant City Manager – Robert Hauck
City Secretary – Doris Speer
City Attorney – Loren Smith
Police Chief – Billy Tidwell
Fire Chief – Randy Parr
Marketing Director – Mike Baxter
Finance Director – Glenn Windsor
Public Works Director – David Esquivel
Community Development Director – Craig Meyers
City Engineer – Lori Lakatos
City Planner - Harold Ellis
Fire Marshal – Doug Sanguedolce
Building Official – Ken Cole
Police Detective – Gary Hammond

2.0 The invocation was led by Pastor Al Navarro, Puente para Christo

3.0 The pledges to U. S. and Texas Flags were led by members of the Tomball High School ROTC Unit.

4.0 No public comments were received.

5.0 Reports and Announcements:

- April 7 and 8, 2015 – **Shattered Lives Event** – Concordia Lutheran High School
- April 11, 2015 – ***7th Annual 5K Bunny Run and 1 Mile Kids Walk***
- April 11, 2015 – **2nd Saturday at the Depot**
- April 12, 2015 – ***"Stroll the Toll"*** – 2:00 p.m. to 4:00 p.m.
- April 18, 2015 (Rain Date) – ***Tomball Honky Tonk Music Festival*** and **"Texas Two-Step" Washers Tournament**
- April 19, 2015 – ***"2015 Ride 2 Recovery Texas Challenge" Welcome and Reception*** – 9:30 a.m.-11:00 a.m.
- April 20-24, 2015 – Annual **Spring Clean-Up and Chipping Week**
- April 25, 2015 – **Tomball Consolidated Recycling Day –** Lone Star College-Tomball Campus, 30555 Tomball Parkway, South Entrance – 10:00 a.m.-2:00 p.m.
- April 25, 2015 – **Tomball Rotary Annual Fish Fry** at the Depot
- May 2 and 3, 2015 – ***Rails and Tails Mudbug Festival***, with ***"Roux Run"*** **at Depot Downs** on Sunday, May 3
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- ***June 1 through July 30 –*** Meetings of the **City Council, Planning and Zoning Commission, Board of Adjustments, Tourism Advisory Committee,** and **Tomball Municipal Court Sessions** will be held at the **Public Works Building, 501 James Street,** due to renovations at City Hall.
- ***Walk Tomball!*** – Every Saturday at **9:00 a.m.** at the Depot
- Reports by City staff and members of Council about items of community interest on which no action will be taken
  - The report on the success of the **Annual German Heritage Festival** will be presented on April 20.
  - Randy Parr presented a report on the Transition from **CodeRed** to **Civic Ready** Emergency Notification System: *For the past several years, the City has utilized the CodeRed emergency notification system to alert citizens of inclement weather, disaster incidents, water system flushing events and other items of importance. The system was powerful but relatively cumbersome and tedious to initiate. The City's website producer, Civic Plus, has created a system with similar capabilities, but that is much easier to implement and is significantly less expensive. We have reviewed this new system, Civic Ready, and feel it will better serve the needs of our community and will be transitioning to it in April.*

6.0 Motion was made by Councilman Townsend, second by Councilman Hudgens, to approve the Minutes of the March 16, 2015 Regular City Council Meeting.

Motion carried unanimously.

7.0 Old Business:

7.1 Motion was made by Councilman Townsend, second by Councilman Hudgens, to adopt, on Second Reading, Ordinance No. 2015-05, an Ordinance of the City of Tomball, Texas, Amending Chapter 50 (Zoning) of The Tomball Code of Ordinances by Changing the Zoning District Classification of Approximately 10 Acres of Land, Legally Described as Lots 335 & 336, Tomball Outlots, Within the City of Tomball, Harris County, Texas, From the Agricultural District to the Light Industrial District; Said Property Being Generally Located East of South Persimmon Street and South of Lizzie Lane; Providing for the Amendment of the Official Zoning Map of the City; Providing For Severability; Providing for A Penalty Of An Amount Not To Exceed $2,000 for Each Day of Violation of Any Provision Hereof, Making Findings of Fact; And Providing for Other Related Matters. Vote was as follows:

Councilman Hudgens	Aye
Councilman Stoll	Absent
Councilman Degges	Aye
Councilman Townsend	Aye
Councilman Klein Quinn	Aye

Motion carried unanimously.

7.2 Motion was made by Councilman Townsend, second by Councilman Hudgens, to adopt, on Second Reading, Ordinance No. 2015-06, an Ordinance of the City of Tomball, Texas, Amending Chapter 50 (Zoning) of the Tomball Code of Ordinances By Changing the Zoning District Classification of Approximately 20.64 Acres of Land, Legally Described as Tracts 4H-1 and 4L-2, Abstract 632, C.N. Pillot Survey, Within the City of Tomball, Harris County, Texas, from the General Retail District to the Commercial District; Said Property Being Generally Located West of South Cherry Street, North of Holderrieth Road; Providing for the Amendment of the Official Zoning Map of the City; Providing for Severability; Providing for a Penalty of an Amount Not to Exceed $2,000 for Each Day of Violation of Any Provision Hereof, Making Findings of Fact; and Providing for Other Related Matters. Vote was as follows:

Councilman Hudgens	Aye
Councilman Stoll	Absent
Councilman Degges	Aye
Councilman Townsend	Aye
Councilman Klein Quinn	Aye

Motion carried unanimously.

7.3 Consideration to Adopt, on Second Reading, Ordinance No. 2015-07, an Ordinance of the City of Tomball, Texas, Amending Chapter 50 (Zoning) of the Tomball Code of Ordinances By Amending Sections 50-2 ("Definitions") and 50-82 (B) ("Use Charts") to add a Land Use and Associated Definition for "Brewpub"; Providing for Severability; Providing for a Penalty of an Amount Not to Exceed $2,000 for Each Day of Violation of Any Provision Hereof, Making Findings of Fact; and Providing for Other Related Matters was moved to the April 20, 2015 agenda, at the request of Councilman Stoll.

No action taken.

8.0 New Business:

8.1 Rob Hauck presented possible revisions to the Sign Ordinance regarding "wayfinding" signs for Council consideration and discussion. City staff will bring recommendations to Council at a later date.

No action taken.

9.0 Motion was made by Councilman Townsend, second by Councilman Degges, to adjourn.

Motion carried unanimously.

Meeting adjourned.

PASSED AND APPROVED this the __________ day of ___________ 2015.

_________________________ _________________________

Doris Speer, TRMC, CMC
City Secretary

Gretchen Fagan
Mayor

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:

Adopt, on Second Reading, Ordinance No. 2015-07, an Ordinance of the City of Tomball, Texas, Amending Chapter 50 (Zoning) of the Tomball Code of Ordinances By Amending Sections 50-2 (“Definitions”) and 50-82 (B) (“Use Charts”) to Add a Land Use and Associated Definition for “Brewpub”; Providing for Severability; Providing for a Penalty of an Amount Not to Exceed $2,000 for Each Day of Violation of Any Provision Hereof, Making Findings of Fact; and Providing for Other Related Matters.

Background:

On March 9, 2015, the Planning and Zoning Commission, after conducting a Public Hearing, unanimously recommended approval of Zoning Case P15-020.

On March 16, 2015, Council adopted Ordinance No. 2015-07 on First Reading, with an amendment stating that the Old Town area would be limited to a maximum production of 5,000 barrels per year and the remainder of the City is limited to a maximum production of 10,000 barrels per year.

The Ordinance is provided to Council in two versions - the revised version as amended on April 6, 2015 and the original version presented on March 16, 2015. Consideration of Ordinance No. 2015-07 was suspended until April 20, 2015, at the request of Councilman Stoll, who was unable to attend the April 6 Council meeting.

Origination:

City of Tomball

Recommendation:

Approval

Funding:

Party(ies) responsible for placing this item on agenda:

City Secretary

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

ATTACHMENTS:

Ordinance No. 2015-07 - Revised

Original Ordinance No. 2015-07 - Presented March 16, 2015

P15-020 Staff Report

Notice of Public Hearing

ORDINANCE NO. 2015-07

AN ORDINANCE OF THE CITY OF TOMBALL, TEXAS, AMENDING CHAPTER 50 (ZONING) OF THE TOMBALL CODE OF ORDINANCES BY AMENDING SECTIONS 50-2 ("DEFINITIONS") AND 50-82 (B) ("USE CHARTS") TO ADD A LAND USE AND ASSOCIATED DEFINITION FOR "BREWPUB"; PROVIDING FOR SEVERABILITY; PROVIDING FOR A PENALTY OF AN AMOUNT NOT TO EXCEED $2,000 FOR EACH DAY OF VIOLATION OF ANY PROVISION HEREOF, MAKING FINDINGS OF FACT; AND PROVIDING FOR OTHER RELATED MATTERS.

* * * * * * * * * *

WHEREAS, the City of Tomball has requested that Sections 50-2 ("Definitions") and 50-82(b) ("Use Charts") of the Code of Ordinances be amended;

WHEREAS, the Planning & Zoning Commission and the City Council of the City of Tomball, Texas, have published notice and conducted public hearings regarding the request to amend Sections 50-2 ("Definitions") and 50-82(b) ("Use Charts") of the Code of Ordinances;

WHEREAS, all persons desiring to comment on the proposal were given a full and complete opportunity to be heard; and

Whereas, the Planning & Zoning Commission recommended in its final report that City Council approve amendments to Sections 50-2 ("Definitions") and 50-82(b) ("Use Charts") of the Code of Ordinances; and

Whereas, the City Council deems it appropriate to grant the amendments to Sections 50-2 ("Definitions") and 50-82(b) ("Use Charts") of the Code of Ordinances.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF TOMBALL, TEXAS, THAT:

Section 1. The facts and matters set forth in the preamble of this Ordinance are hereby found to be true and correct.

Section 2. Section 50-2 ("Definitions") of the Code of Ordinances is hereby amended by adding the following:

Barrel: A quantity of beer, ale, etc. equal to 31 standard gallons.

Brewpub: An establishment where beer, ale, etc. are brewed in conjunction with a drinking or eating establishment. The maximum brewing production shall not exceed 10,000 barrels per year, or 5,000 barrels per year in the Old Town and Mixed Use zoning district.

Section 3. Section 50-82(b) ("Use Charts") of the Code of Ordinances is hereby amended by adding the following:

Land Use Type	Residential Zoning Districts							Nonresidential Zoning Districts				OT&MU	Parking Ratio
	AG	SF-20	SF-9	SF-6	D	MF	MHP	O	GR	C	LI		
Retail													
Brewpub								C	P	P	P	P	1 space per 1,000 square feet for the brewing of beer, ale, etc. plus 1 space per 100 square feet for associated eating or drinking establishements

Section 4. Chapter 50 (Zoning) of the Code of Ordinances shall be revised and amended as indicated above.

Section 5. This Ordinance shall in no manner amend, change, supplement, or revise any other provision of Chapter 50 (Zoning) of the Code of Ordinances except as indicated above.

Section 6. In the event any section, paragraph, subdivision, clause, phrase, provision, sentence, or part of this Ordinance or the application of the same to any person or circumstance shall for any reason be adjudged invalid or held unconstitutional by a court of competent jurisdiction, it shall not affect, impair, or invalidate this Ordinance as a whole or any part or provision hereof other any part or provision hereof other than the part declared to be invalid or unconstitutional; and the City Council of Tomball, Texas, declares that it would have passed each and every part of the same notwithstanding the omission of any and every part of the same notwithstanding the omission of any such part thus declared to be invalid or unconstitutional, or whether there be one or more parts.

Section 7. Any person who shall violate any provision of this Ordinance shall be deemed guilty of a misdemeanor and upon conviction, shall be fined in an amount not to exceed $2,000. Each day of violation shall constitute a separate offense.

FIRST READING:

READ, PASSED, AND APPROVED AS SET OUT BELOW AT THE MEETING OF THE CITY COUNCIL OF THE CITY OF TOMBALL HELD ON THE 16TH DAY OF MARCH 2015.

COUNCILMAN HUDGENS	AYE
COUNCILMAN STOLL	ABSENT
COUNCILMAN DEGGES	AYE
COUNCILMAN TOWNSEND	NAY
COUNCILMAN QUINN	AYE

SECOND READING:

READ, PASSED, AND APPROVED AS SET OUT BELOW AT THE MEETING OF THE CITY COUNCIL OF THE CITY OF TOMBALL HELD ON THE 4TH DAY OF APRIL 2015.

COUNCILMAN HUDGENS	________
COUNCILMAN STOLL	________
COUNCILMAN DEGGES	________
COUNCILMAN TOWNSEND	________
COUNCILMAN QUINN	________

____
Gretchen Fagan, Mayor

ATTEST:

____
Doris Speer, City Secretary

ORDINANCE NO. 2015-07

AN ORDINANCE OF THE CITY OF TOMBALL, TEXAS, AMENDING CHAPTER 50 (ZONING) OF THE TOMBALL CODE OF ORDINANCES BY AMENDING SECTIONS 50-2 ("DEFINITIONS") AND 50-82 (B) ("USE CHARTS") TO ADD A LAND USE AND ASSOCIATED DEFINITION FOR "BREWPUB"; PROVIDING FOR SEVERABILITY; PROVIDING FOR A PENALTY OF AN AMOUNT NOT TO EXCEED $2,000 FOR EACH DAY OF VIOLATION OF ANY PROVISION HEREOF, MAKING FINDINGS OF FACT; AND PROVIDING FOR OTHER RELATED MATTERS.

* * * * * * * * * *

WHEREAS, the City of Tomball has requested that Sections 50-2 ("Definitions") and 50-82(b) ("Use Charts") of the Code of Ordinances be amended;

WHEREAS, the Planning & Zoning Commission and the City Council of the City of Tomball, Texas, have published notice and conducted public hearings regarding the request to amend Sections 50-2 ("Definitions") and 50-82(b) ("Use Charts") of the Code of Ordinances;

WHEREAS, all persons desiring to comment on the proposal were given a full and complete opportunity to be heard; and

Whereas, the Planning & Zoning Commission recommended in its final report that City Council approve amendments to Sections 50-2 ("Definitions") and 50-82(b) ("Use Charts") of the Code of Ordinances; and

Whereas, the City Council deems it appropriate to grant the amendments to Sections 50-2 ("Definitions") and 50-82(b) ("Use Charts") of the Code of Ordinances.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF TOMBALL, TEXAS, THAT:

Section 1. The facts and matters set forth in the preamble of this Ordinance are hereby found to be true and correct.

Section 2. Section 50-2 ("Definitions") of the Code of Ordinances is hereby amended by adding the following:

Barrel: A quantity of beer, ale, etc. equal to 31 standard gallons.

Brewpub: An establishment where beer, ale, etc. are brewed in conjunction with a drinking or eating establishment. The maximum brewing production shall not exceed 10,000 barrels per year.

Section 3. Section 50-82(b) ("Use Charts") of the Code of Ordinances is hereby amended by adding the following:

Land Use Type	Residential Zoning Districts							Nonresidential Zoning Districts				OT&MU	Parking Ratio
	AG	SF-20	SF-9	SF-6	D	MF	MHP	O	GR	C	LI		
Retail													
Brewpub								C	P	P	P	P	1 space per 1,000 square feet for the brewing of beer, ale, etc. plus 1 space per 100 square feet for associated eating or drinking establishements

Section 4. Chapter 50 (Zoning) of the Code of Ordinances shall be revised and amended as indicated above.

Section 5. This Ordinance shall in no manner amend, change, supplement, or revise any other provision of Chapter 50 (Zoning) of the Code of Ordinances except as indicated above.

Section 6. In the event any section, paragraph, subdivision, clause, phrase, provision, sentence, or part of this Ordinance or the application of the same to any person or circumstance shall for any reason be adjudged invalid or held unconstitutional by a court of competent jurisdiction, it shall not affect, impair, or invalidate this Ordinance as a whole or any part or provision hereof other any part or provision hereof other than the part declared to be invalid or unconstitutional; and the City Council of Tomball, Texas, declares that it would have passed each and every part of the same notwithstanding the omission of any and every part of the same notwithstanding the omission of any such part thus declared to be invalid or unconstitutional, or whether there be one or more parts.

Section 7. Any person who shall violate any provision of this Ordinance shall be deemed guilty of a misdemeanor and upon conviction, shall be fined in an amount not to exceed $2,000. Each day of violation shall constitute a separate offense.

FIRST READING:

READ, PASSED, AND APPROVED AS SET OUT BELOW AT THE MEETING OF THE CITY COUNCIL OF THE CITY OF TOMBALL HELD ON THE 16TH DAY OF MARCH 2015.

COUNCILMAN HUDGENS	________
COUNCILMAN STOLL	________
COUNCILMAN DEGGES	________
COUNCILMAN TOWNSEND	________
COUNCILMAN QUINN	________

SECOND READING:

READ, PASSED, AND APPROVED AS SET OUT BELOW AT THE MEETING OF THE CITY COUNCIL OF THE CITY OF TOMBALL HELD ON THE 4TH DAY OF APRIL 2015.

COUNCILMAN HUDGENS	________
COUNCILMAN STOLL	________
COUNCILMAN DEGGES	________
COUNCILMAN TOWNSEND	________
COUNCILMAN QUINN	________

____
Gretchen Fagan, Mayor

ATTEST:

____
Doris Speer, City Secretary

Community Development Department

Text Amendment Staff Report

Planning and Zoning Commission Hearing Date: March 9, 2015
City Council Public Hearing Date: March 16, 2015

ZONING CASE P15-020: Request by the City of Tomball to amend Sections 50-2 (Definitions) and 50-82 (b) (Use Charts) of the Code of Ordinances, adding an additional land use and associated definition for a "brewpub" in the City of Tomball.

BACKGROUND

On February 16, 2015, City Council directed City staff to bring forward amendments to Sections 50-2 (Definitions) and 50-82 (Use Charts) of the Code of Ordinances to create a new land use for a "brewpub" and to establish which zoning districts they would be permitted to operate in.

PROPOSED AMENDMENTS

Sections 50-2 (Definitions)

Barrel: A quantity of beer, ale, etc. equal to 31 standard gallons.

Brewpub: An establishment where beer, ale, etc. are brewed in conjunction with a drinking or eating establishment. The maximum brewing production shall not exceed 10,000 barrels per year.

50-82 (Use Charts)

Land Use Type	Residential Zoning Districts							Nonresidential Zoning Districts				OT&MU	Parking Ratio
	AG	SF-20	SF-9	SF-6	D	MF	MHP	O	GR	C	LI		
Retail													
Brewpub								C	P	P	P	P	1 space per 1,000 square feet for the brewing of beer, ale, etc. plus 1 space per 100 square feet for associated eating or drinking establishements

ANALYSIS

Section 50-82(b) of the Code of Ordinances does not allow for a “brewpub” land use. The closest use in Section 50-82(b) is for the “distillation of liquors, spirits, etc. (brewery).” This use is listed in the light and heavy manufacturing/industrial portion of the use chart and appears to be intended for the large-scale production of alcoholic beverages similar the facility below.

Figure 1: Miller Brewery; Fulton, NY

The intent of this text amendment is to allow for the brewing of beer, ale, etc. on a much smaller scale along with on-site eating and/or drinking establishments similar to the facility below.

Figure 2: Triple 7 Restaurant and Microbrewery; Las Vegas, NV

City staff is proposing to require that all brewpubs have an eating and/or drinking establishment component and that the brewing production be limited to 10,000 barrels per year[1] to ensure that the use is retail- and not industrially-oriented. As the intent is to be retail-oriented, this use is being proposed to be permitted by right in the Old Town and Mixed Use, General Retail, Commercial, and Light Industrial Districts and by conditional use permit in the Office District as eating establishment (with no drive-through service) are currently permitted in the Code of Ordinances.

PUBLIC COMMENT

A public hearing notice was published in the Tomball Tribune on February 23, 2015. No public comment forms have been received as of March 4, 2015.

RECOMMENDATION

Based on the findings outlined in the analysis section of this staff report, City staff recommends **APPROVAL** of Zoning Case P15-020.

[1] The 10,000 barrel per year production maximum is also the Texas Alcoholic Beverage Code production limit for brewpubs.

NOTICE OF PUBLIC HEARING
CITY OF TOMBALL
PLANNING & ZONING COMMISSION (P&Z)
MARCH 9, 2015
&
CITY COUNCIL
MARCH 16, 2015

Notice is Hereby Given that a Public Hearing will be held by the P&Z of the City of Tomball on **Monday, March 9, 2015, at 6:00 P.M.,** and by the City Council of the City of Tomball on **Monday, March 16, 2015, at 6:00 P.M.** at Regular Meetings, in the City Council Chambers of the City of Tomball at City Hall, 401 Market Street, Tomball, Texas. On such dates, the P&Z and City Council will consider the following:

ZONING CASE P14-254: Request by Jose Aguirre, on behalf of Tower Steel Services, Inc., to amend Chapter 50 (Zoning) of the Tomball Code of Ordinances by rezoning approximately 10 acres of land, legally described as Lots 335 & 336, Tomball Outlots, within the City of Tomball, Harris County, Texas, generally located east of South Persimmon Street and south of Lizzie Lane, from the Agricultural District to the Light Industrial District.

ZONING CASE P15-009: Request by TNRG Development LLC, on behalf of Frank P. Fontana, to amend Chapter 50 (Zoning) of the Tomball Code of Ordinances by rezoning approximately 20.64 acres of land, legally described as Tracts 4H-1 and 4L-2, Abstract 632, C.N. Pillot Survey, within the City of Tomball, Harris County, Texas, generally located west of South Cherry Street, north of Holderrieth Road, from the General Retail District to the Commercial District.

ZONING CASE P15-020: Request by the City of Tomball to amend Sections 50-2 ("Definitions") and 50-82 (b) ("Use Charts") of the Tomball Code of Ordinances, adding an additional land use and associated definition for Brewpubs/Microbreweries in the City of Tomball.

At the public hearings, parties in interest and citizens will have the opportunity to be heard. All citizens of the City of Tomball, and any other interested parties, are invited to attend. Applications are available for public inspection Monday through Friday, holidays excepted, at the Public Works Building, located at 501 James Street, Tomball, TX 77375. Further information may be obtained by contacting the Assistant City Planner, Rodney Schmidt, at (281) 290-1410, rschmidt@tomballtx.gov.

C E R T I F I C A T I O N

I hereby certify that the above notice of meeting was posted on the bulletin board of City Hall; City of Tomball, Texas, a place readily accessible to the general public at all times, on the 5th day of March 2015 by 5:00 p.m., and remained posted for at least 72 continuous hours preceding the scheduled time of said meeting.

Amelia Vasquez
Amelia Vasquez
Secretary of the Board

This facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please feel free to contact the City Secretary's office at (281) 290-1002 or FAX (281) 351-6256 for further information. AGENDAS MAY ALSO BE VIEWED ONLINE AT www.tomballtx.gov.

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:

Adopt Resolution No. 2015-07, a Resolution of the City Council of the City of Tomball, Texas, Supporting the Eighth Annual Homecoming Parade and Pep Rally, to be held at the Tomball Depot, Sponsored by the Tomball Independent School District and the Tomball High School Student Council, on Wednesday, October 7, 2015

Background:

The Tomball High School Student Council requests Council's support for its Eighth Annual Homecoming Parade and Pep Rally, to be held on Wednesday, October 7, 2015 from 6:30 p.m. until 8:00 p.m.

Current plans, pending TxDOT approval, are that the parade will form at Tomball Intermediate School and proceed down Main Street (FM 2920) to the Depot at 201 South Elm, where the community-wide pep rally will begin at 7:00 p.m. and the entire event should conclude by 8:00 p.m.. Should TxDOT deny approval of the original route, an alternate route would be used to bring the parade down Malone and Market Streets to the Depot; however, approval from TxDOT has been granted every year and approval is anticipated again.

Council is asked to approve the use of the Depot and authorize the support of the City, as a co-sponsor of the event, in supplying City support services (Police, Fire, Public Works) as needed.

Origination:

Tomball High School Student Council Officers and Mrs. Dio

Recommendation:

Approval of Resolution No. 2015-06

Funding:

Party(ies) responsible for placing this item on agenda:

City Secretary

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

ATTACHMENTS:

Resolution No. 2015-07

RESOLUTION NO. 2015-06

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TOMBALL, TEXAS, SUPPORTING THE EIGHTH ANNUAL HOMECOMING PARADE AND PEP RALLY, TO BE HELD AT THE TOMBALL DEPOT, SPONSORED BY THE TOMBALL INDEPENDENT SCHOOL DISTRICT AND THE TOMBALL HIGH SCHOOL STUDENT COUNCIL, ON WEDNESDAY, OCTOBER 7, 2015.

* * * * * * * * *

WHEREAS the Tomball Independent School District and the Tomball High School Student Council will undertake the Eighth Annual Homecoming Parade and Pep Rally, to be held in the City of Tomball on Wednesday, October 7, 2015 from 6:30 p.m. until 8:00 p.m.; and

WHEREAS the parade will form at Tomball Intermediate School and proceed down Main Street (FM 2920) to the Depot; and

WHEREAS a community-wide pep rally that will include the Cougar Pride Band, Cougar Charms Drill Team, and Cheerleaders will be held at the Depot immediately following the parade, during which the Homecoming Court will be announced; and

WHEREAS the Tomball Independent School District and the TISD Student Council desire and request the support and endorsement of the City of Tomball, including use of the Depot, in this community-wide effort;

NOW, THEREFORE, BE IT RESOLVED that the City of Tomball and its governing body endorses and supports the efforts of the Tomball Independent School District and the TISD Student Council in promoting and undertaking the Homecoming Parade and Pep Rally and pledge to encourage this effort.

PASSED AND APPROVED AS SET OUT BELOW AT THE MEETING OF THE CITY COUNCIL HELD ON THE _20TH___ DAY OF _APRIL_ 2015.

____
GRETCHEN FAGAN, Mayor

ATTEST:

____
DORIS SPEER, City Secretary

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:

Approve the Sale of Lot 43, Block 81, located at 0 Chestnut Street, to Adjacent Property Owner, Cecilia Briceno, for $2,020

Background:

Ms. Briceno contacted the City with an offer to purchase Lot 43, Block 81, in the amount of $2,020. As Ms. Briceno owns Lots 44 and 45, Block 81, the purchase of Lot 43 would provide her a total 10,855 square feet to develop/build upon.

In accordance with State law, on February 9, the City contacted the owner of the adjoining Lot 42, to determine if that owner wished to purchase a portion of Lot 43. On March 12, after receiving no response from the owner of Lot 42, the City Attorney advised that the City, pursuant to Local Government Code, Sections 272.001(b)(1) and (c), is permitted to sell Lot 43 to the adjacent property owner.

The City has no plans for Lot 43, Block 81 and the sale will return this surplus lot to the tax rolls.

Origination:

Cecilia Briceno

Recommendation:

Approve the Sale of Lot 43, Block 81, located at 0 Chestnut Street, to Adjacent Property Owner, Cecilia Briceno, for $2,020

Funding:

Party(ies) responsible for placing this item on agenda:

Doris Speer, City Secretary

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

ATTACHMENTS:

Quitclaim Deed - City of Tomball to Cecilia Briceno

Offer from Cecilia Briceno to purchase Lot 43 Block 81

QUITCLAIM DEED

Date: ________________________

Grantor: City of Tomball

Grantor's Mailing Address (including County):

401 Market Street
Tomball, Harris County, Texas 77375

Grantee: Cecilia Briceno

Grantee's Address (including County):
14719 N. Carolina Green Drive
Cypress, Harris County, Texas 77433

Consideration:

Ten and No/100 Dollars ($10.00) and other good and valuable consideration.

Property:

Lot 43, Block 81, Located at 0 Chestnut Street, Harris County, Texas, Harris County Appraisal District Account Number 035-276-081-0043, deeded by Warranty Deed to the City of Tomball by Nilah Trimble, Independent Executrix of the Estate of Rose Mitchell, Deceased, as a gift to the City of Tomball, and being more Particularly Described in the deed bearing Harris County Clerk File No. J939521.

For the consideration, Grantor quitclaims to Grantee all of Grantor's right, title and interest in and to the property, to have and to hold it to Grantee and Grantee's successors or assigns forever. Neither Grantor nor Grantor's heirs, executors, administrators, successors, or assigns shall have, claim, or demand any right or title to the property or any part of it.

Grantee accepts the property in "AS IS" condition, subject to any environmental conditions that might have or still exist on said property and subject to the rights of any parties in possession of the property.
When the context requires, singular nouns and pronouns include the plural.

EXECUTED this the ______day _______________ 2015.

GRANTOR:

CITY OF TOMBALL, TEXAS

____
Gretchen Fagan, Mayor

ATTEST:

By: ____________________________
Doris Speer, City Secretary

ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared Gretchen Fagan, Mayor, City of Tomball, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that she executed same for the purposes and consideration therein expressed and in the capacity therein stated, and as the act and deed of said City.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this ______day of _______, 2015.

____
NOTARY PUBLIC, in and for the
STATE OF TEXAS

(SEAL) My Commission Expires: _____________

After Recording, Return To:
Doris Speer
City Secretary
City of Tomball
401 Market Street
Tomball, TX 77375

Doris Speer

From: cecilia puente <cecihouston@hotmail.com>
Sent: Tuesday, November 18, 2014 7:27 AM
To: Doris Speer
Subject: Lot Offer

Dear Ms. Doris Speer,

According to our conversation on Friday November 14, I would like to make an offer for the lot #0352760810043. This lot is located next to my two lots #0352760810044 that are appraised with a value of 3,589 dollars for both lots and based on this price I would like to make an offer of $2,020 that I have available in cash right now. The lots were property of my ex-husband and now I am in the process of changing the owners name over to mine.

Please submit my offer to the committee and let me know the decision.

Thank you so much for your time and have a blessed day.

Cecilia Briceno Puente

Doris Speer

From: cecilia Ines <cecihouston@hotmail.com>
Sent: Thursday, January 01, 2015 4:47 PM
To: Doris Speer; cecilia Ines
Subject: Lot Offer
Attachments: SCAN0100.JPG; SCAN0096.JPG; SCAN0097.JPG; SCAN0098.JPG; SCAN0099.JPG

Dear Ms. Doris Speer,
Wishing you a great 2015 year full of joy and blessings in your life.
I finally have the new corrections for the deed, now shows lots 44 and 45 as you can see in the attachments.
Please let me know if you need something else from me.

Thank you!
Cecilia.

From: DSpeer@tomballtx.gov
To: cecihouston@hotmail.com
Date: Mon, 1 Dec 2014 17:22:10 -0600
Subject: RE: Lot Offer

Great – thank you.

Doris Speer
City Secretary/RMO, TRMC, CMC
401 Market Street
Tomball, Texas
Pop: 10,753 (2010 Census)
(ofc) 281-290-1002
(fax) 281-351-6256
(email) dspeer@tomballtx.gov
(email) dspeer@ci.tomball.tx.us mailto:dspeer@ci.tomball.tx.us

---

From: cecilia puente [mailto:cecihouston@hotmail.com]
Sent: Monday, December 01, 2014 4:33 PM
To: Doris Speer
Subject: Re: Lot Offer

My lawyer will fix that and I will bring you the one with the corrections as soon as possible.
Thank you.
Cecilia.

Sent from my iPhone

On Dec 1, 2014, at 11:17 AM, Doris Speer <DSpeer@tomballtx.gov> wrote:

Thank you –

As a point of clarification, your deed should state "Lots 44 and 45," not "Lots 44 and 44" – I'm not sure how this error affects you legally.

Doris Speer
City Secretary/RMO, TRMC, CMC
401 Market Street
Tomball, Texas
Pop: 10,753 (2010 Census)
(ofc) 281-290-1002
(fax) 281-351-6256
(email) dspeer@tomballtx.gov
(email) dspeer@ci.tomball.tx.us mailto:dspeer@ci.tomball.tx.us

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From: cecilia puente [mailto:cecihouston@hotmail.com]
Sent: Thursday, November 27, 2014 9:58 PM
To: Doris Speer
Subject: RE: Lot Offer

Dear Ms. Doris Speer,
I'm sending you an attachment of the proof that the lots have been recorded under my name and are legally mine now. I hope this helps.
Thank you so much,
Cecilia.

From: DSpeer@tomballtx.gov
To: cecihouston@hotmail.com
Date: Tue, 25 Nov 2014 15:39:36 -0600
Subject: RE: Lot Offer

Ms. Puente:

The City cannot proceed until you are the established owner of the property adjacent to this lot.

Please let me know when the property has been transferred into your name.

Thank you.

Doris Speer
City Secretary/RMO, TRMC, CMC
401 Market Street
Tomball, Texas
Pop: 10,753 (2010 Census)
(ofc) 281-290-1002
(fax) 281-351-6256
(email) dspeer@tomballtx.gov
(email) dspeer@ci.tomball.tx.us mailto:dspeer@ci.tomball.tx.us

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From: cecilia puente [mailto:cecihouston@hotmail.com]
Sent: Tuesday, November 18, 2014 1:05 PM
To: Doris Speer
Subject: Re: Lot Offer

I will be waiting to hear from you. Thank you very much!
Cecilia.

Sent from my iPhone

On Nov 18, 2014, at 12:29 PM, Doris Speer <DSpeer@tomballtx.gov> wrote:

> Mrs. Briceno Puente:
>
> I have forwarded your request to the City Manager and will give you an update as soon as I know anything.
>
> Thank you.
>
> Doris Speer
> City Secretary/RMO, TRMC, CMC
> 401 Market Street

Tomball, Texas
Pop: 10,753 (2010 Census)
(ofc) 281-290-1002
(fax) 281-351-6256
(email) dspeer@tomballtx.gov
(email) dspeer@ci.tomball.tx.us mailto:dspeer@ci.tomball.tx.us

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From: cecilia puente [mailto:cecihouston@hotmail.com]
Sent: Tuesday, November 18, 2014 7:27 AM
To: Doris Speer
Subject: Lot Offer

Dear Ms. Doris Speer,
According to our conversation on Friday November 14, I would like to make an offer for the lot #0352760810043. This lot is located next to my two lots #0352760810044 that are appraised with a value of 3,589 dollars for both lots and based on this price I would like to make an offer of $2,020 that I have available in cash right now. The lots were property of my ex-husband and now I am in the process of changing the owners name over to mine.
Please submit my offer to the committee and let me know the decision.
Thank you so much for your time and have a blessed day.
Cecilia Briceno Puente

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:

Consideration and Possible Action regarding Request to Expand the Area for Waiver of Impact Fees to Cover Main Street, West of Pine Street to SH 249 Business and East of Elm Street to FM 2978

Background:

We have received a request to expand the area covered by the waiver of impact fees from the "Old Town" area to the west, along Main Street, and possibly to the east, along Main Street, to coincide with the planned Main Street rehabilitation program the City is planning to participate in with TxDOT and H-GAC.

A copy of the request is provided for Council consideration.

Origination:

Steven Vaughan, Developer

Recommendation:

N/A

Funding:

Party(ies) responsible for placing this item on agenda:

City Secretary

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

ATTACHMENTS:

Steven Vaughan - Request for Expansion

3/17/2015

• • •

Steven L. Vaughan
BVW Interests, LLC
13322 Wildwood
Tomball, Texas 77375

George Shackelford
% City of Tomball
Via: email: gshackelford@ci.tomball.tx.us

Dr. Mr. Shackelford:

I have noticed that the City of Tomball recently extended the period that they will grant waivers for impact fees for the area along Main Street in the older part of town. I am not sure what the geographical boundaries of this area is, but I would like to inquire if would be possible for the City Council to consider expanding that area.

As you know, my two sons-in-law and I are planning on building a commercial office building at the corner of Main Street and Lawrence Street at the address known as 1001 West Main. This would be new construction on property that was previously occupied by Moffett Furniture Company for many years. I would like to request that the City of Tomball expand its impact fee waiver program to the West along Main Street to the above mentioned property, or even consider further west and east along main to coincide with the planned Main Street rehab program that the city is planning in participating in with TXDOT and HGAC.

Your consideration would be most appreciated.

Yours Truly,

Steven L. Vaughan
BVW Interest, LLC

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:

Appoint Member to Unexpired Position 9 (Hotel Industry) on the Tourism Advisory Committee for Term Expiring December 5, 2016

Background:

The Tourism Advisory Committee (TAC) consists of nine (9) positions. City residents serve in Positions 1, 2, and 3, city business owners or employees serve in Postions 4, 5, and 6, and members of the hotel industry serve in Positions 7, 8, and 9.

Ron Tocci, who was re-appointed to Position 9 in 2013, is no longer with the La Quinta in Tomball and a replacement must be appointed.

We have received an application from Paige Cassel, who is with the new Holiday Inn Express-Tomball (attached).

As Mayor, I would like to recommend the appointment of Paige Cassel to Position 9, to serve the remainder of the unexpired term.

Origination:

Mayor

Recommendation:

N/A

Funding:

Party(ies) responsible for placing this item on agenda:

City Secretary

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

ATTACHMENTS:

Paige Cassel Application

CITY OF TOMBALL

APPLICATION FOR THE TOURISM ADVISORY COMMITTEE

As an Applicant for the **Tourism Advisory Committee**, your application will be available to the public. All appointments are made by the Tomball City Council. Incumbents whose terms expire are automatically considered for reappointment unless they indicate non-interest or have been appointed to two (2) consecutive terms. A member who is absent for more than 25% of called meetings in any twelve consecutive months or absent from more than two consecutive meetings, for other than medical reasons, will be automatically removed from service. Applicant must be a citizen of the United States and must reside within the city limits of Tomball unless otherwise stated in the position announcement. 2013 applications expire on December 31, 2015; a new application will be required in 2016.

Please Type of Print Clearly:

Date: 04/07/15

Name: Paige Cassel

Phone: 832-468-0303 (Home)

Address: 19811 Falcon Hill Court

Phone: 713 832-639-4900 (Work)

City/State/Zip Cypress Texas 77433

Cell: 832-468-0303

Email: ______

I have lived in Tomball ___ years.

I am X am not ___ a U.S. Citizen

I am applying as (please check all that apply):

- ___ a Tomball Resident, residing within the city limits of Tomball
- ___ an Owner, Officer or Director of a business, other than a hotel or motel, with offices within the city limits of Tomball
- X an Employee or Officer of a hotel or motel located in the city limits of Tomball

Occupation: Director of Sales and marketing / hotellier

Professional and/or Community Activities: Active TBTA member

Additional Pertinent Information/References:

Applications for the Tourism Advisory Committee will be kept on file in the City Secretary's office (281-290-1002) for two years.

****

I AM INTERESTED IN SERVING ON THE TOURISM ADVISORY COMMITTEE.

Signature of Applicant

Please return this application to:

City Secretary
City of Tomball
401 Market Street
Tomball, TX 77375
dspeer@ci.tomball.tx.us
fax: 281-351-6256

Board Member Election on Disclosure

An appointed Board Member may choose whether or not to allow public access to the information in the custody of the City relating to the Board Member's home address, home telephone number, cellular and pager numbers (if not paid for by City), emergency contact information, personal email address, and information that reveals whether the person has family members.

Each Board Member shall state his/her choice in writing to the City Secretary's Office. If a Board Member elects not to allow public access to this information, the information is protected by Sections 552.024 and 552.117 of the Public Information Act and rulings of the Texas Attorney General. If a Board Member fails to report his/her choice, the information may be subject to public access.

If during the course of their term a Board Member wishes to close or open public access to the information, the individual may request in writing to the City Secretary's Office to close or open access as the case may be. A Board Member may request to close or open public access to the information by submitting a written request to the City Secretary's Office. Only the City Secretary's Office is allowed to disclose the information listed above.

(Please strike through any information that you do not wish to be made accessible to the public)

Please complete the information below and return
to the City Secretary's Office within fourteen days of receipt.

☒ I **DO** elect public access to my: (please indicate items you would like available, if any)

X home address

X home telephone number

X personal email address

X cell or pager numbers not paid for by the City

X emergency contact information

X information that reveals whether I have family members.

☐ I **DO NOT** elect public access to my home address, home telephone number, cell or pager numbers, emergency contact information, or any information that reveals whether I have family members.

[signature] Board Member's Signature

04/07/15 Date

Paige Cassel
Board Member's Printed Name

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:

Appoint Erik P. Berglund as Associate Municipal Court Prosecutor for the Tomball Municipal Court, with Term Beginning April 21, 2015 and Expiring December 31, 2016.

Background:

On March 19, 2015, Associate Municipal Court Prosecutor, Matthew Goehring, tendered his resignation from his contract position with the City, effective March 31, 2015 to accept a full-time position as Assistant District and County Attorney in Falls County.

Based on input from Chief Prosecutor Grant Stevens and Maria Morris, the Court Administrator, I would like to recommend the appointment of Erik Berglund as Associate Municipal Court Prosecutor to complete the unexpired two-year term. Mr. Berglund has extensive experience in prosecuting in JP Courts and County Courts in Montgomery County. His philosophy regarding prosecution meshes well with the direction anticipated for our Municipal Court.

Adding someone with Mr. Berglund's experience and qualifications will be an asset to our court system. He will help cover the current and future dockets that are solely being processed by our Chief Prosecutor, following the resignation of Associate Prosecutor Matthew Goehring.

With Mr. Stevens as Chief Prosecutor and Mr. Berglund as Associate Prosecutor, we anticipate having sufficient coverage for the current docket load as City staff continues to advertise for one, possibly two, Associate Prosecutors and continues developing new policies and procedures to improve the prosecutorial area of the Municipal Court. The Chief Prosecutor will also participate in the interviewing and recommendation process, as one of the primary responsibilities of the Chief Prosecutor is to mentor, train, and supervise the prosecution personnel.

Providing excellent prosecutorial services in the Municipal Court supports the City's strategic plan in the focus area of community basics by meeting current and future needs in maintaining effective and timely service to the public and allowing the filed case loads to be processed in an effective and timely manner.

A copy of Mr. Berglund's resume is provided for Council review.

Origination:

Municipal Court

Recommendation:

Appoint Erik Berglund as Associate Municipal Court Prosecutor.

Funding: Yes

Account Number: 100-122-6303

Party(ies) responsible for placing this item on agenda:
Doris Speer, City Secretary

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

ATTACHMENTS:

Erik P. Berglund - Qualifications

ERIK P. BERGLUND

300 W. Davis, Suite 515
Conroe, TX 77301
Tel: (936) 441-5200
Fax (936) 539-2263
Texaslawguy@gmail.com

Education:

University of Minnesota Law School
J.D. *cum laude*, 1995
At-large extern, Hennepin County Courts

Work Experience:

Private Practice, Conroe, Texas
2000 – present — General practice representing clients in all areas of law.

1998 – 2000 — **Assistant County Attorney, Montgomery County, Conroe, Texas**
Prosecuted misdemeanors in Justice Courts and County Courts. Prosecuted Juveniles in Juvenile Court. Also advised county officials and defended the county in civil litigation.

1997 — **Assistant Criminal District Attorney, Hidalgo County, Texas**
Criminal and juvenile prosecutor. Managed hot check department.

1997 — **Instructor, South Texas Community College, McAllen, Texas**
Taught evening course in business law.

Activities:

Montgomery County Bar Association
Assistant Scout Master
Montgomery County Criminal Defense Bar Association

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:

Approve Resolution No. 2015-06, a Resolution of the City of Tomball, Texas, Stating the City of Tomball's Intent to Participate in Tax Abatement and Establishing the Guidelines and Criteria for Granting Tax Abatements in a Reinvestment Zone Created in the City of Tomball

Background:

The Tax Code requires that each taxing unit that wants to consider tax abatement proposals must adopt a Resolution indicating its intent to participate in tax abatement. The Resolution does not bind the City of Tomball to grant approval of any proposed agreements.

The Tax Code also requires any eligible taxing jurisdiction to establish Guidelines and Criteria as to eligibility for tax abatement agreements prior to granting any future tax abatement. These guidelines do not limit the City Council's discretion to choose whether or not to enter into any particular abatement agreement, and they do not give any person a legal right to require the governing body to consider or grant a specific application for tax abatement.
These guidelines are very similar to the previous ones adopted under Resolution No. 2012-06 and they incorporate the Tax Code requirements relating to tax abatements and reinvestment zones.

Two redlined versions and a clean version of the tax abatement policy are provided for Council consideration.

Origination:

City Manager and Executive Director-TEDC

Recommendation:

Approve Resolution No. 2015-06

Funding:

Party(ies) responsible for placing this item on agenda:

Doris Speer, City Secretary

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

ATTACHMENTS:

Resolution No. 2015-06
Redlined Tax Abatement Policy - Comments by Loren Smith
Redlined Tax Abatement Policy - Additional Comments by Kelly Violette
Clean Version - Tax Abatement Policy

RESOLUTION NO. 2015-06

A RESOLUTION OF THE CITY OF TOMBALL, TEXAS, STATING THE CITY OF TOMBALL'S INTENT TO PARTICIPATE IN TAX ABATEMENT AND ESTABLISHING THE GUIDELINES AND CRITERIA FOR GRANTING TAX ABATEMENTS IN A REINVESTMENT ZONE CREATED IN THE CITY OF TOMBALL.

* * * * * * * * * *

WHEREAS, the capital investment and the creation and retention of job opportunities are a community priority; and

WHEREAS, new jobs and investment will benefit the area economy, provide needed opportunities, strengthen the real estate market, and generate revenue to support local services; and

WHEREAS, the City of Tomball must compete with other localities currently offering tax inducements to attract new business and modernization projects; and

WHEREAS, the abatement of property taxes, when offered to attract new investment and primary jobs in industries which bring in money from outside a community instead of merely re-circulating dollars within a community, has been shown to be an effective method of enhancing and diversifying an area of economy; and

WHEREAS, Texas law requires any eligible taxing jurisdiction to establish guidelines and criteria regarding eligibility for tax abatement prior to granting of any future tax abatement, and said guidelines and criteria to be unchanged for a two year period unless amended by a three-quarters (3/4) vote; and

WHEREAS, the City Council of the City of Tomball desires to adopt guidelines and criteria regarding eligibility for tax abatement from the City of Tomball;

NOW, THEREFORE, BE IT RESOLVED that, pursuant to the authority contained in Section 312.002 of the Texas Tax Code, the City of Tomball does hereby intend to participate in tax abatement and adopt the guidelines and criteria for granting tax abatements in reinvestment zones in the City of Tomball attached hereto as Exhibit "A" and incorporated herein as if set forth at length.

PASSED, APPROVED, AND RESOLVED this 6th day of April 2015.

____
Gretchen Fagan, Mayor

ATTEST:

____
Doris Speer, City Secretary

CITY OF TOMBALL

TAX ABATEMENT POLICY

TAX ABATEMENT GUIDELINES SUMMARY

TERMS	Up to 100% abatement for a period not to exceed 10 years. Each project is reviewed on a case-by-case basis. The amount of the abatement will be determined based on the merits of the project, including, but not limited to, location of the project, its size, total capital investment value, the number of temporary and permanent jobs created, the costs and benefits for the City, and the project's impact on Tomball's economy.
FACILITIES THAT QUALIFY	Corporate Headquarters Facility Manufacturing Facility Research Facility Regional Distribution Facility Regional Service Facility Regional Entertainment/Tourism Facility Other Basic Industry Facilities
AUTHORIZED INVESTMENTS	New Facilities Expansions Modernizations
ABATED	Buildings, structures, fixed machinery, equipment, personal property, site improvements, and related office space
ECONOMIC CRITERIA	New business: Minimum two million dollar ($2,000,000) investment; create a minimum of twenty-five (25) jobs. Expansions: Minimum one million dollar ($1,000,000) investment; must prevent the loss of payroll or retain, increase, or create payroll on a permanent basis in the City of Tomball.

CITY OF TOMBALL, TEXAS
TAX ABATEMENT POLICY

SECTION 1: GENERAL PURPOSE AND OBJECTIVES

The City of Tomball is committed both to the promotion of high quality development within the City and to the improvement in the quality of life of its citizens. In order to meet these goals, the City will, on a case-by-case basis, give consideration to providing tax abatement within designated reinvestment zones as stimulation for economic development in the City. Texas Tax Code Chapter 311. The purpose of this tax abatement policy is to encourage the growth and establishment of industry and commercial enterprise in the City. Growth is measured by the capital investment in the City for buildings, machinery, and other capital goods that increases the Tomball workforce.

The City of Tomball will consider tax abatement for qualified business and property owners in accordance with the procedures and criteria outlined in this document. Nothing herein shall imply or suggest that the City is under any obligation to provide any incentive to any applicant. All applications shall be considered on a case-by-case basis.

All applications for tax abatement must be for commercial and/or industrial improvements. Tax abatement is available for both new facilities and for the expansion and modernization of existing facilities. No residential developments will be considered for tax abatement. Tax abatement will not be ordinarily considered for projects that would be developed without such incentives unless it is demonstrated that higher development standards or other community development goals will be achieved through the use of an abatement.

SECTION 2: DEFINITIONS

(a) **Abatement** means the full or partial exemption from ad valorem taxes of certain new improvements of real and/or personal property in a reinvestment zone designated for economic development purposes.

(b) **Agreement** means a contractual agreement between the City of Tomball and a property owner and/or lessee for the purpose of tax abatement.

(c) **Base Year Value** means the assessed value of eligible property on January 1 preceding the execution of the Agreement plus the agreed upon value of eligible property improvements made after January 1 but before the execution of the Agreement.

(d) **Corporate Headquarters Facility** means the facility or portion of a facility where corporate staff employees are physically employed and where the majority of the company's financial, personnel, legal, planning or other headquarters related functions are handled either on a national, regional or division basis.

(e) **Deferred Maintenance** means improvements necessary for continued operations, which do not improve productivity or alter the process technology.

(f) **Economic life** means the number of years a property improvement is expected to be in service in a facility. Provided, however, that in no circumstance shall the number of years exceed the depreciation allowance specified in the United States Internal Revenue Code.

(g) **Effective Date of Abatement** means the first (1st) day of January immediately following the date the Agreement is approved by the City Council of Tomball or at any other date specifically authorized by City Council..

(h) **Eligible Jurisdiction** means the City of Tomball, Harris County and any school district or college district which levies ad valorem taxes upon, and provides services to, property located within the proposed or existing reinvestment zone.

(i) **Expansion** means the addition of buildings, structures, fixed machinery, equipment, and personal property for the purpose of increasing production capacity.

(j) **Facility** means property improvements completed or m the process of construction which together comprise an integral whole.

(k) **Manufacturing Facility** means buildings, structures, fixed machinery, equipment and personal property, the primary purpose of which is or will be the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change.

(l) Modernization means the upgrading of existing facilities, which increases the productive input or output, updates the technology or substantially lowers the unit cost of the operation; modernization may result from the construction, alternation, or installation of buildings, structures, fixed machinery, equipment and personal property. It shall not be for the purpose of reconditioning, refurbishing or repamng.

(m) New Facility means a property, previously undeveloped, that is placed into service by means other than or in conjunction with expansion or modernization.

(n) New Machinery and Equipment means tangible machinery, equipment, or personal property that is securely placed or fastened and stationary within a building or structure or permanently resides in the City of Tomball.

(o) Other Basic Industry Facility means buildings and structures including fixed machinery, equipment, and personal property not elsewhere described, used or to be used for the production of products or services which primarily serve a market outside the City of Tomball and result in the creation of new permanent jobs and bring new wealth in to the City.

(p) Real Property: The land on which a facility is placed.

(q) Regional Distribution Facility means buildings and structures including fixed machinery, equipment, and personal property used or to be used primarily to receive, store, service or distribute goods or materials owned by the facility, from which a majority of revenues generated by the activity at the facility are derived from outside the City of Tomball.

(r) Regional Entertainment/Tourism Facility means buildings and structures, including fixed machinery, equipment, and personal property used or to be used to provide entertainment and/or tourism related services, from which a majority of revenues generated by activity at the facility are derived from outside the City of Tomball.

(s) Regional Service Facility means buildings and structures, including fixed machinery, equipment, and personal property used or to be used to provide a service, from which a majority of revenues generated by activity at the facility are derived from outside the City of Tomball.

(t) Research Facility means buildings and structures, including fixed machinery, equipment, and personal property used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes thereto.

SECTION 3: GUIDELINES AND CRITERIA

Minimum Standards for Tax Abatement

(a) The project shall not have any negative environmental impacts on the community (e.g., significant pollution or hazardous waste).

(b) The project should stimulate local employment and/or commercial activity and benefit existing business and not compete with existing businesses to the extent of being a detriment to the local economy as a whole.

(c) New Facilities: The project will establish and maintain at least twenty-five (25) jobs in the City of Tomball and have a minimum capital investment of two million ($2,000,000). *(The acquisition cost of the real property is not included in the project investment).*

(d) Expansion/Modernization: The project must prevent the loss of payroll or retain, increase or create payroll on a permanent basis in the City of Tomball and have a minimum capital investment of one million ($1,000,000). *(The acquisition cost of the real property is not included in the project investment).*

(e) The City of Tomball may consider tax abatement for an investment less than the minimum amount required based upon City evaluation of economic development factors, including but not limited to:
  - (a) the location of taxable inventory on the property;
  - (b) the amount of sales tax that the project will generate for the City.

(f) Tax abatement may only be granted for the additional tax value resulting from any of the following:
  - (a) construction of a new facility of any type as herein defined;
  - (b) expansion of existing facilities of any type as herein defined; or
  - (c) modernization of existing facilities of any type as herein defined.

(g) The project should have high visibility and image impact, or be a significantly higher level of development quality.

(h) The project will serve as a catalyst or magnet to attract or retain other high quality industrial/business development.

(i) The project will not solely and primarily have the effect of transferring employment from one part of the city to another.

(j) The development must conform to the City's zoning ordinance.

(k) The costs of city services required for the development should not exceed the amount of taxes generated if abatement is provided.

SECTION 4: ABATEMENT AUTHORIZED

(a) Authorized Tax Abatement Categories. A facility may be eligible for tax abatement if it is a:

Corporate Headquarters Facility
Manufacturing Facility
Research Facility
Regional Distribution Facility
Regional Service Facility
Regional Entertainment/Tourism Facility, or
Other Basic Industry Facility

(b) Authorized Date: A facility shall be eligible for tax abatement if it has applied for such abatement prior to the commencement of construction.

(c) Creation of New Value: Abatement may only be granted for the additional value of eligible property improvement made subsequent to and in an abatement agreement between the City of Tomball and the property owner and/or lessee, subject to such limitations as the City Council may require.

(d) Eligible Property: Abatement may be extended to the value of buildings, structures, fixed machinery, equipment, personal property, site improvements plus that office space and related fixed improvements necessary to the operation and administration of the facility. The value of all property shall be the appraised value for each year, as finally determined by the applicable appraisal district.

(e) Ineligible Property: The following types of property shall be generally be fully taxable and ineligible for abatement: land; inventories; supplies; tools; furnishings; and other forms of movable personal property; vehicles; vessels; aircraft; housing; hotel accommodations; deferred maintenance investments; property to be rented or leased except as provided below; improvements for the generation or transmission of electrical energy not wholly consumed by a new facility or expansion; any improvements, including those to produce, store or distribute natural gas, fluids or gases, which are not integral to the operation of the facility; property which has an economic life of less than fifteen (15) years; property owned or used by the State of Texas or its political subdivision or by any organization owned, operated or directed by a political subdivision of the State of Texas, or any property exempted by local, state or federal law; and property owned or leased by a member of city council or a member of a zoning or planning commission of the City.

(f) Leased Facilities: If a leased facility is granted abatement, the agreement shall be executed with the lessor and the lessee.

(g) **Value and Term of Abatement:** Abatement shall be granted effective with the January 1 valuation date immediately following the date of execution of the agreement or at such other date specifically authorized by City Council. The value of the abatement will be determined based on the merits of the project, including, but not limited to, total capital investment value and added employment. Up to one hundred percent of the value of new eligible properties may be abated for a total term of abatement not to exceed ten years. However, a project must provide an extraordinary economic benefit to the City to be considered for one hundred percent abatement.

If a modernization project includes facility replacement, the abated value shall be the value of the new unit(s) less the value of the old unit (s).

(h) **Taxability:** From the execution of the abatement to the end of the agreement, taxes shall be payable as follows:

(1) The value of ineligible property as provided in Section 4(e) shall be fully taxable;

(2) The base year value of existing eligible property as determined each year shall be fully taxable; and,

(3) The additional value of new eligible property shall be taxable at the end of any abatement period.

SECTION 5: APPLICATION

(a) Any present or potential owner of taxable property in the City of Tomball may request the creation of a reinvestment zone or tax abatement by filing a written application with the City Secretary of the City of Tomball.

(b) The application shall consist of a completed application form accompanied by: a general description of the project/new improvements to be undertaken; a descriptive list of the improvements for which an abatement is requested; a list of the kind, number and location of all proposed improvements of the property; a list of the estimated value of inventory and the location where the inventory will be stored; the projected employment number at the proposed facility and the estimated average salary; the estimated amount of annual sales subject to State Sales & Use Tax; a map and property description; and a time schedule for undertaking and completing the proposed improvements. The applicant shall also include information pertaining to the reasons the abatement is necessary in order to have the project undertaken in the City of Tomball. In the case of modernization, a statement of the assessed value of the facility separately stated for real and personal property, shall be given for the tax year immediately preceding the application. The application form may require such financial and other information as the Tomball City Council deems appropriate for evaluating the financial capacity and other factors of the applicant.

(c) The applicant must certify that the applicant does not employ nor will it employ any undocumented workers (an individual who, at the time of employment, is not lawfully admitted for permanent residence to the United States or, authorized under law to be employed in that manner in the United States). The applicant must agree that if it is convicted of a violation under 8 U.S.C. Section 1324a(f) after receiving a tax abatement, applicant shall repay the amount of the tax abatement with interest, at the rate of 12% per annum, within 120 days after the City notifies the applicant of the violation. The City shall have the authority to bring a civil action to recover any amounts which the applicant must repay the City under this provision, and in such action may recover court costs and reasonable attorneys fees.

(d) The City of Tomball may request additional information as deemed appropriate for evaluating the financial capacity of the applicant and compatibility of the proposed improvements with these guidelines and criteria.

(e) Upon receipt of a completed application, the Mayor of the City of Tomball shall notify in writing the presiding officer of the governing body of each eligible jurisdiction .

(f) Aft reeeipt of a eomple ed application. :he City C ·1 .tllm g1.ll s Manager shall detennine whether the a Li OJI ualifies iim' ab ement rerenns of th :e · s and criteria.

[g) The City Manager shall prepare a .fiscal impact analysis setting out the impact o the proposed reinvestment zone and tax abatement. The impact analysis tudy s hall include, but not be limited to, an estimate of the economic effect of the cre ation of the zone and the abatement of taxes and the benefit to the City of Tomball and the property to be included in the zone. The cost of city ervice to the development h uld <u>not e</u>xceed the amount of taxes generated b th develo ment.

(h) The City Council shall not establish a reinvestment zone or enter into an abatement agreement if it finds that the request for the abatement was filed after the commencement of construction, alteration, or installation of improvements related to a proposed new facility, expansion, or modernization. An applicant is ineligible for abatement if a decision to commence a new facility, expansion or modernization in the City of Tomball has been formally announced on or before the date of adoption of these guidelines.

SECTION 6: PUBLIC HEARING AND APPROVAL

The City Council may not adopt an ordinance designating a reinv tment zone until it has held a public hearing at which interested per ons are entitled to speak and pre ent evidence for or against the designation. TEXA TAX ODE 3U.201.. Notice of the hearing must be pubJished at least 1day before the hearing in a newspaper of general circulation in the City. Id. The presiding officers C:lf eligible jurisdictions shall be notified in writin at least 7 e hdays il"i r t th e . Id

Prior to entering into an tax. abatement agreement, the City C0uncil may, at it ptio hold a pubJ ic hearing at which intere ted persons shall be entitled to s eak: and resent written materials for or against th€ a roval of the agreement.

(c) In order to enter into a tax abatement agreement, the City Council must find that the terms of the proposed agreement meet these GUIDELINES AND CRITERIA and that:

(1) There will be no substantial adverse affect on the provision of the City of Tomball's services or tax base; and

(2) The planned use of the property will not constitute a hazard to public safety, health or morals.

SECTION 7: AGREEMENT

a) After approval of a tax abatement application within a designated rein:vestment one the Tomball City Council ball fonnall pas a re olution and execute agreement witb the O'\\"fler of the facili and lessee a re uired which hall nclude:

Estimated value to be abated and the base year val ue·

2 Percent of value t0 be abated each ear

3 The commencement date and the termination date of abatement·

(4 The proposed use of the facility, nature of construction, time schedule for completion of the project, map, property description and improvement list;

-.... The contractual obligations in the event of default, violation of terms or conditions, delinquent taxes recapture. administration and assignment, or other provisions that may be re uired for uniformity or com Liance with State law·

6 Amount of investment increase in asse ed value and a era e num ber off ob involved; and

(7) A requirement that the applicant annually submit to the City, a January employee count for the abated facility which corresponds to employment counts reported in the facility's Employer's Quarterly Report to the Texas Workforce Commission, and a separate notarized letter certifying the number of jobs created or retained as a direct result of the abated improvements and the number of employees in other facilities located within the City of Tomball. Submission shall be used to determine abatement eligibility for that year and shall be subject to audit if requested by the governing body. Failure to submit may result in the ineligibility to receive an abatement for that year and the termination of the tax abatement agreement and subject any abated taxes to recapture pursuant to Section 8 hereof.

uch agreement shall normally be executed within 60 days after the applicant ha forwarded au neceSS!!fY infonnation and documentation to the Tomball Ci Council.

(b) The City Council may impose any other conditions in a tax abatement agreement that the City Council deems necessary to promote the purposes of these guidelines.

SECTION 8: RECAPTURE

(a) In the event that the facility is completed and begins producing product or service, but subsequently discontinues producing product or service for any reason excepting fire, explosion or other casualty or accident or natural disaster for a period of one (1) year during the abatement period, then the agreement shall terminate and so shall the abatement of the taxes for the calendar year during which the facility no longer produces. The taxes otherwise abated for that calendar year shall be paid to the City of Tomball within sixty (60) days from the date of termination.

(b) Should the City Council determine that the company or individual is in default according to the terms and conditions of its agreement, the City of Tomball shall notify the company or individual in writing at the address stated in the agreement, and if such is not cured within sixty (60) days from the date of such notice (the Cure Period), then the agreement may be terminated.

(c) In the event that the company or individual allows its ad valorem taxes owed the City of Tomball to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest, or violates any of the terms and conditions of the abatement agreement and fails to cure during the Cure Period, then the City may terminate the agreement and all taxes previously abated by virtue of the agreement will be recaptured and paid within sixty (60) days of the termination.

SECTION 9: ADMINISTRATION

(a) Each year, the company or individual receiving abatement shall furnish the Chief Appraiser and the City's Tax Assessor with such information as may be necessary for the abatement.

(b) The agreement shall stipulate that employees and/or designated representatives of the City of Tomball will have access to the reinvestment zone during the term of the abatement to inspect the facility to determine if the terms and conditions of the agreement are being met. All inspections will be made only after the giving of twenty-four (24) hours prior notice and will only be conducted in such manner as to not unreasonably interfere with the construction and/or operation of the facility. All inspections will be made with one or more representatives of the company or individual and in accordance with its safety standards.

(c) Upon completion of construction, the jurisdiction which created the zone shall annually evaluate each facility receiving abatement to ensure compliance with the agreement and report possible violations of the agreement to the City of Tomball and its attorney.

(d) All documents related to tax abatements, including the annual certifications, will be kept on file with the City Secretary.

SECTION 10: ASSIGNMENT

An abatement may be assigned by the holder to a new owner or lessee of the same facility with the written consent of the Tomball City Council, which consent shall not be unreasonably withheld. Any assignment shall provide that the assignee shall irrevocably and unconditionally assume all the duties and obligations of the assignor upon the same terms and conditions as set out in the agreement. Any assignment of a tax abatement agreement shall be to an entity that contemplates the same improvements or repairs to the property, except to the extent such improvements or repairs have been completed. No assignment shall be approved if the assignor or the assignee are indebted to the City of Tomball for ad valorem taxes or other obligations.

SECTION 11: CONFIDENTIALITY OF PROPRIETARY INFORMATION

Subject to the provisions and limitations of Chapter 552 of the Texas Government Code, information that is provided to the City of Tomball in connection with an application or request for the creation of a reinvestment zone for the purposes of tax abatement in accordance with the above criteria and guidelines and which describes the specific process or business activities to be conducted or equipment or other property to be located on the property for which the tax abatement is sought is confidential and not subject to public disclosure until the tax abatement agreement is executed. Texas Tax Code § 312.003. The information in the custody of the City of Tomball after the agreement is executed will be treated as confidential to the extent allowed by law.

SECTION 12: SUNSET PROVISION

These GUIDELINES AND CRITERIA are effective upon the date of their adoption and will remain in force for two (2) years, at which time all reinvestment zones and tax abatement contracts created pursuant to its provisions will be reviewed by the Tomball City Council to determine whether the goals have been achieved. Based on that review, the GUIDELINES AND CRITERIA will be modified, renewed or eliminated.

CITY OF TOMBALL, TEXAS

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TAX ABATEMENT POLICY

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April 6, 2015

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TAX ABATEMENT GUIDELINES SUMMARY

TERMS	Up to 100% abatement for a period not to exceed 10 years. Each project is reviewed on a case-by-case basis. The amount of the abatement will be determined based on the merits of the project, including, but not limited to, location of the project, its size, total capital investment value, the number of temporary and permanent jobs created, the costs and benefits for the City, and the project's impact on Tomball's economy.
FACILITIES THAT QUALIFY	Corporate Headquarters Facility Manufacturing Facility Research Facility Regional Distribution Facility Regional Service Facility Regional Entertainment/Tourism Facility Other Basic Industry Facilities
AUTHORIZED INVESTMENTS	New Facilities Expansions Modernizations
ABATED	Buildings, structures, fixed machinery, equipment, personal property, site improvements, and related office space
ECONOMIC CRITERIA	**New business:** Minimum two million dollar ($2,000,000) investment; create a minimum of twenty-five (25) jobs. **Expansions:** Minimum one million dollar ($1,000,000) investment; must prevent the loss of payroll or retain, increase, or create payroll on a permanent basis in the City of Tomball.

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CITY OF TOMBALL, TEXAS TAX ABATEMENT POLICY

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SECTION 1: GENERAL PURPOSE AND OBJECTIVES

The City of Tomball is committed both to the promotion of high quality development within the City and to the improvement in the quality of life of its citizens. In order to meet these goals, the City will, on a case-by-case basis, give consideration to providing tax abatement within designated reinvestment zones as stimulation for economic development in the City. Texas Tax Code Chapter 311. The purpose of this tax abatement policy is to encourage the growth and establishment of industry and commercial enterprise in the City. Growth is measured by the capital investment in the City for buildings, machinery, and other capital goods that increases the Tomball workforce.

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The City of Tomball will consider tax abatement for qualified business and property owners in accordance with the procedures and criteria outlined in this document. Nothing herein shall imply or suggest that the City is under any obligation to provide any incentive to any applicant. All applications shall be considered on a case-by-case basis.

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All applications for tax abatement must be for commercial and/or industrial improvements. Tax abatement is available for both new facilities and for the expansion and modernization of existing facilities. No residential developments will be considered for tax abatement. Tax abatement will not be ordinarily considered for projects that would be developed without such incentives unless it is demonstrated that higher development standards or other community development goals will be achieved through the use of ~~an~~ abatement.

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SECTION 2: DEFINITIONS

(a) **Abatement** means the full or partial exemption from ad valorem taxes of certain new improvements of real and/or personal property in a reinvestment zone designated for economic development purposes.

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(b) **Agreement** means a contractual agreement between the City of Tomball and a property owner and/or lessee for the purpose of tax abatement.

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(c) **Base Year Value** means the assessed value of eligible property on January 1 preceding the execution of the Agreement plus the agreed upon value of eligible property improvements made after January 1 but before the execution of the Agreement.

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(d) **Corporate Headquarters Facility** means the facility or portion of a facility where corporate staff employees are physically employed and where the majority of the company's financial, personnel, legal, planning or other headquarters related functions are handled either on a national, regional or division basis.

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(e) **Deferred Maintenance** means improvements necessary for continued operations, which do not improve productivity or alter the process technology.

(f) **Economic life** means the number of years a property improvement is expected to be in service in a facility. Provided, however, that in no circumstance shall the number of years exceed the depreciation allowance specified in the United States Internal Revenue Code.

(g) **Effective Date of Abatement** means the first (1st) day of January immediately following the date the Agreement is approved by the City Council of Tomball or at any other date specifically authorized by City Council.

(h) **Eligible Jurisdiction** means the City of Tomball, Harris County and any school district or college district which levies ad valorem taxes upon, and provides services to, property located within the proposed or existing reinvestment zone.

(i) **Expansion** means the addition of buildings, structures, fixed machinery, equipment, and personal property for the purpose of increasing production capacity.

(j) **Facility** means property improvements completed or m the process of construction which together comprise an integral whole.

~~(h)~~ (k) **Manufacturing Facility** means buildings, structures, fixed machinery, equipment and personal property, the primary purpose of which is or will be the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change.

~~(i)~~ (l) **Modernization** means the upgrading of existing facilities, which increases the productive input or output, updates the technology or substantially lowers the unit cost of the operation; modernization may result from the construction, alternation, or installation of buildings, structures, fixed machinery, equipment and personal property. It shall not be for the purpose of reconditioning, refurbishing or ~~repamng~~repairing.

~~(l)~~ (m) **New Facility** means a property, previously undeveloped, that is placed into service by means other than or in conjunction with expansion or modernization.

~~(m)~~ (n) **New Machinery and Equipment** means tangible machinery, equipment, or personal property that is securely placed or fastened and stationary within a building or structure or permanently resides in the City of Tomball.

~~(n)~~ (o) **Other Basic Industry Facility** means buildings and structures including fixed machinery, equipment, and personal property not elsewhere described, used or to be used for the production of products or services which primarily serve a market outside the City of Tomball and result in the creation of new permanent jobs and bring new wealth in to the City.

~~(o)~~ (p) **Real Property**: The land on which a facility is placed.

~~(p)~~ (q) **Regional Distribution Facility** means buildings and structures including fixed machinery, equipment, and personal property used or to be used primarily to receive, store, service or distribute goods or materials owned by the facility, from which a majority of

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revenues generated by the activity at the facility are derived from outside the City of Tomball.

~~(q)~~ (r) **Regional Entertainment/Tourism Facility** means buildings and structures, including fixed machinery, equipment, and personal property used or to be used to provide entertainment and/or tourism related services, from which a majority of revenues generated by activity at the facility are derived from outside the City of Tomball.

~~(r)~~ (s) **Regional Service Facility** means buildings and structures, including fixed machinery, equipment, and personal property used or to be used to provide a service, from which a majority of revenues generated by activity at the facility are derived from outside the City of Tomball.

~~(s)~~ (t) **Research Facility** means buildings and structures, including fixed machinery, equipment, and personal property used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes thereto.

SECTION 3: GUIDELINES AND CRITERIA

Minimum Standards for Tax Abatement

(a) The project shall not have any negative environmental impacts on the community (e.g., significant pollution or hazardous waste).

(b) The project should stimulate local employment and/or commercial activity and benefit existing business and not compete with existing businesses to the extent of being a detriment to the local economy as a whole.

(c) **New Facilities**: The project will establish and maintain at least twenty-five (25) jobs in the City of Tomball and have a minimum capital investment of two million ($2,000,000). *(The acquisition cost of the real property is not included in the project- investment).*

(d) **Expansion/Modernization**: The project must prevent the loss of payroll or retain, increase or create payroll on a permanent basis in the City of Tomball and have a minimum capital investment of one million ($1,000,000). *(The acquisition cost of the real property is not included in the project investment).*

(e) The City of Tomball may consider tax abatement for an investment less than the minimum amount required based upon City evaluation of economic development factors, including but not limited to:
(a) the location of taxable inventory on the property;
(b) the amount of sales tax that the project will generate for the City.

(f) Tax abatement may only be granted for the additional tax value resulting from any of the following:
(a) construction of a new facility of any type as herein defined;
(b) expansion of existing facilities of any type as herein defined; or

CITY OF TOMBALL TAX ABATEMENT POLICY APRIL 6, 2015

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(c) modernization of existing facilities of any type as herein defined.

(g) The project should have high visibility and image impact, or be a significantly higher level of development quality.

(h) The project will serve as a catalyst or magnet to attract or retain other high quality industrial/business development.

(i) The project will not solely and primarily have the effect of transferring employment from one part of the city to another.

(j) The development must conform to the City's zoning ordinance.

(k) The costs of city services required for the development should not exceed the amount of taxes generated if abatement is provided.

SECTION 4: ABATEMENT AUTHORIZED

(a) Authorized Tax Abatement Categories. A facility may be eligible for tax abatement if it is a:

Corporate Headquarters Facility
Manufacturing Facility
Research Facility
Regional Distribution Facility
Regional Service Facility
Regional Entertainment/Tourism Facility, or
Other Basic Industry Facility

(b) Authorized Date: A facility shall be eligible for tax abatement if it has applied for such abatement prior to the commencement of construction.

(c) Creation of New Value: Abatement may only be granted for the additional value of eligible property improvement made subsequent to and in an abatement agreement between the City of Tomball and the property owner and/or lessee, subject to such limitations as the City Council may require.

(d) Eligible Property: Abatement may be extended to the value of buildings, structures, fixed machinery, equipment, personal property, site improvements plus that office space and related fixed improvements necessary to the operation and administration of the facility. The value of all property shall be the appraised value for each year, as finally determined by the applicable appraisal district.

(e) Ineligible Property: The following types of property shall be generally be fully taxable and ineligible for abatement: land; inventories; supplies; tools; furnishings; and other forms of movable personal property; vehicles; vessels; aircraft; housing; hotel accommodations; deferred maintenance investments; property to be rented or leased except as provided below; improvements for the generation or transmission of electrical energy not wholly consumed by a new facility or expansion; any improvements, including those to produce, store or distribute natural gas, fluids or gases, which are not integral to the operation of the facility; property which has an economic life of less than fifteen (15) years; property owned or used by the State of Texas or its political subdivision or by any organization owned, operated or directed by a political subdivision of the State of Texas, or any property exempted by local, state or federal law; and property owned or leased by a member of city council or a member of a zoning or planning commission of the City.

(f) Leased Facilities: If a leased facility is granted abatement, the agreement shall be executed with the lessor and the lessee.

(g) Value and Term of Abatement: Abatement shall be granted effective with the January 1 valuation date immediately following the date of execution of the agreement or at such other date specifically authorized by City Council. The value of the abatement will be determined based on the merits of the project, including, but not limited to, total capital investment value and added employment. Up to one hundred percent of the value of new eligible properties may be abated for a total term of abatement not to exceed ten years. However, a project must provide an extraordinary economic benefit to the City to be considered for one hundred percent abatement.

If a modernization project includes facility replacement, the abated value shall be the value of the new unit(s) less the value of the old unit (s).

(h) Taxability: From the execution of the abatement to the end of the agreement, taxes shall be payable as follows:

(1) The value of ineligible property as provided in Section 4(e) shall be fully taxable;

(2) The base year value of existing eligible property as determined each year shall be fully taxable; and,

(3) The additional value of new eligible property shall be taxable at the end of any abatement period.

SECTION 5: APPLICATION

(a) Any present or potential owner of taxable property in the City of Tomball may request the creation of a reinvestment zone or tax abatement by filing a written application with the City Secretary of the City of Tomball.

(b) The application shall consist of a completed application form accompanied by: a general description of the project/new improvements to be undertaken; a descriptive list of the improvements for which an abatement is requested; a list of the kind, number and location of all proposed improvements of the property; a list of the estimated value of inventory and the location where the inventory will be stored; the projected employment

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number at the proposed facility and the estimated average salary; the estimated amount of annual sales subject to State Sales & Use Tax; a map and property description; and a time schedule for undertaking and completing the proposed improvements. The applicant shall also include information pertaining to the reasons the abatement is necessary in order to have the project undertaken in the City of Tomball. In the case of modernization, a statement of the assessed value of the facility separately stated for real and personal ~~property,~~property shall be given for the tax year immediately preceding the application. The application form may require such financial and other information as the Tomball City Council deems appropriate for evaluating the financial capacity and other factors of the applicant.

(c) The applicant must certify that the applicant does not employ nor will it employ any undocumented workers (an individual who, at the time of employment, is not lawfully admitted for permanent residence to the United States or, authorized under law to be employed in that manner in the United States). The applicant must agree that if it is convicted of a violation under 8 U.S.C. Section 1324a(f) after receiving a tax abatement, applicant shall repay the amount of the tax abatement with interest, at the rate of 12% per annum, within 120 days after the City notifies the applicant of the violation. The City shall have the authority to bring a civil action to recover any amounts which the applicant must repay the City under this provision, and in such action may recover court costs and reasonable attorneys fees.

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(d) The City of Tomball may request additional information as deemed appropriate for evaluating the financial capacity of the applicant and compatibility of the proposed improvements with these guidelines and criteria.

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(e) Upon receipt of a completed application, the Mayor of the City of Tomball shall notify in writing the presiding officer of the governing body of each eligible jurisdiction.

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(f) After receipt of a completed application, the City Council through its City Manager shall determine whether the application qualifies for abatement under the terms of these guidelines and criteria.

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(g) The City Manager shall prepare a fiscal impact analysis setting out the impact of the proposed reinvestment zone and tax abatement. The impact analysis study shall include, but not limited to, an estimate of the economic effect of the creation of the zone and the abatement of taxes and the benefit to the City of Tomball and the property to the included in the zone. The cost of city services to the development should not exceed the amount of taxes generated by the development

(h) The City Council shall not establish a reinvestment zone or enter into ~~-~~an abatement agreement if it finds that the request for the abatement was filed after the commencement of construction, alteration, or installation of improvements related to a proposed new facility, expansion, or modernization. An applicant is ineligible for abatement if a decision to commence a new facility, expansion or modernization in the City of Tomball has been formally announced on or before the date of adoption of these guidelines.

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SECTION 6: PUBLIC HEARING AND APPROVAL

(a) The City Council may not adopt an ordinance designating a reinvestment zone until it has held a public hearing at which interested persons are entitled to speak and present evidence for or against the designation. TEXAS TAX CODE § 312.201. Notice of the hearing must be published at least 7 days before the hearing in a newspaper of general circulation in the City. Id. The presiding officers of eligible jurisdictions shall be notified in writing at least 7 days prior to the hearing. Id.

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(b) Prior to entering into an tax abatement agreement, the City Council, may, at its option, hold a public hearing at which interested persons shall be entitled to speak and present written materials for or against the approval of the agreement.

(c) In order to enter into a tax abatement agreement, the City Council must find that the terms of the proposed agreement meet these GUIDELINES AND CRITERIA and that:

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(1) There will be no substantial adverse effect on the provision of the City of Tomball's services or tax base; and

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(2) The planned use of the property will not constitute a hazard to public safety, health or morals.

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SECTION 7: AGREEMENT

(a) After approval of a tax abatement application within a designated reinvestment zone, the Tomball City Council shall formally pass a resolution and execute an agreement with the owner of the facility and lessee as required, which shall include:

(1) Estimated value to be abated and the base year value;

(2) Percent of value to be abated each year;

(3) The commencement date and the termination date of abatement;

(4) The proposed use of the facility, nature~~,~~ of construction, time schedule for completion of the project, map, property description and improvement list;

(5) The contractual obligation in the event of default, violation of terms or conditions, delinquent taxes, recapture, administration and assignment, or other provisions that may be required for uniformity or compliance with state law;

(6) Amount of investment, increase in assessed value and average number of job involved; and

(7) A requirement that the applicant annually submit to the City, a January employee count of the abated facility which corresponds to the employment counts reported in the facility's Employer's Quarterly Report to the Texas Workforce Commission, and

a separate notarized letter certifying the number of jobs created or retained as a direct result of the abated improvements and the number of employees in other facilities located within the City of Tomball. Submission shall be used to determine abatement eligibility for that year and shall be subject to audit if requested by the governing body. Failure to submit may result in the ineligibility to receive an abatement for that year and the termination of the tax abatement agreement and subject any abated taxes to recapture pursuant to Section 8 hereof.

Such agreement shall normally be executed within 60 days after the applicant has forwarded all necessary information and documentation to the Tomball City Council.

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(b) The City Council may impose any other conditions in a tax abatement agreement that the City Council deems necessary to promote the purpose of these guidelines.

SECTION 8: RECAPTURE

(a) In the event that the facility is completed and begins producing product or service, but subsequently discontinues producing product or service for any reason excepting fire, explosion or other casualty or accident or natural disaster for a period of one (1) year during the abatement period, then the agreement shall terminate and so shall the abatement of the taxes for the calendar year during which the facility no longer produces. The taxes otherwise abated for that calendar year shall be paid to the City of Tomball within sixty (60) days from the date of termination.

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(b) Should the City Council determine that the company or individual is in default according to the terms and conditions of its agreement, the City of Tomball shall notify the company or individual in writing at the address stated in the agreement, and if such is not cured within sixty (60) days from the date of such notice (the Cure Period), then the agreement may be terminated.

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(c) In the event that the company or individual allows its ad valorem taxes owed the City of Tomball to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest, or violates any of the terms and conditions of the abatement agreement and fails to cure during the Cure Period, then the City may terminate the agreement and all taxes previously abated by virtue of the agreement will be recaptured and paid within sixty (60) days of the termination.

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SECTION 9: ADMINISTRATION

(a) Each year, the company or individual receiving abatement shall furnish the Chief Appraiser and the City's Tax Assessor with such information as may be necessary for the abatement.

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(b) The agreement shall stipulate that employees and/or designated representatives of the City of Tomball will have access to the reinvestment zone during the term of the abatement to inspect the facility to determine if the terms and conditions of the

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agreement are being met. All inspections will be made only after the giving of twenty-four (24) hours prior notice and will only be conducted in such manner as to not unreasonably interfere with the construction and/or operation of the facility. All inspections will be made with one or more representatives of the company or individual and in accordance with its safety standards.

(c) Upon completion of construction, the jurisdiction which created the zone shall annually evaluate each facility receiving abatement to ensure compliance with the agreement and report possible violations of the agreement to the City of Tomball and its attorney.

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(d) All documents related to tax abatements, including the annual certifications, will be kept on file with the City Secretary.

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SECTION 10: ASSIGNMENT

An abatement may be assigned by the holder to a new owner or lessee of the same facility with the written consent of the Tomball City Council, which consent shall not be unreasonably withheld. Any assignment shall provide that the assignee shall irrevocably and unconditionally assume all the duties and obligations of the assignor upon the same terms and conditions as set out in the agreement. Any assignment of a tax abatement agreement shall be to an entity that contemplates the same improvements or repairs to the property, except to the extent such improvements or repairs have been completed. No assignment shall be approved if the assignor or the assignees are indebted to the City of Tomball for ad valorem taxes or other obligations.

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SECTION 11: CONFIDENTIALITY OF PROPRIETARY INFORMATION

Subject to the provisions and limitations of Chapter 552 of the Texas Government Code, information that is provided to the City of Tomball in connection with an application or request for the creation of a reinvestment zone for the purposes of tax abatement in accordance with the above criteria and guidelines and which describes the specific process or business activities to be conducted or equipment or other property to be located on the property for which the tax abatement is sought is confidential and not subject to public disclosure until the tax abatement agreement is executed. Texas Tax Code § 312.003. The information in the custody of the City of Tomball after the agreement is executed will be treated as confidential to the extent allowed by law.

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SECTION 12: SUNSET PROVISION

These GUIDELINES AND CRITERIA are effective upon the date of their adoption and will remain in force for two (2) years, at which time all reinvestment zones and tax abatement contracts created pursuant to its provisions will be reviewed by the Tomball City Council to determine whether the goals have been achieved. Based on that review, the GUIDELINES AND CRITERIA will be modified, renewed or eliminated.

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CITY OF TOMBALL, TEXAS

TAX ABATEMENT POLICY

April 6, 2015

TAX ABATEMENT GUIDELINES SUMMARY

TERMS

Up to 100% abatement for a period not to exceed 10 years. Each project is reviewed on a case-by-case basis. The amount of the abatement will be determined based on the merits of the project, including, but not limited to, location of the project, its size, total capital investment value, the number of temporary and permanent jobs created, the costs and benefits for the City, and the project's impact on Tomball's economy.

FACILITIES THAT QUALIFY

Corporate Headquarters Facility
Manufacturing Facility
Research Facility
Regional Distribution Facility
Regional Service Facility
Regional Entertainment/Tourism Facility
Other Basic Industry Facilities

AUTHORIZED INVESTMENTS

New Facilities
Expansions
Modernizations

ABATED

Buildings, structures, fixed machinery, equipment, personal property, site improvements, and related office space

ECONOMIC CRITERIA

New business: Minimum two million dollar ($2,000,000) investment; create a minimum of twenty-five (25) jobs.

Expansions: Minimum one million dollar ($1,000,000) investment; must prevent the loss of payroll or retain, increase, or create payroll on a permanent basis in the City of Tomball.

CITY OF TOMBALL, TEXAS TAX ABATEMENT POLICY

SECTION 1: GENERAL PURPOSE AND OBJECTIVES

The City of Tomball is committed both to the promotion of high quality development within the City and to the improvement in the quality of life of its citizens. In order to meet these goals, the City will, on a case-by-case basis, give consideration to providing tax abatement within designated reinvestment zones as stimulation for economic development in the City. Texas Tax Code Chapter 311. The purpose of this tax abatement policy is to encourage the growth and establishment of industry and commercial enterprise in the City. Growth is measured by the capital investment in the City for buildings, machinery, and other capital goods that increases the Tomball workforce.

The City of Tomball will consider tax abatement for qualified business and property owners in accordance with the procedures and criteria outlined in this document. Nothing herein shall imply or suggest that the City is under any obligation to provide any incentive to any applicant. All applications shall be considered on a case-by-case basis.

All applications for tax abatement must be for commercial and/or industrial improvements. Tax abatement is available for both new facilities and for the expansion and modernization of existing facilities. No residential developments will be considered for tax abatement. Tax abatement will not be ordinarily considered for projects that would be developed without such incentives unless it is demonstrated that higher development standards or other community development goals will be achieved through the use of abatement.

SECTION 2: DEFINITIONS

(a) Abatement means the full or partial exemption from ad valorem taxes of certain new improvements of real and/or personal property in a reinvestment zone designated for economic development purposes.

(b) Agreement means a contractual agreement between the City of Tomball and a property owner and/or lessee for the purpose of tax abatement.

(c) Base Year Value means the assessed value of eligible property on January 1 preceding the execution of the Agreement plus the agreed upon value of eligible property improvements made after January 1 but before the execution of the Agreement.

(d) Corporate Headquarters Facility means the facility or portion of a facility where corporate staff employees are physically employed and where the majority of the company's financial, personnel, legal, planning or other headquarters related functions are handled either on a national, regional or division basis.

(e) Deferred Maintenance means improvements necessary for continued operations, which do not improve productivity or alter the process technology.

(f) Economic life means the number of years a property improvement is expected to be in service in a facility. Provided, however, that in no circumstance shall the number of years exceed the depreciation allowance specified in the United States Internal Revenue Code.

(g) Effective Date of Abatement means the first (1st) day of January immediately following the date the Agreement is approved by the City Council of Tomball or at any other date specifically authorized by City Council.

(h) Eligible Jurisdiction means the City of Tomball, Harris County and any school district or college district which levies ad valorem taxes upon, and provides services to, property located within the proposed or existing reinvestment zone.

(i) Expansion means the addition of buildings, structures, fixed machinery, equipment, and personal property for the purpose of increasing production capacity.

(j) Facility means property improvements completed or m the process of construction which together comprise an integral whole.

(k) Manufacturing Facility means buildings, structures, fixed machinery, equipment and personal property, the primary purpose of which is or will be the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change.

(l) Modernization means the upgrading of existing facilities, which increases the productive input or output, updates the technology or substantially lowers the unit cost of the operation; modernization may result from the construction, alternation, or installation of buildings, structures, fixed machinery, equipment and personal property. It shall not be for the purpose of reconditioning, refurbishing or repairing.

(m) New Facility means a property, previously undeveloped, that is placed into service by means other than or in conjunction with expansion or modernization.

(n) New Machinery and Equipment means tangible machinery, equipment, or personal property that is securely placed or fastened and stationary within a building or structure or permanently resides in the City of Tomball.

(o) Other Basic Industry Facility means buildings and structures including fixed machinery, equipment, and personal property not elsewhere described, used or to be used for the production of products or services which primarily serve a market outside the City of Tomball and result in the creation of new permanent jobs and bring new wealth in to the City.

(p) Real Property: The land on which a facility is placed.

(q) Regional Distribution Facility means buildings and structures including fixed machinery, equipment, and personal property used or to be used primarily to receive, store, service or distribute goods or materials owned by the facility, from which a majority of revenues generated by the activity at the facility are derived from outside the City of Tomball.

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(s) Regional Service Facility means buildings and structures, including fixed machinery, equipment, and personal property used or to be used to provide a service, from which a majority of revenues generated by activity at the facility are derived from outside the City of Tomball.

(t) Research Facility means buildings and structures, including fixed machinery, equipment, and personal property used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes thereto.

SECTION 3: GUIDELINES AND CRITERIA

<u>Minimum Standards for Tax Abatement</u>

(a) The project shall not have any negative environmental impacts on the community (e.g., significant pollution or hazardous waste).

(b) The project should stimulate local employment and/or commercial activity and benefit existing business and not compete with existing businesses to the extent of being a detriment to the local economy as a whole.

(c) New Facilities: The project will establish and maintain at least twenty-five (25) jobs in the City of Tomball and have a minimum capital investment of two million ($2,000,000). *(The acquisition cost of the real property is not included in the project investment).*

(d) Expansion/Modernization: The project must prevent the loss of payroll or retain, increase or create payroll on a permanent basis in the City of Tomball and have a minimum capital investment of one million ($1,000,000). *(The acquisition cost of the real property is not included in the project investment).*

(e) The City of Tomball may consider tax abatement for an investment less than the minimum amount required based upon City evaluation of economic development factors, including but not limited to:
(a) the location of taxable inventory on the property;
(b) the amount of sales tax that the project will generate for the City.

(f) Tax abatement may only be granted for the additional tax value resulting from any of the following:
(a) construction of a new facility of any type as herein defined;

(b) expansion of existing facilities of any type as herein defined; or
(c) modernization of existing facilities of any type as herein defined.

(g) The project should have high visibility and image impact, or be a significantly higher level of development quality.

(h) The project will serve as a catalyst or magnet to attract or retain other high quality industrial/business development.

(i) The project will not solely and primarily have the effect of transferring employment from one part of the city to another.

(j) The development must conform to the City's zoning ordinance.

(k) The costs of city services required for the development should not exceed the amount of taxes generated if abatement is provided.

SECTION 4: ABATEMENT AUTHORIZED

(a) Authorized Tax Abatement Categories. A facility may be eligible for tax abatement if it is a:

Corporate Headquarters Facility
Manufacturing Facility
Research Facility
Regional Distribution Facility
Regional Service Facility
Regional Entertainment/Tourism Facility, or
Other Basic Industry Facility

(b) Authorized Date: A facility shall be eligible for tax abatement if it has applied for such abatement prior to the commencement of construction.

(c) Creation of New Value: Abatement may only be granted for the additional value of eligible property improvement made subsequent to and in an abatement agreement between the City of Tomball and the property owner and/or lessee, subject to such limitations as the City Council may require.

(d) Eligible Property: Abatement may be extended to the value of buildings, structures, fixed machinery, equipment, personal property, site improvements plus that office space and related fixed improvements necessary to the operation and administration of the facility. The value of all property shall be the appraised value for each year, as finally determined by the applicable appraisal district.

(e) Ineligible Property: The following types of property shall be generally be fully taxable and ineligible for abatement: land; inventories; supplies; tools; furnishings; and other forms of movable personal property; vehicles; vessels; aircraft; housing; hotel accommodations; deferred maintenance investments; property to be rented or leased except as provided below; improvements for the generation or transmission of electrical energy not wholly consumed by a new facility or expansion; any improvements, including those to produce, store or distribute natural gas, fluids or gases, which are not integral to the operation of the facility; property which has an economic life of less than fifteen (15) years; property owned or used by the State of Texas or its political subdivision or by any organization owned, operated or directed by a political subdivision of the State of Texas, or any property exempted by local, state or federal law; and property owned or leased by a member of city council or a member of a zoning or planning commission of the City.

(f) Leased Facilities: If a leased facility is granted abatement, the agreement shall be executed with the lessor and the lessee.

(g) Value and Term of Abatement: Abatement shall be granted effective with the January 1 valuation date immediately following the date of execution of the agreement or at such other date specifically authorized by City Council. The value of the abatement will be determined based on the merits of the project, including, but not limited to, total capital investment value and added employment. Up to one hundred percent of the value of new eligible properties may be abated for a total term of abatement not to exceed ten years. However, a project must provide an extraordinary economic benefit to the City to be considered for one hundred percent abatement.

If a modernization project includes facility replacement, the abated value shall be the value of the new unit(s) less the value of the old unit (s).

(h) Taxability: From the execution of the abatement to the end of the agreement, taxes shall be payable as follows:

(1) The value of ineligible property as provided in Section 4(e) shall be fully taxable;

(2) The base year value of existing eligible property as determined each year shall be fully taxable; and,

(3) The additional value of new eligible property shall be taxable at the end of any abatement period.

SECTION 5: APPLICATION

(a) Any present or potential owner of taxable property in the City of Tomball may request the creation of a reinvestment zone or tax abatement by filing a written application with the City Secretary of the City of Tomball.

(b) The application shall consist of a completed application form accompanied by: a general description of the project/new improvements to be undertaken; a descriptive list of the improvements for which an abatement is requested; a list of the kind, number and location of all proposed improvements of the property; a list of the estimated value of inventory and the location where the inventory will be stored; the projected employment number at the proposed facility and the estimated average salary; the estimated amount of annual sales subject to State Sales & Use Tax; a map and property description; and a time schedule for undertaking and completing the proposed improvements. The applicant shall also include information pertaining to the reasons the abatement is necessary in order to have the project undertaken in the City of Tomball. In the case of modernization, a statement of the assessed value of the facility separately stated for real and personal property shall be given for the tax year immediately preceding the application. The application form may require such financial and other information as the Tomball City Council deems appropriate for evaluating the financial capacity and other factors of the applicant.

(c) The applicant must certify that the applicant does not employ nor will it employ any undocumented workers (an individual who, at the time of employment, is not lawfully admitted for permanent residence to the United States or, authorized under law to be employed in that manner in the United States). The applicant must agree that if it is convicted of a violation under 8 U.S.C. Section 1324a(f) after receiving a tax abatement, applicant shall repay the amount of the tax abatement with interest, at the rate of 12% per annum, within 120 days after the City notifies the applicant of the violation. The City shall have the authority to bring a civil action to recover any amounts which the applicant must repay the City under this provision, and in such action may recover court costs and reasonable attorneys fees.

(d) The City of Tomball may request additional information as deemed appropriate for evaluating the financial capacity of the applicant and compatibility of the proposed improvements with these guidelines and criteria.

(e) Upon receipt of a completed application, the Mayor of the City of Tomball shall notify in writing the presiding officer of the governing body of each eligible jurisdiction.

(f) After receipt of a completed application, the City Council through its City Manager shall determine whether the application qualifies for abatement under the terms of these guidelines and criteria.

(g) The City Manager shall prepare a fiscal impact analysis setting out the impact of the proposed reinvestment zone and tax abatement. The impact analysis study shall include, but not limited to, an estimate of the economic effect of the creation of the zone and the abatement of taxes and the benefit to the City of Tomball and the property to the included in the zone. The cost of city services to the development should not exceed the amount of taxes generated by the development

(h) The City Council shall not establish a reinvestment zone or enter into an abatement agreement if it finds that the request for the abatement was filed after the commencement of construction, alteration, or installation of improvements related to a proposed new facility, expansion, or modernization. An applicant is ineligible for abatement if a decision to commence a new facility, expansion or modernization in the City of Tomball has been formally announced on or before the date of adoption of these guidelines.

SECTION 6: PUBLIC HEARING AND APPROVAL

(a) The City Council may not adopt an ordinance designating a reinvestment zone until it has held a public hearing at which interested persons are entitled to speak and present evidence for or against the designation. TEXAS TAX CODE § 312.201. Notice of the hearing must be published at least 7 days before the hearing in a newspaper of general circulation in the City. Id. The presiding officers of eligible jurisdictions shall be notified in writing at least 7 days prior to the hearing. Id.

(b) Prior to entering into an tax abatement agreement, the City Council, may, at its option, hold a public hearing at which interested persons shall be entitled to speak and present written materials for or against the approval of the agreement.

(c) In order to enter into a tax abatement agreement, the City Council must find that the terms of the proposed agreement meet these GUIDELINES AND CRITERIA and that:

(1) There will be no substantial adverse effect on the provision of the City of Tomball's services or tax base; and

(2) The planned use of the property will not constitute a hazard to public safety, health or morals.

SECTION 7: AGREEMENT

(a) After approval of a tax abatement application within a designated reinvestment zone, the Tomball City Council shall formally pass a resolution and execute an agreement with the owner of the facility and lessee as required, which shall include:

(1) Estimated value to be abated and the base year value;

(2) Percent of value to be abated each year;

(3) The commencement date and the termination date of abatement;

(4) The proposed use of the facility, nature of construction, time schedule for completion of the project, map, property description and improvement list;

(5) The contractual obligation in the event of default, violation of terms or conditions, delinquent taxes, recapture, administration and assignment, or other provisions that may be required for uniformity or compliance with state law;

(6) Amount of investment, increase in assessed value and average number of job involved; and

(7) A requirement that the applicant annually submit to the City, a January employee count of the abated facility which corresponds to the employment counts reported in the facility's Employer's Quarterly Report to the Texas Workforce Commission, and a separate notarized letter certifying the number of jobs created

or retained as a direct result of the abated improvements and the number of employees in other facilities located within the City of Tomball. Submission shall be used to determine abatement eligibility for that year and shall be subject to audit if requested by the governing body. Failure to submit may result in the ineligibility to receive an abatement for that year and the termination of the tax abatement agreement and subject any abated taxes to recapture pursuant to Section 8 hereof.

Such agreement shall normally be executed within 60 days after the applicant has forwarded all necessary information and documentation to the Tomball City Council.

(b) The City Council may impose any other conditions in a tax abatement agreement that the City Council deems necessary to promote the purpose of these guidelines.

SECTION 8: RECAPTURE

(a) In the event that the facility is completed and begins producing product or service, but subsequently discontinues producing product or service for any reason excepting fire, explosion or other casualty or accident or natural disaster for a period of one (1) year during the abatement period, then the agreement shall terminate and so shall the abatement of the taxes for the calendar year during which the facility no longer produces. The taxes otherwise abated for that calendar year shall be paid to the City of Tomball within sixty (60) days from the date of termination.

(b) Should the City Council determine that the company or individual is in default according to the terms and conditions of its agreement, the City of Tomball shall notify the company or individual in writing at the address stated in the agreement, and if such is not cured within sixty (60) days from the date of such notice (the Cure Period), then the agreement may be terminated.

(c) In the event that the company or individual allows its ad valorem taxes owed the City of Tomball to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest, or violates any of the terms and conditions of the abatement agreement and fails to cure during the Cure Period, then the City may terminate the agreement and all taxes previously abated by virtue of the agreement will be recaptured and paid within sixty (60) days of the termination.

SECTION 9: ADMINISTRATION

(a) Each year, the company or individual receiving abatement shall furnish the Chief Appraiser and the City of Tomball with such information as may be necessary for the abatement.

(b) The agreement shall stipulate that employees and/or designated representatives of the City of Tomball will have access to the reinvestment zone during the term of the abatement to inspect the facility to determine if the terms and conditions of the agreement are being met. All inspections will be made only after the giving of twenty-four (24) hours prior notice and will only be conducted in such manner as to not unreasonably interfere with the construction and/or operation of the facility. All inspections will be made with one or more representatives of the company or individual and in accordance with its safety standards.

(c) Upon completion of construction, the jurisdiction which created the zone shall annually evaluate each facility receiving abatement to ensure compliance with the agreement and report possible violations of the agreement to the City of Tomball and its attorney.

(d) All documents related to tax abatements, including the annual certifications, will be kept on file with the City Secretary.

SECTION 10: ASSIGNMENT

An abatement may be assigned by the holder to a new owner or lessee of the same facility with the written consent of the Tomball City Council, which consent shall not be unreasonably withheld. Any assignment shall provide that the assignee shall irrevocably and unconditionally assume all the duties and obligations of the assignor upon the same terms and conditions as set out in the agreement. Any assignment of a tax abatement agreement shall be to an entity that contemplates the same improvements or repairs to the property, except to the extent such improvements or repairs have been completed. No assignment shall be approved if the assignor or the assignees are indebted to the City of Tomball for ad valorem taxes or other obligations.

SECTION 11: CONFIDENTIALITY OF PROPRIETARY INFORMATION

Subject to the provisions and limitations of Chapter 552 of the Texas Government Code, information that is provided to the City of Tomball in connection with an application or request for the creation of a reinvestment zone for the purposes of tax abatement in accordance with the above criteria and guidelines and which describes the specific process or business activities to be conducted or equipment or other property to be located on the property for which the tax abatement is sought is confidential and not subject to public disclosure until the tax abatement agreement is executed. Texas Tax Code § 312.003. The information in the custody of the City of Tomball after the agreement is executed will be treated as confidential to the extent allowed by law.

SECTION 12: SUNSET PROVISION

These GUIDELINES AND CRITERIA are effective upon the date of their adoption and will remain in force for two (2) years, at which time all reinvestment zones and tax abatement contracts created pursuant to its provisions will be reviewed by the Tomball City Council to determine whether the goals have been achieved. Based on that review, the GUIDELINES AND CRITERIA will be modified, renewed or eliminated.

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:

Consideration and Possible Action to Approve, as a Project of the Tomball Economic Development Corporation, an Agreement with Packers Plus Energy Services (USA) Inc., to Make Direct Incentives to or Expenditures for the Creation or Retention of Primary Jobs Associated with the Development of a Corporate Headquarters Campus Consisting of a Research and Development Facility, a Manufacturing Facility, and a Corporate Office Facility on Approximately 17.38 Acres of Land, out of Lot 4 of the Recorded Plat of the Tomball Business and Technology Park, Generally Located at the Southwest Corner of Spell Road and Hufsmith-Kohrville Road. The Estimated Amount of Expenditures for such Project is up to $338,011.00.

Background:

All expenditures of the Tomball Economic Development Corporation (TEDC) sales tax revenue must first be approved as a "Project." At a Special Meeting on April 14, 2015, the TEDC Board of Directors did take formal action to approve, as a Project of the Corporation, an agreement with Packers Plus Energy Services (USA) Inc. for the creation of primary jobs associated with the relocation and development of its corporate headquarters campus to the Tomball Business & Technology Park. The City Council of Tomball has final approval authority over all projects and agreements of the TEDC.

Origination:

Tomball Economic Development Corporation Board of Directors

Recommendation:

Approve, as a Project of the Corporation, the Performance Agreement with Packers Plus Energy Services (USA) Inc.

Funding: Yes

Account Number: Project Grants

Party(ies) responsible for placing this item on agenda:

Kelly Violette, Executive Director, Tomball Economic Development Corporation

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

ATTACHMENTS:

TEDC Memo to City Council
Packers Plus Performance Agreement
Economic Impact Analysis Report
Executed Commercial Contract

TO: Honorable Mayor and City Council

FROM: Kelly Violette
Executive Director

MEETING DATE: April 20, 2015

SUBJECT: Packers Plus Energy Services (USA) Inc. Performance Agreement

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Packers Plus is an oilfield service company that manufactures, assembles and installs downhole completion systems that cater primarily to the multi-stage fracturing business. The company is the innovator of StackFRAC, an open hole multi-stage ball drop completion system.

The company's global headquarters is located in Calgary, Alberta, Canada. Packers Plus also has operations in the U.S., including a Manufacturing Facility, Rapid Tool Development, Technology Center and Corporate Office in Houston, as well as areas outside North America including the Middle East, North Africa, Europe, Russia and Latin America.

The company has been in the U.S. for 8 years and has grown dramatically over that period of time. Given the anticipated future growth of the company, Packers Plus desires to relocate its Houston based operations to a single campus location. The TEDC has been working on the corporate relocation of Packers Plus Energy Services (USA) Inc. to the Tomball Business & Technology Park since July 2014.

At its meeting on April 14, 2015, the TEDC Board of Directors approved a commercial real estate contract for the sale of approximately 17.38 acres of land in the Tomball Business & Technology Park to Packers Plus for $2,106,595.00. A copy of the executed contract is attached.

In conjunction with the commercial real estate contract the TEDC also approved the attached economic development performance agreement for the development of the site and creation of primary jobs associated with the project as shown in Exhibit B of the agreement.

The project includes the construction of a 237,000 sq. ft. manufacturing building, a 50,000 sq. ft. Research & Development facility and a multi-story 40,000 sq. ft. corporate office building. The development is proposed to be phased over several years with the Research & Development facility being constructed within the first year of closing, the manufacturing building being constructed in the second year and the corporate office being constructed in the third year. The estimated capital investment for this project is $21,740,000.0.

The project is anticipated to create 353 new full-time jobs within the City of Tomball, with 172 of the jobs being created in the first five years of operation.

An economic impact analysis is included with the agreement to show the impact of this project on Tomball's economy. Per the analysis, the estimated five year net benefit to the City is $874,725 ($1,964,392 over ten years). The proposed incentive is $263,011.00, payable in increments as each phase of construction is completed and occupied. An additional incentive is provided in the agreement in an amount of up to $75,000 only payable if construction of the first 500 feet of Spell Road at Hufsmith-Kohrville Road is not completed on or before March 15, 2016.

In addition to the TEDC incentive, Packers Plus has submitted a request to the City of Tomball for a ten year 100% tax abatement. The attached impact analysis includes the value of the possible tax abatement.

As a matter of information, a bidding schedule has been prepared by the TEDC Project Engineer and has been coordinated with the City Engineer. Bid packages for the construction of the infrastructure improvements are being prepared currently and it is anticipated that bids will be taken to the City Council for approval on May 18, 2015.

AGREEMENT

THE STATE OF TEXAS	§	
	§	KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF HARRIS	§	

This Agreement (the "Agreement") is made and entered into by and between the **Tomball Economic Development Corporation**, an industrial development corporation created pursuant to Tex. Rev. Civ. Stat. Ann. Art. 5190.6, Section 4B, located in Harris County, Texas (the "TEDC"), and **Packers Plus Energy Services (USA) Inc.** (the "Company"), 5825 North Sam Houston Parkway West, Suite 150, Houston, TX 77086.

W I T N E S S E T H:

WHEREAS, it is the established policy of the TEDC to adopt such reasonable measures from time-to-time as are permitted by law to endeavor to attract industry, create and retain primary jobs, expand the growth of the City of Tomball (the "City"), and thereby enhance the economic stability and growth of the City; and

WHEREAS, the Company proposes to purchase 17.38 gross acres of land out of a 25.1764 acre tract of land identified as Lot 4 on the recorded plat of the Tomball Business & Technology Park, generally located at the southwest corner of Hufsmith-Kohrville Road and Proposed Spell Road, Tomball, Texas 77375 and more particularly described in Exhibit "A," attached hereto and made a part hereof (the "Property"); and

WHEREAS, the Company, currently located at 5825 North Sam Houston Parkway West, Suite 150, Houston, TX 77086, proposes to expend approximately $21,000,000 within the City of Tomball to develop a U.S. Corporate Headquarters Campus, consisting of a 50,000 square-foot Research and Development facility (Phase I), a 237,000 square-foot Manufacturing facility (Phase II), and a 40,000 square-foot Corporate Office facility (Phase III) on the Property, and as more particularly described in Exhibit "B," attached hereto and made a part hereof (the "Improvements"); and

WHEREAS, the Company proposes to create and maintain one hundred and seventy two (172) new full-time employment positions within the first five years of operation in conjunction with the development at the Property; and

WHEREAS, the TEDC agrees to provide to the Company the sum of up to Two Hundred Sixty-Three Thousand Eleven Dollars ($263,011.00) to assist in the construction of the Improvements and the addition of the one hundred and seventy two (172) new employees at the Property; and

WHEREAS, the Company has agreed, in exchange and as consideration for the funding, to satisfy and comply with certain terms and conditions; and

WHEREAS, this expenditure is found by the Board of Directors of the TEDC to be suitable for the relocation of the corporate headquarters, to promote and develop new business enterprises, and in furtherance of creation and retention of primary jobs on the Property;

NOW, THEREFORE, in consideration of the premises and the mutual benefits and obligations set forth herein, including the recitals set forth above, the TEDC and the Company agree as follows:

1. General.

The Company covenants and agrees that it will operate and maintain its business as set forth in this Agreement for a term of at least ten (10) years and will maintain one hundred and seventy two (172) employees on the Property within the first five (5) years.

2. Company Obligations.

a. Construction of Improvements. Construction of the Improvements on the Property must commence within eighteen (18) months from the Effective Date of this Agreement (the "Start Date"), and the Company shall notify the TEDC of such Start Date. The construction of the Improvements to the Property shall be completed, and all necessary occupancy permits from the City shall be obtained within five (5) years of the Effective Date. Extensions of these deadlines may be granted by the Board of Directors of the TEDC due to any extenuating circumstance or uncontrollable delay.

b. Occupancy. The Company must continuously own, construct, occupy and use the Improvements as a research and development facility upon completion of Phase I, a manufacturing facility upon completion of Phase II and as its U.S. corporate headquarters office upon completion of Phase III throughout the term of this Agreement.

c. Jobs Created. Within five (5) years from the Effective Date of this Agreement the Company will have and maintain on the Property at one or more Improvements at least 172 full time employees. For purposes of this Agreement, full time employees shall be those working a minimum of 1820 hours or more per year or 35 hours or more per week per person on an annualized basis.

d. Company Reimbursement. If the TEDC terminates this Agreement because of the Company's breach of any provision as permitted by this Agreement, the Company will reimburse the TEDC for all payments the TEDC has made to the Company hereunder excluding any reimbursement payments previously made by the Company. Reimbursement shall be in accordance with the provisions set forth in Section 4 below relating to default.

e. Reporting Requirement.

(1) While this Agreement is in effect, annually within 60 days following the anniversary date of the Effective Date of this Agreement, the Company will certify to the TEDC that it has complied with the terms of this Agreement and provide sufficient written information, records, and documents, to support its certification of compliance.

(2) Upon the City's written request, the Company will promptly provide to the City any additional information reasonably necessary for the City to determine if the Company has complied with this Agreement.

(3) The Company will allow the City access to the Property during regular business hours to inspect the Property and Improvements to verify that the Company is complying with this Agreement.

3. TEDC Obligations.

a. Basic Incentive Payment. In consideration of the Company's representations, promises, and covenants, TEDC agrees to grant to the Company up to Two Hundred Sixty-Three Thousand Eleven Dollars ($263,011.00) as a basic incentive to fund a portion of the cost of the Improvements and the addition of the one hundred and seventy two (172) employees to the Property. The TEDC agrees to distribute such funds to the Company within thirty (30) days of receipt of a letter from the Company requesting such payment, which letter shall also include:

(1) a copy of the City's occupancy permit for the applicable Improvements to the Property;

(2) proof that the Company has added the number of employees indicated above to the Property as evidenced by copies of Texas Workforce Commission form C-3 or Internal Revenue Service form 941;

(3) a copy of a letter from the City acknowledging that all necessary plats, plans, and specifications have been received, reviewed, and approved;

(4) an affidavit stating that all contractors and subcontractors providing work and/or materials in the construction of the Improvements have been paid, and any and all liens and claims regarding such work have been released.

Upon completion of construction, occupancy and employment relating to each Phase of the Improvements, the Company may, upon providing the certifications, affidavit, and information required above relating to said Phase of Improvements, request payment in an amount equal to One Thousand Five Hundred Twenty-Nine Dollars and Thirteen Cents ($1,529.13) per job, up to the maximum grant award of Two Hundred Sixty-Three Thousand and Eleven Dollars ($263,011.00).

In no event shall Company receive basic incentive payments as described herein from TEDC in excess of Two Hundred Sixty-Three Thousand Eleven Dollars ($263,011.00).

b. Additional Incentive Payment. In the event the City of Tomball does not complete construction of the first 500 feet of Spell Road commencing at Hufsmith-Kohrville Road (the "Designated Portion of Spell Road") on or before March 15, 2016, Company will incur additional costs in readying the Property for the purposes recited in this Agreement. To assist with such additional costs, TEDC agrees that it shall provide Company an additional $1500 each day following the aforesaid date up to a maximum of $75,000 or until the Designated Portion of Spell Road is completed, whichever occurs first for use in development of the Property in accordance with the terms and conditions of this Agreement. Furthermore, in the event construction of the Designated Portion of Spell Road is not complete on or before March 15, 2016, Company shall have the right to complete construction of the Designated Portion of Spell Road in accordance with applicable requirements and standards for public roadways, and Company may use the additional incentive payment recited herein towards costs relating thereto.

4. Contingency

TEDC's obligations under this Agreement are contingent upon the purchase of the Property by the Company in accordance with that one certain real estate contract of a copy of which is attached hereto and made a part hereof marked as Exhibit "A." Likewise, Company's obligations under this Agreement are contingent upon its purchase of the Property from TEDC and contingent upon the Commencement of Construction of certain improvements in accordance with that one certain real estate contract between the Company and TEDC set forth in Exhibit "A."

Furthermore, to be effective this Agreement must be approved by both parties before the expiration of the due diligence period set forth in the real estate contract in Exhibit "A" unless agreed to otherwise in writing by the parties hereto.

5. Default

a. It is understood and agreed by the parties that in the event of a default by the Company on any of its obligations under this Agreement, the Company shall reimburse the TEDC any amounts paid to the Company by the TEDC for jobs created but not thereafter maintained in accordance with the terms of this Agreement along with interest at the rate equal to the 90 day Treasury Bill plus ½% per annum, within 120 days after the TEDC notifies the Company of the default.

b. It is further understood and agreed by the parties that if the Company is convicted of a violation under 8 U.S.C. Section 1324a(f), the Company will reimburse the TEDC the full amount paid to the Company, with interest at the rate equal to the 90 day Treasury Bill plus ½% per annum, within 120 days after the TEDC notifies the Company of the violation.

c. The Company shall also reimburse the TEDC for any and all reasonable attorney's fees and costs incurred by the TEDC as a result of any action required to obtain reimbursement of such funds. Such reimbursement shall be due and payable 120 days after the Company receives written notice of default accompanied by copies of all applicable invoices.

d. The Company's obligation to reimburse the TEDC payments made to Company if the Company breaches this Agreement survives termination of this Agreement.

e. It is understood and agreed by the parties that, in the event of a default by the TEDC on any of its obligations under this Agreement, the Company's sole and exclusive remedy shall be limited to either i) the termination of this Agreement, or ii) a suit for specific performance.

6. Termination.

a. Unless terminated earlier as allowed in this Agreement, this Agreement terminates ten (10) years from the Effective Date.

b. In the event Company enters into a tax abatement agreement with the City of Tomball and such tax abatement agreement terminates because of default of the Company, this Agreement shall terminate.

c. This paragraph is required by Chapter 2264, Tex. Gov. Code and governs over any conflicting provisions of this Agreement. The Company will not knowingly employ undocumented workers as that term is defined in Section 2264.001, Tex. Gov. Code. If the Company is convicted of a violation under 8 U.S.C. Section 1324a (f), the conviction is a breach of this Agreement and the TEDC will send the Company written notice that the Company has violated this paragraph and that the Agreement terminates 30 days from the date of the notice. .An "undocumented worker" shall mean an individual who, at the time of employment, is not (i) lawfully admitted for permanent residence to the United States; or (ii) authorized under the law to be employed in that manner in the United States.

d. Either party may terminate this Agreement during its term as provided in this paragraph if the other party fails to comply with its terms. The party alleging the default will give the other party notice of the default in writing. If the party in default fails to cure the default within 60 days of the date of the notice, the party giving the notice may terminate this Agreement by written notice to the other party, specifying the date of termination.

e. No party may be deemed to be in default of this Agreement if performance of this Agreement is delayed, disrupted, or becomes impossible because of any act of God, war, earthquake, fire, strike, accident, civil commotion, epidemic, act of government, its agencies or offices, or any other cause beyond the control of the parties during the time, but only for so long as the event of force majeure reasonable prevents performance.

7. Liability.

Personal Liability of Public Officials: To the extent permitted by law, no director, officer, employee or agent of the TEDC, and no officer, employee or agent of the City of

Tomball, shall be personally responsible for any liability arising under or growing out of this Agreement.

8. Assignability.

This Agreement may not be assigned by the Company to any other person or entity unless the TEDC consents in writing to the assignment.

9. Notice.

Any notice provided or permitted to be given under this Agreement must be in writing and may be served by (i) depositing the same in the United States mail, addressed to the party to be notified, postage prepaid, registered or certified mail, return receipt requested; or (ii) by delivering the same in person to such party; or (iii) by overnight or messenger delivery service that retains regular records of delivery and receipt; or (iv) by facsimile or other electronic transmission; provided a copy of such notice is sent within one (1) day thereafter by another method provided above. The initial addresses of the parties for the purpose of notice under this Agreement shall be as follows:

If to City: Tomball Economic Development Corporation
401 W. Market Street
Tomball, Texas 77375
Attn: President, Board of Directors

If to Company: Packers Plus Energy Services (USA) Inc.
5825 North Sam Houston Parkway West, Suite 150
Houston, TX 77086
Attn: Patrick Maguire, Regional General Manager, USA

10. Miscellaneous.

a. Jurisdiction and Venue. This Agreement shall be performable and enforceable in Harris County, Texas, and shall be construed in accordance with the laws of the State of Texas.

b. Amendment. Except as otherwise provided in this Agreement, this Agreement shall be subject to change, amendment or modification only in writing, and by the signatures and mutual consent of the parties hereto.

c. No waiver. The failure of any party to insist in any one or more instances on the performance of any of the terms, covenants or conditions of this Agreement, or to exercise any of its rights, shall not be construed as a waiver or relinquishment of such term, covenant, or condition, or right with respect to further performance.

d. Severability. In the event any one or more words, phrases, clauses, sentences, paragraphs, sections, or other parts of this Agreement, or the application thereof to any person, firm, corporation, or circumstance, shall be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, then the application, invalidity or unconstitutionality of such words, phrases, clauses, sentences, paragraphs, sections, or other parts of this Agreement shall be deemed to be independent of and severable from the remainder of this Agreement, and the validity of the remaining parts of this Agreement shall not be affected thereby.

IN TESTIMONY OF WHICH, THIS AGREEMENT has been executed by both parties on this ______ day of ________________ 2015 (the "Effective Date").

Packers Plus Energy Services (USA) Inc.

By: ____________________________________

Name: Patrick Maguire

Title: Regional General Manager, USA

ATTEST:

By: ______________________________

Name: ______________________________

Title: ______________________________

TOMBALL ECONOMIC DEVELOPMENT CORPORATION

By: ____________________________________

Name: Gretchen Fagan

Title: President, Board of Directors

ATTEST:

By: ______________________________

Name: William E. Sumner Jr.

Title: Secretary, Board of Directors

ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on the _____ day of _________________ 2015, by Patrick Maguire, Regional General Manager, USA of Packers Plus Energy Services (USA) Inc. for and on behalf of said company.

____
Notary Public in and for the State of Texas

My Commission Expires: __________

(SEAL)

ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on the _____ day of _________________ 2015, by Gretchen Fagan, President of the Board of Directors of the Tomball Economic Development Corporation, for and on behalf of said Corporation.

____
Notary Public in and for the State of Texas

My Commission Expires: __________

(SEAL)

Exhibit A

Description of Property

[INSERT SURVEY UPON COMPLETION]

EXHIBIT "A"
SITE MAP
TOMBALL BUSINESS & TECHNOLOGY PARK

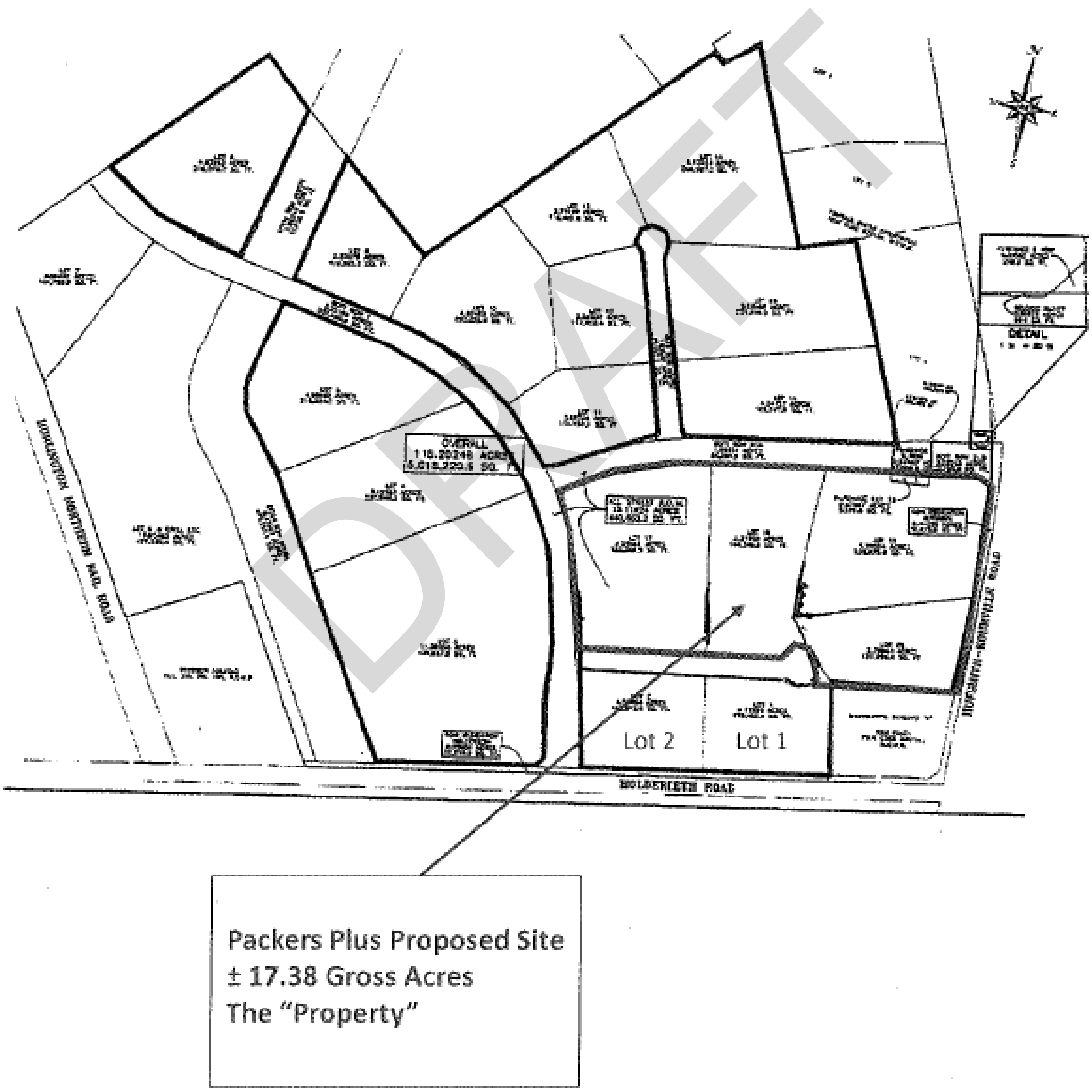
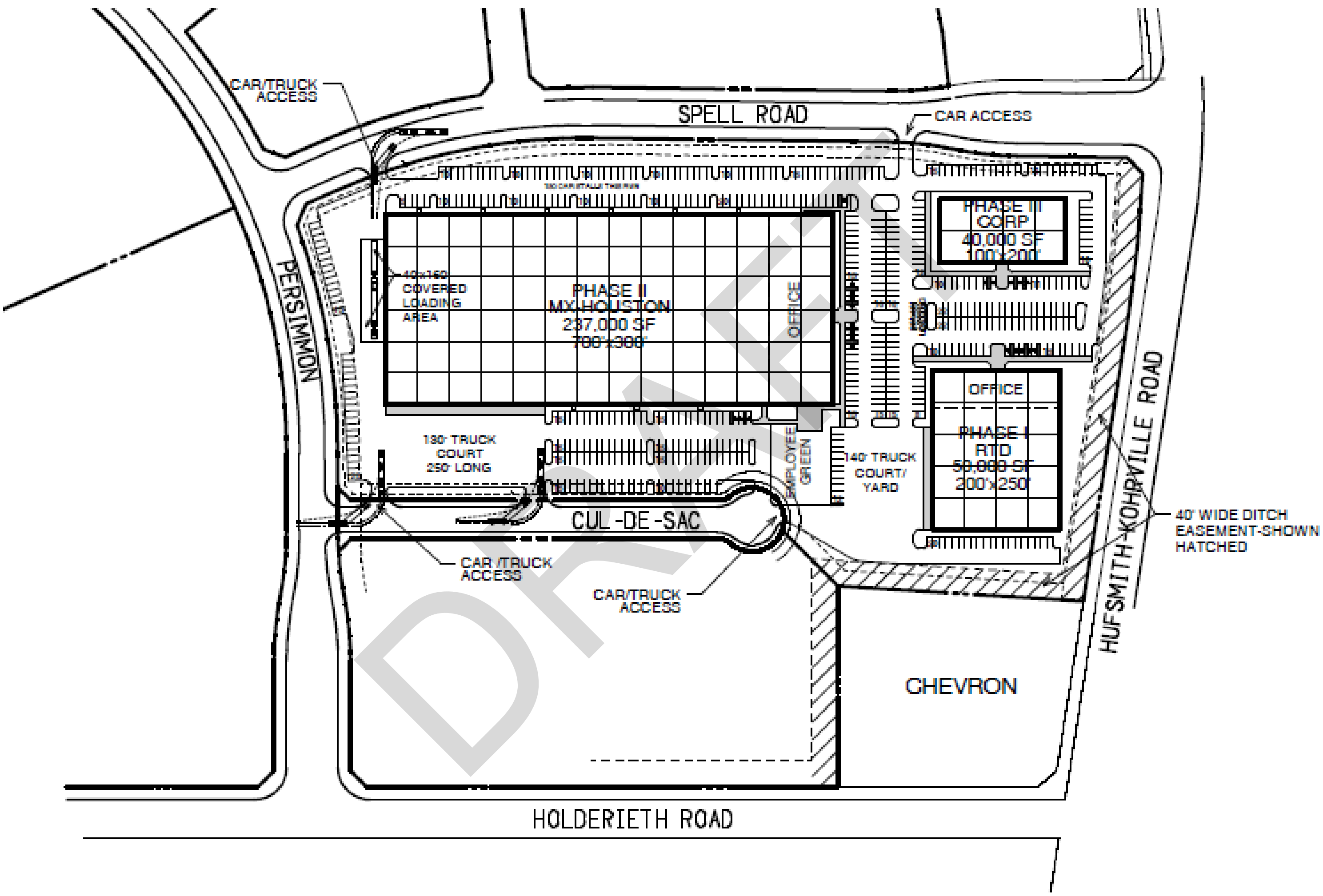


Exhibit B

Description of Improvements

The new facility will consist of a 237,000 sq. ft. manufacturing building, a 50,000 sq. ft. R&D structure and a multi-story 40,000 sq. ft. corporate office.



Economic Impact of Packers Plus Energy Services (USA) Inc. in Tomball, TX

Executive Summary

March 9, 2015

Prepared by:
Tomball Economic Development Corporation
29201 Quinn Road
Tomball, TX 77375

This summary was prepared by the Tomball Economic Development Corporation using Quick Impact by Impact DataSource. Please consult the full economic impact report for additional details and assumptions used in this analysis.

ECONOMIC IMPACT EXECUTIVE SUMMARY: PACKERS PLUS ENERGY SERVICES (USA) INC.

Project Description

Packers Plus is an oilfield service company that manufactures, assembles and installs downhole completion systems that cater primarily to the multi-stage fracturing business. The company has been in the USA for 8 years and has grown dramatically over that period of time. Given the anticipated future growth for the company it has been decided that a new facility is necessary. Further, the desire is to pull all three facets of the business together on one location, or campus. The new facility will consist of a 237,000 sq. ft. manufacturing building, a 50,000 sq. ft. R&D structure and a multi-storey 40,000 sq. ft. corporate office.

Economic Impact Over the First 10 Years

The project will have the following economic impact on the City of Tomball area over the first 10 years:

Economic Impact Over the First 10 Years	Direct	Indirect & Induced	Total
Total number of permanent direct and indirect jobs to be created	353	474	827
Salaries to be paid to direct and indirect workers	$131,684,881	$114,855,553	$246,540,434
Taxable sales and purchases expected in the city	$20,025,127	$10,049,861	$30,074,988
The value of new residential property to be built for direct and indirect workers who move to the city by Year 10	$598,459	$897,689	$1,496,148
The market value the firm's property on local tax rolls in Year 1	$33,500,000	$0	$33,500,000

Fiscal Impact Over the First 10 Years

Over the first 10 years, the City of Tomball and Tomball EDC can expect the following net benefits from the facility, its employees, and workers in spin-off jobs created in the community:

Costs and Benefits for the City Over the First 10 Years	Benefits	Costs	Net Benefits
Sales taxes allocated to the City	$451,125	$0	**$451,125**
Sales taxes allocated to Tomball EDC	$150,375	$0	**$150,375**
Property taxes	$1,028,516	$0	**$1,028,516**
Utility revenues	$1,450,483	$0	**$1,450,483**
Utility franchise fees	$150,372	$0	**$150,372**
Hotel occupancy taxes	$134,767	$0	**$134,767**
Other taxes and user fees	$127,807	$0	**$127,807**
Building permits and fees	$60,870	$0	**$60,870**
Costs of providing utilities	$0	$1,305,435	**($1,305,435)**
Costs of providing municipal services for new residents	$0	$284,488	**($284,488)**
Total	**$3,554,314**	**$1,589,923**	**$1,964,392**

Net Benefits To The City From The Direct and Indirect Sources

The city will receive benefits from direct and indirect economic impacts that result from the project. The benefits, associated costs and net benefits for the first 10 years are shown below, divided between direct and indirect impacts.

Net Benefits to the City from Direct and Indirect Sources			
	Benefits/Costs from:		
	Direct	***Indirect & Induced***	***Total***
Additional revenues:			
Sales taxes allocated to the City	$300,377	$150,748	**$451,125**
Sales taxes allocated to Tomball EDC	$100,126	$50,249	**$150,375**
Property taxes	$1,012,611	$15,905	**$1,028,516**
Utility revenues	$1,046,625	$403,858	**$1,450,483**
Utility franchise fees	$122,353	$28,019	**$150,372**
Hotel occupancy taxes	$134,767		**$134,767**
Other taxes and user fees	$54,130	$73,677	**$127,807**
Building permits and fees	$60,870		**$60,870**
Total additional revenues	***$2,831,859***	***$722,455***	***$3,554,314***
Additional costs:			
Costs of providing utilities	$941,963	$363,472	**$1,305,435**
Costs of providing municipal services for new residents	$120,489	$163,999	**$284,488**
Total additional costs	***$1,062,452***	***$527,471***	***$1,589,923***
Net Benefits	**$1,769,407**	**$194,984**	**$1,964,392**
Percent of total net benefits for city	*90%*	*10%*	

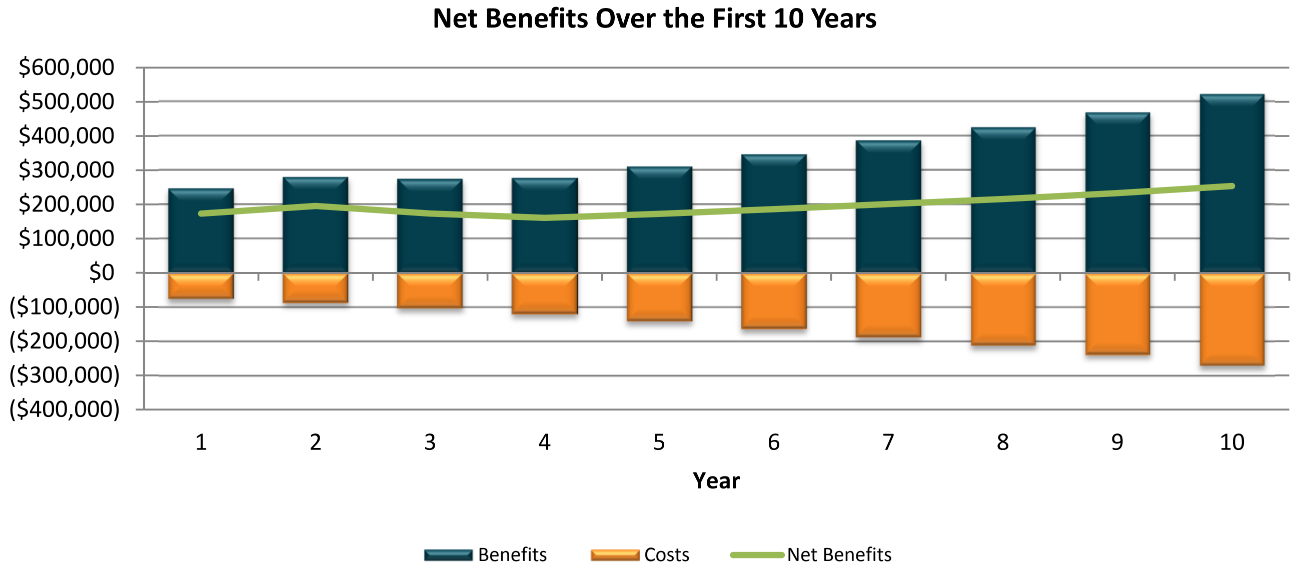
The net benefits to the city over the first 10 years are estimated to accrue as detailed below.

Net Benefits to the City by Year				
	Benefits	**Costs**	**Net Benefits**	**Cumulative Benefits**
Year 1	$248,251	$75,169	$173,082	$173,082
Year 2	$282,006	$86,531	$195,475	$368,557
Year 3	$275,659	$102,339	$173,320	$541,877
Year 4	$279,317	$118,745	$160,571	$702,448
Year 5	$312,228	$139,951	$172,277	$874,725
Year 6	$347,985	$161,958	$186,027	$1,060,752
Year 7	$388,059	$186,966	$201,093	$1,261,845
Year 8	$426,386	$210,689	$215,697	$1,477,542
Year 9	$470,577	$237,551	$233,026	$1,710,568
Year 10	$523,847	$270,023	$253,824	$1,964,392
Total	**$3,554,314**	**$1,589,923**	**$1,964,392**	
*Present Value of Net Benefits**			*$1,492,706*	

**The Present Value of Net Benefits is a way of expressing in today's dollars, dollars to be paid or received in the future. A dollar today and a dollar to be received or paid at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or discount rate. This analysis uses a discount rate of 5% to make the dollars comparable.*

Fiscal Impact Over the First 10 Years

The graph below depicts the costs, benefits and net benefits to the city over the first 10 years.



Tax Abatement

The table below identifies the percentage of tax abatement and the value of the possible tax abatement over the next 10 years.

Tax Abatement		
	Tax Abatement	**City**
Year 1	*100%*	$22,877
Year 2	*100%*	$55,008
Year 3	*100%*	$69,051
Year 4	*100%*	$70,314
Year 5	*100%*	$71,525
Year 6	*100%*	$72,761
Year 7	*100%*	$74,021
Year 8	*100%*	$75,306
Year 9	*100%*	$76,617
Year 10	*100%*	$78,023
Total		**$665,503**

Incentives

Tomball EDC may consider the following incentives for the project:

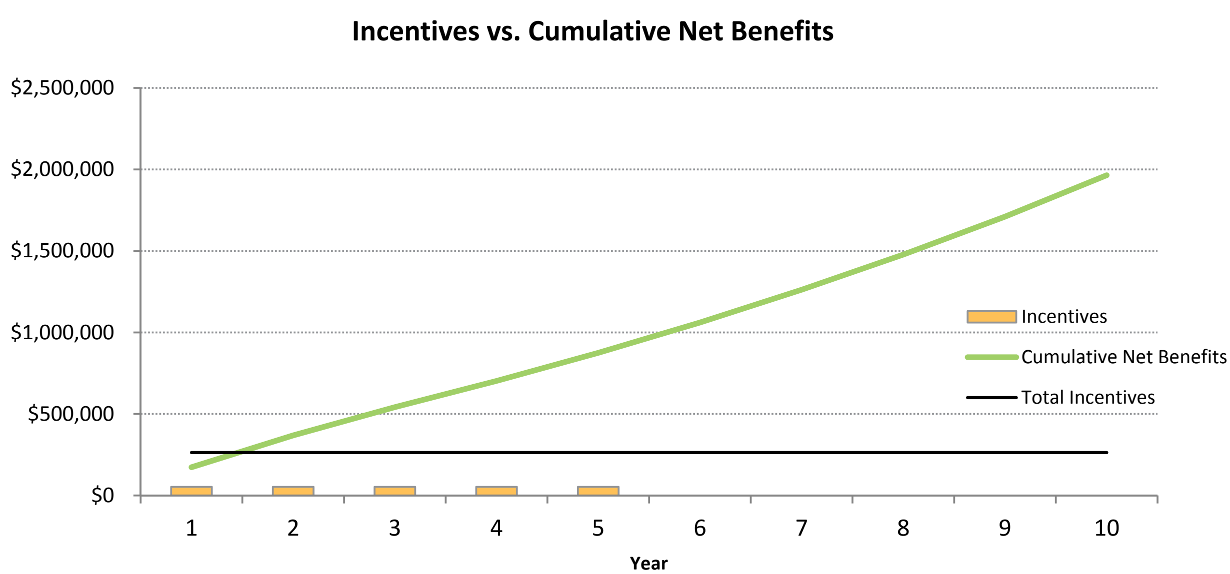
Incentives	
Year 1	$52,603
Year 2	$52,602
Year 3	$52,602
Year 4	$52,602
Year 5	$52,602
Year 6	$0
Year 7	$0
Year 8	$0
Year 9	$0
Year 10	$0

The table below shows an analysis of these incentives, including a calculation of incentives per job, rate of return and payback period.

Analysis of Incentives	
Total Incentives	$263,011
Incentives Per Job	$745
Rate of Return Over 5 Years	66.5%
Payback period (years)	1.5

** Rate of Return and Payback Period are calculated based on the sum of annual incentives rather than the PV of incentives.*

The graph below depicts the total incentives currently under consideration versus the cumulative net benefits to the city. The intersection indicates the length of time until the incentives are paid back.



TEXAS ASSOCIATION OF REALTORS®

COMMERCIAL CONTRACT - UNIMPROVED PROPERTY

1. **PARTIES:** Seller agrees to sell and convey to Buyer the Property described in Paragraph 2. Buyer agrees to buy the Property from Seller for the sales price stated in Paragraph 3. The parties to this contract are:

Seller: Tomball Economic Development Corporation

Address: P.O. Box 820, Tomball, TX 77377
Phone: (281)401-4086 E-mail: KViolette@tomballtxedc.org
Fax: (281)351-7223 Other:

Buyer: Packers Plus Energy Services (USA)Inc

Address: 5825 N Sam Houston Pkwy W, Ste 150, Houston, TX 77086
Phone: (281)730-8406 E-mail: pat.maguire@packersplus.com
Fax: (281)586-9744 Other:

2. **PROPERTY:**

A. "Property" means that real property situated in Harris County, Texas at SWC Hufsmith-Kohrville Rd & Proposed Spell Rd, Tomball *(address)* and that is ~~legally~~ described ~~on the attached Exhibit~~ ~~or~~ as follows: **being approximately 17.38 gross acres of land, more or less, described as Revised Proposed Lots 17, 18, 19 & 20 located within Lot 4 of the Tomball Business And Technology Park Subdivision, Tomball, Harris County, Texas as depicted on the Site Map attached hereto as Exhibit "A" and incorporated herein.**
Upon Receipt and approval of the Survey called for herein, the legal description of the Property per the Survey shall replace Exhibit "A".

B. Seller will sell and convey the Property together with:
(1) all rights, privileges, and appurtenances pertaining to the Property, including Seller's right, title, and interest in any minerals, utilities, adjacent streets, alleys, strips, gores, and rights-of-way;
(2) Seller's interest in all leases, rents, and security deposits for all or part of the Property; and
(3) Seller's interest in all licenses and permits related to the Property.

(Describe any exceptions, reservations, or restrictions in Paragraph 12 or an addendum.)
(If mineral rights are to be reserved an appropriate addendum should be attached.)

3. **SALES PRICE:**

A. At or before closing, Buyer will pay the following sales price for the Property:

(1) Cash portion payable by Buyer at closing . . . . $ 2,106,595.00

(2) Sum of all financing described in Paragraph 4 . . . . $ 0.00

(3) Sales price (sum of 3A(1) and 3A(2)) . . . . $ 2,106,595.00

B. Adjustment to Sales Price: *(Check (1) or (2) only.)*

☐ (1) The sales price will not be adjusted based on a survey.

☒ (2) The sales price will be adjusted based on the latest survey obtained under Paragraph 6B.

(a) The sales price is calculated on the basis of $ 2.95 per:
☒ (i) square foot of ☐ total area ☒ net area.
☐ (ii) acre of ☐ total area ☐ net area.

(b) "Total area" means all land area within the perimeter boundaries of the Property. "Net area" means total area less any area of the Property within:
☒ (i) public roadways;
☒ (ii) rights-of-way and easements other than those that directly provide utility services to the Property; and
☒ (iii) Land area within a building line, building setback, green space or landscaping setback will not be deducted from "Total Area", unless **also otherwise encumbered by (i) or (ii) above.**

(c) If the sales price is adjusted by more than 10.000 % of the stated sales price, either party may terminate this contract by providing written notice to the other party within 10 days after the terminating party receives the survey. If neither party terminates this contract or if the variance is less than the stated percentage, the adjustment to the sales price will be made to the cash portion of the sales price payable by Buyer.

4. **FINANCING:** Buyer will finance the portion of the sales price under Paragraph 3A(2) as follows:

☒ A. Third Party Financing: One or more third party loans in the total amount of $ ______ . This contract:
☒ (1) is not contingent upon Buyer obtaining third party financing.
☐ (2) is contingent upon Buyer obtaining third party financing in accordance with the attached Commercial Contract Financing Addendum (TAR-1931).

☐ B. Assumption: In accordance with the attached Commercial Contract Financing Addendum (TAR-1931), Buyer will assume the existing promissory note secured by the Property, which balance at closing will be $ ______ .

☐ C. Seller Financing: The delivery of a promissory note and deed of trust to Seller under the terms of the attached Commercial Contract Financing Addendum (TAR-1931) in the amount of $ ______ .

5. **EARNEST MONEY:**

A. Not later than 3 days after the effective date, Buyer must deposit $ 50,000.00 as earnest money with Stewart Title - Tomball (title company) at 14080 FM 2920, Ste E, Tomball, TX 77377 (address) Jane Mathews (closer). If Buyer fails to timely deposit the earnest money, Seller may terminate this contract or exercise any of Seller's other remedies under Paragraph 15 by providing written notice to Buyer before Buyer deposits the earnest money.

B. Buyer will deposit an additional amount of $ ______ with the title company to be made part of the earnest money on or before:
☐ (i) ______ days after Buyer's right to terminate under Paragraph 7B expires; or
☐ (ii) ______ .
Buyer will be in default if Buyer fails to deposit the additional amount required by this Paragraph 5B within 3 days after Seller notifies Buyer that Buyer has not timely deposited the additional amount.

C. Buyer may instruct the title company to deposit the earnest money in an interest-bearing account at a federally insured financial institution and to credit any interest to Buyer.

6. TITLE POLICY AND SURVEY:

A. Title Policy:

(1) Seller, at Seller's expense, will furnish Buyer an Owner's Policy of Title Insurance (the title policy) issued by any underwriter of the title company in the amount of the sales price, dated at or after closing, insuring Buyer against loss under the title policy, subject only to:
(a) those title exceptions permitted by this contract or as may be approved by Buyer in writing; and
(b) the standard printed exceptions contained in the promulgated form of title policy unless this contract provides otherwise.

(2) The standard printed exception as to discrepancies, conflicts, or shortages in area and boundary lines, or any encroachments or protrusions, or any overlapping improvements:
☐ (a) will not be amended or deleted from the title policy.
☒ (b) ~~will~~ may be amended to read "shortages in areas" at the expense of ☒ Buyer ☐ Seller.

(3) Within 10 days after the effective date, Seller will furnish Buyer a commitment for title insurance (the commitment) including legible copies of recorded documents evidencing title exceptions. Seller authorizes the title company to deliver the commitment and related documents to Buyer at Buyer's address.

B. Survey: Within 45 days after the effective date:

☐ (1) Buyer will obtain a survey of the Property at Buyer's expense and deliver a copy of the survey to Seller. The survey must be made in accordance with the: (i) ALTA/ACSM Land Title Survey standards, or (ii) Texas Society of Professional Surveyors' standards for a Category 1A survey under the appropriate condition. Seller will reimburse Buyer ____________ *(insert amount)* of the cost of the survey at closing, if closing occurs.

☒ (2) Seller, at Seller's expense, will furnish Buyer a survey of the Property dated after the effective date. The survey must be made in accordance with the: (i) ALTA/ACSM Land Title Survey standards, or (ii) Texas Society of Professional Surveyors' standards for a Category 1A survey under the appropriate condition.

☐ (3) Seller will deliver to Buyer and the title company a true and correct copy of Seller's most recent survey of the Property along with an affidavit required by the title company for approval of the existing survey. If the existing survey is not acceptable to the title company, Seller, at Seller's expense, will obtain a new or updated survey acceptable to the title company and deliver the acceptable survey to Buyer and the title company within 20 days after Seller receives notice that the existing survey is not acceptable to the title company. The closing date will be extended daily up to 20 days if necessary for Seller to deliver an acceptable survey within the time required. Buyer will reimburse Seller ____________ *(insert amount)* of the cost of the new or updated survey at closing, if closing occurs.

C. Buyer's Objections to the Commitment and Survey:

(1) Within 10 days after Buyer receives the commitment, copies of the documents evidencing the title exceptions, and any required survey, Buyer may object in writing to matters disclosed in the items if: (a) the matters disclosed are a restriction upon the Property or constitute a defect or encumbrance to title other than those permitted by this contract or liens that Seller will satisfy at closing or Buyer will assume at closing; or (b) the items show that any part of the Property lies in a

special flood hazard area (an "A" or "V" zone as defined by FEMA). If Paragraph 6B(1) applies, Buyer is deemed to receive the survey on the earlier of: (i) the date of Buyer's actual receipt of the survey; or (ii) of the deadline specified in Paragraph 6B.

(2) Seller may, but is not obligated to, cure Buyer's timely objections within 15 days after Seller receives the objections. The closing date will be extended as necessary to provide such time to cure the objections. If Seller fails to cure the objections by the time required, Buyer may terminate this contract by providing written notice to Seller within 5 days after the time by which Seller must cure the objections. If Buyer terminates, the earnest money, less any independent consideration under Paragraph 7B(1), will be refunded to Buyer.

(3) Buyer's failure to timely object or terminate under this Paragraph 6C is a waiver of Buyer's right to object except that Buyer will not waive the requirements in Schedule C of the commitment.

7. PROPERTY CONDITION:

A. Present Condition: Buyer accepts the Property in its present condition except that Seller, at Seller's expense, will complete ~~the following before closing~~: "Seller's Obligations" as detailed further in the attached Special Provisions Addendum.

B. Feasibility Period: Buyer may terminate this contract for any reason within 90 days after the effective date (feasibility period) by providing Seller written notice of termination. *(Check only one box.)*

☒ (1) If Buyer terminates under this Paragraph 7B, the earnest money will be refunded to Buyer less $ 100.00 that Seller will retain as independent consideration for Buyer's unrestricted right to terminate. Buyer has tendered the independent consideration to Seller upon payment of the amount specified in Paragraph 5A to the title company. The independent consideration is to be credited to the sales price only upon closing of the sale. If no dollar amount is stated in this Paragraph 7B(1) or if Buyer fails to deposit the independent consideration, Buyer will not have the right to terminate under this Paragraph 7B.

☐ (2) Not later than 3 days after the effective date, Buyer must pay Seller $ ________ as independent consideration for Buyer's right to terminate by tendering such amount to Seller or Seller's agent. If Buyer terminates under this Paragraph 7B, the earnest money will be refunded to Buyer and Seller will retain the independent consideration. The independent consideration will be credited to the sales price only upon closing of the sale. If no dollar amount is stated in this Paragraph 7B(2) or if Buyer fails to pay the earnest money, Buyer will not have the right to terminate under this Paragraph 7B.

C. Inspections, Studies, or Assessments:

(1) During the feasibility period, Buyer, at Buyer's expense, may complete or cause to be completed any and all inspections, studies, or assessments of the Property (including all improvements and fixtures) desired by Buyer.

(2) Buyer must:
(a) employ only trained and qualified inspectors and assessors;
(b) notify Seller, in advance, of when the inspectors or assessors will be on the Property;
(c) abide by any reasonable entry rules or requirements of Seller;
(d) not interfere with existing operations or occupants of the Property; and
(e) restore the Property to its original condition if altered due to inspections, studies, or assessments that Buyer completes or causes to be completed.

(3) Except for those matters that arise from the negligence of Seller or Seller's agents, Buyer is responsible for any claim, liability, encumbrance, cause of action, and expense resulting from Buyer's inspections, studies, or assessments, including any property damage or personal injury. Buyer will indemnify, hold harmless, and defend Seller and Seller's agents against any claim involving a matter for which Buyer is responsible under this paragraph. This paragraph survives termination of this contract.

D. Property Information: *** to the extent the items are existing and readily available and within Seller's possession and/or control since it took title to the Property,**

(1) Delivery of Property Information: Within 10 days after the effective date, Seller* will deliver to Buyer: *(Check all that apply.)*

- ☐ (a) copies of all current leases pertaining to the Property, including any modifications, supplements, or amendments to the leases;
- ☐ (b) copies of all notes and deeds of trust against the Property that Buyer will assume or that Seller will not pay in full on or before closing;
- ☒ (c) copies of all previous environmental assessments, geotechnical reports, studies, or analyses made on or relating to the Property;
- ☒ (d) copies property tax statements for the Property for the previous 2 calendar years;
- ☒ (e) ~~plats of the Property;~~ **surveys, plats and site plans of the Property;**
- ☐ (f) copies of current utility capacity letters from the Property's water and sewer service provider; and
- ~~☐ (g)~~ ______

(2) Return of Property Information: If this contract terminates for any reason, Buyer will, not later than 10 days after the termination date: *(Check all that apply.)*

- ☒ (a) return to Seller all those items described in Paragraph 7D(1) that Seller delivered to Buyer in other than an electronic format and all copies that Buyer made of those items;
- ☐ (b) delete or destroy all electronic versions of those items described in Paragraph 7D(1) that Seller delivered to Buyer or Buyer copied; and
- ☒ (c) deliver copies of all inspection and assessment reports related to the Property that Buyer completed or caused to be completed.

This Paragraph 7D(2) survives termination of this contract.

E. Contracts Affecting Operations: Until closing, Seller: (1) will operate the Property in the same manner as on the effective date under reasonably prudent business standards; and (2) will not transfer or dispose of any part of the Property, any interest or right in the Property, or any of the personal property or other items described in Paragraph 2B or sold under this contract. After the feasibility period ends, Seller may not enter into, amend, or terminate any other contract that affects the operations of the Property without Buyer's written approval.

8. LEASES: None in Effect.

~~A. Each written lease Seller is to assign to Buyer under this contract must be in full force and effect according to its terms. Seller may not enter into any new lease, fail to comply with any existing lease, or make any amendment or modification to any existing lease without Buyer's written consent. Seller must disclose, in writing, if any of the following exist at the time Seller provides the leases to the Buyer or subsequently occur before closing:~~
~~(1) any failure by Seller to comply with Seller's obligations under the leases;~~
~~(2) any circumstances under any lease that entitle the tenant to terminate the lease or seek any offsets or damages;~~
~~(3) any advance sums paid by a tenant under any lease;~~

~~(4) any concessions, bonuses, free rents, rebates, brokerage commissions, or other matters that affect any lease; and~~
~~(5) any amounts payable under the leases that have been assigned or encumbered, except as security for loan(s) assumed or taken subject to under this contract.~~

~~B. Estoppel Certificates: Within ______ days after the effective date, Seller will deliver to Buyer estoppel certificates signed not earlier than ______ by each tenant that leases space in the Property. The estoppel certificates must include the certifications contained in the current version of TAR Form 1938 – Commercial Tenant Estoppel Certificate and any additional information requested by a third party lender providing financing under Paragraph 4 if the third party lender requests such additional information at least 10 days prior to the earliest date that Seller may deliver the signed estoppel certificates.~~

9. BROKERS:

A. The brokers to this sale are:

Principal Broker	Cooperating Broker
Principal Broker: Colliers International	Cooperating Broker: Newmark Real Estate of Houston, LLC dba
Agent: Tom Condon, Jr	Agent: Brandi McDonald
Address: 1790Hughes Landing Blvd,Ste250 The Woodlands, TX 77380	Address: 1330 Post Oak Blvd, Ste 1400 Houston, TX 77056
Phone & Fax: (713)830-4007 (713)830-4057	Phone & Fax: (713)490-9951 (713)626-2288
E-mail: tom.condon.jr@colliers.com	E-mail: bmcdonald@ngkf.com
License No.: 0029114	License No.: 442502

Principal Broker: *(Check only one box)*
- ☒ represents Seller only.
- ☐ represents Buyer only.
- ☐ is an intermediary between Seller and Buyer.

Cooperating Broker represents Buyer.

B. Fees: *(Check only (1) or (2) below.)*
(Complete the Agreement Between Brokers on page 13 only if (1) is selected.)

☐ (1) Seller will pay Principal Broker the fee specified by separate written commission agreement between Principal Broker and Seller. Principal Broker will pay Cooperating Broker the fee specified in the Agreement Between Brokers found below the parties' signatures to this contract.

☒ (2) ~~At~~ Only upon the closing and funding of this sale, Seller will pay:

Principal Broker a total cash fee of:
☒ 3.000 % of the sales price.
☐ ______.

Cooperating Broker a total cash fee of:
☒ 3.000 % of the sales price.
☐ ______.

The cash fees will be paid in Harris County, Texas. Seller authorizes the title company to pay the brokers from the Seller's proceeds at closing.

NOTICE: Chapter 62, Texas Property Code, authorizes a broker to secure an earned commission with a lien against the Property.

C. The parties may not amend this Paragraph 9 without the written consent of the brokers affected by the amendment.

10. CLOSING:

A. The date of the closing of the sale (closing date) will be on or before the later of:
   (1) ☒ 30 days after the expiration of the feasibility period.
   ☐ ______________ *(specific date).*
   ☐ ______________.
   (2) 7 days after objections made under Paragraph 6C have been cured or waived.

B. If either party fails to close by the closing date, the non-defaulting party may exercise the remedies in Paragraph 15.

C. At closing, Seller will execute and deliver, at Seller's expense, a ☐ general ☒ special warranty deed. The deed must include a vendor's lien if any part of the sales price is financed. The deed must convey good and indefeasible title to the Property and show no exceptions other than those permitted under Paragraph 6 or other provisions of this contract. Seller must convey the Property:
   (1) with no liens, assessments, or other security interests against the Property which will not be satisfied out of the sales price, unless securing loans Buyer assumes;
   (2) without any assumed loans in default; and
   (3) with no persons in possession of any part of the Property as lessees, tenants at sufferance, or trespassers except tenants under the written leases assigned to Buyer under this contract.

D. At closing, Seller, at Seller's expense, will also deliver to Buyer:
   (1) tax statements showing no delinquent taxes on the Property;
   (2) ~~an assignment of all leases to or on the Property;~~
   (3) to the extent assignable, an assignment to Buyer of any licenses and permits related to the Property;
   (4) evidence that the person executing this contract is legally capable and authorized to bind Seller;
   (5) an affidavit acceptable to the title company stating that Seller is not a foreign person or, if Seller is a foreign person, a written authorization for the title company to: (i) withhold from Seller's proceeds an amount sufficient to comply applicable tax law; and (ii) deliver the amount to the Internal Revenue Service (IRS) together with appropriate tax forms; and
   (6) any notices, statements, certificates, affidavits, releases, and other documents required by this contract, the commitment, or law necessary for the closing of the sale and issuance of the title policy, all of which must be completed by Seller as necessary.

E. At closing, Buyer will:
   (1) pay the sales price in good funds acceptable to the title company;
   (2) deliver evidence that the person executing this contract is legally capable and authorized to bind Buyer;
   (3) ~~sign and send to each tenant in a lease for any part of the Property a written statement that:~~
   ~~(a) acknowledges Buyer has received and is responsible for the tenant's security deposit; and~~
   ~~(b) specifies the exact dollar amount of the security deposit;~~
   (4) ~~sign an assumption of all leases then in effect; and~~
   (5) execute and deliver any notices, statements, certificates, or other documents required by this contract or law necessary to close the sale.

F. Unless the parties agree otherwise, the closing documents will be as found in the basic forms in the current edition of the State Bar of Texas Real Estate Forms Manual without any additional clauses.

11. POSSESSION: Seller will deliver possession of the Property to Buyer upon closing and funding of this sale in its present condition with any repairs Seller is obligated to complete under this contract, ordinary wear and tear excepted. Any possession by Buyer before closing or by Seller after closing that is not authorized by a separate written lease agreement is a landlord-tenant at sufferance relationship between the parties.

12. SPECIAL PROVISIONS: The following special provisions apply and will control in the event of a conflict with other provisions of this contract. *(If special provisions are contained in an Addendum, identify the Addendum here and reference the Addendum in Paragraph 22D.)*

This Contract is subject to the terms and conditions of the Special Provisions Addendum attached hereto and incorporated herein.

13. SALES EXPENSES:

A. Seller's Expenses: Seller will pay for the following at or before closing:
(1) releases of existing liens, other than those liens assumed by Buyer, including prepayment penalties and recording fees;
(2) release of Seller's loan liability, if applicable;
(3) tax statements or certificates;
(4) preparation of the deed;
(5) one-half of any escrow fee;
(6) costs to record any documents to cure title objections that Seller must cure; and
(7) other expenses that Seller will pay under other provisions of this contract.

B. Buyer's Expenses: Buyer will pay for the following at or before closing:
(1) all loan expenses and fees;
(2) preparation of any deed of trust;
(3) recording fees for the deed and any deed of trust;
(4) premiums for flood insurance as may be required by Buyer's lender;
(5) one-half of any escrow fee;
(6) other expenses that Buyer will pay under other provisions of this contract.

14. PRORATIONS:

A. Prorations:
(1) Interest on any assumed loan, taxes, rents, and any expense reimbursements from tenants will be prorated through the closing date.
(2) If the amount of ad valorem taxes for the year in which the sale closes is not available on the closing date, taxes will be prorated on the basis of taxes assessed in the previous year. If the taxes for the year in which the sale closes vary from the amount prorated at closing, the parties will adjust the prorations when the tax statements for the year in which the sale closes become available. This Paragraph 14A(2) survives closing.
(3) If Buyer assumes a loan or is taking the Property subject to an existing lien, Seller will transfer all reserve deposits held by the lender for the payment of taxes, insurance premiums, and other charges to Buyer at closing and Buyer will reimburse such amounts to Seller by an appropriate adjustment at closing.

B. Rollback Taxes: If Seller changes the use of the Property before closing or if a denial of a special valuation on the Property claimed by Seller results in the assessment of additional taxes, penalties, or interest (assessments) for periods before closing, the assessments will be the obligation of the Seller. If this sale or Buyer's use of the Property after closing results in additional assessments for periods before closing, the assessments will be the obligation of Buyer. This Paragraph 14B survives closing.

C. Rent and Security Deposits: At closing, Seller will tender to Buyer all security deposits and the following advance payments received by Seller for periods after closing: prepaid expenses, advance rental payments, and other advance payments paid by tenants. Rents prorated to one party but received by the other party will be remitted by the recipient to the party to whom it was prorated within 5 days after the rent is received. This Paragraph 14C survives closing.

15. DEFAULT:

A. If Buyer fails to comply with this contract, Buyer is in default and Seller, as Seller's sole remedy(ies), may terminate this contract and receive the earnest money, as liquidated damages for Buyer's failure except for any damages resulting from Buyer's inspections, studies or assessments in accordance with Paragraph 7C(3) which Seller may pursue.
(Check if applicable)
☐ ~~enforce specific performance, or seek such other relief as may be provided by law.~~

B. If, without fault, Seller is unable within the time allowed to deliver the estoppel certificates, survey or the commitment, Buyer may:
(1) terminate this contract and receive the earnest money, less any independent consideration under Paragraph 7B(1), as liquidated damages and as Buyer's sole remedy; or
(2) extend the time for performance up to 15 days and the closing will be extended as necessary.

C. Except as provided in Paragraph 15B, if Seller fails to comply with this contract, Seller is in default and Buyer may:
(1) terminate this contract and receive the earnest money, less any independent consideration under Paragraph 7B(1), as liquidated damages and as Buyer's sole remedy; or
(2) enforce specific performance. ~~or seek such other relief as may be provided by law, or both.~~

16. CONDEMNATION: If before closing, condemnation proceedings are commenced against any part of the Property, Buyer may:

A. terminate this contract by providing written notice to Seller within 15 days after Buyer is advised of the condemnation proceedings and the earnest money, less any independent consideration paid under Paragraph 7B(1),* will be refunded to Buyer; or * **and any extension payments paid to Seller pursuant to Section 2 of the Special Provisions Addendum attached hereto,**

B. appear and defend in the condemnation proceedings and any award will, at Buyer's election, belong to:
(1) Seller and the sales price will be reduced by the same amount; or
(2) Buyer and the sales price will not be reduced.

17. ATTORNEY'S FEES: If Buyer, Seller, any broker, or the title company is a prevailing party in any legal proceeding brought under or with relation to this contract or this transaction, such party is entitled to recover from the non-prevailing parties all costs of such proceeding and reasonable attorney's fees. This Paragraph 17 survives termination of this contract.

18. ESCROW:

A. At closing, the earnest money will be applied first to any cash down payment, then to Buyer's closing costs, and any excess will be refunded to Buyer. If no closing occurs, the title company may require payment of unpaid expenses incurred on behalf of the parties and a written release of liability of the title company from all parties.

B. If one party makes written demand for the earnest money, the title company will give notice of the demand by providing to the other party a copy of the demand. If the title company does not receive written objection to the demand from the other party within 15 days after the date the title company sent the demand to the other party, the title company may disburse the earnest money to the party making demand, reduced by the amount of unpaid expenses incurred on behalf of the party receiving the earnest money and the title company may pay the same to the creditors.

C. The title company will deduct any independent consideration under Paragraph 7B(1) before disbursing any earnest money to Buyer and will pay the independent consideration to Seller.

D. If the title company complies with this Paragraph 18, each party hereby releases the title company from all claims related to the disbursal of the earnest money.

E. Notices under this Paragraph 18 must be sent by certified mail, return receipt requested. Notices to the title company are effective upon receipt by the title company.

F. Any party who wrongfully fails or refuses to sign a release acceptable to the title company within 7 days after receipt of the request will be liable to the other party for liquidated damages in an amount equal to the sum of: (i) three times the amount of the earnest money; (ii) the earnest money; (iii) reasonable attorney's fees; and (iv) all costs of suit.

G. ☐ Seller ☐ Buyer intend(s) to complete this transaction as a part of an exchange of like-kind properties in accordance with Section 1031 of the Internal Revenue Code, as amended. All expenses in connection with the contemplated exchange will be paid by the exchanging party. The other party will not incur any expense or liability with respect to the exchange. The parties agree to cooperate fully and in good faith to arrange and consummate the exchange so as to comply to the maximum extent feasible with the provisions of Section 1031 of the Internal Revenue Code. The other provisions of this contract will not be affected in the event the contemplated exchange fails to occur.

19. MATERIAL FACTS: To the best of Seller's knowledge and belief: *(Check only one box.)*

☐ A. Seller is not aware of any material defects to the Property except as stated in the attached Commercial Property Condition Statement (TAR-1408).

☒ B. Except as otherwise provided in this contract, Seller is not aware of:
(1) any subsurface: structures, pits, waste, springs, or improvements;
(2) any pending or threatened litigation, condemnation, or assessment affecting the Property;
(3) any environmental hazards or conditions that materially affect the Property;
(4) whether the Property is or has been used for the storage or disposal of hazardous materials or toxic waste, a dump site or landfill, or any underground tanks or containers;
(5) whether radon, asbestos containing materials, urea-formaldehyde foam insulation, lead-based paint, toxic mold (to the extent that it adversely affects the health of ordinary occupants), or other pollutants or contaminants of any nature now exist or ever existed on the Property;
(6) any wetlands, as defined by federal or state law or regulation, on the Property;
(7) any threatened or endangered species or their habitat on the Property;
(8) any present or past infestation of wood-destroying insects in the Property's improvements;
(9) any contemplated material changes to the Property or surrounding area that would materially and detrimentally affect the ordinary use of the Property;
(10) any condition on the Property that violates any law or ordinance.

(Describe any exceptions to (1)-(10) in Paragraph 12 or an addendum.)

20. NOTICES: All notices between the parties under this contract must be in writing and are effective when hand-delivered, mailed by certified mail return receipt requested, or sent by facsimile transmission to the parties addresses or facsimile numbers stated in Paragraph 1. The parties will send copies of any notices to the broker representing the party to whom the notices are sent.

☒ A. Seller also consents to receive any notices by e-mail at Seller's e-mail address stated in Paragraph 1.
☒ B. Buyer also consents to receive any notices by e-mail at Buyer's e-mail address stated in Paragraph 1.

21. DISPUTE RESOLUTION: The parties agree to negotiate in good faith in an effort to resolve any dispute related to this contract that may arise. If the dispute cannot be resolved by negotiation, the parties will submit the dispute to mediation before resorting to arbitration or litigation and will equally share the costs of a mutually acceptable mediator. This paragraph survives termination of this contract. This paragraph does not preclude a party from seeking equitable relief from a court of competent jurisdiction.

22. AGREEMENT OF THE PARTIES:

A. This contract is binding on the parties, their heirs, executors, representatives, successors, and permitted assigns. This contract is to be construed in accordance with the laws of the State of Texas. If any term or condition of this contract shall be held to be invalid or unenforceable, the remainder of this contract shall not be affected thereby.

B. This contract contains the entire agreement of the parties and may not be changed except in writing.

C. If this contract is executed in a number of identical counterparts, each counterpart is an original and all counterparts, collectively, constitute one agreement.

D. Addenda which are part of this contract are: *(Check all that apply.)*

☒ (1) Property Description Exhibit identified in Paragraph 2;
☐ (2) Commercial Contract Financing Addendum (TAR-1931);
☐ (3) Commercial Property Condition Statement (TAR-1408);
☐ (4) Commercial Contract Addendum for Special Provisions (TAR-1940);
☐ (5) Notice to Purchaser of Real Property in a Water District (MUD);
☐ (6) Addendum for Coastal Area Property (TAR-1915);
☐ (7) Addendum for Property Located Seaward of the Gulf Intracoastal Waterway (TAR-1916);
☐ (8) Information About Brokerage Services (TAR-2501); and
☒ (9) Special Provisions Addendum .

(Note: Counsel for the Texas Association of REALTORS® (TAR) has determined that any of the foregoing addenda which are promulgated by the Texas Real Estate Commission (TREC) or published by TAR are appropriate for use with this form.)

E. ~~Buyer ☐ may ☐ may not assign this contract. If Buyer assigns this contract, Buyer will be relieved of any future liability under this contract only if the assignee assumes, in writing, all obligations and liability of Buyer under this contract.~~

23. TIME: Time is of the essence in this contract. The parties require strict compliance with the times for performance. If the last day to perform under a provision of this contract falls on a Saturday, Sunday, or legal holiday, the time for performance is extended until the end of the next day which is not a Saturday, Sunday, or legal holiday.

24. EFFECTIVE DATE: The effective date of this contract for the purpose of performance of all obligations is the date the title company receipts this contract after all parties execute this contract.

25. ADDITIONAL NOTICES:

A. Buyer should have an abstract covering the Property examined by an attorney of Buyer's selection, or Buyer should be furnished with or obtain a title policy.

B. If the Property is situated in a utility or other statutorily created district providing water, sewer, drainage, or flood control facilities and services, Chapter 49, Texas Water Code, requires Seller to deliver and Buyer to sign the statutory notice relating to the tax rate, bonded indebtedness, or standby fees of the district before final execution of this contract.

C. Notice Required by §13.257, Water Code: "The real property, described below, that you are about to purchase may be located in a certificated water or sewer service area, which is authorized by law to provide water or sewer service to the properties in the certificated area. If your property is located in a certificated area there may be special costs or charges that you will be required to pay before you can receive water or sewer service. There may be a period required to construct lines or other facilities necessary to provide water or sewer service to your property. You are advised to determine if the property is in a certificated area and contact the utility service provider to determine the cost that you will be required to pay and the period, if any, that is required to provide water or sewer service to your property. The undersigned purchaser hereby acknowledges receipt of the foregoing notice at or before the execution of a binding contract for the purchase of the real property described in the notice or at closing of purchase of the real property." The real property is described in Paragraph 2 of this contract.

D. If the Property adjoins or shares a common boundary with the tidally influenced submerged lands of the state, §33.135 of the Texas Natural Resources Code requires a notice regarding coastal area property to be included as part of this contract.

E. If the Property is located seaward of the Gulf Intracoastal Waterway, §61.025, Texas Natural Resources Code, requires a notice regarding the seaward location of the Property to be included as part of this contract.

F. If the Property is located outside the limits of a municipality, the Property may now or later be included in the extra-territorial jurisdiction (ETJ) of a municipality and may now or later be subject to annexation by the municipality. Each municipality maintains a map that depicts its boundaries and ETJ. To determine if the Property is located within a municipality's ETJ, Buyer should contact all municipalities located in the general proximity of the Property for further information.

G. Brokers are not qualified to perform property inspections, surveys, engineering studies, environmental assessments, or inspections to determine compliance with zoning, governmental regulations, or laws. Buyer should seek experts to perform such services. Buyer should review local building codes, ordinances and other applicable laws to determine their effect on the Property. Selection of experts, inspectors, and repairmen is the responsibility of Buyer and not the brokers. Brokers are not qualified to determine the credit worthiness of the parties.

26. CONTRACT AS OFFER: The execution of this contract by the first party constitutes an offer to buy or sell the Property. Unless the other party accepts the offer by 5:00 p.m., in the time zone in which the Property is located, on April 16, 2015, the offer will lapse and become null and void.

READ THIS CONTRACT CAREFULLY. The brokers and agents make no representation or recommendation as to the legal sufficiency, legal effect, or tax consequences of this document or transaction. CONSULT your attorney BEFORE signing.

Seller: Tomball Economic Development Corporation	Buyer: Packers Plus Energy Services (USA) Inc
By:	By:
By (signature): [signature]	By (signature): [signature]
Printed Name: Gretchen Fagan	Printed Name: Patrick Maguire
Title: President, Board of Directors	Title: US General Manager
By:	By:
By (signature):	By (signature):
Printed Name:	Printed Name:
Title:	Title:

AGREEMENT BETWEEN BROKERS

(use only if Paragraph 9B(1) is effective)

Principal Broker agrees to pay ______________________________(Cooperating Broker) a fee when the Principal Broker's fee is received. The fee to be paid to Cooperating Broker will be:

- ☐ $ ______________, or
- ☐ ________ % of the sales price, or
- ☐ ________ % of the Principal Broker's fee.

The title company is authorized and directed to pay Cooperating Broker from Principal Broker's fee at closing. This Agreement Between Brokers supersedes any prior offers and agreements for compensation between brokers.

Principal Broker: ______________________ Cooperating Broker: ______________________

By: ______________________ By: ______________________

ATTORNEYS

Seller's attorney	Buyer's attorney
Seller's attorney: Mary Ann Powell	Buyer's attorney: Natalia Tatirja, Legal Counsel
Olson & Olson LLP	Packers Plus Energy Services, Inc
Address: 2727 Allen Parkway, Ste 600	Address: Bow Valley Square 2, Ste 2200, 205 - 5th Ave SW
Houston TX 77019	Calgary, Alberta CANADA T2P 2V7
Phone & Fax: (713)533-3800 (713)533-3888	Phone & Fax: (403)817-5756
E-mail: mpowell@olsonllp.com	E-mail: natalia.tatirja@packersplus.com
Seller's attorney requests copies of documents, notices, and other information:	Buyer's attorney requests copies of documents, notices, and other information:
☒ the title company sends to Seller.	☒ the title company sends to Buyer.
☒ Buyer sends to Seller.	☒ Seller sends to Buyer.

ESCROW RECEIPT

The title company acknowledges receipt of:

☒ A. the contract on this day APRIL 15, 2015 (effective date);

☐ B. earnest money in the amount of $______________ in the form of ______________ on ______________.

Title company: Stewart Title Company Address: 14050 FM 2920 #E Tomball TX 77377

By: Jane Mathews Phone & Fax: 281-357-5277 / 281 357 5217

Assigned file number (GF#): 1520191479 E-mail: jane.mathews@stewart.com

17.4 AC TEDC

SPECIAL PROVISIONS ADDENDUM
TO
COMMERCIAL CONTRACT - UNIMPROVED PROPERTY

This Special Provisions Addendum to Commercial Contract - Unimproved Property ("Addendum") is entered into between **TOMBALL ECONOMIC DEVELOPMENT CORPORATION** ("Seller") and **PACKERS PLUS ENERGY SERVICES (USA) INC** ("Buyer") in order to amend the terms of a Commercial Contract - Unimproved Properly contract ("Contract") entered into contemporaneously with the execution of this Addendum.

Seller and Buyer agree as follows:

1. Sales Price. The sales price will be adjusted on the basis of the net square footage of land within the Property (calculated to the nearest 1000' of a foot) certified in the survey. The term "net square footage of land within the Property" will mean the total area of land within the Property LESS the square footage of land area within any (i) dedicated public road; and any (ii) easements other than those which directly provide utility service to the Property. Land area within a building line, building setback, green space or landscaping setback will not be deducted from total land area unless also otherwise encumbered.

2. Feasibility Period Extension(s). Buyer may extend the feasibility period for two successive periods of thirty (30) calendar days each by payment to Seller of $10,000.00 for each extension, such extension payments to be non-refundable to Buyer except in the event of Seller's default or a condemnation proceeding pursuant to which the Contract is terminated in accordance with Section 16(A) thereof, but applicable to the sales price at closing. The foregoing extension payments shall be deposited with the title company at the time of exercise of each extension option and authorized for immediate release to Seller.

3. Due Diligence Reports. Buyer acknowledges receipt of the following "Due Diligence Reports" prepared by Tolunay-Wong Engineers, Inc.: Phase I Environmental Site Assessment dated September, 2011 (TWE Project No. 11.12.031), Phase II Environmental Site Assessment dated February, 2013 (TWE Project No. 11.12.031-02), Phase II Geologic Fault Study dated January 25, 2013 (TWE Project No. 11.12.031.003), and Geotechnical Study dated April 8, 2013 (TWE Project No. 13.13.007), which Seller represents are all such reports in Seller's possession pertaining to the Property.

4. Right Of First Refusal And Land Option. The following Right Of First Refusal and Land Option shall be subject to any existing/pending offers received by Seller prior to closing.

   Right Of First Refusal: Buyer shall have an ongoing Right of First Refusal ("ROFR") to purchase Lot 1 and Lot 2 ("Expansion Sites") shown on the Site Map attached as Exhibit A to the Contract, and this right will be recorded in the public records of the county where the Expansion Sites are located and shall be in effect until the earlier of (i) the Contract has been terminated for any reason, (ii) December 31, 2018, or (iii) Buyer fails to close on the Expansion Sites for whatever reason after exercising its option to do so; subject to the above conditions. Upon receiving a written offer to purchase all or any portion of the ROFR Property from a bona fide 3rd party on terms and conditions which Seller would accept ("Offer") Seller will give written notice of the Offer to the Buyer who will have seven (7) business days from delivery of the Offer to accept the Offer or deliver a written waiver (in form reasonably acceptable to the title company) to Seller or it will be assumed Buyer rejects the Offer. If Buyer elects to pass on the ROFR and the sale is not completed or its purchase price varies by up to ten percent (10%), then this ROFR shall be reinstated.

Land Option: Buyer shall have an ongoing option to purchase the Expansion Sites as set forth herein ("Option"). If Buyer elects to purchase all of the Expansion Sites within the first twelve (12) months of closing on the Property the purchase price for the Expansion Sites shall be at the original sales price per square foot of the Property. If Buyer elects to purchase only a portion of the Expansion Sites, then the purchase price shall be "at market". At the closing of the Property, Seller and Buyer shall execute a memorandum of the Option to be promptly recorded in the public records of the county where the Expansion Sites are located.

Seller and Buyer agree that notwithstanding anything in this section to the contrary, Seller will have the unrestricted right to continue to market and try to sell the Expansion Sites. If Seller should receive an Offer (as defined in the ROFR section) then the Buyer's Option to purchase the Expansion Sites will be determined by the provisions of the ROFR section and not pursuant to the provisions of this Option section. The provisions of this Section 5 shall survive Closing.

5. Seller's Obligations. The following infrastructure improvements will be constructed at Seller's expense to serve the Property after the closing within the timeframes set forth below and as set forth in Section 6 (collectively "Seller's Obligations"):

(a) Recorded Replat of the Property within 120 days from Closing;

(b) City of Tomball Water, Sanitary Sewer, Gas and primary storm trunk lines as shown on the attached Utility Map included herewith as Exhibit "B", to be completed on or before March 15, 2016, as further described in the set of plans being prepared by Gunda Corporation, LLC ;

(c) Off Site detention within the M118 Drainage Basin and open channel conveyance as shown on the attached Utility Map included herewith as Exhibit "B", to be completed on or before March 15, 2016, as further described in the set of plans being updated by Gunda Corporation, LLC;

(d) Public roadway improvements (proposed South Persimmon and Spell Road): Roadway construction, and left turn widening's at the intersection of Spell Road/Hufsmith-Kohrville Road and Persimmon Road/Holderrieth Road, as further described in the set of plans being prepared by Gunda Corporation, LLC;

(e) Construction of the planned adjacent cul-de-sac (street name to be determined) and applicable public utilities (including, without limitation, storm sewer and sanitary sewer) shall commence upon written request of Buyer (which is anticipated to be no sooner than eighteen (18) months after the closing). Construction of the cul-de-sac and applicable utilities relating to same shall be completed within six (6) months from receipt of a written request by Buyer. This obligation of Seller becomes null and void if Buyer does not notify Seller within five (5) years from the date hereof of its request, or in the event that Buyer purchases the Expansion Sites as defined in Exhibit "A" during this same five (5) year period and does not notify Seller in writing of its request within thirty (30) days from the date of closing on the Expansion Sites, whichever occurs first.

(f) Clearing of all public roadways, rights of way, and public easements within the Tomball Business & Technology Park as shown on the recorded plat, and under-brushing of the remaining property currently owned by Seller within the Park has now been completed;

(g) Seller agrees to further coordinate design and construction of all proposed public infrastructure improvements referenced in subparagraphs (a) through (e) above with Buyer's planned phases of construction, to the extent possible, and so long as in doing so Seller does not incur unreasonable delays or significant increases in construction costs. For matters within the exclusive control of Seller, Seller agrees to make all reasonable accommodations necessary, such as construction phasing of the planned infrastructure improvements and/or implementation of interim solutions to provide the agreed public services and access (temporary and permanent) such that progress by Buyer on its planned improvements and occupancy is unhindered or hindrances are minimized to the greatest extent as reasonably possible.

It should be noted that if Buyer requires infrastructure improvements in excess of the improvements noted in subparagraphs (a) through (e) above those additional improvements will be at the Buyer's cost. The provisions of this Section 6 shall survive closing.

6. Commencement of Post-Closing Requirements. Within 30 days from closing, Seller shall have Commenced Construction (as defined below) of the Post-Closing Requirements (as defined below). As used herein, the term "Commenced Construction" shall mean that Seller shall have (i) obtained any and all permits, authorizations, variances, notices of intent or other approvals required for the Post-Closing Requirements that are within the control of Seller, and (ii) authorized construction of the Post-Closing Requirements to its contractor(s). As used herein, the term "Post-Closing Requirements" shall mean the work described in Section 5(b), (c) and (d) above.

If Seller shall not have Commenced Construction of the Post-Closing Requirements within thirty (30) days from closing or by July 1, 2015 whichever date occurs last, then Buyer shall notify Seller in writing of such failure within fifteen (15) days, and Seller shall have fifteen (15) days after its receipt of Buyer's notice to have Commenced Construction of the Post-Closing Requirements. If Seller shall not have Commenced Construction of the Post-Closing Requirements by the expiration of such fifteen (15) day period, then within fifteen (15) days following the expiration of such fifteen (15) day period, Buyer may issue a written notice to Seller requiring Seller to repurchase the Property within thirty (30) days of such written notice. The repurchase consideration to be paid by Seller for the Property shall be the same consideration which Buyer paid to Seller in connection with Buyer's acquisition of the Property. The repurchase consideration shall be payable in cash at the consummation of the repurchase. If the repurchase option is exercised, the Property shall be conveyed to Seller by special warranty deed in substantially the same form as the deed used to convey the Property to Buyer at closing, subject only to the exceptions to title set forth in the deed. All closing costs shall be paid by Seller. The provisions of this Section 6 shall survive closing.

7. Assignment. Buyer has the right to assign the Contract at any time without the consent of Seller to a related entity of Buyer, so long as written notice is provided to Seller at least ten (10) days prior to closing, the new buyer assumes all of the obligations of the Buyer under the terms of this Contract and the original Buyer is not relieved of any obligation under the

Contract. Any other assignment requires Seller's prior written approval, which such approval shall not be unreasonably withheld.

8. Signatures. Facsimile and/or electronic signatures shall be deemed same as originals for purposes of formation hereunder.

9. Terms. Defined and capitalized terms in this Addendum will have the same meaning as in the Contract, unless otherwise indicated.

10. Ratification. Except as amended, the Contract is ratified and affirmed.

11. Merger. All prior oral agreements of the parties are merged into the terms of the Contract and this Addendum.

12. Conflict. In the event of a direct conflict between the terms of this Addendum and the Contract, the terms of this Addendum will control.

BUYER:

PACKERS PLUS ENERGY SERVICES (USA) INC

By: ____________________________
Patrick Maguire, US General Manager

SELLER:

TOMBALL ECONOMIC DEVELOPMENT CORPORATION

By: ____________________________
Gretchen Fagan,
President, Board of Directors

EXHIBIT "A"
SITE MAP
TOMBALL BUSINESS & TECHNOLOGY PARK

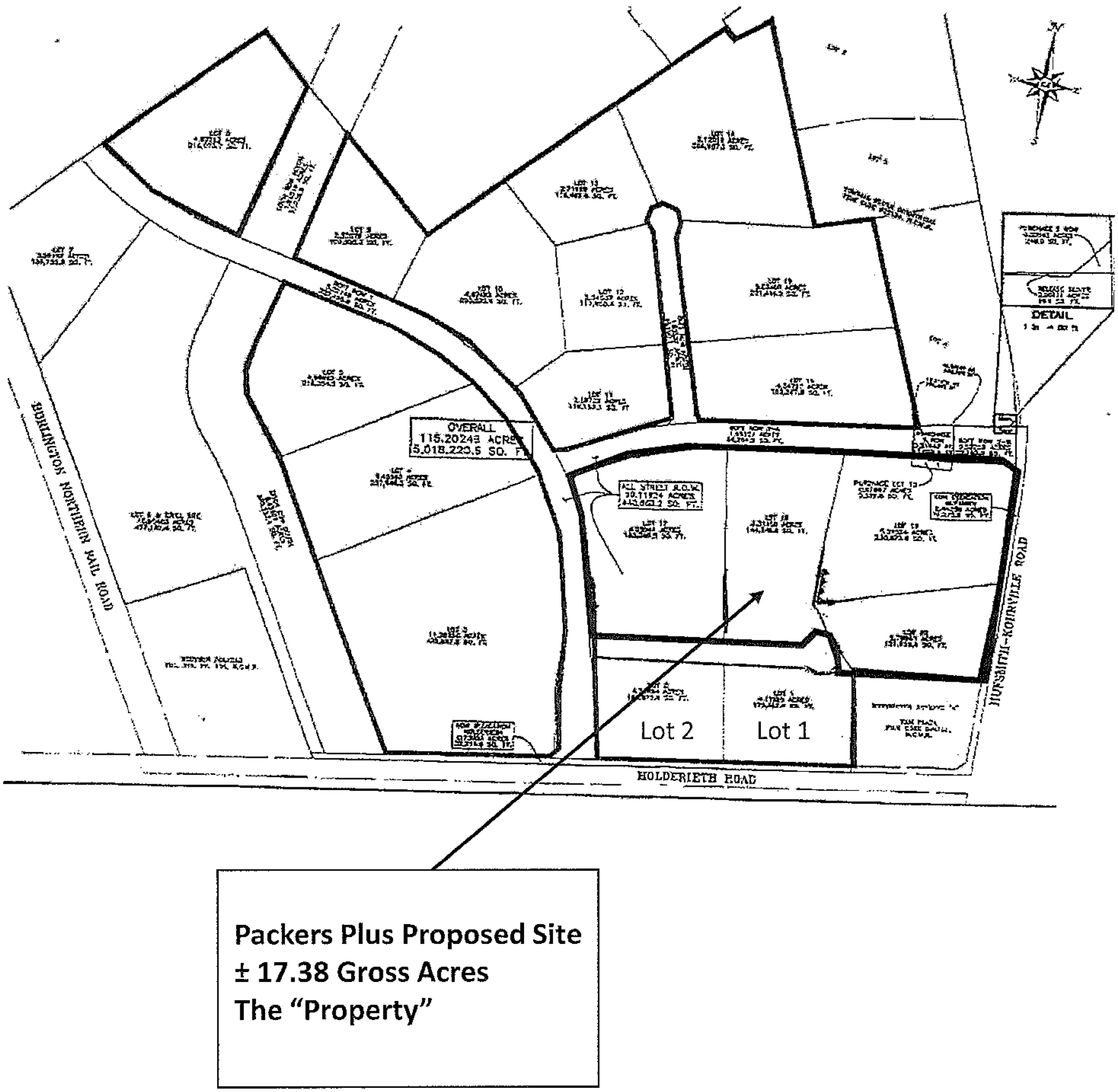


EXHIBIT "B"
UTILITY MAP

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:

Adopt, on First Reading, Ordinance No. 2015-08, an Ordinance of the City of Tomball, Texas, Authorizing the Redemption Prior to Maturity of Outstanding City of Tomball, Texas Waterworks and Sewer System Revenue Bonds, Series 1999

Background:

At our March 16, 2015 regular City Council meeting, we discussed the redemption of the City's Waterworks and Sewer System Revenue Bonds, Series 1999. As part of that discussion, the Council gave staff the authorization to move forward with the redemption. Additionally, as part of the process, there will have to be an amendment to the agreement between the City and the TEDC for the change in the amount of the annual payment that the TEDC pays to the City as its share of the debt service on the 1999 bonds.

The TEDC met Tuesday, April 14, 2015, in a special meeting to approve a payment option which will be formalized in an amendment to the existing agreement. Under the existing agreement the TEDC pays $ 300,000 to the City through 1999. The amended amount will be $ 188,148 for the next four years. Additionally, due to the requirement to have two readings of the ordinance, the redemption will be scheduled for June 15, 2015 instead of the May 27, 2015 date as discussed at the March 16, 2015 meeting. There is a requirement that the bond holders and paying agent be notified 30 days in advance prior to a redemption. This will reduce the estimated savings of the redemption to $ 179,543.33 due to the additional 18 days accrued interest.

This item is the first reading of Ordinance 2015-08 which, if approved, will be the initial step in the redemption process. The second reading of the Ordinance is scheduled for the May 4 regular council meeting.

Origination:

Finance

Recommendation:

Approval of Ordinance 2015-08 on first reading.

Funding:

Party(ies) responsible for placing this item on agenda:

Glenn Windsor, CPA Finance Director

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

ATTACHMENTS:

Ordinance No. 2015-08 Redemption Prior to Maturity of Series 1999 Revenue Bonds
Series 1999 Cash Flow Analysis
Revised Series 1999 Cash Flow Analysis

ORDINANCE NO. 2015-08

AN ORDINANCE OF THE CITY OF TOMBALL, TEXAS, AUTHORIZING THE REDEMPTION PRIOR TO MATURITY OF OUTSTANDING CITY OF TOMBALL, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 1999

THE STATE OF TEXAS §
§
COUNTY OF HARRIS AND MONTGOMERY §

WHEREAS, the City Council (the "City Council") of the City of Tomball, Texas (the "City"), has heretofore issued its Waterworks and Sewer System Revenue Bonds, Series 1999 (the "Bonds") pursuant to an ordinance of the City, approved on second reading on March 1, 1999 (the "Bond Ordinance"); and

WHEREAS, pursuant to the Bond Ordinance, the City has the right to redeem all or a portion of the Bonds in advance of their maturities; and

WHEREAS, the City desires to redeem the outstanding Bonds, as more specifically described in Section 3 herein (the "Redeemed Bonds") in advance of their maturities on June 15, 2015 (the "Redemption Date"); and

WHEREAS, the Bond Ordinance authorizes the City to accomplish such redemption by depositing directly with The Bank of New York Mellon Trust Company, N.A., successor to Chase Bank of Texas, National Association, the paying agent for the Bonds (the "Paying Agent/Registrar"), available funds of the City, in an amount sufficient to provide for the payment or redemption of the Redeemed Bonds on the Redemption Date; and

WHEREAS, upon the deposit of funds referred to above, the Redeemed Bonds shall no longer be regarded as being outstanding, except for the purpose of being paid pursuant to such deposit, and the pledges, liens, trust and all other covenants, provisions, terms and conditions of the Bond Ordinance shall be discharged, terminated and defeased; **NOW, THEREFORE**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF TOMBALL, TEXAS:

1. Recitals. It is hereby found and determined that the matter and facts set out in the recitals to this ordinance are true and correct and incorporated herein for all purposes. All capitalized terms not otherwise defined in the recitals to this ordinance shall have the meaning set forth in the Bond Ordinance.

2. Deposit with Paying Agent/Registrar. Available funds of the City in an amount sufficient to pay all principal of and interest on the Redeemed Bonds due on the Redemption Date and all costs incurred in the redemption of the Redeemed Bonds shall be deposited directly with the Paying Agent/Registrar on or before the Redemption Date. Upon the redemption of the Redeemed Bonds, no Parity Bonds will remain outstanding, and in accordance with the Bond Ordinance the City Council hereby authorizes the use of the amounts on deposit in the Reserve Fund to pay the redemption price of the Redeemed Bonds.

#4867889.2

3. Redemption Prior to Maturity of Redeemed Bonds. The City hereby calls the Bonds described below for redemption prior to maturity on the Redemption Date, at a price of par plus accrued interest to the Redemption Date, and authorizes and directs notice of such redemption to be given in accordance with the terms of the Bond Ordinance:

Maturity Date	Principal Amount
2/15/2016	$470,000
2/15/2017	$490,000
2/15/2018	$515,000
2/15/2019	$535,000

4. Related Matters. To satisfy in a timely manner all of the City's obligations under this ordinance, the Mayor, the Finance Director and all other appropriate officers and agents of the City are hereby authorized and directed to take all actions that are reasonably necessary to provide for the redemption of the Redeemed Bonds, including, without limitation, paying any fees or expenses required in connection with the redemption and executing and delivering on behalf of the City all certificates, notices, consents, receipts, requests, and other documents as may be necessary to direct the application of funds of the City consistent with the provisions of this ordinance.

5. No Personal Liability. No recourse shall be had for payment of principal of or interest on any Bonds or for any claim based thereon against any member of the City Council or employee of the City.

6. Open Meeting. It is hereby officially found and determined that the meeting at which this ordinance was adopted was open to the public, and that public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

7. Effective Date. This Ordinance shall take effect immediately upon its passage.

[Execution Page Follows]

FIRST READING:

READ, PASSED, AND APPROVED AS SET OUT BELOW AT THE MEETING OF THE CITY COUNCIL OF THE CITY OF TOMBALL HELD ON THE 20TH DAY OF APRIL 2015.

COUNCILMAN HUDGENS	________
COUNCILMAN STOLL	________
COUNCILMAN DEGGES	________
COUNCILMAN TOWNSEND	________
COUNCILMAN QUINN	________

SECOND READING:

READ, PASSED, AND APPROVED AS SET OUT BELOW AT THE MEETING OF THE CITY COUNCIL OF THE CITY OF TOMBALL HELD ON THE 6TH DAY OF MAY 2015.

COUNCILMAN HUDGENS	________
COUNCILMAN STOLL	________
COUNCILMAN DEGGES	________
COUNCILMAN TOWNSEND	________
COUNCILMAN QUINN	________

CITY OF TOMBALL, TEXAS

____

Gretchen Fagan
Mayor

ATTEST:

____

City Secretary

(SEAL)

CERTIFICATE FOR ORDINANCE

THE STATE OF TEXAS §
COUNTIES OF HARRIS AND MONTGOMERY §

We, the undersigned officers of the City Council of the City of Tomball, Texas, hereby certify as follows:

1. The City Council of the City of Tomball, Texas, convened at a regular meeting of said City Council at the Tomball City Hall in the City of Tomball, Texas, on the ___ day of April, 2015, and the roll was called of the duly constituted officers and members of said City Council, to wit:

Gretchen Fagan	Mayor
F.S. “Field” Hudgens	Council Member
Mark Stoll	Council Member
Chad Degges	Council Member
Derek Townsend Sr	Council Member
Lori Klein Quinn	Council Member

and all of said persons were present. Whereupon, among other business, the following was transacted at said meeting: a written

ORDINANCE NO. 2015-08

ORDINANCE AUTHORIZING THE REDEMPTION PRIOR TO MATURITY OF OUTSTANDING CITY OF TOMBALL, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 1999

was duly introduced for the consideration of the City Council. It was then duly moved and seconded that said ordinance be approved on first reading; and, after due discussion, said motion, carrying with it the adoption of said ordinance, prevailed and carried by the following vote:

___ members shown present above voted “Aye”.

___ members shown present above voted “No”.

2. The City Council of the City of Tomball, Texas, convened at a regular meeting of said City Council at the Tomball City Hall in the City of Tomball, Texas, on the ___ day of May, 2015, and the roll was called of the duly constituted officers and members of said City Council, to wit:

Gretchen Fagan	Mayor
F.S. “Field” Hudgens	Council Member
Mark Stoll	Council Member
Chad Degges	Council Member
Derek Townsend Sr	Council Member
Lori Klein Quinn	Council Member

and all of said persons were present. Whereupon, among other business, the following was transacted at said meeting: a written

ORDINANCE NO. 2015-08

ORDINANCE AUTHORIZING THE REDEMPTION PRIOR TO MATURITY OF OUTSTANDING CITY OF TOMBALL, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 1999

was duly introduced for the consideration of the City Council. It was then duly moved and seconded that said ordinance be approved and adopted on second reading; and, after due discussion, said motion, carrying with it the adoption of said ordinance, prevailed and carried by the following vote:

___ members shown present above voted "Aye".

___ members shown present above voted "No".

3. A true, full and correct copy of the aforesaid ordinance adopted at the meetings described in the above and foregoing paragraphs is attached to and follows this certificate; that said ordinance has been duly recorded in the City Council's minutes of said meetings; that the above and foregoing paragraph is a true, full and correct excerpt from the City Council's minutes of said meetings pertaining to the adoption of said ordinance; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the City Council as indicated therein; that each of the officers and members of the City Council was duly and sufficiently notified officially and personally, in advance, of the date, hour, place and purpose of the aforesaid meetings, and that said ordinance would be introduced and considered for adoption at said meetings, and each of said officers and members consented, in advance, to the holding of said meetings for such purpose; that said meetings were open to the public as required by law; and that public notice of the date, hour, place and subject of said meetings was given as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED this ____ day of May, 2015.

____

City Secretary
City of Tomball, Texas

(SEAL)

City of Tomball, Texas
Cash Call of Waterworks and Sewer System Revenue Bonds, Series 1999

Cash Flow Analysis

Payment Date	Principal	Coupon	Interest	Call Date	Call Price: Principal	Call Price: Interest	Call Price: Call Date Expenses	Call Price: Total	Gross Savings
8/15/2015			$ 40,847.50	5/27/2015	$ 2,010,000.00	$ 23,146.92	$ 2,800.00	$ 2,035,946.92	$ 14,900.58
2/15/2016	$ 470,000.00	4.00%	40,847.50						40,847.50
8/15/2016			31,447.50						31,447.50
2/15/2017	490,000.00	4.05%	31,447.50						31,447.50
8/15/2017			21,525.00						21,525.00
2/15/2018	515,000.00	4.10%	21,525.00						21,525.00
8/15/2018			10,967.50						10,967.50
2/15/2019	535,000.00	4.10%	10,967.50						10,967.50
	$ 2,010,000.00		$ 209,575.00						$ 183,628.08

Call Date Expenses

Bond Counsel - Call Notice	$ 2,500.00	Confirmed
Bank of New York - Paying Agent Call Fees	300.00	Confirmed
Bank of New York - Paying Agent Escrow Fees if required	500.00	May not be charged
Total	$ 3,300.00	
	(500.00)	
Net Expense	$ 2,800.00	

No Escrow will be required if funds are held at paying agent for less than a day.

Sources and Uses of Funds

Source of Funding	
Reserve Fund Balance	$ 770,000.00
Other Funds Required	1,265,946.92
	$ 2,035,946.92
Use of Funding	
Call Price on May 27, 2015	$ 2,035,946.92

City of Tomball, Texas
Cash Call of Waterworks and Sewer System Revenue Bonds, Series 1999

Cash Flow Analysis

Payment Date	Principal	Coupon	Interest	Call Date	Call Price: Principal	Call Price: Interest	Call Price: Call Date Expenses	Call Price: Total	Gross Savings
2/15/2015									
8/15/2015			$ 40,847.50	6/15/2015	$ 2,010,000.00	$ 27,231.67	$ 2,800.00	$ 2,040,031.67	$ 10,815.83
2/15/2016	$ 470,000.00	4.00%	40,847.50						40,847.50
8/15/2016			31,447.50						31,447.50
2/15/2017	490,000.00	4.05%	31,447.50						31,447.50
8/15/2017			21,525.00						21,525.00
2/15/2018	515,000.00	4.10%	21,525.00						21,525.00
8/15/2018			10,967.50						10,967.50
2/15/2019	535,000.00	4.10%	10,967.50						10,967.50
	$ 2,010,000.00		$ 209,575.00						$ 179,543.33

Call Date Expenses

Bond Counsel - Call Notice	$ 2,500.00	Confirmed
Bank of New York - Paying Agent Call Fees	300.00	Confirmed
Bank of New York - Paying Agent Escrow Fees if required	500.00	May not be charged
Total	$ 3,300.00	
	(500.00)	
Net Expense	$ 2,800.00	

No Escrow will be required if funds are held at paying agent for less than a day.

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:

Approve Resolution No. 2015-08, a Resolution of the City Council of the City of Tomball, Texas Approving a First Amendment to the Agreement regarding the Payment of Obligations Issued for Authorized Tomball Economic Development Corporation Projects

Background:

This is the amendment to the existing agreement between the City and the TEDC which will revise the payment schedule for debt service for the next four years.

As discussed at the March 16 meeting and due to the redemption of the Series 1999 debt issue, the payment agreement between the City and the TEDC will need to be amended. The TEDC Board met Tuesday, April 15, 2015 and decided on a reduced payment over the next four years (the remaining years of the original debt issuance). That revised payment schedule is formalized in the first amendment to the existing agreement.

Origination:

Glenn Windsor, Finance Director

Recommendation:

Approval of Resolution No. 2015-08

Funding:

Party(ies) responsible for placing this item on agenda:

Glenn Windsor

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

ATTACHMENTS:

Resolution 2015-08

Discussion of Payment Options from the April 15, 2015 TEDC Special Meeeting

RESOLUTION NO. 2015-08

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TOMBALL, TEXAS APPROVING A FIRST AMENDMENT TO THE AGREEMENT REGARDING THE PAYMENT OF OBLIGATIONS ISSUED FOR AUTHORIZED TOMBALL ECONOMIC DEVELOPMENT CORPORATION PROJECTS

THE STATE OF TEXAS §
COUNTIES OF HARRIS AND MONTGOMERY §
CITY OF TOMBALL §

WHEREAS, having complied with the legal prerequisites for undertaking various authorized projects (the "Projects"), the City of Tomball, Texas (the "City") and the Tomball Economic Development Corporation (the "Corporation") previously determined that the most economical means of financing the costs of the Projects would be for the City to issue its $7,550,000 Waterworks and Sanitary Sewer System Revenue Bonds, Series 1999 (the "Series 1999 Bonds") and its $20,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2002 (the "Series 2002 Certificates," together with the Series 1999 Bonds and any obligations issued to refund the Series 2002 Certificates or Series 1999 Bonds, the "Obligations"), a portion of which Obligations were issued for the purposes of paying Project costs, and with the agreement of the Corporation to make payments to the City from the additional sales and use tax approved by the voters at an election held within the City on January 15, 1994 in amounts sufficient to pay the portion of the debt service on the Obligations allocable to the Projects as and when it becomes due; and

WHEREAS, the Corporation has made such payments since the respective issuance dates of the Obligations in accordance with the agreement between the City and the Corporation; and

WHEREAS, the City has issued its General Obligation Refunding Bonds, Series 2011 (the "Series 2011 Bonds") and General Obligation Refunding Bonds, Series 2013 (the "Series 2013 Bonds"), a portion of which refunded the Series 2002 Certificates in part; and

WHEREAS, the Corporation and the City now wish to redeem the Series 1999 Bonds in order to achieve debt service savings and to amend the Original Agreement to reflect the updated payment obligations of the Corporation in connection with the Obligations following the redemption of the Series 1999 Bonds; and

WHEREAS, the City and the Corporation wish to enter into this Amendment to set forth the Corporation's payments of principal and interest on the Obligations; **Now Therefore,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TOMBALL, TEXAS:

Section 1: The City Council hereby approves the First Amendment to the Agreement Regarding The Payment of Obligations Issued for Authorized Tomball Economic Development Corporation Projects between the City and the Corporation in substantially the form attached hereto as **Exhibit A** (the "Amendment"), with such changes as may be approved by the City Manager, and authorizes the Mayor to execute and the City Secretary to attest such Amendment.

Section 2: This resolution shall take effect immediately from and after its passage by the City Council of the City.

[Execution Page to Follow]

PASSED, APPROVED AND EFFECTIVE on the 20th day of April, 2015.

CITY OF TOMBALL, TEXAS

____
Mayor

ATTEST:

____
City Secretary

[SEAL]

ATTACHMENT A
(Replaces Schedule I of the Original Agreement)

SCHEDULE I

**PAYMENTS DUE FROM THE CORPORATION
IN CONNECTION WITH THE OBLIGATIONS**

The Corporation will make the annual payments shown in this Schedule I in connection with the Obligations.

Year	Payment Due
2016	$558,148
2017	$558,148
2018	$558,148
2019	$558,148
2020	$370,000
2021	$370,000
2022	$370,000

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS §
COUNTIES OF HARRIS AND MONTGOMERY §
CITY OF TOMBALL §

I, the undersigned officer of the City Council of City of Tomball, Texas, hereby certify as follows:

1. The City Council of City of Tomball, Texas convened in a regular meeting on the 20th day of April, 2015, at the regular meeting place thereof within said City, and the roll was called of the duly constituted officers and members of said City Council, to wit:

Gretchen Fagan	Mayor
F.S. “Field” Hudgens	Council Member, Position #1, Mayor Pro Tem
Mark Stoll	Council Member, Position #2
Chad Degges	Council Member, Position #3
Derek Townsend Sr.	Council Member, Position #4
Lori Klein Quinn	Council Member, Position #5

and all of said persons were present, except the following absentee(s): __________________, thus constituting a quorum. Whereupon, among other business, the following was transacted at said meeting: a written

RESOLUTION NO. 2015-08

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TOMBALL, TEXAS, APPROVING A FIRST AMENDMENT TO THE AGREEMENT REGARDING THE PAYMENT OF OBLIGATIONS ISSUED FOR AUTHORIZED TOMBALL ECONOMIC DEVELOPMENT CORPORATION PROJECTS

was duly introduced for the consideration of said City Council and read in full. It was then duly moved and seconded that said resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of said resolution, prevailed and carried by the following vote:

AYES: ______

NOES: ______

ABSTENTIONS: ______

2. A true, full and correct copy of the aforesaid resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that said resolution has been duly recorded in said City Council's minutes of said meeting; that the

above and foregoing paragraph is a true, full and correct excerpt from said City Council's minutes of said meeting pertaining to the adoption of said resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of said City Council as indicated therein; that each of the officers and members of said City Council was duly and sufficiently notified officially and personally, in advance, of the date, hour, place and purpose of the aforesaid meeting, and that said resolution would be introduced and considered for adoption at said meeting, and each of said officers and members consented, in advance, to the holding of said meeting for such purpose; that said meeting was open to the public as required by law; and that public notice of the date, hour, place and subject of said meeting was given as required by the Texas Open Meetings Act.

SIGNED AND SEALED the _____ day of April, 2015.

____
City Secretary
City of Tomball, Texas

[SEAL]

Topic:

Consideration and possible action regarding revised repayment terms for the Redemption of Waterworks and Sewer System Revenue Bonds, Series 1999.

Background:

At its meeting on March 16, 2015, the Tomball City Council discussed the redemption of the Waterworks and Sewer System Revenue Bonds, Series 1999 (the "Series 1999 Bonds") which funded the Southside Wastewater Treatment Plant expansion in 1999. The principal amount of the Series 1999 Bonds that remain outstanding is $2,010,000. The Bonds that remain outstanding are currently callable at a price of par plus accrued interest to the date of redemption (estimated to be $2,035,946.92 as of 5/27/2015).

The TEDC has an existing agreement with the City of Tomball (Resolution No. 2013-11-TEDC) for repayment of the Series 1999 Bonds. Per the agreement, the TEDC pays $300,000 annually to the City to fund a portion of the annual debt service payments, which will conclude in 2019. The remaining TEDC obligation for the Series 1999 Bonds is $1,200,000.00 (59.70% of remaining principal).

If the Series 1999 Bonds are prepaid, the City can contribute the Bond's reserve fund balance of $775,355.04, bringing the cash call requirement to $1,260,591.88. Based upon the TEDC's percentage obligation on the remaining principal, the redemption could reduce the TEDC's remaining commitment from $1,200,000.00 to $752,592.17 (a savings of $447,407.83).

The TEDC is being asked to consider a revised payment schedule, which will be presented as an amendment to the existing agreement. The following are several options for the repayment terms:

- A single payment in the amount of $752,592.17 (FY 2016);
- Two annual payments in the amount of $376,296.10 (FY 2016 - FY 2017);
- Four annual payments in the amount of $188,148.04 (FY 2016 – FY 2019).

In addition to the Series 1999 Bonds, the TEDC also contributes annual debt service payments for the following:

- Utilities Expansion (2002 CO-2/15/2022): $370,000
- Business Park Infrastructure (Series 2013): See attached Series 2013 Debt Service Schedule for annual payment amounts

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:

Presentation of Comprehensive Annual Financial Report (CAFR Audit) and the Single Audit Report for the Fiscal Year Ended September 30, 2014

Background:

The firm of Weaver & Tidwell, LLP has completed the audit of our financial statements for the fiscal year ended September 30, 2014. Additionally, they have also completed the Single Audit as required by the federal government for grant recipients.

Sarah Roberts, CPA and Laura Lambert, CPA will be at the meeting to present a summary of the reports.

Origination:

Finance

Recommendation:

Acceptance of the reports by the City Council

Funding:

Party(ies) responsible for placing this item on agenda:

Glenn Windsor, CPA Finance Director

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

ATTACHMENTS:

9/30/2014 CAFR

Single Audit Report

CITY OF TOMBALL, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2014

City Manager
George Shackelford

Prepared by:
Glenn Windsor, CPA, CGFO
Finance Director

Kacie Richardson, CGFO
Senior Accountant

CITY OF TOMBALL, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2014

C O N T E N T S

C O N T E N T S – CONTINUED

INTRODUCTORY SECTION

City of Tomball

Gretchen Fagan
Mayor

George Shackelford
City Manager

March 25, 2015

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, 2014. The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the results of operations of the various funds of the City, as well as the fund balances. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

Profile of the Government

The City, incorporated on July 18, 1933, is located northwest of Houston, Texas, in a rapidly growing area of Harris County. The City currently occupies a land area of 12.29 square miles and serves an estimated population of 11,124. The City of Tomball is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the governing council.

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

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

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the Finance Director. These requests serve as a starting point for developing a proposed budget. The Finance Director provides the information to the City Manager who then presents this proposed budget to the council for review. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function, and department. Department heads may make requests to the City Manager for transfers of appropriations within a department. Transfers of appropriations between departments, however, require the 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 59 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 65.

Factors Affecting Financial Condition

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

Local Economy

The City is located approximately 32 miles northwest of Houston and is primarily surrounded by municipal utility districts, making it one of the few 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 2014 reflect an increase of 7.6% to $1.47 billion. This property value increase is the result of continued commercial development within the City including the expansion of the training facility at Baker-Hughes, continued development of the medical complex, and additional growth in the retail sector. New single-family residential developments were under construction at the end of the fiscal year, including The Reserve at Spring Lake with 95 individual lots and homes with an average value of $500,000.

Sales tax revenues continued to increase with the City experiencing a 11.59% increase during 2013-2014. Additionally, new retail businesses continued to open in the retail district located on the City's west side.

The region (which covers an area within a five-mile radius from the center of the City) has an employed labor force of approximately 26,000 within a 5 mile radius which is expected to grow for the next several years. The largest groups of employers are in the service and retail trade.

Long-Term Financial Planning

The City continued the design and construction of Medical Complex Drive and the M121 drainage channel which was designed to mitigate flooding in the downtown area. Funding for both of these projects came from the issuance of $14.5 million in Certificates of Obligation issued January, 2012. At September 30, 2014, Medical Complex Drive construction was progressing with completion expected during FY 2015. Additionally, the development of the downtown area was progressing with an appropriation of $400,000 included in the FY 2015 budget. Other major projects for the near future include Four Corners Development, Lighting at the Depot, Park Development, and an appropriation of $220,000 for sidewalk improvements in FY 2015.

In conjunction with the Tomball Economic Development Corporation, the City issued $8,500,000 in Certificates of Obligation (May 2013) to finance the construction of infrastructure to service a new business park on the southeast corner of the City. At September 30, 2014, the design phase of the infrastructure was progressing and the issues relating to an abandoned pipeline located on the site were being resolved.

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

Major Initiatives

The largest revenue source in the General Fund is sales tax. The City has experienced significant commercial and retail growth over the last several years. However, because of the recession experienced in 2008-2009, the City continued a conservative approach in budgeting sales tax revenues. For fiscal 2014, sales tax revenues were projected at $8,750,000 but with expected growth, the 2015 fiscal year projection is $10,400,000.

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

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

Financial Information

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

Budgeting Controls

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

Debt Administration

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

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

Independent Audit

The City Charter requires an independent audit of the accounts of the City by an independent auditor. The firm of Weaver and Tidwell, LLP, Certified Public Accountants, has issued an unmodified (“clean”) opinion on the City of Tomball’s financial statements for the year ended September 30, 2014. The independent auditor’s report is located at the front of the financial section of this report.

Awards

The Government Finance Officers’ Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year September 30, 2013. This was the 24th 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, 2013. This is the sixth 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.

For the third consecutive year, the City was also awarded the Leadership Award as part of the "Texas Transparency" program from the Texas Comptroller of Public Accounts. The City received the Gold award the first two years and the Platinum award this year. his program involves publishing financial information such as CAFRs, budgets, and check registers to demonstrate transparent government to both the citizens and other members of the public.

Acknowledgements

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

Respectfully submitted,

Glenn Windsor, CPA, CFE, CGFO
Finance Director

CITY OF TOMBALL, TEXAS
PRINCIPAL OFFICIALS AS OF SEPTEMBER 30, 2014

City Officials	Elected Position	Term Expires
Gretchen Fagan	Mayor	2016
F. S. "Field" Hudgens	Councilman Position 1	2017
Mark Stoll	Councilman Position 2	2015
Chad Degges	Councilman Position 3	2016
Derek Townsend, Sr.	Councilman Position 4	2015
Lori Klein Quinn	Councilman Position 5	2017

Department Heads	Appointive Position
George Shackelford	City Manager
Robert Hauck	Assistant City Manager
Doris Speer	City Secretary
Vacant	Chief of Police
David Kauffman	Director of Public Works
Randall Parr	Fire Chief
Craig Meyers	Community Development Director
Glenn Windsor	Finance 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, 2013

Executive Director/CEO

Staff Organizational Chart

Tomball Citizens

- **Mayor and City Council**
  - Economic Development
  - Planning Commission
  - Municipal Judge
  - City Attorney
  - Other Boards & Commissions
  - **City Manager**
    - City Secretary
      - Reception/Vital Statistics
    - Human Resources
      - Personnel
      - Payroll
      - Risk Management
    - Director of Finance
      - Accounting
      - Budgeting
      - Purchasing
      - Utility Billing
    - Fire Chief
      - Fire Marshal
      - Firefighters
      - Emergency Management
    - Police Chief
      - Investigations
      - Patrol
      - Special Services
    - Assistant City Manager
      - Director of Community Development
        - Engineering
        - Planning
        - Construction Inspection
        - Building Official
          - Code Enforcement
          - Building Inspections
          - Permits
      - Director of Public Works
        - General Services
          - Facilities
          - Streets
          - Parks
          - Garage
          - Sanitation
        - Utility Services
          - Water
          - Sewer
          - Gas
      - Director of IT
        - GIS
      - Municipal Court
      - Community Center

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tomball, Texas (the City) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

AN INDEPENDENT MEMBER OF BAKER TILLY INTERNATIONAL
WEAVER AND TIDWELL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS
24 GREENWAY PLAZA, SUITE 1800, HOUSTON, TX 77046
P: 713.850.8787 F: 713.850.1673

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the basic financial statements, the City has adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Beginning net position on the government-wide Statement of Activities and proprietary funds Statement of Revenues, Expenses and Changes in Fund Net Position has been restated to reflect the effect of implementation of this statement. Our opinions are not modified with respect to this matter.

Other Matters

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

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

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
March 25, 2015

Management's Discussion and Analysis
(Unaudited)

As Management of the City of Tomball, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014. This information is not intended to be a complete statement of the City's financial condition. We recommend and encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Tomball exceeded its liabilities at the close of the most recent fiscal year by $88,615,860 (net position). Of this amount, $13,566,745 is unrestricted net position for governmental activities and $11,354,769 for business-type activities.

- The City's net position increased by $6,184,183. This included an increase of $1,661,968 in unrestricted net position, an increase of $2,673,652 in net investment in capital assets, and an increase of $1,848,563 in restricted net position.

- As of the close of the current fiscal year, the City of Tomball's governmental funds reported combined ending fund balances of $40,053,013. Of the ending fund balance, $26,470,729 is restricted for specific purposes (e.g., capital projects, debt service); $168,245 is committed for specific purposes; $322,702 is assigned by the City for specific purposes; $15,984 is non-spendable and $13,075,443 is unassigned and available to meet the government's ongoing obligations in accordance with the City's fund designation and fiscal policies.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

- Governmental activities include most of the City's basic services, (general government, public safety, public works and community services). Property taxes, sales taxes, and franchise fees primarily finance these activities.

- Business-type activities include the City's water, sewer, and gas system. Charges for services cover all or most of the costs for these services.

- Component Unit activities include activities of The Tomball Economic Development Corporation.

Fund Financial Statements

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

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

  The City maintains nine 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 six funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found in this report.

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

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules that further support the information in the financial statements. These statements are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's assets exceed liabilities by $88.6 million as of September 30, 2014. The largest portion of the City's net assets (67%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF TOMBALL'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 44,326,885	$ 43,549,351	$ 14,250,852	$ 12,264,206	$ 58,577,737	$ 55,813,557
Capital assets	37,259,410	35,157,062	38,068,770	39,020,473	75,328,180	74,177,535
Total assets	81,586,295	78,706,413	52,319,622	51,284,679	133,905,917	129,991,092
Total Deferred Outflows of Resources	394,282	-	-	-	394,282	-
Long-term liabilities	31,928,599	33,255,791	6,358,235	7,456,550	38,286,834	40,712,341
Other liabilities	4,737,895	4,387,249	2,659,610	2,459,825	7,397,505	6,847,074
Total liabilities	36,666,494	37,643,040	9,017,845	9,916,375	45,684,339	47,559,415
Net position:						
Net investment in capital assets	28,189,848	25,646,519	30,851,835	30,721,512	59,041,683	56,368,031
Restricted	3,557,490	2,804,100	1,095,173	-	4,652,663	2,804,100
Unrestricted	13,566,745	12,612,754	11,354,769	10,646,792	24,921,514	23,259,546
Total net position	$ 45,314,083	$ 41,063,373	$ 43,301,777	$ 41,368,304	$ 88,615,860	$ 82,431,677

Combined governmental and business-type activities increased the City's net position by $6,741,676 in 2014. The following table provides a summary of the City's operations for the year ended September 30, 2014. Governmental activities increased the City of Tomball's net position by $4,706,888. This increase is primarily related to the increase in sales tax revenues over the fiscal year in the Retail and Services industries. Business-type activities increased the City's net position by $2,034,788. This increase is related primarily to a relatively small excess of revenues over inter-fund transfers.

CITY OF TOMBALL'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	$ 3,762,025	$ 3,794,785	$ 11,336,758	$ 11,096,756	$ 15,098,783	$ 14,891,541
Operating grants and contributions	1,844,224	1,313,128	670,000	670,000	2,514,224	1,983,128
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	5,009,955	4,708,329	-	-	5,009,955	4,708,329
Sales taxes	10,532,691	9,442,376	-	-	10,532,691	9,442,376
Franchise taxes	1,253,077	1,267,302	-	-	1,253,077	1,267,302
Other taxes	590,910	428,208	-	-	590,910	428,208
Investment earnings	30,636	44,877	(1,417)	13,088	29,219	57,965
Miscellaneous	253,375	227,592	45,800	50,567	299,175	278,159
Total revenues	23,276,893	21,226,597	12,051,141	11,830,411	35,328,034	33,057,008
Expenses:						
General government	4,789,051	5,131,879	909,211	955,026	5,698,262	6,086,905
Public safety	8,069,621	7,508,811	-	-	8,069,621	7,508,811
Public Works	6,137,989	5,456,886	-	-	6,137,989	5,456,886
Community services	338,381	302,564	-	-	338,381	302,564
Water	-	-	2,962,612	3,262,366	2,962,612	3,262,366
Sewer	-	-	1,978,197	1,736,531	1,978,197	1,736,531
Gas	-	-	2,229,583	1,743,258	2,229,583	1,743,258
Interest on long-term debt, fiscal agent fees	926,584	830,054	245,129	321,443	1,171,713	1,151,497
Total expenses	20,261,626	19,230,194	8,324,732	8,018,624	28,586,358	27,248,818
Increases/(Decrease) in net position before transfers	3,015,267	1,996,403	3,726,409	3,811,787	6,741,676	5,808,190
Transfers	1,691,621	2,448,842	(1,691,621)	(2,448,842)	-	-
Change in net position	4,706,888	4,445,245	2,034,788	1,362,945	6,741,676	5,808,190
Net position, beginning- as originally reported	41,063,373	36,618,128	41,368,304	40,005,359	82,431,677	76,623,487
Implementation of change in accounting principle	(456,178)	-	(101,315)	-	(557,493)	-
Net position, beginning- restated	40,607,195	36,618,128	41,266,989	40,005,359	81,874,184	76,623,487
Net position, ending	$ 45,314,083	$ 41,063,373	$ 43,301,777	$ 41,368,304	$ 88,615,860	$ 82,431,677

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $40,053,013. Approximately 33% of this amount ($13,075,443) is unassigned fund balance; however, $322,702 is assigned for encumbrances at year-end for the General Fund and $168,245 is committed in the Special Revenue Funds for City functions; $26,486,623 is non-spendable or restricted as follows:

Non-spendable (.04%)	
• Prepaid items	$ 15,894
Restricted (66%)	
• Debt service	$ 2,636,855
• Construction	22,796,926
• Enabling legislation	1,036,948

In the General Fund, fund balance increased by $1,661,922. This increase was primarily due to an increase in Sales Tax revenues. The Debt Service Fund Balance increased by $733,171 primarily from an increase in property tax revenues.

Proprietary Fund

Unrestricted net position of the respective proprietary funds are Enterprise (water, sewer, gas) of $11,172,196 and Internal Service Fund (fleet replacement fund and employee benefits trust fund) of $2,586,609. The net position of the water, sewer, and gas fund increased $1,940,504 primarily because of increases in operating revenues. Inter-fund transfers were less than the previous year. Actual revenues from water, sewer, and gas sales increased because of growth within the city. Net position of the internal service fund increased $720,881. This was due primarily to an increase in the participants' cost of group health insurance coverage.

General Fund Budgetary Highlights

The budget for the 2013-2014 General Fund increased from the previous year, 2012-2013. Additional supplemental expenditures in the amount of $191,435 were approved together with vehicle replacements of $593,802 and cash funded capital expenditures of $139,065.

A reduction in fund balance had been expected but with the substantial increase in sales tax revenues, fund balance increased $1,661,922 from a beginning amount of $11,752,117 to $13,414,039.

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, 2014 is $75,328,180. The investment in capital assets includes land, buildings and improvements, equipment, infrastructure, and construction in progress.

Major capital projects during the year included the completion of sidewalks in the medical center area, construction of public restrooms in the historic downtown area, and the purchase of a portion of the right-of-way for Medical Complex Drive. Additionally, a significant portion of the design was completed for the component unit's (Tomball Economic Development Corporation) Business Park.

CITY OF TOMBALL'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	$ 5,651,056	$ 5,637,581	$ 1,403,735	$ 1,403,735	$ 7,054,791	$ 7,041,316
Buildings and improvements	7,581,664	7,577,842	-	-	7,581,664	7,577,842
Gas system			3,206,261	3,232,725	3,206,261	3,232,725
Water and Sewer system			29,776,108	30,235,987	29,776,108	30,235,987
Equipment	1,407,784	1,409,781	2,530,434	2,643,135	3,938,218	4,052,916
Vehicles	394,421	216,521	-	-	394,421	216,521
Infrastructure	15,228,191	14,512,576	-	-	15,228,191	14,512,576
Construction in progress	6,996,294	5,802,761	1,152,232	1,504,891	8,148,526	7,307,652
Total capital assets	$ 37,259,410	$ 35,157,062	$ 38,068,770	$ 39,020,473	$ 75,328,180	$ 74,177,535

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

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Tomball had a total bonded debt and capital lease obligation of $38,945,464.

CITY OF TOMBALL'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General obligations	$ 9,710,500	$ 10,985,250	$ 4,669,500	$ 5,304,750	$ 14,380,000	$ 16,290,000
Certificates of Obligation	21,565,000	22,435,000	-	-	21,565,000	22,435,000
Revenue bonds payable	-	-	2,465,000	2,900,000	2,465,000	2,900,000
Capital leases	535,464	601,044	-	-	535,464	601,044
	$ 31,810,964	$ 34,021,294	$ 7,134,500	$ 8,204,750	$ 38,945,464	$ 42,226,044

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

	Standard & Poor's
General Obligation Bonds	AA+
Revenue Bonds	AA-
Certificates of Obligation	AA+

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Tomball continues to experience growth, both within the corporate City limits and the surrounding area. The City's current population is estimated to be 11,124. However, within a 3 mile radius it is estimated to be 15,789. Within a 5 mile radius, the estimate rises to 77,560.

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

The City's largest source of revenue continues to be sales taxes. During the fiscal year the City experienced an increase in this resource of over 11%. With the continuing expansion of the local and surrounding economy, this trend is expected to continue.

At the end of fiscal year, construction of the state highway 249 expansion through the city had started with completion of Phase 1 expected in 2015. Additionally, State Highway 99, also known as the Grand Parkway, was under construction just south of the city's extraterritorial jurisdiction. When it is completed, it will be the longest beltway in the U.S., and the third (outer) loop within the Houston-The Woodlands-Sugar Land metropolitan area. Additional development within the city is expected when these two major corridors are finished.

The city's largest taxpayer, Baker-Hughes (formerly B J Services), continues the development of its Western Hemisphere training facility on the northeast corner of the city. The training facility building was completed during the fiscal year and an estimated 70,000 individuals are expected to attend the center on an annual basis. This major addition to our city will serve to encourage new development along the northeast quadrant of Tomball.

The ad valorem property tax rate remained at $ 0.341455, one of the lowest in Harris County.

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

For the 2014-2015 annual budget the City expects continued growth in sales tax revenues along with no changes to the existing tax rates or utility fees. Construction will continue on several capital projects, including the extension of Medical Complex Drive and the M-121 drainage channel.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to, Finance Department, 501 James Street, Tomball, Texas, 77375, telephone 281-351-5484, or for general City information, please visit the City's web-site at http://www.tomballtx.gov.

BASIC FINANCIAL STATEMENTS

CITY OF TOMBALL, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Cash and cash equivalents	$ 30,658,001	$ 9,479,348	$ 40,137,349	$ 3,177,407
Investments	1,396,844	2,240,679	3,637,523	5,231,206
Receivables, net	2,471,993	1,174,909	3,646,902	584,970
Internal balances	(182,573)	182,573	-	-
Inventory	-	78,170	78,170	-
Prepaid expenses	16,527	-	16,527	-
Cash and cash equivalents restricted for:				
Debt service	1,660,605	1,095,173	2,755,778	-
Construction	8,305,488	-	8,305,488	-
Capital assets:				
Nondepreciable	12,647,350	2,555,967	15,203,317	2,797,976
Depreciable capital assets, net	24,612,060	35,512,803	60,124,863	-
Total assets	81,586,295	52,319,622	133,905,917	11,791,559
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on issuance of refunding bonds	394,282	-	394,282	-
Total deferred outflows of resources	394,282	-	394,282	-
Total assets and deferred outflows of resources	81,980,577	52,319,622	134,300,199	11,791,559
LIABILITIES				
Accounts payable and other current liabilities	1,867,986	678,023	2,546,009	61,669
Accrued interest payable	116,313	30,491	146,804	-
Customer deposits	1,850	808,582	810,432	-
Noncurrent liabilities:				
Due within one year	2,751,746	1,142,514	3,894,260	-
Due in more than one year	31,928,599	6,358,235	38,286,834	-
Total liabilities	36,666,494	9,017,845	45,684,339	61,669
NET POSITION				
Net investment in capital assets	28,189,848	30,851,835	59,041,683	2,797,976
Restricted for:				
Debt service	2,520,542	1,095,173	3,615,715	-
Enabling legislation	1,036,948	-	1,036,948	-
Unrestricted	13,566,745	11,354,769	24,921,514	8,931,914
Total net position	$ 45,314,083	$ 43,301,777	$ 88,615,860	$ 11,729,890

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

CITY OF TOMBALL, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

Program Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Primary Government: Business - Type Activities	Primary Government: Total	Component Unit
Primary government							
Governmental activities							
General government	$ 4,789,051	$ -	$ 904,363	$ (3,884,688)	$ -	$ (3,884,688)	$ -
Public safety	8,069,621	1,066,313	939,861	(6,063,447)	-	(6,063,447)	-
Public works	6,137,989	2,695,712	-	(3,442,277)	-	(3,442,277)	-
Community services	338,381	-	-	(338,381)	-	(338,381)	-
Interest and fiscal agent fees	926,584	-	-	(926,584)	-	(926,584)	-
Total governmental activities	20,261,626	3,762,025	1,844,224	(14,655,377)	-	(14,655,377)	-
Business-type activities							
General government	909,211	807,673	670,000	-	568,462	568,462	-
Water	2,962,612	4,578,777	-	-	1,616,165	1,616,165	-
Sewer	1,978,197	2,372,163	-	-	393,966	393,966	-
Gas	2,229,583	3,578,145	-	-	1,348,562	1,348,562	-
Interest and fiscal agent fees	245,129	-	-	-	(245,129)	(245,129)	-
Total business-type activities	8,324,732	11,336,758	670,000	-	3,682,026	3,682,026	-
Total primary government	$ 28,586,358	$ 15,098,783	$ 2,514,224	(14,655,377)	3,682,026	(10,973,351)	-
Component unit							
Tomball Economic Development Corporation	2,573,998	-	-	-	-	-	(2,573,998)
	$ 2,573,998	$ -	$ -	-	-	-	(2,573,998)
GENERAL REVENUES							
Taxes:							
Property taxes				5,009,955	-	5,009,955	-
Sales taxes				10,532,691	-	10,532,691	3,510,754
Franchise taxes				1,253,077	-	1,253,077	-
Other taxes				590,910	-	590,910	-
Miscellaneous				253,375	45,800	299,175	-
Unrestricted investment earnings				30,636	(1,417)	29,219	22,390
TRANSFERS				1,691,621	(1,691,621)	-	-
Total general revenues and transfers				19,362,265	(1,647,238)	17,715,027	3,533,144
Change in net position				4,706,888	2,034,788	6,741,676	959,146
NET POSITION, beginning of year - as originally reported				41,063,373	41,368,304	82,431,677	10,770,744
Implementation of change in acccounting principle (Note 1)				(456,178)	(101,315)	(557,493)	-
NET POSITION, beginning of year - as restated				40,607,195	41,266,989	81,874,184	10,770,744
NET POSITION, end of year				$ 45,314,083	$ 43,301,777	$ 88,615,860	$ 11,729,890

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

CITY OF TOMBALL, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	Debt Service
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 10,791,088	$ 975,590
Investments	1,396,844	-
Receivables, net	2,375,353	660
Cash and cash equivalents restricted for:		
Debt service	-	1,660,605
Construction	-	-
Prepaid items	15,894	-
Total assets	$ 14,579,179	$ 2,636,855
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued liabilities	$ 1,163,290	$ -
Customer deposits	1,850	-
Total liabilities	1,165,140	-
FUND BALANCES		
Nonspendable		
Prepaid items	15,894	-
Restricted for		
Debt service	-	2,636,855
Construction	-	-
Enabling legislation	-	-
Committed		
City functions	-	-
Assigned		
Encumbrances	322,702	-
Unassigned	13,075,443	-
Total fund balances	13,414,039	2,636,855
TOTAL LIABILITIES AND FUND BALANCES	$ 14,579,179	$ 2,636,855

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

Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
$ 14,969,196	$ 1,343,885	$ 28,079,759
-	-	1,396,844
43,898	42,739	2,462,650
-	-	1,660,605
8,305,488	-	8,305,488
-	-	15,894
$ 23,318,582	$ 1,386,624	$ 41,921,240
$ 521,656	$ 181,431	$ 1,866,377
-	-	1,850
521,656	181,431	1,868,227
-	-	15,894
-	-	2,636,855
22,796,926	-	22,796,926
-	1,036,948	1,036,948
-	168,245	168,245
-	-	322,702
-	-	13,075,443
22,796,926	1,205,193	40,053,013
$ 23,318,582	$ 1,386,624	$ 41,921,240

CITY OF TOMBALL, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total fund balances - governmental funds		$ 40,053,013
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources, and therefore are not reported in the governmental funds balance sheet.		36,534,903
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.		394,282
The accrual for other post employment benefits does not require the use of current financial resources and is therefore not recorded in the governmental fund financial statements.		(528,232)
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.		(116,313)
Internal service funds are used by management to charge the cost of certain activities, such as fleet management, to individual funds. A portion of the assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		3,128,543
Long-term liabilities, including bonds payable, capital leases payable, bond premiums and compensated absences are not due and payable in the current period, and therefore are not reported in the fund financial statements. The components of long-term liabilities at September 30, 2014 are:		
Bonded debt payable	(31,275,500)	
Capital lease payable	(535,464)	
Landfill post closure costs	(473,000)	
Compensated absences payable	(1,418,343)	
Premiums received on issuance of bonds	(449,806)	(34,152,113)
Net position of governmental activities		$ 45,314,083

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

CITY OF TOMBALL, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Debt Service	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	$ 1,638,673	$ 3,371,282	$ -	$ -	$ 5,009,955
Sales, franchise, and other taxes	11,846,100	-	-	530,578	12,376,678
Permits and licenses	446,292	-	-	-	446,292
Fines and forfeitures	842,703	-	-	223,610	1,066,313
Service revenue	2,249,420	-	-	-	2,249,420
Intergovernmental	939,861	-	-	-	939,861
Contributions from component unit	35,000	534,816	334,547	-	904,363
Interest on investments	10,016	1,333	17,450	805	29,604
Other revenue	195,714	-	-	46,647	242,361
Total revenues	18,203,779	3,907,431	351,997	801,640	23,264,847
Expenditures					
Current					
Administrative	4,649,184	-	-	280,111	4,929,295
Police	5,083,135	-	163,808	253,188	5,500,131
Fire	2,423,234	-	-	-	2,423,234
Court	307,340	-	-	-	307,340
Public works	1,358,927	-	16,422	-	1,375,349
Sanitation	1,989,160	-	-	-	1,989,160
Streets	839,391	-	2,485,070	-	3,324,461
Permits	357,123	-	-	-	357,123
Garage	134,321	-	-	-	134,321
Parks	454,632	-	-	-	454,632
Community services	166,459	-	-	187,277	353,736
Debt service					
Principal	-	2,210,330	-	-	2,210,330
Interest	-	955,817	-	-	955,817
Bond issuance costs and fees	-	8,113	-	-	8,113
Total expenditures	17,762,906	3,174,260	2,665,300	720,576	24,323,042
Excess (deficiency) of revenues over expenditures	440,873	733,171	(2,313,303)	81,064	(1,058,195)
Other financing sources (uses)					
Transfers out	(585,000)	-	(114,428)	(100,000)	(799,428)
Transfers in	1,806,049	-	675,000	10,000	2,491,049
Total other financing sources (uses)	1,221,049	-	560,572	(90,000)	1,691,621
Net change in fund balances	1,661,922	733,171	(1,752,731)	(8,936)	633,426
Fund balances, beginning of year	11,752,117	1,903,684	24,549,657	1,214,129	39,419,587
Fund balances, end of year	$ 13,414,039	$ 2,636,855	$ 22,796,926	$ 1,205,193	$ 40,053,013

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

CITY OF TOMBALL, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - total governmental funds		$ 633,426
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.		2,996,663
Depreciation expense on capital assets is reported in the statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(1,092,596)
The issuance of long term debt (e.g. bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items was:		
Amortization of premium on bonds payable	43,056	
Amortization of deferred loss on refunding	(59,674)	
Repayment of long term debt	2,210,330	2,193,712
Current year changes in the long term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(120,770)
Current year changes in the long term liability for landfill post-closure costs do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(473,000)
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.		53,964
The accrual for other post employment benefits does not require the use of current financial resources and is, therefore, not recorded in the governmental fund financial statements.		(111,108)
An internal service fund is used by management to charge the cost of certain activites, 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.		626,597
Change in net position of governmental activities		$ 4,706,888

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

CITY OF TOMBALL, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2014

ASSETS	Business Type Activities Enterprise Fund	Governmental Activities Internal Service
Current assets		
Cash and cash equivalents	$ 9,479,348	$ 2,578,242
Investments	2,240,679	-
Accounts receivable, net	1,174,909	9,343
Inventory	78,170	-
Other assets	-	633
Cash and cash equivalents restricted for:		
Debt service	1,095,173	-
Total current assets	14,068,279	2,588,218
Noncurrent assets		
Nondepreciable capital assets	2,555,967	-
Depreciable capital assets	57,693,402	2,061,653
Less: accumulated depreciation	(22,329,731)	(1,188,014)
Net capital assets	37,919,638	873,639
Total noncurrent assets	37,919,638	873,639
Total assets	51,987,917	3,461,857

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

CITY OF TOMBALL, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2014
(CONTINUED)

LIABILITIES	Business Type Activities Enterprise Fund	Governmental Activities Internal Service
Current liabilities		
Accounts payable and accrued liabilities	$ 678,023	$ 1,609
Customer deposits	808,582	-
Current portion of bonds and other debt	1,093,776	-
Compensated absences	48,738	-
Accrued interest payable	30,491	-
Total current liabilities	2,659,610	1,609
Noncurrent liabilities		
Compensated absences	146,214	-
Long-term portion of bonds payable	6,212,021	-
Total noncurrent liabilities	6,358,235	-
Total liabilities	9,017,845	1,609
NET POSITION		
Net investment in capital assets	30,702,703	873,639
Restricted for debt service	1,095,173	-
Unrestricted	11,172,196	2,586,609
Total net position	$ 42,970,072	$ 3,460,248
Reconciliation to government-wide statement of net position:		
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds	331,705	
Net position of business-type activities	$ 43,301,777	

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

CITY OF TOMBALL, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Business Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services	$ 10,529,085	$ 2,927,232
Taps and connections	244,454	-
Penalties	107,898	-
Capital recovery fees	455,321	-
Miscellaneous	45,800	-
Total operating revenues	11,382,558	2,927,232
OPERATING EXPENSES		
Costs of sales and services	6,766,405	2,007,982
Depreciation	1,407,482	264,401
Total operating expenses	8,173,887	2,272,383
Operating income	3,208,671	654,849
NONOPERATING REVENUES (EXPENSES)		
Investment income	7,920	1,032
Unrealized loss on investments	(9,337)	-
Interest expense	(245,129)	-
Gain on disposal of capital assets	-	11,014
Internal contribution	-	53,986
Contribution from component unit	670,000	-
Total nonoperating revenues (expenses)	423,454	66,032
Income before transfers	3,632,125	720,881
Transfers in	114,428	-
Transfers out	(1,806,049)	-
Change in net positon	1,940,504	720,881
NET POSITION, beginning of year - as originally reported	41,130,883	2,739,367
Implementation of change in accounting principle (Note 1)	(101,315)	-
NET POSITION, beginning of year - as restated	41,029,568	2,739,367
NET POSITION, end of year	$ 42,970,072	$ 3,460,248

Reconciliation to government-wide statement of activities:	
Change in net position	$ 1,940,504
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	94,284
Change in net position of business-type activities	$ 2,034,788

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

CITY OF TOMBALL, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Business Type Activities	Governmental Activities
	Enterprise Fund	**Internal Service Fund**
OPERATING ACTIVITIES		
Cash received from customers	$ 11,317,909	$ 2,926,578
Cash payments to suppliers for goods and services	(5,059,405)	(2,006,156)
Cash payments to employees for services	(1,555,974)	-
Net cash provided by operating activities	4,702,530	920,422
NONCAPITAL FINANCING ACTIVITIES		
Transfers	(1,691,621)	-
Contribution from component unit	670,000	-
Net cash used in noncapital financing activities	(1,021,621)	-
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(502,144)	(461,081)
Proceeds from sale of capital assets	-	65,000
Principal paid on capital debt	(1,070,250)	-
Interest paid on capital debt	(259,810)	-
Net cash used in capital and related financing activities	(1,832,204)	(396,081)
INVESTING ACTIVITIES		
Purchases of investments, net	(1,249,717)	-
Investment income	7,920	1,032
Net cash provided by (used in) investing activities	(1,241,797)	1,032
Net change in cash and cash equivalents	606,908	525,373
CASH AND CASH EQUIVALENTS, beginning of year	9,967,613	2,052,869
CASH AND CASH EQUIVALENTS, end of year	$ 10,574,521	$ 2,578,242

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

CITY OF TOMBALL, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

	Business Type Activities		Governmental Activities	
	Enterprise Fund		Internal Service Fund	
Reconciliation of operating income to net cash cash provided by operating activities				
Operating income	$	3,208,671	$	654,849
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization		1,407,482		264,401
Change in assets and liabilities				
Accounts receivable		(110,021)		(654)
Inventory		9,997		-
Other assets		-		1,826
Accounts payable and accrued liabilities		141,029		-
Customer deposits		45,372		-
Net cash provided by operating activities	$	4,702,530	$	920,422
Reconciliation of cash to statement of net position				
Cash and cash equivalents	$	9,479,348	$	2,578,242
Restricted cash and cash equivalents		1,095,173		-
CASH AND CASH EQUIVALENTS	$	10,574,521	$	2,578,242

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Reporting Entity – Continued

Discretely Presented Component Unit

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

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

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

Blended Component Unit

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

Government-Wide and Fund Financial Statements

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide and Fund Financial Statements – Continued

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

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

Governmental Funds

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

General Fund

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

Special Revenue Funds

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-Wide and Fund Financial Statements – Continued

Governmental Funds – Continued

Debt Service Fund

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

Capital Projects Fund

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

Proprietary Funds

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

Enterprise Fund

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

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting

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

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

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

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

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

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

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

Implementation of Change in Accounting Principle

During the year ended September 30, 2014, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities. The effects of implementation of GASB 65 are reflected in the accompanying financial statements.

Pursuant to GASB 65, bond issuance costs which previously had been capitalized and amortized over the term of the bonds in the government-wide financial statements are now accounted for as expense in the period incurred. Therefore, the beginning net position on the government-wide statement of activities and the proprietary funds statement of revenues, expenses and changes in fund net position has been adjusted to reflect the portion of deferred charges that were incurred in prior years.

Deposits and Investments

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deposits and Investments – Continued

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

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

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

Property Taxes

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Receivables

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

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

Inventory and Prepaid Items

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

Capital Assets

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets – Continued

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

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

Compensated Employee Absences

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

Long-Term Obligations

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Long-Term Obligations – Continued

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

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

Landfill Post-Closure Care Costs

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

Deferred Inflows and Deferred Outflows of Resources

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

The City's deferred loss on issuance of refunding bonds, which is recognized only under the accrual basis of accounting, qualifies for reporting as a deferred outflow of resources. Accordingly, the deferred loss on issuance of refunding bonds is reported only in the statement of net position. This item represents the difference between the carrying value of the refunded debt and its reacquisition price and is deferred and amortized as a component of interest expense over the shorter of the life of the refunded debt or the life of the refunding debt.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Equity

Government – Wide and Proprietary Fund Net Position

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

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

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

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

Governmental Funds Fund Balance

Fund balances of governmental funds are classified as follows:

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Equity – Continued

Governmental Funds Fund Balance – Continued

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

Excess of Expenditures Over Appropriations

General fund:		
Community services	$	2,436

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits and investments as of September 30, 2014 are classified in the accompanying financial statements as follows:

Governmental activities	$ 42,020,938
Business-type activites	12,815,200
Component unit	8,408,613
Total	$ 63,244,751

Deposits and investments as of September 30, 2014 consist of the following:

City	
Deposits with financial institutions	$ 1,010,248
Investments	53,825,890
Total city	$ 54,836,138
Component unit	
Deposits with financial institutions	$ 206,614
Investments	8,201,999
Total component unit	$ 8,408,613

At September 30, 2014, the City and component unit had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
City		
U.S. Agencies	$ 3,637,523	902
TexPool	42,934,218	47
Texas CLASS	7,254,149	60
Total fair value	$ 53,825,890	
Portfolio weighted average maturity		107
Component unit		
U.S. Agencies	$ 4,736,359	781
Municipal Bonds	494,847	695
TexPool	2,063,094	48
Texas CLASS	907,699	60
Total fair value	$ 8,201,999	
Portfolio weighted average maturity		512

NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED

Investment Pools

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

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

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

Custodial Credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2014, all of the City's and component unit's combined balance on deposit with financial institutions was fully collateralized with securities held by the pledging financial institution in the City's name.

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

NOTE 3. DEPOSITS AND INVESTMENTS – CONTINUED

Credit risk. The City's investment policy limits investments in external investment pools to pools rated as to investment quality not less than AAA or AAAm or at an equivalent rating by at least one nationally recognized rating service. Obligations of states, agencies, counties, cities, and other political subdivisions of any state must be rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent. The City's investments as of September 30, 2014 were rated as follows:

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

NOTE 4. RECEIVABLES

The following comprise receivable balances at year end:

	General	Debt Service	Capital Projects	Nonmajor Governmental	Enterprise	Internal Service	Component Unit
Receivables:							
Property taxes	$ 107,788	$ 178,246	$ -	$ -	$ -	$ -	$ -
Sales taxes	1,754,911	-	-	-	-	-	584,970
Other taxes	115,228	-	-	-	-	-	-
Customer accounts	293,996	-	-	-	1,321,674	-	-
Interest	1,403	-	-	-	2,305	-	-
Other	246,812	660	43,898	42,739	-	9,343	-
Gross receivables	2,520,138	178,906	43,898	42,739	1,323,979	9,343	584,970
Less: allowance for uncollectibles	(144,785)	(178,246)	-	-	(149,070)	-	-
Net total receivables	$ 2,375,353	$ 660	$ 43,898	$ 42,739	$ 1,174,909	$ 9,343	$ 584,970

NOTE 5. CAPITAL ASSETS

Changes in capital assets for governmental activities for the year ended September 30, 2014 are summarized as follows:

	Beginning Balance	Increases	Reclassifications/ Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	$ 5,637,581	$ 13,475	$ -	$ 5,651,056
Construction in progress	5,802,761	2,517,619	(1,324,086)	6,996,294
Total capital assets not being depreciated	11,440,342	2,531,094	(1,324,086)	12,647,350
Other capital assets				
Buildings and improvements	10,720,464	275,887	-	10,996,351
Machinery and equipment	6,087,788	351,105	(205,622)	6,233,271
Vehicles	3,460,140	336,662	-	3,796,802
Infrastructure	21,396,535	1,296,304	-	22,692,839
Total other capital assets	41,664,927	2,259,958	(205,622)	43,719,263
Less accumulated depreciation				
Buildings and improvements	3,142,622	272,065	-	3,414,687
Machinery and equipment	4,678,007	299,116	(151,636)	4,825,487
Vehicles	3,243,619	158,762	-	3,402,381
Infrastructure	6,883,959	580,689	-	7,464,648
Total accumulated depreciation	17,948,207	1,310,632	(151,636)	19,107,203
Total capital assets being depreciated, net	23,716,720	949,326	(53,986)	24,612,060
Governmental activities capital assets, net	$ 35,157,062	$ 3,480,420	$ (1,378,072)	$ 37,259,410

Depreciation was charged to governmental functions as follows:

Police	$ 307,699
Streets	272,065
Public works	512,832
Internal service	218,036
Total governmental activities depreciation expense	$ 1,310,632

NOTE 5. CAPITAL ASSETS – CONTINUED

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

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Agg R. Extension (Med. Complex Drive)	$ 6,581,721	$ 3,357,373	$ 3,224,348
M124 Willow Creek Tributaries	1,348,145	1,060,522	287,623
M121 Drainage Channel	1,480,400	1,054,487	425,913
M121 Final Phase	1,480,400	979,500	500,900
Tomball Business Park	339,971	216,350	123,621
Rudolph Road and Utilities	212,045	139,896	72,149
M118 Drainage Channels	70,336	70,336	-
City Hall Fire Alarm System	41,000	36,900	4,100
Michel Rd./Holderrieth Blvd.	35,130	35,130	-
Pine St. Drainage / Sidewalk	29,300	29,300	-
Downtown Sidewalks	27,500	16,500	11,000
Total	$ 11,645,948	$ 6,996,294	$ 4,649,654

Changes in capital assets for business-type activities for the year ended September 30, 2014 are summarized as follows:

	Beginning Balance	Increases	Reclassifications/ Decreases	Ending Balance
Business-Type Activities				
Capital assets not being depreciated				
Land	$ 1,403,735	$ -	$ -	$ 1,403,735
Construction in progress	1,504,891	441,538	(794,197)	1,152,232
Total capital assets not being depreciated	2,908,626	441,538	(794,197)	2,555,967
Other capital assets				
Gas system	5,806,157	115,188	-	5,921,345
Water and sewer system	46,825,092	700,534	(3,196)	47,522,430
Machinery and equipment	4,564,183	40,426	-	4,604,609
Total other capital assets	57,195,432	856,148	(3,196)	58,048,384
Less accumulated depreciation:				
Gas system	2,573,432	141,652	-	2,715,084
Water and sewer system	16,589,105	1,159,068	(1,851)	17,746,322
Machinery and equipment	1,921,048	153,127	-	2,074,175
Total accumulated depreciation	21,083,585	1,453,847	(1,851)	22,535,581
Total capital assets being depreciated, net	36,111,847	(597,699)	(1,345)	35,512,803
Business-type activities capital assets, net	$ 39,020,473	$ (156,161)	$ (795,542)	$ 38,068,770

NOTE 5. CAPITAL ASSETS – CONTINUED

Depreciation was charged to business-type functions as follows:

Water and sewer	$ 1,312,195
Gas	141,652
Total business-type activities depreciation expense	$ 1,453,847

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

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Medical Complex Drive	$ 1,140,787	$ 526,584	$ 614,203
Hufsmith Water and Gas Improvement	390,106	359,438	30,668
Rudolph Road	169,538	138,888	30,650
24" Sanitary Sewer - E. Hufsmith	136,537	105,522	31,015
NWTP Generator Addition	323,000	17,000	306,000
Neal Road Utilities	4,800	4,800	-
Total	$ 2,164,768	$ 1,152,232	$ 1,012,536

Changes in capital assets for the component unit for the year ended September 30, 2014 are summarized as follows:

	Beginning Balance	Increases	Reclassifications/ Decreases	Ending Balance
Component Unit				
Capital assets not being depreciated				
Land	$ 1,653,664	$ -	$ -	$ 1,653,664
Construction in progress	843,523	300,789	-	1,144,312
Total capital assets not being depreciated	$ 2,497,187	$ 300,789	$ -	$ 2,797,976

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

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Tomball Business and Technology Park	$ 1,756,452	$ 1,144,312	$ 612,140
Total	$ 1,756,452	$ 1,144,312	$ 612,140

NOTE 6. LONG-TERM DEBT

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2014. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds, notes and other payables					
Bonded debt payable	$ 33,420,250	$ -	$ 2,144,750	$ 31,275,500	$ 2,198,000
Premiums	492,862	-	43,056	449,806	43,056
	33,913,112	-	2,187,806	31,725,306	2,241,056
Other liabilities					
Capital lease obligation	601,044	-	65,580	535,464	68,104
Net OPEB obligation	417,124	145,268	34,160	528,232	-
Compensated absences	1,297,573	951,217	830,447	1,418,343	354,586
Landfill post closure costs	-	473,000	-	473,000	88,000
Total governmental activities	$ 36,228,853	$ 1,569,485	$ 3,117,993	$ 34,680,345	$ 2,751,746
Long-term debt due in more than one year				$ 31,928,599	
Business-Type Activities					
Revenue bonds	$ 8,204,750	$ -	$ 1,070,250	$ 7,134,500	$ 1,082,000
Premiums	94,211	-	11,776	82,435	11,776
	8,298,961	-	1,082,026	7,216,935	1,093,776
Other liabilities					
Net OPEB obligation	74,188	20,420	5,746	88,862	-
Compensated absences	220,569	44,965	70,582	194,952	48,738
Total business-type activities	$ 8,593,718	$ 65,385	$ 1,158,354	$ 7,500,749	$ 1,142,514
Long-term debt due in more than one year				$ 6,358,235	

NOTE 6. LONG-TERM DEBT – CONTINUED

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

Series and Original Issue Amount		Final Maturity	Interest Rate	Governmental Activities	Business-Type Activities
Certificates of Obligation					
Series 2012	$ 14,500,000	2032	3.00 - 4.25%	$ 13,360,000	$ -
Series 2013	8,500,000	2033	2.00 - 3.00%	8,205,000	-
				21,565,000	-
General Obligation Bonds					
Series 2010	2,120,000	2018	1.50 - 2.20%	1,105,000	-
Series 2011	8,650,000	2022	2.00 - 4.00%	3,820,500	4,669,500
Series 2013	6,370,000	2023	1.00 - 1.65%	4,785,000	-
				9,710,500	4,669,500
Revenue Bonds					
Series 1999	7,550,000	2019	2.20 - 4.10%	-	2,465,000
Total bonds and certificates of obligation				$ 31,275,500	$ 7,134,500

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

Year Ending	Governmental Activities		Business-Type Activities	
September 30,	Principal	Interest	Principal	Interest
2015	$ 2,198,000	$ 835,674	$ 1,082,000	$ 228,783
2016	2,216,750	785,666	1,083,250	196,574
2017	2,248,250	737,311	1,086,750	162,127
2018	2,274,250	686,280	1,100,750	125,401
2019	2,015,250	636,544	1,109,750	86,468
2020-2024	9,083,000	2,428,322	1,672,000	99,770
2025-2029	6,360,000	1,419,365	-	-
2030-2033	4,880,000	302,231	-	-
	$ 31,275,500	$ 7,831,393	$ 7,134,500	$ 899,123

NOTE 6. LONG-TERM DEBT – CONTINUED

Defeasance of Bonds

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On September 30, 2014, $14,685,000 of bonds considered defeased are still outstanding.

Federal Arbitrage

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

Obligations under Capital Leases

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

Asset:	Governmental Activities
Machinery and equipment	$ 725,000

NOTE 6. LONG-TERM DEBT – CONTINUED

Obligations under Capital Leases – Continued

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

Year Ending September 30,	Lease Obligation
2015	$ 88,719
2016	88,719
2017	88,719
2018	88,719
2019	88,719
2020 - 2021	177,439
Total	621,034
Less: interest portion	(85,570)
Obligations under capital leases	$ 535,464

Landfill Post-Closure Liability

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

During the year ended September 30, 2014, the City's estimated liability for landfill post-closure costs increased by $473,000 due to changes in post-closure care requirements and the extent of environmental remediation required. The effect of this change in estimate is included in current period governmental activities expenses on the statement of activities for the year ended September 30, 2014. The balance of $473,000 reported as the liability for landfill post-closure costs at year end represents the remaining estimated post-closure costs required to achieve regulatory approval for closure. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 7. INTERFUND TRANSACTIONS

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

Transfers In	Transfers Out	Amount	Purpose
General	Enterprise	$ 1,806,049	To fund indirect costs for administrative expenses
Enterprise	Capital projects	114,428	To fund miscellaneous projects
Capital projects	Nonmajor governmental	100,000	To fund miscellaneous projects
Capital projects	General	575,000	To fund miscellaneous projects
Nonmajor governmental	General	10,000	To fund miscellaneous projects
		$ 2,605,477	

NOTE 8. COMMITMENTS AND CONTINGENCIES

Risk Management

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

Contingent Liabilities

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at September 30, 2014.

NOTE 9. PENSION PLAN

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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

	Plan Year 2013	Plan Year 2014
Employee deposit rate	7.00%	7.00%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year.

NOTE 9. PENSION PLAN – CONTINUED

Contributions – Continued

The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation are as follows:

Annual Required Contribution (ARC)	$ 1,091,994
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	1,091,994
Contributions made	(1,091,994)
Increase in net pension obligation	-
Net Pension Obligation, beginning of year	-
Net Pension Obligation, end of year	$ -

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

Fiscal Year	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation at September 30
2012	$ 1,062,771	$ 1,062,771	100%	$ -
2013	1,127,486	1,127,486	100%	-
2014	1,091,994	1,091,994	100%	-

NOTE 9. PENSION PLAN – CONTINUED

Contributions – Continued

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.2 years; closed period	25.2 years; closed period	30.0 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial assumptions:			
Investment rate of return *	7.00%	7.00%	7.00%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.00%	3.00%	3.00%
Cost-of-living adjustments	2.10%	2.10%	2.10%

Funded Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

NOTE 9. PENSION PLAN – CONTINUED

Funded Status and Funding Progress – Continued

The funded status as of December 31, 2013, the most recent valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3) (1) / (2)	(4) (2) - (1)	(5)	(6) (4) / (5)
12/31/2013	$24,445,827	$30,172,851	81.0%	$5,727,024	$8,642,842	66.3%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Plan Description – Continued

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

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

Benefit continuation of medical, dental, and life insurance coverage provided at the City's expense to retirees ends when the retiree is eligible for Medicare coverage. Retirees who are eligible for Medicare coverage may, at their sole expense, continue to purchase coverage for themselves and their eligible dependents as provided under the applicable terms of the City's policies. A separate postemployment benefit plan report is not available for the City of Tomball Retirement Health Care Plan.

Funding Policy and Annual OPEB Cost

The City has elected to finance the OPEB plan on a pay-as-you-go basis. The City paid $18,677 in premiums related to the plan for retirees during the year.

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

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Funding Policy and Annual OPEB Cost – Continued

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

Annual required contribution	$	164,063
Interest on OPEB obligation		22,109
Adjustment to ARC		(20,484)
Annual OPEB cost (expense) end of year		165,688
Net estimated employer contributions		(39,906)
Increase in net OPEB obligation		125,782
Net OPEB obligation – as of beginning of the year		491,312
Net OPEB obligation – as of end of year	$	617,094

The City's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2014 and the preceding two fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution Made	Percentage of OPEB Cost Contributed	Net OPEB Obligation at September 30
2012	$ 155,394	$ 30,793	20%	$ 351,136
2013	160,445	20,269	13%	491,312
2014	165,688	39,906	24%	617,094

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2011, the most recent valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2011	$ -	$1,157,549	-	$1,157,549	$7,382,599	16%

Under the reporting parameters, the City's retiree health plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by $1,157,549 at December 31, 2011. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 16%.

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Actuarial Methods and Assumptions

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

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

Significant methods and assumptions were as follows:

Actuarial cost method	Projected unit credit
Amortization method	Level % of payroll
Remaining amortization period	30 years - open amortization
Asset valuation method	Market value smoothed
Investment rate of return	4.5% per annum, net of expenses
Inflation rate	3.0% per annum
Projected salary increases	3.0% per annum
Healthcare cost trend rate (initial/ultimate)	8.5% / 4.5%

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

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

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

TMRS – Supplemental Death Benefit Fund

Plan Description

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

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

Contributions

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

The City's contributions to the TMRS SDBF for the years ended September 30, 2014, 2013, and 2012 were $2,613, $2,574, and $1,547, respectively, which equaled the required contributions each year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TOMBALL, TEXAS
SCHEDULE OF FUNDING PROGRESS FOR PARTICIPATION IN TEXAS MUNICIPAL RETIREMENT SYSTEM
SEPTEMBER 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2011	$ 19,902,858	$ 25,038,151	79.5%	$ 5,135,293	$ 7,382,599	69.6%
12/31/2012	21,929,255	26,443,767	82.9%	4,514,512	7,888,487	57.2%
12/31/2013	24,445,827	30,172,851	81.0%	5,727,024	8,642,842	66.3%

CITY OF TOMBALL, TEXAS
SCHEDULE OF FUNDING PROGRESS
POST EMPLOYMENT BENEFITS PLAN OTHER THAN PENSIONS
SEPTEMBER 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2011	$ -	$ 1,157,549	0.0%	$ 1,157,549	$ 7,382,599	15.7%
12/31/2012 *	-	1,157,549	0.0%	1,157,549	7,382,599	15.7%
12/31/2013 *	-	1,157,549	0.0%	1,157,549	7,382,599	15.7%

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

CITY OF TOMBALL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Property taxes	$ 1,550,000	$ 1,678,000	$ 1,638,673	$ (39,327)
Sales, franchise, and other taxes	10,017,300	11,643,050	11,846,100	203,050
Permits and licenses	307,500	411,700	446,292	34,592
Fines and forfeitures	867,000	895,100	842,703	(52,397)
Services revenue	2,119,030	2,186,305	2,249,420	63,115
Intergovernmental	883,868	892,424	939,861	47,437
Contributions from component unit	10,000	35,000	35,000	-
Interest on investments	30,000	12,000	10,016	(1,984)
Other revenues	130,800	136,913	195,714	58,801
Total revenues	15,915,498	17,890,492	18,203,779	313,287
Expenditures				
Administrative	4,976,238	4,943,607	4,649,184	294,423
Police	5,285,852	5,235,761	5,083,135	152,626
Fire	2,573,094	2,502,072	2,423,234	78,838
Court	338,242	336,620	307,340	29,280
Public works	1,311,868	1,426,741	1,358,927	67,814
Sanitation	1,962,300	2,006,080	1,989,160	16,920
Streets	1,044,773	965,117	839,391	125,726
Permits	388,545	381,618	357,123	24,495
Garage	138,289	139,306	134,321	4,985
Parks	481,107	481,269	454,632	26,637
Community services	169,147	164,023	166,459	(2,436) *
Total expenditures	18,669,455	18,582,214	17,762,906	819,308
Excess of revenues over (under) expenditures	(2,753,957)	(691,722)	440,873	1,132,595
Other financing sources				
Transfers in	1,806,049	1,806,049	1,806,049	-
Transfers out	(510,000)	(585,000)	(585,000)	-
Total other financing sources	1,296,049	1,221,049	1,221,049	-
Net change in fund balance	$ (1,457,908)	$ 529,327	1,661,922	$ 1,132,595
Fund balance, beginning of year			11,752,117	
Fund balance, end of year			$ 13,414,039	

Notes to Required Supplementary Information:

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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

CITY OF TOMBALL, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

ASSETS	Special General	Court Security	Court Technology
CURRENT ASSETS			
Cash and cash equivalents	$ 149,547	$ 226,977	$ 270,297
Accounts receivable	-	-	-
TOTAL ASSETS	$ 149,547	$ 226,977	$ 270,297
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	$ -	$ -	$ -
Total liabilities	-	-	-
FUND BALANCES			
Restricted for enabling legislation	-	226,977	270,297
Committed for city functions	149,547	-	-
Total fund balances	149,547	226,977	270,297
TOTAL LIABILITIES AND FUND BALANCES	$ 149,547	$ 226,977	$ 270,297

Hotel Occupancy Tax	Red Light Camera	Bunny Run	Total Nonmajor Governmental Funds
$ 419,881	$ 257,728	$ 19,455	$ 1,343,885
3,400	39,339	-	42,739
$ 423,281	$ 297,067	$ 19,455	$ 1,386,624
$ 34,806	$ 145,868	$ 757	$ 181,431
34,806	145,868	757	181,431
388,475	151,199	-	1,036,948
-	-	18,698	168,245
388,475	151,199	18,698	1,205,193
$ 423,281	$ 297,067	$ 19,455	$ 1,386,624

CITY OF TOMBALL, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Special General	Court Security	Court Technology	Hotel Occupancy Tax
Revenues				
Other taxes	$ -	$ -	$ -	$ 530,578
Fines and forfeitures	-	18,044	24,058	-
Interest on investments	93	133	122	187
Other revenues	20,637	-	-	-
Total revenues	20,730	18,177	24,180	530,765
Expenditures				
Current:				
Administrative	7,217	-	1,500	271,220
Police	-	-	-	-
Community services	-	-	-	172,735
Total expenditures	7,217	-	1,500	443,955
Excess (deficiency) of revenues over (under) expenditures	13,513	18,177	22,680	86,810
Other financing sources (uses)				
Transfers in	-	-	-	10,000
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	10,000
Net change in fund balances	13,513	18,177	22,680	96,810
Fund balances, beginning of year	136,034	208,800	247,617	291,665
Fund balances, end of year	$ 149,547	$ 226,977	$ 270,297	$ 388,475

Red Light Camera	Bunny Run	Total Nonmajor Governmental Funds
$ -	$ -	$ 530,578
181,508	-	223,610
268	2	805
-	26,010	46,647
181,776	26,012	801,640
-	174	280,111
253,188	-	253,188
-	14,542	187,277
253,188	14,716	720,576
(71,412)	11,296	81,064
-	-	10,000
(100,000)	-	(100,000)
(100,000)	-	(90,000)
(171,412)	11,296	(8,936)
322,611	7,402	1,214,129
$ 151,199	$ 18,698	$ 1,205,193

CITY OF TOMBALL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2014

Special General

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues				
Interest on investments	$ 200	$ 60	$ 93	$ 33
Other revenues	13,000	18,500	20,637	2,137
Total revenues	13,200	18,560	20,730	2,170
Expenditures				
Administrative	40,000	26,000	7,217	18,783
Total expenditures	40,000	26,000	7,217	18,783
Net change in fund balance	$ (26,800)	$ (7,440)	13,513	$ 20,953
Fund balance, beginning of year			136,034	
Fund balance, end of year			$ 149,547	

Court Security

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	$ 25,000	$ 20,000	$ 18,044	$ (1,956)
Interest on investments	300	100	133	33
Total revenues	25,300	20,100	18,177	(1,923)
Expenditures				
Administrative	1,000	1,000	-	1,000
Total expenditures	1,000	1,000	-	1,000
Net change in fund balance	$ 24,300	$ 19,100	18,177	$ (923)
Fund balance, beginning of year			208,800	
Fund balance, end of year			$ 226,977	

CITY OF TOMBALL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2014
(CONTINUED)

Court Technology

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	$ 35,000	$ 24,000	$ 24,058	$ 58
Interest on investments	400	120	122	2
Total revenues	35,400	24,120	24,180	60
Expenditures				
Administrative	1,500	1,500	1,500	-
Total expenditures	1,500	1,500	1,500	-
Net change in fund balance	$ 33,900	$ 22,620	22,680	$ 60
Fund balance, beginning of year			247,617	
Fund balance, end of year			$ 270,297	

Hotel Occupancy Tax

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget Positive (Negative)
Revenues				
Other taxes	$ 400,000	$ 435,000	$ 530,578	$ 95,578
Interest on investments	500	200	187	(13)
Other revenues	25,000	-	-	-
Total revenues	425,500	435,200	530,765	95,565
Expenditures				
Administrative	325,064	318,663	271,220	47,443
Community Services	161,300	201,000	172,735	28,265
Total expenditures	486,364	519,663	443,955	75,708
Excess (deficiency) of revenues over (under) expenditures	(60,864)	(84,463)	86,810	171,273
Other financing sources (uses)				
Transfers in	10,000	10,000	10,000	-
Total other financing sources	10,000	10,000	10,000	-
Net change in fund balance	$ (50,864)	$ (74,463)	96,810	$ 171,273
Fund balance, beginning of year			291,665	
Fund balance, end of year			$ 388,475	

CITY OF TOMBALL, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Property taxes	$ 3,085,420	$ 3,400,000	$ 3,371,282	$ (28,718)
Contributions from Component Unit	534,816	534,816	534,816	-
Interest on investments	2,500	1,500	1,333	(167)
Total revenues	3,622,736	3,936,316	3,907,431	(28,885)
Expenditures				
Debt service				
Principal	2,275,910	2,210,330	2,210,330	-
Interest and fiscal agent fees	990,957	967,817	963,930	3,887
Total expenditures	3,266,867	3,178,147	3,174,260	3,887
Excess (deficiency) of revenues over expenditures	355,869	758,169	733,171	(24,998)
Net change in fund balances	$ 355,869	$ 758,169	733,171	$ (24,998)
Fund balance, beginning of year			1,903,684	
Fund balance, end of year			$ 2,636,855	

INTERNAL SERVICE FUNDS

FLEET REPLACEMENT FUND

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

HEALTH BENEFITS FUND

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

CITY OF TOMBALL, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2014

ASSETS	Fleet Replacement	Health Benefits	Total
CURRENT ASSETS			
Cash and cash equivalents	$ 1,603,597	$ 974,645	$ 2,578,242
Accounts receivable, net	-	9,343	9,343
Other assets	-	633	633
Total current assets	1,603,597	984,621	2,588,218
NONCURRENT ASSETS			
Depreciable capital assets	2,061,653	-	2,061,653
Less: accumulated depreciation	(1,188,014)	-	(1,188,014)
Total noncurrent assets	873,639	-	873,639
Total assets	2,477,236	984,621	3,461,857
LIABILITIES			
LIABILITIES			
Accounts payable and accrued liabilities	1,609	-	1,609
Total liabilities	1,609	-	1,609
NET POSITION			
Net investment in capital assets	873,639	-	873,639
Unrestricted	1,601,988	984,621	2,586,609
TOTAL NET POSITION	$ 2,475,627	$ 984,621	$ 3,460,248

CITY OF TOMBALL, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Fleet Replacement	Health Benefits	Total
Operating revenues			
Charges for sales and services	$ 746,302	$ 2,180,930	$ 2,927,232
Total revenues	746,302	2,180,930	2,927,232
Operating expenditures			
Costs of sales and services	40,617	1,967,365	2,007,982
Depreciation	264,401	-	264,401
Total operating expenditures	305,018	1,967,365	2,272,383
Operating income	441,284	213,565	654,849
Non-operating revenues			
Investment income	733	299	1,032
Internal contribution	53,986	-	53,986
Gain on disposal of capital assets	11,014	-	11,014
Total non-operating revenues	65,733	299	66,032
Change in net positon	507,017	213,864	720,881
Net position, beginning of year	1,968,610	770,757	2,739,367
Net position, end of year	$ 2,475,627	$ 984,621	$ 3,460,248

CITY OF TOMBALL, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Fleet Replacement	Health Benefits	Total
OPERATING ACTIVITIES			
Cash received from customers	$ 746,302	$ 2,180,276	$ 2,926,578
Payments to suppliers	(40,617)	(1,965,539)	(2,006,156)
Net cash provided by operating activities	705,685	214,737	920,422
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(461,081)	-	(461,081)
Proceeds from sale of capital assets	65,000	-	65,000
Net cash used in capital and related financing activities	(396,081)	-	(396,081)
INVESTING ACTIVITIES			
Investment income	733	299	1,032
Net cash provided by investing activities	733	299	1,032
Net change in cash and cash equivalents	310,337	215,036	525,373
CASH AND CASH EQUIVALENTS, beginning of year	1,293,260	759,609	2,052,869
CASH AND CASH EQUIVALENTS, end of year	$ 1,603,597	$ 974,645	$ 2,578,242
Reconciliation of operating income to net cash provided by operating activities			
Operating income	$ 441,284	$ 213,565	$ 654,849
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	264,401	-	264,401
Changes in assets and liabilities			
Accounts receivable	-	(654)	(654)
Other assets	-	1,826	1,826
Net cash provided by operating activities	$ 705,685	$ 214,737	$ 920,422

STATISTICAL SECTION
(Unaudited)

STATISTICAL SECTION

(Unaudited)

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

Contents **Page**

Table 1
City of Tomball
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	$ 4,007,407	$ 2,886,256	$ 7,175,862	$ 10,206,785	$ 16,143,552	$ 16,790,199	$ 18,306,705	$ 23,370,524	$ 25,646,519	$ 28,189,848
Restricted	4,802,952	2,323,077	3,686,000	1,835,397	2,278,695	1,423,521	1,895,850	2,675,627	2,804,100	3,557,490
Unrestricted	13,761,452	20,707,302	17,884,555	16,282,148	11,362,902	13,048,317	12,518,847	10,571,977	12,612,754	13,566,745
Total governmental activities net position	$ 22,571,811	$ 25,916,635	$ 28,746,417	$ 28,324,330	$ 29,785,149	$ 31,262,037	$ 32,721,402	$ 36,618,128	$ 41,063,373	$ 45,314,083
Business-type activities										
Net investment in capital assets	$ 16,178,138	$ 23,478,199	$ 25,045,502	$ 24,774,972	$ 26,080,707	$ 29,073,794	$ 29,338,053	$ 30,368,908	$ 30,721,512	$ 30,851,835
Restricted	7,760,255	2,305,729	876,468	-	-	-	-	-	-	1,095,173
Unrestricted	5,379,709	6,386,872	7,493,793	9,610,968	10,555,994	8,753,794	10,299,638	9,636,451	10,646,792	11,354,769
Total business-type activities net position	$ 29,318,102	$ 32,170,800	$ 33,415,763	$ 34,385,940	$ 36,636,701	$ 37,827,588	$ 39,637,691	$ 40,005,359	$ 41,368,304	$ 43,301,777
Primary government										
Net investment in capital assets	$ 20,185,545	$ 26,364,455	$ 32,221,364	$ 34,981,757	$ 42,224,259	$ 45,863,993	$ 47,644,758	$ 53,739,432	$ 56,368,031	$ 59,041,683
Restricted	12,563,207	4,628,806	4,562,468	1,835,397	2,278,695	1,423,521	1,895,850	2,675,627	2,804,100	4,652,663
Unrestricted	19,141,161	27,094,174	25,378,348	25,893,116	21,918,896	21,802,111	22,818,485	20,208,428	23,259,546	24,921,514
Total primary government net position	$ 51,889,913	$ 58,087,435	$ 62,162,180	$ 62,710,270	$ 66,421,850	$ 69,089,625	$ 72,359,093	$ 76,623,487	$ 82,431,677	$ 88,615,860

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities										
General government	$ 1,878,285	$ 1,889,935	$ 1,438,117	$ 1,734,307	$ 3,091,652	$ 3,476,001	$ 4,472,541	$ 4,077,633	$ 5,131,879	$ 4,789,051
Public safety	5,053,045	5,057,268	5,449,912	7,224,244	6,720,247	5,907,235	6,546,562	6,845,653	7,508,811	8,069,621
Public works	3,435,589	3,709,054	5,076,429	6,325,789	5,692,269	5,205,824	4,739,268	5,794,907	5,456,886	6,137,989
Community services	510,454	512,679	355,348	471,539	260,561	272,034	255,764	287,085	302,564	338,381
Interest and fiscal agent fees on long-term debt	938,772	873,035	824,168	790,736	708,109	658,304	353,188	821,705	830,054	926,584
Total governmental activities expenses	11,816,145	12,041,971	13,143,974	16,546,615	16,472,838	15,519,398	16,367,323	17,826,983	19,230,194	20,261,626
Business-type activities										
General government	1,670,035	1,309,655	2,744,139	2,775,923	2,235,193	1,843,501	2,207,488	979,390	955,026	909,211
Water	1,742,380	1,488,771	1,259,961	1,720,131	2,215,841	2,197,679	2,549,230	3,003,537	3,262,366	2,962,612
Sewer	2,089,770	2,575,820	1,081,343	1,164,702	1,402,558	1,134,907	1,226,582	1,757,176	1,736,531	1,978,197
Gas	1,223,218	2,048,247	2,496,747	2,727,066	2,486,336	2,374,227	1,801,364	1,600,490	1,743,258	2,229,583
Interest and fiscal agent fees	-	-	630,735	585,710	-	512,851	481,542	272,406	321,443	245,129
Total business-type activities expenses	6,725,403	7,422,493	8,212,925	8,973,532	8,339,928	8,063,165	8,266,206	7,612,999	8,018,624	8,324,732
Total primary government expenses	$ 18,541,548	$ 19,464,464	$ 21,356,899	$ 25,520,147	$ 24,812,766	$ 23,582,563	$ 24,633,529	$ 25,439,982	$ 27,248,818	$ 28,586,358
Program Revenues										
Governmental activities										
Charges for services										
Public safety	$ 1,203,548	$ 1,443,068	$ 1,352,444	$ 922,073	$ 1,044,706	$ 1,204,099	$ 1,083,408	$ 1,143,981	$ 1,181,742	$ 1,066,313
Public works	1,787,578	1,749,695	1,938,750	2,612,619	2,596,344	2,231,777	2,284,482	2,384,406	2,613,043	2,695,712
Operating grants and contributions	93,897	93,042	135,750	259,047	278,350	83,130	268,675	1,295,653	1,313,128	1,844,224
Total governmental activities program revenues	3,085,023	3,285,805	3,426,944	3,793,739	3,919,400	3,519,006	3,636,565	4,824,040	5,107,913	5,606,249
Business-type activities										
Charges for services										
General government	-	-	-	118,192	-	427,519	413,523	622,320	1,001,306	807,673
Water	2,637,614	3,041,240	3,208,398	3,317,403	4,547,803	3,985,231	5,199,565	4,470,657	4,668,205	4,578,777
Sewer	1,309,939	1,587,786	1,401,640	1,725,839	2,468,377	2,233,364	2,368,469	2,262,268	2,365,611	2,372,163
Gas	2,173,694	2,460,885	3,675,752	3,792,717	4,426,091	4,011,635	3,538,152	2,894,447	3,061,634	3,578,145
Operating grants and contributions	-	-	-	-	720,000	720,000	798,300	720,000	670,000	670,000
Capital grants and contributions	2,439,084	137,444	-	-	-	-	-	-	-	-
Total business-type activities program revenues	8,560,331	7,227,355	8,285,790	8,954,151	12,162,271	11,377,749	12,318,009	10,969,692	11,766,756	12,006,758
Total primary government program revenues	$ 11,645,354	$ 10,513,160	$ 11,712,734	$ 12,747,890	$ 16,081,671	$ 14,896,755	$ 15,954,574	$ 15,793,732	$ 16,874,669	$ 17,613,007
Net (Expense)/Revenue										
Governmental activities	$ (8,731,122)	$ (8,756,166)	$ (9,717,030)	$ (12,752,876)	$ (12,553,438)	$ (12,000,392)	$ (12,730,758)	$ (13,002,943)	$ (14,122,281)	$ (14,655,377)
Business-type activities	1,834,928	(195,138)	72,865	(19,381)	3,822,343	3,314,584	4,051,803	3,356,693	3,748,132	3,682,026
Total primary government net expense	$ (6,896,194)	$ (8,951,304)	$ (9,644,165)	$ (12,772,257)	$ (8,731,095)	$ (8,685,808)	$ (8,678,955)	$ (9,646,250)	$ (10,374,149)	$ (10,973,351)

(continued)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	$ 805,285	$ 952,673	$ 1,168,491	$ 933,885	$ 1,587,560	$ 1,422,603	$ 1,270,645	$ 1,228,461	$ 1,543,913	$ 1,638,673
Property taxes, levied for debt service	1,238,004	1,286,693	1,299,344	1,511,139	1,449,089	1,500,310	1,586,918	2,557,169	3,164,416	3,371,282
Sales taxes	6,479,974	7,491,415	7,304,280	7,100,293	7,038,176	6,651,064	7,023,409	8,189,360	9,442,376	10,532,691
Franchise and local taxes	1,067,621	1,069,381	1,140,734	1,201,401	1,150,591	1,153,954	1,186,272	1,227,784	1,267,302	1,253,077
Other taxes	100,056	112,527	181,503	267,133	308,100	229,636	325,360	444,032	428,208	590,910
Contributions	36,320	114,909	6,000	6,000	-	-	-	-	-	-
Investment earnings	558,759	988,431	1,222,816	756,431	325,789	80,426	43,035	46,763	44,877	30,636
Other revenues	43,774	62,362	223,644	515,216	405,391	166,287	361,026	151,142	227,592	253,375
Gain (loss) on sale of capital assets	8,637	22,599	-	-	-	-	-	-	-	-
Transfers	-	-	-	39,291	1,749,561	2,260,134	2,393,458	3,054,958	2,448,842	1,691,621
Total governmental activities	10,338,430	12,100,990	12,546,812	12,330,789	14,014,257	13,464,414	14,190,123	16,899,669	18,567,526	19,362,265
Business-type activities										
Investment earnings	366,816	477,600	452,098	308,849	175,119	93,361	30,414	21,721	13,088	(1,417)
Other revenues	722,620	2,570,236	720,000	720,000	2,860	43,076	121,344	44,212	50,567	45,800
Transfers	-	-	-	(39,291)	(1,749,561)	(2,260,134)	(2,393,458)	(3,054,958)	(2,448,842)	(1,691,621)
Total business-type activities	1,089,436	3,047,836	1,172,098	989,558	(1,571,582)	(2,123,697)	(2,241,700)	(2,989,025)	(2,385,187)	(1,647,238)
Total primary government	$ 11,427,866	$ 15,148,826	$ 13,718,910	$ 13,320,347	$ 12,442,675	$ 11,340,717	$ 11,948,423	$ 13,910,644	$ 16,182,339	$ 17,715,027
Change in Net Position										
Governmental activities	$ 1,607,308	$ 3,344,824	$ 2,829,782	$ (422,087)	$ 1,460,819	$ 1,464,022	$ 1,459,365	$ 3,896,726	$ 4,445,245	$ 4,706,888
Business-type activities	2,924,364	2,852,698	1,244,963	970,177	2,250,761	1,190,887	1,810,103	367,668	1,362,945	2,034,788
Total primary government	$ 4,531,672	$ 6,197,522	$ 4,074,745	$ 548,090	$ 3,711,580	$ 2,654,909	$ 3,269,468	$ 4,264,394	$ 5,808,190	$ 6,741,676

(concluded)

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

	Fiscal Year									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
General Fund										
Nonspendable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 39,913	$ 30,441	$ 15,894
Restricted	4,268,304	1,646,027	-	-	23,724	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	325,879	161,921	322,702
Unassigned	18,009,256	21,048,552	21,199,234	16,676,502	12,194,969	12,161,681	11,797,535	9,489,655	11,559,755	13,075,443
Total general fund	$ 22,277,560	$ 22,694,579	$ 21,199,234	$ 16,676,502	$ 12,218,693	$ 12,161,681	$ 11,797,535	$ 9,815,534	$ 11,752,117	$ 13,414,039
All Other Governmental Funds										
Nonspendable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted	915,699	1,205,549	2,407,556	2,097,709	1,530,276	1,276,646	1,896,380	19,319,655	27,524,034	26,470,729
Committed, reported in:										
Capital project funds	9,637	9,757	79,883	121,425	133,498	133,790	135,609	-	-	-
Nonmajor governmental funds	34,187	23,333	138,137	353,527	742,340	901,406	141,129	133,570	143,436	168,245
Total all other governmental funds	$ 959,523	$ 1,238,639	$ 2,625,576	$ 2,572,661	$ 2,406,114	$ 2,311,842	$ 2,173,118	$ 19,453,225	$ 27,667,470	$ 26,638,974

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	$ 9,716,624	$ 10,931,747	$ 10,936,779	$ 11,193,185	$ 11,442,297	$ 10,897,786	$ 11,400,964	$ 13,886,856	$ 15,846,215	$ 17,386,633
Pemits, licenses, and fees	331,660	409,694	414,713	319,177	247,548	311,563	262,713	308,621	445,104	446,292
Fines and forfeitures	700,112	832,314	728,148	922,073	1,044,706	1,204,099	1,083,408	1,143,981	1,181,742	1,066,313
Service Revenue	1,850,595	1,850,925	2,059,958	2,293,442	2,348,796	1,920,214	2,021,769	2,075,785	2,167,939	2,249,420
Intergovernmental	202,217	279,950	213,750	265,047	278,350	73,130	168,782	273,950	784,918	939,861
Contributions from Component Unit	-	-	-	-	-	10,000	99,893	1,021,703	528,210	904,363
Investment earnings	558,759	878,636	1,222,817	713,433	312,290	99,837	40,760	44,347	42,913	29,604
Other revenues	81,671	98,866	168,216	332,551	361,992	254,615	386,935	151,143	178,501	242,361
Total revenues	13,441,638	15,282,132	15,744,381	16,038,908	16,035,979	14,771,244	15,465,224	18,906,386	21,175,542	23,264,847
Expenditures										
General government	1,727,172	1,800,747	1,837,112	3,822,202	2,606,885	4,333,119	4,507,290	4,520,919	5,099,473	4,929,295
Public safety	4,548,579	4,741,965	5,130,493	6,010,899	7,770,127	5,850,953	6,391,016	7,344,336	7,353,064	8,230,705
Public works	2,734,706	2,856,974	3,112,853	3,635,764	3,713,018	3,784,400	3,090,590	3,407,143	3,217,149	3,364,509
Public service	449,795	424,129	1,113,084	550,513	932,492	587,557	1,179,637	266,984	1,677,586	1,627,610
Capital outlay	2,236,496	2,814,130	2,762,545	3,521,127	5,387,966	821,359	1,445,273	4,311,250	1,939,517	2,996,663
Debt service										
Principal	1,391,273	1,194,405	1,138,174	1,158,174	1,328,619	1,135,500	1,195,500	1,192,057	1,800,649	2,210,330
Interest and paying agent	948,260	891,842	830,330	795,482	714,188	723,159	626,247	913,371	1,017,839	963,930
Total expenditures	14,036,281	14,724,192	15,924,591	19,494,161	22,453,295	17,236,047	18,435,553	21,956,060	22,105,277	24,323,042
Excess of revenues over (under) expenditures	(594,643)	557,940	(180,210)	(3,455,253)	(6,417,316)	(2,464,803)	(2,970,329)	(3,049,674)	(929,735)	(1,058,195)
Other Financing Sources (Uses)										
Transfers in	-	-	-	-	1,749,561	2,260,134	2,393,458	5,206,958	2,748,842	2,491,049
Transfers out	-	-	-	(1,248,846)	-	-	-	(2,152,000)	(300,000)	(799,428)
Issuance of debt	-	-	-	-	-	2,120,000	3,892,500	14,500,000	14,270,500	-
Premium on debt issued	-	-	-	-	-	4,945	278,253	107,735	205,934	-
Payment to refunded bond escrow agent	-	-	-	-	-	(2,071,560)	(4,096,752)	-	(5,884,626)	-
Capital leases	-	-	-	-	-	-	-	725,000	-	-
Sale of capital assets	33,064	28,399	-	182,665	43,399	-	-	-	-	-
Total other financing sources	33,064	28,399	-	(1,066,181)	1,792,960	2,313,519	2,467,459	18,387,693	11,040,650	1,691,621
Net change in fund balances	$ (561,579)	$ 586,339	$ (180,210)	$ (4,521,434)	$ (4,624,356)	$ (151,284)	$ (502,870)	$ 15,338,019	$ 10,110,915	$ 633,426
Debt service as a percentage of noncapital expenditures	19.83%	17.52%	15.00%	12.07%	11.94%	10.97%	10.29%	11.31%	13.43%	14.85%

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

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change 2013-2014
Property	$ 2,068,974	$ 2,258,424	$ 2,310,262	$ 2,570,145	$ 2,945,430	$ 2,938,594	$ 2,865,923	$ 4,025,680	$ 4,708,329	$ 5,009,955	6.41%
Sales	6,479,974	7,491,415	7,304,280	7,206,713	7,038,176	6,651,064	6,976,875	8,189,360	9,442,376	10,532,691	11.55%
Franchise fee	1,067,620	1,069,381	1,140,734	1,149,261	1,150,591	1,153,954	1,262,187	964,790	1,267,302	1,253,077	-1.12%
Other taxes	100,056	112,527	181,503	212,853	308,100	154,174	295,979	707,026	428,208	590,910	38.00%
	$ 9,716,624	$ 10,931,747	$ 10,936,779	$ 11,138,972	$ 11,442,297	$ 10,897,786	$ 11,400,964	$ 13,886,856	$ 15,846,215	$ 17,386,633	9.72%

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Residential Property	$ 346,417,520	$ 534,830,588	$ 548,645,926	$ 562,126,135	$ 494,490,612	$ 431,346,771	$ 435,637,242	$ 436,949,202	$ 433,331,223	$ 439,396,850
Commercial Property	362,762,930	439,434,785	420,414,851	516,025,633	962,896,368	1,041,882,736	988,693,074	1,071,555,690	1,192,905,533	1,303,924,316
Less: Tax Exempt Property	(36,272,730)	(192,670,546)	(221,138,305)	(213,059,540)	(302,822,021)	(317,120,571)	(305,154,366)	(341,307,250)	(261,641,054)	(274,973,296)
Total Taxable Assessed Value (1)	672,907,720	781,594,827	747,922,472	865,092,228	1,154,564,959	1,156,108,936	1,119,175,950	1,167,197,642	1,364,595,702	1,468,347,870
Total Direct Tax Rate	0.280000	0.251455	0.251455	0.251455	0.251455	0.251455	0.251455	0.341455	0.341455	0.341455

Source: Harris County Certified / Uncertified Tax Roll.

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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
City of Tomball by fund:										
General	$ 0.108000	$ 0.116640	$ 0.106468	$ 0.101455	$ 0.131455	$ 0.121455	$ 0.111455	$ 0.111455	$ 0.111455	$ 0.111455
Debt service	0.172000	0.163360	0.144987	0.150000	0.120000	0.130000	0.140000	0.230000	0.230000	0.230000
Total Direct Rates	0.280000	0.280000	0.251455	0.251455	0.251455	0.251455	0.251455	0.341455	0.341455	0.341455
Tomball Independent School District	1.730000	1.710000	1.580000	1.275000	1.360000	1.360000	1.360000	1.360000	1.360000	1.360000
Harris County	0.388000	0.399860	0.402390	0.392390	0.389230	0.392240	0.388050	0.391170	0.400210	0.414550
Harris County Flood Control District	0.041700	0.033220	0.032410	0.031060	0.030860	0.029220	0.029230	0.028090	0.028090	0.028270
Port of Houston Authority	0.020000	0.014740	0.013020	0.014370	0.017730	0.016360	0.020540	0.185600	0.019520	0.017160
Harris County Hospital District	0.190200	0.192160	0.192160	0.192160	0.192160	0.192160	0.192160	0.192160	0.182160	0.170000
Harris County Dept. of Education	0.006290	0.006290	0.006290	0.005853	0.005840	0.006050	0.006581	0.006581	0.006617	0.006358
Lone Star College System District	0.114500	0.120700	0.114400	0.114400	0.110100	0.110100	0.117600	0.121000	0.119800	0.116000
Emergency Service District #8	0.030000	0.030000	0.030000	0.030000	0.050000	0.050000	0.050000	0.050000	0.050000	0.050000
Total Direct and Overlapping Rates	$ 2.800690	$ 2.786970	$ 2.622125	$ 2.306688	$ 2.407375	$ 2.407585	$ 2.415616	$ 2.676056	$ 2.507852	$ 2.503793

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

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

Table 8
City of Tomball
Principal Property Taxpayers
Current Year and Nine Years Ago
(unaudited)

	2014			2005		
Property Tax Payer	**Taxable Assessed Value**	**Rank**	**% of Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**% of Taxable Assessed Value**
B J Services	$ 210,322,910	1	14.32%	$ 97,275,391	1	14.46%
Tomball Texas Hospital	161,763,679	2	11.02%		n/a	
Wal-Mart	19,908,985	3	1.36%	19,515,674	2	2.90%
MPT Tomball LP	17,861,681	4	1.22%		n/a	
Weingarten Investments Inc.	16,949,998	5	1.15%		n/a	
CenterPoint Energy	15,826,975	6	1.08%	13,550,438	3	2.01%
Health Care REIT Inc.	15,488,345	7	1.05%		n/a	
Lowe's	14,000,543	8	0.95%	13,326,657	4	1.98%
NNN Park at Spring Creek	12,263,700	9	0.84%	12,771,800	5	1.90%
HEB Grocery Co. LP	11,451,436	10	0.78%	12,454,370	6	1.85%
A S 62 HWY 249 & FM 2920	-	n/a		8,375,915	10	1.24%
Kroger	-	n/a		10,468,815	8	1.56%
MBS Fountains of Tomball	-	n/a		8,454,978	9	1.26%
Target Corporation	-	n/a		11,550,792	7	1.72%
Subtotal	$ 495,838,252		33.77%	$ 207,744,830		30.87%
Other Taxpayers	972,509,618		66.23%	465,162,890		69.13%
Total	$ 1,468,347,870		100.00%	$ 672,907,720		100.00%

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

Table 9
City of Tomball
Property Tax Levies and Collections
Last Ten Years
(unaudited)

Fiscal Year	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
2005	$ 2,013,497	$ 1,834,296	91%	$ 172,108	$ 2,006,404	100%
2006	1,993,481	1,798,120	90%	185,570	1,983,690	100%
2007	2,130,000	1,904,220	89%	215,610	2,119,830	100%
2008	2,517,121	2,469,639	98%	35,678	2,505,317	100%
2009	2,903,211	2,843,461	98%	47,706	2,891,167	100%
2010	2,907,289	2,850,087	98%	63,028	2,913,115	100%
2011	2,816,658	2,776,954	99%	57,398	2,834,352	101%
2012	3,995,619	3,943,188	99%	146,636	4,089,823	102%
2013	4,701,134	4,633,156	99%	848	4,634,004	99%
2014	5,025,529	4,967,598	99%		4,967,598	99%

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

	Calendar Year 2014				Calendar Year 2005			
Sales Tax Remitter	**Number of Outlets**	**Percentage of Total**	**Tax Liability**	**Percentage of Total**	**Number of Outlets**	**Percentage of Total**	**Tax Liability**	**Percentage of Total**
Retail Trade	1,384	24.52%	$ 7,049	48.62%	1,166	27.68%	$ 3,591	40.44%
Services	1,201	21.28%	2,025	13.97%	947	22.48%	1,276	14.37%
Wholesale Trade	875	15.50%	2,043	14.09%	553	13.13%	418	4.71%
Utilities, Transportation, Communications	242	4.29%	698	4.81%	140	3.32%	270	3.04%
Manufacturing	600	10.63%	506	3.49%	278	6.60%	1,198	13.49%
Construction	326	5.78%	335	2.31%	202	4.79%	147	1.66%
Finance, Insurance, Real Estate	244	4.32%	539	3.72%	158	3.75%	148	1.67%
Mining, Quarrying, and Oil and Gas Extraction	16	0.28%	45	0.31%	7	0.17%	1	0.01%
All other outlets	756	13.39%	1,259	8.68%	762	18.09%	1,830	20.61%
Total	5,644	100.00%	$ 14,499	100.00%	4,213	100.00%	$ 8,879	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.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
PRIMARY GOVERNMENT										
Governmental Activities:										
General Obligation Bonds	$ -	$ -	$ -	$ -	$ -	$ 2,120,000	$ 5,767,500	$ 5,501,750	$ 10,985,250	$ 9,710,500
Certificates of Obligation	19,905,000	18,839,500	17,774,000	16,688,500	15,578,000	12,377,500	7,516,500	21,151,000	22,435,000	21,565,000
Premiums	-	-	-	-	-	-	255,065	332,990	492,862	449,806
Other debt items	-	-	-	-	-	-	(376,266)	(338,639)	(453,956)	-
Capital leases	492,372	363,467	290,793	218,540	-	-	-	664,193	601,044	535,464
Subtotal	$ 20,397,372	$ 19,202,967	$ 18,064,793	$ 16,907,040	$ 15,578,000	$ 14,497,500	$ 13,162,799	$ 27,311,294	$ 34,060,200	$ 32,260,770
Business-Type Activities:										
General Obligation Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,757,500	$ 4,738,250	$ 5,304,750	$ 4,669,500
Certificates of Obligation	10,175,000	9,575,500	8,976,000	8,376,500	7,777,000	7,177,500	1,798,500	1,199,000	-	-
Premiums	-	-	-	-	-	-	-	105,987	94,211	82,435
Revenue bonds	5,830,000	5,510,000	5,175,000	4,830,000	4,470,000	4,100,000	3,715,000	3,315,000	2,900,000	2,465,000
Subtotal	$ 16,005,000	$ 15,085,500	$ 14,151,000	$ 13,206,500	$ 12,247,000	$ 11,277,500	$ 5,513,500	$ 9,358,237	$ 8,298,961	$ 7,216,935
TOTAL PRIMARY GOVERNMENT	$ 36,402,372	$ 34,288,467	$ 32,215,793	$ 30,113,540	$ 27,825,000	$ 25,775,000	$ 18,676,299	$ 36,669,531	$ 42,359,161	$ 39,477,705
PERSONAL INCOME	$ 300,104,460	$ 280,510,625	$ 282,486,000	$ 276,767,062	$ 285,081,600	$ 290,186,220	$ 273,663,850	$ 315,207,090	$ 315,207,090	$ 463,247,856
DEBT AS A PERCENTAGE OF PERSONAL INCOME	12.130%	12.224%	11.404%	10.880%	9.760%	8.882%	6.825%	11.633%	13.439%	8.522%
POPULATION	9,930	10,625	11,500	11,531	11,600	11,670	10,753	10,979	10,979	11,124
DEBT PER CAPITA	$ 3,666	$ 3,227	$ 2,801	$ 2,612	$ 2,399	$ 2,209	$ 1,737	$ 3,340	$ 3,858	$ 3,549

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

Table 12
City of Tomball
Ratios of Net General Bonded Debt to Assessed Value,
Net General Bonded Debt Per Capita, and Assessed and
Estimated Actual Value of Taxable Property
Last Ten Years
(unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
NET TAXABLE ASSESSED VALUE										
All property	$ 672,907,720	$ 783,134,388	$ 981,484,973	$ 1,078,151,768	$ 1,154,564,959	$ 1,156,108,936	$ 1,008,153,110	$ 1,167,197,642	$ 1,364,595,702	$ 1,468,347,870
NET BONDED DEBT										
Gross bonded debt	$ 30,080,000	$ 28,415,000	$ 26,750,000	$ 25,065,000	$ 23,355,000	$ 21,675,000	$ 14,961,299	$ 32,690,338	$ 38,858,117	$ 36,477,241
Less debt service funds	-	-	-	-	-	-	-	-	-	-
Net Bonded Debt	$ 30,080,000	$ 28,415,000	$ 26,750,000	$ 25,065,000	$ 23,355,000	$ 21,675,000	$ 14,961,299	$ 32,690,338	$ 38,858,117	$ 36,477,241
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	4.47%	3.63%	2.73%	2.32%	2.02%	1.87%	1.48%	2.80%	2.85%	2.48%
POPULATION	9,930	10,625	11,500	11,531	11,600	11,670	10,753	10,979	10,979	11,124
NET BONDED DEBT PER CAPITA	$ 3,029	$ 2,674	$ 2,326	$ 2,174	$ 2,013	$ 1,857	$ 1,391	$ 2,978	$ 3,539	$ 3,279

Table 13
City of Tomball
Direct and Overlapping Governmental Activities Debt
September 30, 2014
(unaudited)

Governmental Unit	Net Bonded Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Tomball ISD	$ 366,490,000	21.35%	$ 78,263,475
Harris County	2,128,493,204	0.45%	9,578,219
Harris Co. Flood Control District	8,990,000	0.45%	409,376
Port of Houston Authority	717,624,397	0.45%	3,265,140
Harris County Dept of Education	7,410,000	0.45%	33,345
Lone Star College System	467,525,000	1.05%	4,928,295
Subtotal, overlapping debt			96,477,850
City direct debt		100.000%	32,260,770
Total direct and overlapping debt			$ 128,738,620

Source: First Southwest Company / Texas Municipal Reports

Notes:

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	$ 67,290,772	$ 78,313,439	$ 98,148,497	$ 107,815,177	$ 115,456,496	$ 115,610,894	$ 100,815,311	$ 116,719,764	$ 136,459,570	$ 146,834,787
Total net debt applicable to limit	19,905,000	18,839,500	17,774,000	16,688,500	15,578,000	14,497,500	13,284,000	26,652,750	33,420,250	31,275,500
Legal debt margin	$ 47,385,772	$ 59,473,939	$ 80,374,497	$ 91,126,677	$ 99,878,496	$ 101,113,394	$ 87,531,311	$ 90,067,014	$ 103,039,320	$ 115,559,287
Total net debt applicable to the limit as a percentage of debt limit	29.58%	24.06%	18.11%	15.48%	13.49%	12.54%	13.18%	22.83%	24.49%	21.30%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	$ 1,468,347,870	
Debt limit (10% of assessed value)	146,834,787	(1)
Debt applicable to limit:		
General obligation bonds	31,275,500	
Less: amount set aside for repayment of general obligation debt		
Total net debt applicable to limit	31,275,500	
Legal debt margin	$ 115,559,287	

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

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

Table 15
City of Tomball
Pledged-Revenue Coverage
Last Ten Years
(unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross revenues	$ 9,637,212	$ 7,014,177	$ 9,450,511	$ 9,987,545	$ 12,327,602	$ 11,493,769	$ 12,488,750	$ 11,012,281	$ 11,831,041	$ 12,060,478
Operating expenses (1)	$ 4,941,774	$ 5,603,456	$ 6,238,127	$ 7,039,498	$ 6,593,348	$ 6,338,235	$ 6,165,226	$ 5,968,026	$ 6,366,426	$ 6,766,405
Net revenues available for Debt Service	$ 4,695,438	$ 1,410,721	$ 3,212,384	$ 2,948,047	$ 5,734,254	$ 5,155,534	$ 6,323,524	$ 5,044,255	$ 5,464,615	$ 5,294,073
DEBT SERVICE REQUIREMENTS (2)										
Principal & Interest	$ 540,020	$ 540,674	$ 541,047	$ 541,575	$ 538,595	$ 542,505	$ 560,591	$ 563,815	$ 568,174	$ 573,536
Total	$ 540,020	$ 540,674	$ 541,047	$ 541,575	$ 538,595	$ 542,505	$ 560,591	$ 563,815	$ 568,174	$ 573,536
Coverage	8.69	2.61	5.94	5.44	10.65	9.50	11.28	8.95	9.62	9.23

(1) Total operating expenses less depreciation
(2) Includes revenue bonds only

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

Fiscal Year Ended Sept 30	Population(1)	Personal Income	Per Capita Personal Income(5)	Median Age (2)	School Enrollment(3)	Unemployment Rate(4)
2005	9,930	$ 300,104,460	$ 30,222	36.3	8,968	5.30%
2006	10,625	280,510,625	26,401	34.1	9,075	4.70%
2007	11,500	282,486,000	24,564	35.6	9,358	4.30%
2008	11,531	276,767,062	24,002	36.8	9,311	5.10%
2009	11,600	285,081,600	24,576	36.8	9,691	8.40%
2010	11,670	290,186,220	24,866	36.8	10,229	8.70%
2011	10,753	273,663,850	24,866	36.0	10,633	8.50%
2012	10,979	315,207,090	25,450	36.9	11,132	7.50%
2013	10,979	315,207,090	28,710	39.8	12,362	6.20%
2014	11,124	463,247,856	41,644	35.6	12,461	4.90%

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

Table 17
City of Tomball
Principal Employers
Current Year and Eight Years Ago (1)
(unaudited)

	2014			2006		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment (2)**	**Employees**	**Rank**	**Percentage of Total City Employment (3)**
Tomball ISD	1729	1	20.08%	1,100	2	23.20%
Tomball Regional Medical Center	1116	2	12.96%	1,500	1	31.63%
Lone Star College - Tomball	756	3	8.78%	650	3	13.71%
Baker Hughes (B J Services)	670	4	7.78%	400	4	8.44%
Wal-Mart	300	5	3.48%	n/a	n/a	n/a
HEB	260	6	3.02%	n/a	n/a	n/a
Triumph Hospital	250	7	2.90%	n/a	n/a	n/a
City of Tomball	175	8	2.03%	136	5	2.87%
Lowes	169	9	1.96%	n/a	n/a	n/a
Kroger	145	10	1.68%	n/a	n/a	n/a
Target	108	11	1.25%	n/a	n/a	n/a

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

(1) The requirement is for the current year and nine years ago. Fiscal year 2006 was the first year this type of data was presented therefore only the current year and eight years ago are available at this time.

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

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

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

Table 18
City of Tomball
Full-time Equivalent City Government
Employees by Function/Program
Last Ten Years
(unaudited)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Administration	8.25	8.50	9.50	10.00	15.00	14.50	14.50	16.00	17.50	17.50
Permits & Inspection	4.50	5.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00
Police Department	50.50	50.50	52.50	55.00	55.00	55.00	57.00	59.00	58.00	58.50
Municipal Court	4.50	4.00	4.00	5.00	5.00	5.00	5.50	4.50	4.50	4.50
Community Center	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Fire Department	9.00	9.00	12.00	14.00	14.00	14.00	16.00	18.00	18.00	18.50
Public Works Admin.	6.00	5.50	6.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Garage	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00
Parks	4.20	4.20	4.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20
Streets	9.20	9.20	7.20	7.20	8.20	8.20	8.20	8.20	7.20	7.20
General Fund Total	100.15	99.90	105.40	115.40	120.40	119.90	125.40	129.90	129.40	130.40
Enterprise Fund:										
Utility Administration	11.25	11.50	11.50	12.00	10.00	9.00	9.00	9.00	8.00	7.00
Water	6.83	8.20	7.20	8.20	6.20	7.20	7.20	7.20	7.20	8.20
Wastewater	9.64	10.20	10.20	10.20	10.20	10.20	10.20	10.20	10.20	10.20
Gas	7.14	6.20	7.20	7.20	6.20	6.20	6.20	6.20	6.20	6.20
Enterprise Fund Total	34.86	36.10	36.10	37.60	32.60	32.60	32.60	32.60	31.60	31.60
Special Revenue Fund:	-	-	-	-	-	0.50	3.00	2.50	3.00	12.00
Special Revenue Fund Total	-	-	-	-	-	0.50	3.00	2.50	3.00	12.00
TOTAL CITY POSITIONS	135.01	136.00	141.50	153.00	153.00	153.00	161.00	165.00	164.00	174.00

NOTES:

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

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

	Fiscal Year									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Function/Program										
Police										
Arrests	1,766	1,611	1,812	1,840	1,625	2,049	2,012	1,475	2,394	1,650
Accident reports	563	523	609	499	440	330	334	392	378	453
Citations	13,194	12,473	7,602	12,445	10,820	14,694	12,798	13,329	11,330	10,181
Offense reports	2,130	2,321	2,174	2,398	2,050	1,705	1,915	2,153	2,008	2,224
Calls for service	8,804	8,861	8,558	8,299	7,688	7,348	6,774	7,399	7,069	7,524
Fire										
Emergency responses	623	860	1,028	1,241	1,056	1,341	1,364	1,523	1,768	2,749
Fire incidents	170	278	170	206	218	220	207	178	129	128
Average response time	6:17	6:07	5:40	5:34	4:38	5:15	5:54	6:40	4:50	5:13
Water										
New accounts	674	875	719	663	532	89	79	56	122	126
Source:										
Water	674	875	719	663	532	89	79	56	122	126
Sewer	674	875	719	663	532	89	79	56	122	126
Average daily consumption (millions of gallons)	1,851	2,002	1,897	1,980	2,166	1,941	2.525	2.249	2,043	1,967
Number of million gallons of surface water pumped	-	-	-	-	-	-	-	-	-	-
Number of million gallons of well water pumped	751,880	730,198	692,163	722,788	790,409	708,565	923,261	822,215	759,817	718,069
Total consumption (millions of gallons)	751,880	730,198	692,363	722,788	790,409	708,565	923,261	822,215	759,817	718,069
Peak daily consumption (millions of gallons)	3,322	3,395	3,241	4,425	3,791	3,480	4,392	4,312	4,689	3,385
Sewer										
Average daily sewage treatment (millions of gallons)	1.468	1.500	1.636	1.422	1.428	1.362	1.174	1.555	1.347	1.478
Total consumption (millions of gallons)	535.820	547.500	597.140	519.030	520.176	497.166	429.608	567.754	491.660	539.470
Peak daily consumption (millions of gallons)	4.30	4.50	5.10	5.90	5.10	3.72	2.18	7.44	2.85	5.19

Source: Various City departments

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

	Fiscal Year									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Function/Program										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	27	31	32	26	28	30	32	33	33	33
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles - centerlines)	71.00	72.00	72.00	72.60	73.00	56.20	56.20	58.20	50.60	50.60
Streetlights	639	642	648	648	648	650	654	664	689	720
Parks and recreation										
Parks	4	4	4	4	4	4	4	4	6	6
Parks acreage	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	24 acres	39 acres	39 acres
Swimming pools	1	1	1	1	1	1	1	1	1	1
Baseball / softball diamonds	8	8	8	8	8	8	8	8	8	8
Tennis courts	4	4	4	4	4	4	4	4	4	4
Basketball courts	1	1	1	1	1	1	1	1	2	2
Water										
Water mains (miles)	74.00	86.00	88.00	89.00	91.29	91.59	91.79	91.49	92.29	92.69
Fire hydrants	668	802	831	831	869	874	878	883	950	955
Storage capacity (millions of gallons)	N/A	N/A	1.85	1.85	1.85	1.85	2.35	2.35	2.85	2.85
Sewer										
Sanitary sewers (miles)	51.50	54.50	56.00	56.17	58.60	58.86	59.44	60.13	60.25	60.25
Storm sewers (miles)	16.90	16.90	16.90	16.90	17.20	17.40	17.40	17.40	22.90	22.90
Open ditch / creek / canal drainage (miles)	N/A	N/A	52.00	53.00	53.40	53.70	54.00	54.00	54.00	54.00
Treatment capacity (millions of gallons)	3	3	3	3	3	3	3	3	3	3

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

CITY OF TOMBALL, TEXAS

SINGLE AUDIT REPORT

SEPTEMBER 30, 2014

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

AN INDEPENDENT MEMBER OF BAKER TILLY INTERNATIONAL
WEAVER AND TIDWELL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS
24 GREENWAY PLAZA, SUITE 1800, HOUSTON, TX 77046
P: 713.850.8787 F: 713.850.1673

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
March 25, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Tomball's (the City's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

AN INDEPENDENT MEMBER OF BAKER TILLY INTERNATIONAL
WEAVER AND TIDWELL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS
24 GREENWAY PLAZA, SUITE 1800, HOUSTON, TX 77046
P: 713.850.8787 F: 713.850.1673

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

<u>Report on Internal Control over Compliance</u>

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

<u>Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133</u>

We have audited the 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 as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 25, 2015 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for

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

purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
March 25, 2015

CITY OF TOMBALL, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: An unmodified opinion was issued.

Internal control over financial reporting:

Are any material weaknesses identified?	____ Yes	_X_ No
Are any significant deficiencies identified not considered to be material weaknesses?	____ Yes	_X_ None Reported
Is any noncompliance material to financial statements noted?	____ Yes	_X_ No

Federal Awards

Type of auditor's report issued on compliance for major programs: An unmodified opinion was issued.

Internal control over major programs:

Are any material weaknesses identified?	____ Yes	_X_ No
Are any significant deficiencies identified not considered to be material weaknesses?	____ Yes	_X_ None Reported
Are any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations,* Section .510(a)?	____ Yes	_X_ No

Identification of major programs:

97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

CITY OF TOMBALL, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Enter the dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Is the auditee qualified as a low-risk auditee?	☐ Yes ■ No

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SECTION IV – SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

NONE

CITY OF TOMBALL, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures and Indirect Costs
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct Program:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	$ 655,437
Total U.S. Department of Homeland Security			655,437
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 655,437

CITY OF TOMBALL, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all applicable federal awards of the City of Tomball, Texas (the City). The City's reporting entity is defined in Note 1 to the City's financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the respective schedule.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's financial statements.

NOTE 3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditures reports as of September 30, 2014, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of year-end accruals. The reports will agree at termination of the grant, as the discrepancies noted are timing differences.

NOTE 4. SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The schedule of findings and questioned costs, including the summary of auditor's results for federal awards, is included beginning on page 6.

Regular City Council
Agenda Item
Data Sheet

Meeting Date: April 20, 2015

Topic:
Receive Update from City Attorney regarding Licensing Requirements for Mobile Vendors

Background:
Loren Smith will provide an update regarding his research into possible amendments to the Code of Ordinances regarding licensing requirements for mobile vendors, including mobile food vendors.

Origination:
City Council

Recommendation:
N/A

Funding:

Party(ies) responsible for placing this item on agenda:
City Secretary

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	

Regular City Council Agenda Item Data Sheet

Meeting Date: April 20, 2015

Topic:
Discussion and Possible Action to Approve Proposed Renovations to City Hall Council Chambers

Background:
A color chart will be presented for Council consideration of the proposed renovations to Council Chambers.

Origination:
City Secretary

Recommendation:
N/A

Funding:

Party(ies) responsible for placing this item on agenda:
City Secretary

ACTION TAKEN

APPROVAL	READINGS PASSED	OTHER
☐ YES ☐ NO	☐ 1ST ☐ 2ND	