



# City of Humble, Texas



## Comprehensive Annual Financial Report



October 1, 2012 through September 30, 2013

# CITY OF HUMBLE, TEXAS

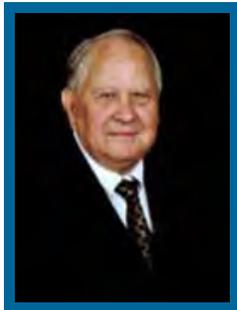


**DONALD MCMANNES**  
Mayor

## City Officials



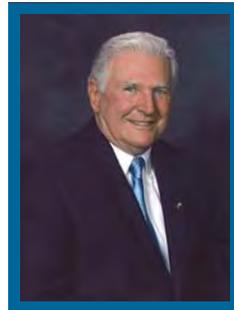
**ANDY CURRY**  
Councilman



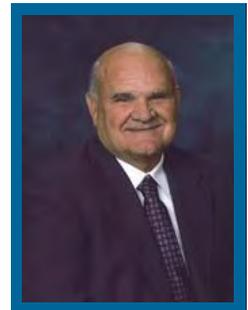
**RAY CALFEE**  
Councilman



**ALLEN LEE**  
Councilman



**ALLAN STEAGALL**  
Councilman



**MERLE AARON**  
Councilman



**DARRELL BOESKE**  
City Manager



**JASON STUEBE**  
City Secretary

September 30, 2013

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**City of Humble, Texas**

**For the fiscal year ended  
September 30, 2013**

**Report Prepared By  
City Manager and  
Members of His Staff**

## TABLE OF CONTENTS

	Page
<b>I. INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	iv
GFOA Certificate of Achievement for Excellence in Financial Reporting .....	viii
Principal Officials .....	ix
Organization Chart .....	x
<b>II. FINANCIAL SECTION</b>	
Independent Auditor’s Report.....	3
Management’s Discussion and Analysis.....	6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	19
Statement of Activities .....	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	22
Reconciliation of the Balance Sheet of Governmental Funds to the	
Statement of Net Position.....	23
Statement of Revenues, Expenditures, and Changes in	
Fund Balances – Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances of Governmental Funds to the Statement of Activities .....	25
Statement of Net Position – Proprietary Fund .....	26
Statement of Revenues, Expenses, and Changes in Fund Net	
Position – Proprietary Fund.....	27
Statement of Cash Flows – Proprietary Fund.....	28
Notes to the Financial Statements .....	30
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget and Actual – General Fund .....	64
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget and Actual – Red Light Camera Fund .....	66
Notes to Required Supplementary Information .....	67
Schedule of Funding Progress – Texas Municipal Retirement System .....	68
Schedule of Funding Progress – City of Humble Retiree Health Care Plan.....	69

## TABLE OF CONTENTS – continued

	Page
Other Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Debt Service Fund .....	72
 <b>III. STATISTICAL SECTION (UNAUDITED)</b>	
Net Position by Component – Last Ten Fiscal Years .....	74
Changes in Net Position – Last Ten Fiscal Years .....	76
Fund Balances, Governmental Funds – Last Ten Fiscal Years.....	80
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years .....	82
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	84
Principal Property Tax Payers – Current Year and Nine Years Ago.....	85
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years .....	86
Property Tax Levies and Collections – Last Ten Fiscal Years .....	88
Taxable Sales – Last Ten Calendar Years.....	90
Sales Tax Revenue Payers by Industry – Current Year and Nine Years Ago.....	92
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.....	94
Direct and Overlapping Governmental Activities Debt – As of September 30, 2013 .....	95
Legal Debt Margin Information – Last Ten Fiscal Years .....	96
Pledge-Revenue Coverage – Last Ten Fiscal Years .....	98
Demographic and Economic Statistics – Last Ten Fiscal Years.....	99
Principal Employers – Current Year and Seven Years Ago .....	100
Full-Time-Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years.....	102
Operating Indicators by Function/Program – Last Ten Fiscal Years.....	104
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years.....	106

## **INTRODUCTORY SECTION**



City of  
Humble

114 WEST HIGGINS, HUMBLE, TEXAS 77338, (281) 446-3061

DONALD G. MCMANNES  
MAYOR

FAX: (281) 446-7843

COUNCIL MEMBERS

MERLE AARON  
RAY CALFEE  
CHARLES "ANDY" CURRY  
ALLEN L. LEE  
ALLAN STEAGALL

CITY MANAGER  
DARRELL BOESKE

CITY SECRETARY  
JASON STUEBE

March 31, 2014

To the Honorable Mayor and Members of the  
City Council of the City of Humble, Texas

The Comprehensive Annual Financial Report (CAFR) of the City of Humble, Texas (the "City") for the fiscal year ended September 30, 2013, is hereby submitted. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects and that it is reported in a manner designed to present fairly the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Whitley Penn, a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the City of Humble's financial statements for the year ended September 30, 2013. The independent auditor's report is located in the front of the financial section of this report.

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 City

The City is located approximately 18 miles north of downtown Houston, in the northeast quadrant of Harris County. The City occupies approximately 10 square miles, and serves a diverse population of more than 15,000.

The City was incorporated in 1933 and chartered as a home-rule city under Texas law in 1970. The City operates under the "Council-Mayor-Manager" form of government with five Council members and a Mayor serving staggered two-year terms. The Mayor presides at meetings of the City Council and exercises other powers and performs other duties as are or may be conferred and imposed upon him by the City Charter and City Ordinances. The Mayor shall be recognized as the head of the City Government for all ceremonial purposes, by the court for civil process and by the government for purposes of military law. The City Council enacts ordinances, determines policies, and adopts the

annual budget. The City Manager is appointed by the City Council and is responsible for the daily management of the City.

A full range of municipal services is provided by the City of Humble including police, fire, emergency medical services, maintenance of streets and infrastructure, maintenance of the treated water distribution system, both sanitary and storm sewer collection and transmission systems, parks, civic center and arena complex, and general administrative services.

## **Local Economy**

Being a suburb of the City of Houston, Humble is naturally linked economically to the Greater City of Houston region. Many of the area residents work in Houston's diverse business community that includes the petrochemical industry, world renown medical facilities, land, air and water based shipping and transportation, energy, manufacturing, educational facilities and tourism. The City profits from a number of large employers including a major retail outlet, state-of-the-art medical facilities, manufacturing, and smaller but well established retail and service type businesses. The City also benefits from being immediately adjacent to the Houston Intercontinental Airport. This has helped propel growth in the hotel/motel industry within the City bringing numerous visitors into our City for shopping and dining opportunities.

Because of the strength of the regional and local economy, Humble continues to experience growth in commercial and light industrial development. The tax roll certified by the Harris County Appraisal District for 2014 increased by \$176,370,539, or 14.76%. The City maintained its tax rate at \$0.20 for the 2013 fiscal year, which is one of the lowest ad-valorem tax rates of any municipality within Harris County.

The City saw an increase of approximately 4.8% in fiscal year 2013 sales tax as the economy continues to improve. Sales Tax revenues were budgeted with a small increase from the previous year. The City ended the year better than anticipated; with sales tax revenues totaling \$12.33 million compared to \$11.76 million in the prior year.

## **Financial Policies**

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

We believe the City's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period by employees in the normal course of performing their assigned functions.

The annual budget serves as the foundation of the City's financial planning and control. The department administrators prepare and submit budget requests for the operation, maintenance and capital expenditures for their respective departments. These budget requests are submitted to the City Manager and are used as a starting point for developing a proposed budget. The budget process involves contributions from City employees, the City Manager, the governing body and the public. The final proposed budget is adopted by the governing body and implemented on October 1. The City Manager may make transfers of appropriations within a department's budgeted operations and maintenance levels; however, reallocation of personnel and capital appropriations as well as the transfer of appropriations between departments must be approved by the City Council.

During the year, expenditure controls are maintained by each department with review of the budget provided by the Finance Director and overall control exercised by the City Manager. Constant review of revenue and expenditure estimates is performed to assure the integrity of the adopted budget and to assure funds are available to meet current obligations. As a result of this review, it is possible to exercise administrative budgetary controls throughout the year. As demonstrated by the financial statements presented in this report, the City continues to meet its responsibility for sound financial management.

## **Long-Term Financial Planning**

When the City adopts a one-year budget, we implement strategies, both financial and operational, to meet existing challenges and to plan for future needs. Decisions are not based solely on current conditions but on the long-term welfare of the community. Financial forecasts are reviewed annually during the budget process to ensure that the City can continue to meet its challenges and fulfill its obligations. The forecast shows that the City should be able to accomplish the following:

- Maintain a tax rate at \$0.20 per \$100 value.
- Fund existing services at current service levels
- Meet current and future debt service needs

Sales tax receipts are the largest source of revenue for the City and have historically accounted for more than 45% of General Fund revenues. The City has seen an increase in the collection of sales tax revenues in the last 12 months. Based on the current economic climate, there is about 6% growth built in to budgeted sales tax revenues for 2014 over 2013.

In addition, the City has recognized the long-term financial implications of its pension and retiree health benefits. Regarding pensions, it has continued to pay the full contribution rate to the Texas Municipal Retirement System to ensure the long-term sustainability of the plan. For retiree health care, the City continues to pay 75 percent of the premiums.

## **Major Initiatives**

In 2013, the City allocated funds to remodel and restore the historic Charles Bender High School auditorium to a performing arts center. Completion should be in 2014.

The City is committed to providing well-maintained infrastructure as engineering contracts were awarded on several road projects and construction began on Townsen West.

In June 2013, City Council authorized the redemption prior to maturity of Certificates of Obligation, Series 1998. The bonds were redeemed August 5, 2013.

## **Other Information**

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Humble for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2012. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such comprehensive annual financial reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Humble has received a Certificate of Achievement for 11 consecutive years. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for review.

### **Acknowledgements**

The preparation of this report was accomplished with the efficient and dedicated services of the entire staff of the finance department and the cooperation of all other City departments. We would like to express our appreciation to all members of the finance department staff and other City department staff who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and City Council members for their continued interest and support in planning and conducting the financial operations of the City in a responsible and professional manner.

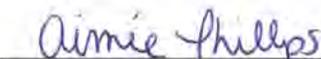
Respectfully submitted,



Darrell Boeske, City Manager



Dixie Kellum, Finance Director



Aimee Phillips, Assistant Finance Director



Government Finance Officers Association

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

Presented to

**City of Humble  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2012**

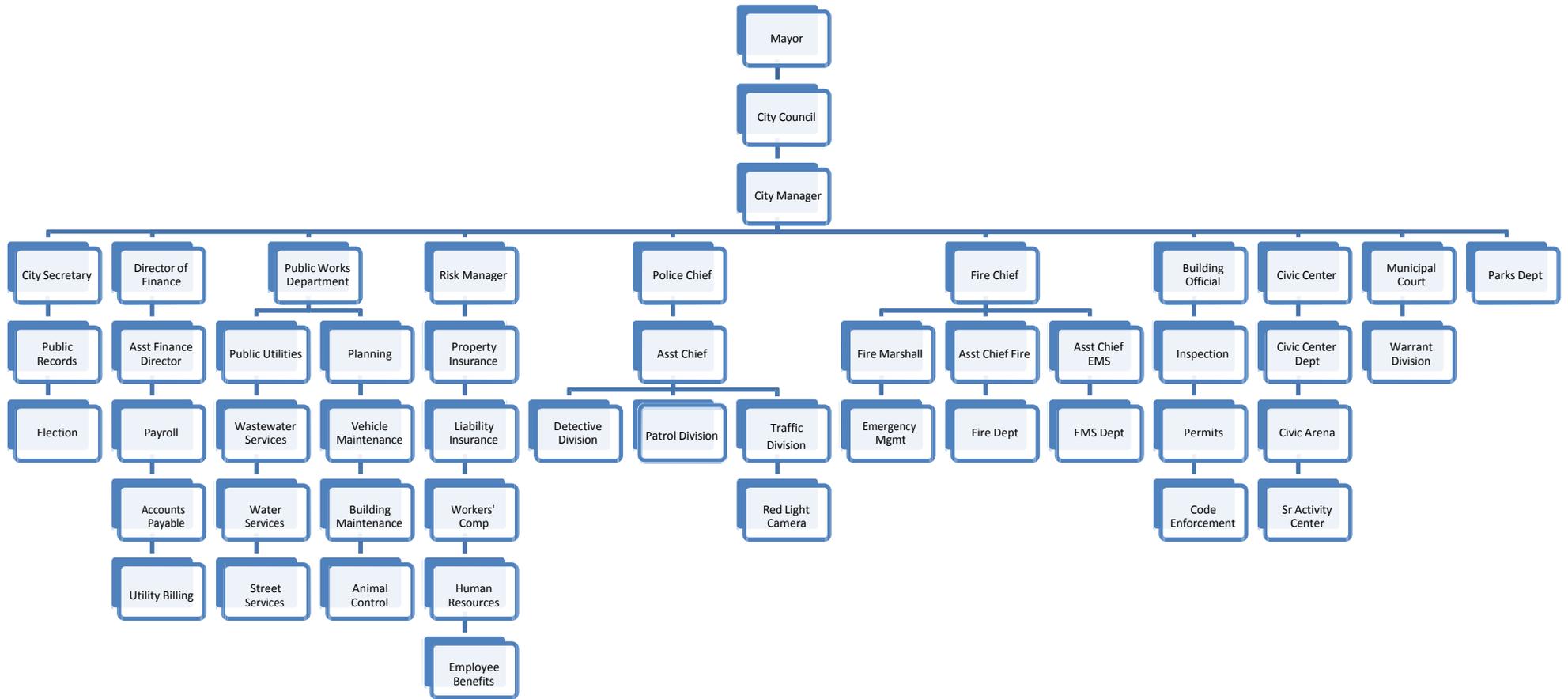
Executive Director/CEO

CITY OF HUMBLE, TEXAS  
PRINCIPAL OFFICIALS  
September 30, 2013

<u>City Officials</u>	<u>Elective Position</u>	<u>Term Expires</u>
Donald McMannes	Mayor	2015
Charles Curry	Councilman Position 1	2015
Ray Calfee	Councilman Position 2	2015
Allen Lee	Councilman Position 3	2014
Allan Steagall	Councilman Position 4	2014
Merle Aaron	Councilman Position 5	2014

<u>Department Heads</u>	<u>Appointive Position</u>
Darrell Boeske	City Manager
Jason Stuebe	City Secretary
Dixie Kellum	Finance Director
Barry Brock	Director of Public Works
Gary Warman	Chief of Police
Gary Outlaw	Fire Chief
Clinton Johnson	Fire Marshal
Sandra Elliott	Court Administrator

# CITY OF HUMBLE, TEXAS ORGANIZATIONAL CHART



*This page left blank intentionally.*

## **FINANCIAL SECTION**

*This page left blank intentionally.*

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of City Council  
City of Humble, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Humble, Texas (the "City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Humble, Texas, as of September 30, 2013, 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.

*This page left blank intentionally.*

To the Honorable Mayor and  
Members of City Council  
City of Humble, Texas

### **Emphasis of Matter**

As discussed in Note VI to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities* as of September 30, 2013. Our opinion is 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, budgetary comparison and pension information on pages 6 to 16, 64 to 67 and 68 to 69, respectively, 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, debt service budgetary schedule and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The debt service budgetary schedule is the responsibility of management and was 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 schedule 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.

*Whitley Penn LLP*

Houston, Texas  
March 31, 2014

**City of Humble, Texas**  
**Management's Discussion and Analysis**  
(unaudited)

The management of the City of Humble (the "City") offers 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, 2013.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$110,610,645 (*net position*). Of this amount, \$36,713,181 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$6,793,824.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$42,971,563, an increase of \$4,008,526 over the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$32,633,301 or 155 percent of total general fund expenditures.
- The City's total liabilities decreased by \$1,451,424 due primarily to debt retirement.

**Overview of the Financial Statements**

This discussion and analysis are 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 may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement

for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, court, public safety, public works, and community services. The business-type activities of the City include the distribution and sale of treated water and the collection and disposal of sewage.

The government-wide financial statements can be found on pages 19-21 of this report.

**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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund, and red light camera fund, all of which are considered to be major funds. Since the special revenue fund is considered to be a nonmajor fund, it is reported in a column labeled "Non-Major Fund" in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The governmental fund financial statements can be found on pages 22-25 of this report.

**Proprietary funds.** The City maintains only one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its distribution and sale of treated water and the collection and disposal of sanitary waste.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 26-29 of this report.

**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. The notes to the financial statements can be found on pages 30-61 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required and other *supplementary information* which can be found on pages 64-69 and 72, respectively, of this report. This information includes a budgetary comparison schedule for the general fund.

### Government-wide Financial Analysis

Set forth below is condensed financial data extracted from the government-wide financial statements.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$110,610,645 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, 55%, reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### City of Humble's Net Position

	Governmental Activities		Business-type Activities		Total	Total
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Assets:						
Current and other assets:	\$ 49,456,901	\$ 44,180,247	\$ 6,502,729	\$ 7,566,559	\$ 55,959,630	\$ 51,746,806
Capital assets, net	38,407,478	37,359,850	29,552,626	29,470,677	67,960,104	66,830,527
Total assets	<u>87,864,379</u>	<u>81,540,097</u>	<u>36,055,355</u>	<u>37,037,236</u>	<u>123,919,734</u>	<u>118,577,333</u>

	Governmental Activities		Business-type Activities		Total	Total
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Liabilities:						
Current liabilities	3,836,981	3,455,832	910,683	807,194	4,747,664	4,263,026
Long-term liabilities	8,360,765	10,359,509	200,660	137,977	8,561,425	10,497,486
Total liabilities	<u>12,197,746</u>	<u>13,815,341</u>	<u>1,111,343</u>	<u>945,171</u>	<u>13,309,088</u>	<u>14,760,512</u>
Net Position:						
Net investment in capital assets	31,712,478	28,089,850	29,552,626	29,470,677	61,265,104	57,560,527
Restricted	12,632,359	16,643,656			12,632,359	16,643,656
Unrestricted	31,321,795	22,991,250	5,391,386	6,621,388	36,713,181	29,612,638
Total net position	<u>\$ 75,666,633</u>	<u>\$67,724,756</u>	<u>\$ 34,944,012</u>	<u>\$ 36,092,065</u>	<u>\$ 110,610,645</u>	<u>\$ 103,816,821</u>

An additional portion of the City's net position (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$36,713,181) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities.

The following table provides a summary of the City's operations for the year ended September 30, 2013.

**City of Humble's Changes in Net Position**

	Governmental activities		Business-type activities		Total	Total
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,577,484	\$ 5,503,625	\$ 7,813,563	\$ 7,510,894	\$ 13,391,047	\$ 13,014,519
Operating grants and contributions	16,415	22,685			16,415	22,685
Capital grants and Contributions			179,357	242,996	179,357	242,996
General revenues:						
Property taxes	2,577,384	2,470,952			2,577,384	2,470,952
Sales taxes	12,337,228	11,764,836			12,337,228	11,764,836
Other taxes	2,291,785	2,208,479			2,291,785	2,208,479
Contributions not restricted to a specific program	6,168,614	5,882,418			6,168,614	5,882,418
Other	105,673	133,318	19,324	(63,300)	124,997	70,018
Total revenues	<u>29,074,583</u>	<u>27,986,313</u>	<u>8,012,244</u>	<u>7,690,590</u>	<u>37,086,827</u>	<u>35,676,903</u>

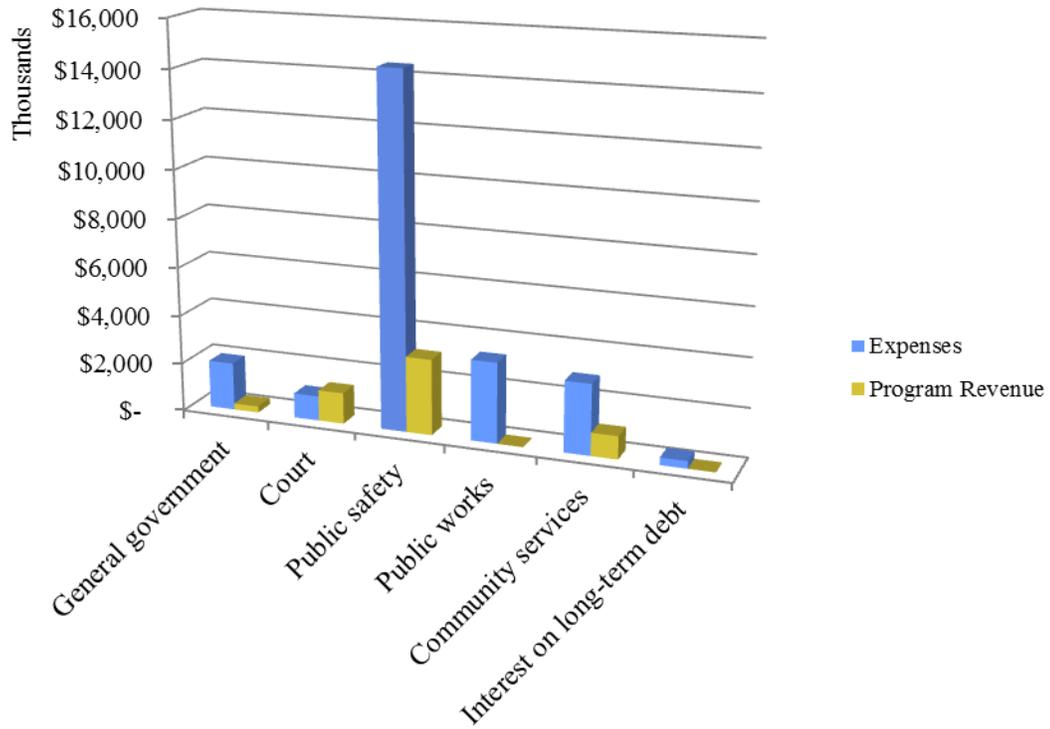
	Governmental activities		Business-type activities		Total	Total
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Expenses:						
General government	1,960,828	2,254,910			1,960,828	2,254,910
Court	1,014,342	919,512			1,014,342	919,512
Public safety	14,447,794	13,267,069			14,447,794	13,267,069
Public works	3,298,222	3,078,417			3,298,222	3,078,417
Community services	2,894,327	2,948,472			2,894,327	2,948,473
Interest on long-term debt	305,721	341,554			305,721	341,554
Water and sewer operations			6,371,769	5,326,218	6,371,769	5,326,218
Total expenses	<u>23,921,234</u>	<u>22,809,935</u>	<u>6,371,769</u>	<u>5,326,218</u>	<u>30,293,003</u>	<u>28,136,153</u>
Increase in net position						
before transfers	5,153,349	5,176,378	1,640,475	2,364,372	6,793,824	7,540,750
Transfers	<u>2,788,528</u>	<u>991,742</u>	<u>(2,788,528)</u>	<u>(991,742)</u>	-	-
Increase (decrease) in net position	<u>7,941,877</u>	<u>6,168,120</u>	<u>(1,148,053)</u>	<u>1,372,630</u>	<u>6,793,824</u>	<u>7,540,750</u>
Net position – beginning	<u>67,724,756</u>	<u>61,556,636</u>	<u>36,092,065</u>	<u>34,719,435</u>	<u>103,816,821</u>	<u>96,276,071</u>
Net position - ending	<u>\$ 75,666,633</u>	<u>\$67,724,756</u>	<u>\$ 34,944,012</u>	<u>\$ 36,092,065</u>	<u>\$110,610,645</u>	<u>\$103,816,821</u>

**Governmental Activities.** Governmental activities increased the City’s net position by \$7,941,877, compared to \$6,168,120 in the prior year, thereby accounting for 116.8 percent of the total growth in the net position of the City. During 2013 there was an increase in revenue as described below as well as an increase in expenses of \$1,111,299. The City’s significant sources of revenue are as follows: sales taxes amounted to \$12,337,228 or 42 percent of the total governmental revenues. The City also has an agreement with the City of Houston’s Metropolitan Transit Authority (“Metro”) to receive contributions from Metro equal to 50% of the City’s sales tax revenue collected on behalf of Metro. That contribution totaled \$6,618,614 for 2013, which accounts for 21 percent of total revenue from governmental activities. Total revenues for 2013 increased by \$1,088,270 over 2012 with key elements as follows:

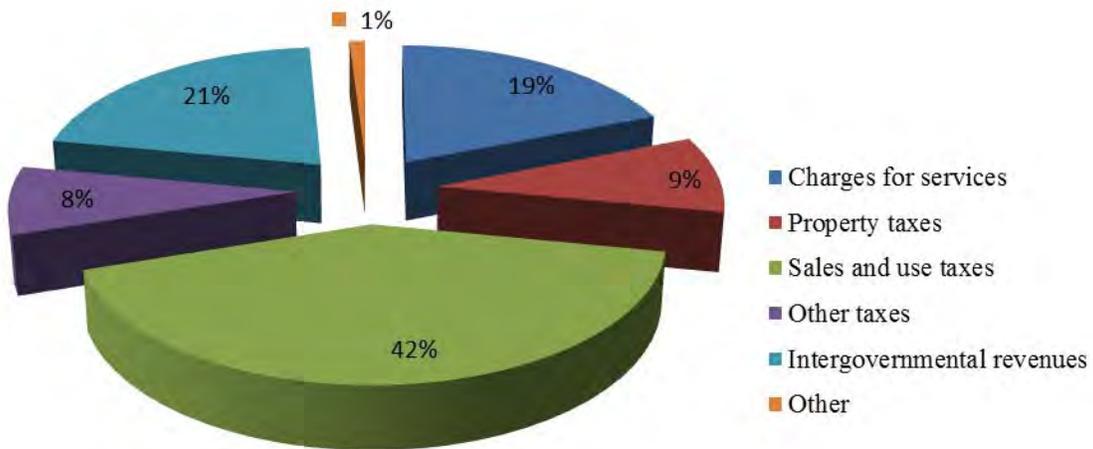
- Sales taxes increased \$572,392 or 4.8 percent which caused METRO contributions to increase by the same percentage.
- Property taxes increased by 4% for a total of \$106,432.
- Other taxes increased by almost 4% over the prior year.

The total expenses of all governmental activities this year was \$23,921,234 which is an increase of \$1,111,299 from the prior year. The public safety function accounts for 58% of this total and the increase was attributable to several categories of expenses within the public safety function as follows: health insurance, professional services, maintenance of machinery and equipment, salaries, red light camera lease and collection expenses and traffic safety programs.

### Expenses and Program Revenues – Governmental Activities



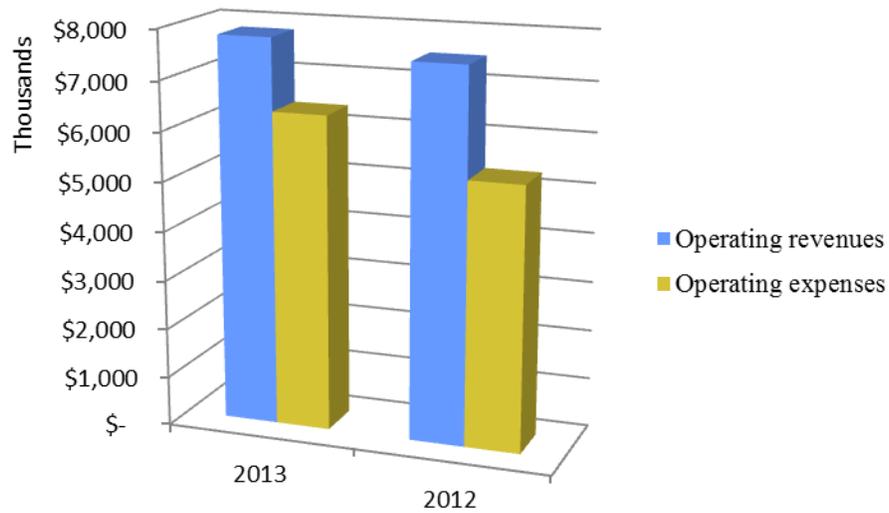
### Revenues by Source – Governmental Activities



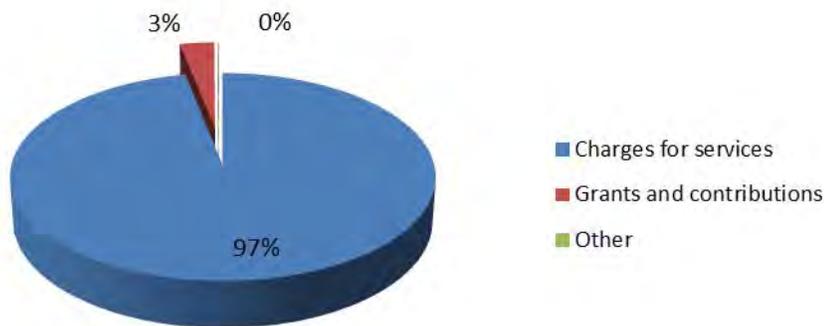
**Business-type activities.** Business-type activities decreased the City’s net position by \$1,148,053, (16.8 percent) transfers accounted for this decrease because of the redemption of the Series 1998 Certificates of Obligation.

Charges for utility services increased by 4%, due to a change in commercial rates, however, residential rates remained the same. A capital grant of \$179,357 was received to complete the purchase of auxiliary generators on all lift stations.

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



**Revenues by Source - Business-Type Activities**



## Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements, in particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$42,971,563, an increase of \$4,008,526 in the current year.

The General Fund is the chief operating fund of the City. At the end of the current year, its unassigned fund balance was \$32,633,301, while total fund balance reached \$41,035,031. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to its expenditures. Unassigned fund balance was \$32,633,301, or 155% of General Fund expenditures. The General Fund also had nonspendable amounts of \$10,415 for prepaid items; restricted amounts of \$8,055,090 for Metro transportation projects, \$114,830 for Court Security and Technology, and, \$221,395 for Public Safety. Fund balance in the General Fund increased from prior year by \$5,296,650.

The primary sources of revenue for the general fund are the following:

- Property and sales tax revenue, which accounts for approximately 57% of total general fund revenue.
- Intergovernmental revenues account for approximately 24% of total general fund revenue. Most of the intergovernmental revenue consists of contributions from the Metropolitan Transit Authority of Harris County, Texas (Metro). The City allocates its Metro contributions to the general fund to cover the street department and to fund other road and drainage projects. The Metro contribution was \$6,168,614 for 2013.

The debt service fund has a total fund balance of \$2,166, all of which is reserved for the payment of debt service. Expenditures exceeded revenues by \$2,921,387, with an overall net decrease in fund balance for the year of \$1,139,786 after transfers. This large decrease is due to the redemption prior to maturity of outstanding Certificates of Obligation, Series 1998.

The capital projects fund spent \$1,107,937 on street projects resulting in an ending fund balance of \$541,930, all of which is restricted or assigned for capital projects. The net decrease in fund balance for the fiscal year was \$294,375.

The red light camera fund has a fund balance of \$1,013,666, which is used to account for revenues and expenditures relating to implementation of the red light system.

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

Unrestricted net position of the City's Enterprise Fund at the end of the year totaled \$5,391,386. The decrease in net position was \$1,148,053. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### **Budgetary Highlights**

**General Fund.** Differences between the original budget and the final amended budget for the general fund amounted to a \$2,352,792 decrease in appropriations for the following budgets: (1) administration department budget decreased \$198,580 due to reallocation of operating expenses to personnel for new positions, carryover to next year for the completion of the city-wide radio project and property improvements for Charles Bender High School, (2) police department budget decreased \$1.9 million due to carryover of capital improvements to fiscal year 2014 for the jail expansion, (3) fire department budget was decreased \$41,053 for carryover of completion of the software project and the city-wide radio project, (4) street department capital budget was increased for improvements to the office building \$12,000, (5) civic center capital expenditure budget was increased \$45,841 for the purchase of a scissor lift for the center and \$39,615 for reallocation of operating costs to cover increased personal expense, and (6) animal control department was decreased \$219,000 for carryover to 2014 for animal shelter expansion. During the year actual revenues were more than budgeted by \$1,522,670 and actual expenditures were \$1,950,726 less than final budget amounts. These changes were primarily due to the following factors:

- Sales tax collections increased almost 5% and intergovernmental revenues from the 50% METRO rebate also increased as a result of that tax increase due to the improved economic climate the City experienced in 2013.
- All other expenditures accounted for more than \$1.5 million of the decrease in actual expenditures which demonstrates the expenditure controls maintained by each department assures the integrity of the budget.

### **Capital Asset and Debt Administration**

**Capital assets.** At the end of fiscal year 2013, the City's governmental activities and business-type activities had invested \$38.4 million and \$29.5 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$1.1 million over the end of last fiscal year.

**City of Humble's Capital Assets  
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and intangibles	\$ 1,390,406	\$ 1,362,752	\$ 288,667	\$ 288,667	\$ 1,679,073	\$ 1,651,419
Land improvements			414,268	427,577	414,268	427,577
Construction in Progress	2,086,199	73,000		371,643	2,086,199	444,643
Buildings & structures	6,845,602	7,419,108	1,298,641	1,380,132	8,244,243	8,799,240
Underground equipment Improvements	24,393,288	25,200,182	27,292,153	26,752,105	27,292,153	26,752,105
Vehicles	700,183	417,878	63,331	100,328	763,514	518,206
Other equipment	2,991,800	2,886,930	195,566	217,105	3,187,366	3,104,035
Total	<u>\$ 38,407,478</u>	<u>\$ 37,359,850</u>	<u>\$ 29,552,626</u>	<u>\$ 29,470,677</u>	<u>\$ 67,960,104</u>	<u>\$ 66,830,527</u>

Major capital asset events during the current fiscal year included the following:

- Completed construction on Sanitary Sewer Rehabilitation Phase IV Project.
- Awarded contract for Townsen West Improvements and awarded engineering contract for asphalt and concrete pavement improvements.
- Awarded architect contracts for renovations to several city buildings, including Charles Bender High School.
- Began a city-wide radio project with the City of Houston that should complete in 2014.

Additional information on the City's capital assets can be found in Note III on pages 42-43 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt and capital lease obligations outstanding of \$6,695,000. Bonded debt represents bonds secured solely by specified revenue sources.

**City of Humble's Outstanding Debt**

	Governmental Activities	
	2013	2012
Capital lease obligations	\$	\$ 33,637
Certificates of obligation	6,695,000	9,270,000
Total	<u>\$ 6,695,000</u>	<u>\$ 9,303,637</u>

The City's outstanding debt decreased by more than \$2.6 million (28 percent) during the current fiscal year.

The City maintains a "AAA" rating from Standard & Poor's and a "A2" rating from Moody's for bond debt.

Additional information on the City's long-term debt can be found in Note III on pages 44-46 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The unemployment rate for the City of Humble (as defined by the Houston-Sugar Land-Baytown MSA), as of September 2013 was 6.2%, compared to 6.3% in the prior year. The U.S. unemployment rate in September 2013 was 7.2% while the Texas rate was 6.3%.

The City began to experience growth in sales tax revenues once again, ending the year more than 7% higher than budgeted. The City ended the year with a 4.8% increase; revenues totaling \$12.33 million were collected compared to \$11.76 million in the prior year.

It is anticipated that economic recovery will continue into fiscal year 2014, with modest revenue growth. The Fiscal Year 2014 budget has been prepared to allow the City to maintain existing service levels and strategies are in place to deal with any divergence from the planned course. As with any financial forecast, strategies are in place to deal with any divergence from the planned course. Through the most recent downturn, the City's proactive approach to reducing costs in anticipation of decreases in revenues helped the City to emerge with a stronger financial health than prior to the downturn.

These factors were considered in preparing the City's budget for the 2014 fiscal year. The total adopted budget for fiscal year 2014, approved by City Council on September 12, 2013, is \$36.81 million and represents a 7.02% increase from the fiscal year 2013 adopted budget. The fiscal year 2014 budget is based on a level tax rate of \$0.20 and 2013 taxable valuation totals \$1.37 billion, a 14.76% increase from the 2012 adjusted tax roll.

During the current fiscal year, unassigned fund balance in the general fund increased to \$32,633,301. It is intended that the use of available fund balance will avoid the need to raise taxes or charges during the 2014 fiscal year. The City also uses surplus working capital from the General Fund to supplement capital projects during the year as the needs arise.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Humble, Director of Finance, 114 W. Higgins, Humble, TX, 77338.

***BASIC FINANCIAL STATEMENTS***

*This page left blank intentionally.*

STATEMENT OF NET POSITION  
CITY OF HUMBLE, TEXAS  
September 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 17,055,019	\$ 2,446,273	\$ 19,501,292
Investments	24,020,724	2,913,636	26,934,360
Receivables, net of allowance	8,189,747	1,323,815	9,513,562
Internal balances	180,995	(180,995)	-
Prepaid expenses	10,415		10,415
Capital assets			
Land, construction in progress and intangibles	3,476,605	288,667	3,765,272
Other capital assets, net of accumulated depreciation	34,930,873	29,263,959	64,194,832
<b>TOTAL ASSETS</b>	<b>\$ 87,864,378</b>	<b>\$ 36,055,355</b>	<b>\$ 123,919,733</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 2,293,214	\$ 365,643	\$ 2,658,857
Unearned revenue	150,637		150,637
Accrued interest payable	28,606		28,606
Customer deposits		460,231	460,231
Long-term liabilities:			
Due within one year	1,364,523	84,809	1,449,332
Due in more than one year	8,360,765	200,660	8,561,425
<b>TOTAL LIABILITIES</b>	<b>12,197,745</b>	<b>1,111,343</b>	<b>13,309,088</b>
<b>NET POSITION</b>			
Net investment in capital assets	31,712,478	29,552,626	61,265,104
Restricted for:			
Transportation	8,055,090		8,055,090
Capital projects	413,400		413,400
Development activities	367,781		367,781
Public safety	3,681,259		3,681,259
Municipal court	114,830		114,830
Unrestricted	31,321,795	5,391,386	36,713,181
<b>TOTAL NET POSITION</b>	<b>\$ 75,666,633</b>	<b>\$ 34,944,012</b>	<b>\$ 110,610,645</b>

*The notes to financial statements are an integral part of this statement.*

STATEMENT OF ACTIVITIES  
 CITY OF HUMBLE, TEXAS  
 For the year ended September 30, 2013

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Functions/Programs:</u>				
Primary government:				
Governmental activities:				
General government	\$ 1,960,828	\$ 257,489	\$ -	\$ -
Court	1,014,342	1,276,763		
Public safety	14,447,794	3,104,045	14,615	
Public works	3,298,222			
Community services	2,894,327	939,187	1,800	
Interest on long-term debt	305,721			
Total governmental activities	<u>23,921,234</u>	<u>5,577,484</u>	<u>16,415</u>	<u>-</u>
Business-type activities:				
Water & sewer operations	6,371,769	7,813,563	-	179,357
Total primary government	<u>\$ 30,293,003</u>	<u>\$ 13,391,047</u>	<u>\$ 16,415</u>	<u>\$ 179,357</u>

GENERAL REVENUES:

Taxes:
Property taxes, levied for general support
Sales taxes
Franchise taxes
Hotel/motel occupancy tax
Other taxes
Contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

*The notes to financial statements are an integral part of this statement.*

Net (Expense) Revenue and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,703,339)	\$ -	\$ (1,703,339)
262,421		262,421
(11,329,134)		(11,329,134)
(3,298,222)		(3,298,222)
(1,953,340)		(1,953,340)
(305,721)		(305,721)
<u>(18,327,335)</u>	<u>-</u>	<u>(18,327,335)</u>
-	1,621,151	1,621,151
<u>\$ (18,327,335)</u>	<u>\$ 1,621,151</u>	<u>\$ (16,706,184)</u>

\$ 2,577,384	\$ -	\$ 2,577,384
12,337,228		12,337,228
1,454,209		1,454,209
571,612		571,612
265,964		265,964
6,168,614		6,168,614
97,409	9,352	106,761
8,264	9,972	18,236
2,788,528	(2,788,528)	-
<u>26,269,212</u>	<u>(2,769,204)</u>	<u>23,500,008</u>
7,941,877	(1,148,053)	6,793,824
67,724,756	36,092,065	103,816,821
<u>\$ 75,666,633</u>	<u>\$ 34,944,012</u>	<u>\$ 110,610,645</u>

BALANCE SHEET - GOVERNMENTAL FUNDS  
CITY OF HUMBLE, TEXAS  
September 30, 2013

	General	Debt Service	Capital Projects	Red Light Camera	Non-Major Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 14,257,819	\$ 1,991	\$ 820,152	\$ 1,652,587	\$ 322,470	\$ 17,055,019
Investments	23,871,597		149,127			24,020,724
Receivables, net of allowances	5,465,370	21,063	8,425	2,599,098	95,791	8,189,747
Due from other funds	249,384		1,950		-	251,334
Prepaid items	10,415					10,415
<b>TOTAL ASSETS</b>	<b>\$ 43,854,585</b>	<b>\$ 23,054</b>	<b>\$ 979,654</b>	<b>\$ 4,251,685</b>	<b>\$ 418,261</b>	<b>\$ 49,527,239</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	1,102,594	-	429,299	747,920	13,401	2,293,214
Accrued compensated absences	3,948					3,948
Due to other funds	349			43,901	26,090	70,340
Unearned revenue	150,637					150,637
<b>TOTAL LIABILITIES</b>	<b>1,257,528</b>	<b>-</b>	<b>429,299</b>	<b>791,821</b>	<b>39,491</b>	<b>2,518,139</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	187,103	20,888				207,991
Unavailable revenue - emergency services	334,370					334,370
Unavailable revenue - fines and forfeitures	1,040,553			2,446,198		3,486,751
Unavailable revenue - street assessments			8,425			8,425
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,562,026</b>	<b>20,888</b>	<b>8,425</b>	<b>2,446,198</b>	<b>-</b>	<b>4,037,537</b>
<b>FUND BALANCES</b>						
Nonspendable						
Prepaid items	10,415					10,415
Restricted						
Debt service		2,166				2,166
Transportation	8,055,090					8,055,090
Capital projects			404,975			404,975
Development activities					367,781	367,781
Public safety	221,395			1,013,666		1,235,061
Municipal court	114,830					114,830
Assigned						
Capital projects			136,955			136,955
Development activities					10,989	10,989
Unassigned	32,633,301					32,633,301
<b>TOTAL FUND BALANCES</b>	<b>41,035,031</b>	<b>2,166</b>	<b>541,930</b>	<b>1,013,666</b>	<b>378,770</b>	<b>42,971,563</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 43,854,585</b>	<b>\$ 23,054</b>	<b>\$ 979,654</b>	<b>\$ 4,251,685</b>	<b>\$ 418,261</b>	<b>\$ 49,527,239</b>

The notes to financial statements are an integral part of this statement.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
 FUNDS TO THE STATEMENT OF NET POSITION  
 CITY OF HUMBLE, TEXAS  
 September 30, 2013

Total fund balances - governmental funds \$ 42,971,563

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

Capital assets of \$69,442,460 net of accumulated depreciation of  
 \$31,034,982 used in governmental activities are not financial  
 resources and therefore are not reported in the funds. 38,407,478

Revenues have been recognized in the government-wide financial  
 statements but are deferred inflows of resources at the fund level as follows:

Property taxes	\$	130,045	
Penalties and interest		77,946	
Fines		3,486,751	
Other fees		<u>342,795</u>	
			4,037,537

Certain liabilities are not due and payable in the current period and  
 therefore are not reported in the funds as follows:

Accrued interest payable	\$	(28,606)	
Bonds payable		(6,695,000)	
Net pension liability		(310,612)	
OPEB liability		(1,688,282)	
Compensated absences		<u>(1,027,445)</u>	
			<u>(9,749,945)</u>

Net position of governmental activities \$ 75,666,633

*The notes to financial statements are an integral part of this statement.*

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - GOVERNMENTAL FUNDS  
 CITY OF HUMBLE, TEXAS  
 For the year ended September 30, 2013

	General	Debt Service	Capital Projects	Red Light Camera	Non-Major Fund	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 2,581,911	\$ 1,431	\$ -	\$ -	\$ -	\$ 2,583,342
Sales taxes	12,337,228					12,337,228
Franchise taxes	1,454,209					1,454,209
Hotel/motel occupancy taxes					571,612	571,612
Other taxes	265,964					265,964
Licenses and permits	159,535					159,535
Charges for services	1,552,717				2,698	1,555,415
Fines and forfeitures	1,320,328			1,654,197		2,974,525
Investment income	96,793		245	372		97,410
Intergovernmental	6,178,364					6,178,364
Other	254,415				1,800	256,215
<b>TOTAL REVENUES</b>	<b>26,201,464</b>	<b>1,431</b>	<b>245</b>	<b>1,654,569</b>	<b>576,110</b>	<b>28,433,819</b>
<b>Expenditures</b>						
Current:						
General government	2,609,733					2,609,733
Court	907,848					907,848
Public safety	13,351,241			1,715,150		15,066,391
Public works	2,263,783					2,263,783
Community services	1,957,362				377,949	2,335,311
Capital outlay			1,107,937			1,107,937
Debt service:						
Bond principal retirement		2,575,000				2,575,000
Capital lease retirement		33,637				33,637
Interest and fiscal charges		314,181				314,181
<b>TOTAL EXPENDITURES</b>	<b>21,089,967</b>	<b>2,922,818</b>	<b>1,107,937</b>	<b>1,715,150</b>	<b>377,949</b>	<b>27,213,821</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,111,497</b>	<b>(2,921,387)</b>	<b>(1,107,692)</b>	<b>(60,581)</b>	<b>198,161</b>	<b>1,219,998</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	689,885	2,922,815	2,406,871	-	8,457	6,028,028
Transfers out	(504,732)	(1,141,214)	(1,593,554)	-	-	(3,239,500)
<b>OTHER FINANCING SOURCES (USES)</b>	<b>185,153</b>	<b>1,781,601</b>	<b>813,317</b>	<b>-</b>	<b>8,457</b>	<b>2,788,528</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>5,296,650</b>	<b>(1,139,786)</b>	<b>(294,375)</b>	<b>(60,581)</b>	<b>206,618</b>	<b>4,008,526</b>
Fund balances - beginning	35,738,381	1,141,952	836,305	1,074,247	172,152	38,963,037
<b>FUND BALANCES - ENDING</b>	<b>\$ 41,035,031</b>	<b>\$ 2,166</b>	<b>\$ 541,930</b>	<b>\$ 1,013,666</b>	<b>\$ 378,770</b>	<b>\$ 42,971,563</b>

The notes to financial statements are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

CITY OF HUMBLE, TEXAS

For the year ended September 30, 2013

Net change in fund balances - total governmental funds \$ 4,008,526

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$3,620,071) exceed depreciation (\$2,541,350) in the current period. 1,078,721

The effect of the sale of capital assets is to decrease net position. (31,093)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 671,860

Repayment of bond principal and capital leases are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. 2,608,637

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (394,774)

Change in net position of governmental activities \$ 7,941,877

*The notes to financial statements are an integral part of this statement.*

STATEMENT OF NET POSITION - PROPRIETARY FUND  
 CITY OF HUMBLE, TEXAS  
 September 30, 2013

	Enterprise Fund
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 2,446,273
Investments	2,913,636
Receivables, net of allowance	1,323,815
Total current assets	<u>6,683,724</u>
Non-current assets	
Capital assets	
Land & intangibles	288,667
Buildings & improvements	4,425,582
Equipment	39,677,382
Less accumulated depreciation	<u>(14,839,005)</u>
Total non-current assets	<u>29,552,626</u>
<b>TOTAL ASSETS</b>	<u><u>36,236,350</u></u>
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities	
Accounts payable & accrued liabilities	365,643
Due to other funds	180,995
Accrued compensated absences, current	84,809
Total current liabilities	<u>631,447</u>
Non-current liabilities	
Customer deposits	460,231
Other Post Employment Benefit Obligation (OPEB)	189,140
Accrued compensated absences, noncurrent	11,520
Total non-current liabilities	<u>660,891</u>
<b>TOTAL LIABILITIES</b>	<u>1,292,338</u>
Net position	
Net investment in capital assets	29,552,626
Unrestricted	5,391,386
<b>TOTAL NET POSITION</b>	<u><u>\$ 34,944,012</u></u>

*The notes to financial statements are an integral part of this statement.*

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION- PROPRIETARY FUND  
CITY OF HUMBLE, TEXAS  
For the year ended September 30, 2013

	<u>Enterprise Fund</u>
<b>OPERATING REVENUES</b>	
Charges for sales and services	<u>\$ 7,813,563</u>
Total operating revenues	7,813,563
<b>OPERATING EXPENSES</b>	
Water	3,461,767
Sewer	1,760,552
Depreciation	<u>1,149,450</u>
Total operating expenses	<u>6,371,769</u>
Operating income	<u>1,441,794</u>
<b>NON-OPERATING REVENUES</b>	
Investment income	9,352
Net gain on disposal of assets	<u>9,972</u>
Total non-operating income	<u>19,324</u>
Income before contributions and transfers	1,461,118
Capital contributions	<u>179,357</u>
Transfers in	903,669
Transfers (out)	<u>(3,692,197)</u>
Change in net position	(1,148,053)
Net position, beginning	<u>36,092,065</u>
<b>NET POSITION, ENDING</b>	<u><u>\$ 34,944,012</u></u>

*The notes to financial statements are an integral part of this statement.*

STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
CITY OF HUMBLE, TEXAS  
For the year ended September 30, 2013

	<u>Enterprise Fund</u>
Cash Flows From Operating Activities:	
Cash received from customers and users	\$ 7,739,983
Cash payments to suppliers	(4,397,537)
Cash payments to employees	<u>(1,097,909)</u>
Net cash provided by operating activities	2,244,537
Cash Flows From Noncapital Financing Activities:	
Transfers in	903,669
Transfers (out)	<u>(3,692,197)</u>
Net cash (used in) noncapital financing activities	(2,788,528)
Cash Flows From Capital and Related Financing Activities:	
Capital contributions	179,357
Purchase of capital assets	(1,231,400)
Proceeds from sale of assets	<u>9,972</u>
Net cash (used in) capital and related financing activities	(1,042,071)
Cash Flows From Investing Activities:	
Proceeds from sale of investments	1,900,000
Purchase of investments	(1,904,266)
Investment income	<u>9,352</u>
Net cash provided by investing activities	<u>5,086</u>
Net increase in cash and cash equivalents	(1,580,976)
Cash and cash equivalents - beginning of year	<u>4,027,249</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 2,446,273</u></u>

*The notes to financial statements are an integral part of this statement.*

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - *continued*  
 CITY OF HUMBLE, TEXAS  
 For the year ended September 30, 2013

	<u>Enterprise Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,441,794
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,149,450
(Increase) decrease in:	
Accounts receivable	(73,594)
Interfund receivable	14
Increase (decrease) in:	
Accounts payable and accrued liabilities	105,110
Customer deposits	13,073
Other Post Employment Benefit Obligation (OPEB)	41,234
Compensated absences	6,753
Interfund payable	<u>(439,297)</u>
Net cash provided by operating activities	<u>\$ 2,244,537</u>

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

***NOTE I. Summary of Significant Accounting Policies***

**A. Reporting Entity**

The City of Humble, Texas (the “City”), was incorporated under the laws of the State of Texas in 1933, and the present charter was adopted in 1970. The City operates under a “Home Rule Charter” which provides for a “Mayor-Council-Manager” form of government.

The City provides the following services: public safety to include police, fire and emergency medical services, highways and streets, sanitation, water and sewer services, recreation, public improvements, planning and zoning, 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 general purpose 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. 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. The City has no entities, organizations or functions to be included as part of the City’s financial reporting entity.

***NOTE I. Summary of Significant Accounting Policies – continued***

**B. 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 on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead 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.

**C. Measurement Focus, Basis of Accounting, and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The City's accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained are consistent with legal and managerial requirements.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

***NOTE I. Summary of Significant Accounting Policies – continued***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Compensated absences are recorded as expenditures in the governmental fund financial statements if they are paid within 60 days of the end of the current fiscal period.

Property taxes, sales taxes, franchise taxes, licenses, fines and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund – The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for the retirement of general long-term debt and related costs. The primary source of revenues of the Debt Service Fund is intergovernmental revenue.

Red Light Camera Fund – The Red light camera fund is used to account for red light fine receipts that are legally restricted to expenditures for specific purposes as defined by the State. Such expenditures include the cost of leasing the red light camera equipment, operating the system, which includes the costs of creating, reviewing, distributing and delivering violation notices, and to fund traffic safety programs.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

***NOTE I. Summary of Significant Accounting Policies – continued***

The City reports the following non-major governmental funds:

Special Revenue Fund – The City’s Special Revenue Fund is used to account for revenue sources that are legally restricted to expenditures for specified purposes.

The City reports the following major proprietary fund:

Enterprise Fund – The Enterprise Fund is used to account for the City’s water, wastewater collection, and wastewater treatment operations. Such operations are operated in a manner similar to private business enterprises, where the intent of the City is that the costs (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 acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation) and other City funds. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB).

Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

***NOTE I. Summary of Significant Accounting Policies – continued***

The City uses the following classifications of fund balance in the Governmental Funds to describe the relative strength of the spending constraints:

Non-spendable fund balance - amounts that are not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balance – amounts that are subject to external restrictions from creditors (such as through debt covenants), grantors, contributors, or laws of other governments.

Committed fund balance - amounts constrained for specific purposes as determined 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 purposes unless the City takes the same highest level of action to remove or change the constraint. The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. City Council will approve obligations of funds, such as multi-year contracts, prior to the end of the fiscal year. At year-end the City has reported no committed funds.

Assigned fund balance – amounts the City intends to use for a specific purpose that is neither restricted or committed and includes the remaining positive fund balance of all governmental funds except for the General Fund. Balances for encumbrances, other than those committed by City Council, fall into this category. Intent can be established by City Council or delegated to the City Manager. The City Council has authorized the City Manager as the official authorized

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City will typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The City Council has authorized the City Manager as the official authorized to assign fund balance to a specific purpose as approved by the City's fund balance policy.

The City will maintain the General Fund unassigned fund balance equivalent to 3 months of normal recurring operating costs, based on current year budgeted expenditures. The purpose of this unassigned balance is to protect the City against short-term operating deficits in the General Fund. The unassigned fund balance will be available to cover revenue shortfalls, cover unanticipated expenditures and to defer tax increases.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

*NOTE I. Summary of Significant Accounting Policies – continued*

**D. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as assigned fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are appropriately provided for in the subsequent year's budget. As of September 30, 2013 there were no outstanding purchase orders.

**E. Assets, Deferred outflows, Liabilities, Deferred inflows and Equity**

1. Cash, Cash Equivalents and Investments

Highly liquid investments with an original maturity of three months or less are considered cash equivalents. Certificates of deposit and other investments with maturities in excess of three months are carried as investments.

Individual fund cash balances are at times invested in authorized investments. These investments are stated at fair value, or in some instances, cost (which approximates fair value) and are presented in Note III. The City does not carry investments at amortized cost. Earnings from these investments are allocated to each fund based on balances of cash and investments in those funds.

The investment policies of the City are governed by State statute and an adopted City Investment Policy.

Participating investments with a remaining maturity at time of purchase of less than one year and non-participating investments are reported utilizing a cost base measure. Participating investments with a remaining maturity at date of purchase of more than one year are reported at fair value.

2. Receivables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal 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 non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All trade receivables are shown net of an allowance for uncollectibles.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

***NOTE I. Summary of Significant Accounting Policies – continued***

3. Property Taxes

Property taxes are levied October 1 of each year and are due upon receipt of the City's tax bill and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid. The penalties and interest accumulate on the unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action. The interest continues to accumulate on the account at 1% per month, but the penalty remains at a maximum of 12% until paid.

A penalty of 6% and interest of 1% is added to delinquent taxes on February 1. The penalty amount increases to a maximum of 12% on July 1 of each year, with interest continuing to increase at 1% per month until the account is paid. An additional penalty of 20% is added in July for attorney costs. There are no discounts allowed on taxes.

4. Inventories and Prepaid Items

Inventories in government funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis.

Prepays record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

5. Capital Assets

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost when determinable, or estimated historic costs based on appraisals or other acceptable methods. Gifts or contributions of property and equipment are recorded at fair market value at time of receipt. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

**NOTE I. Summary of Significant Accounting Policies – continued**

Property, plant and equipment of the City are depreciated using a straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5-50
System infrastructure	5-50
Machines and equipment	3-20
Vehicles	5-8

Depreciation is allocated to functions and programs in the government-wide statement of activities as follows:

General government	\$ 323,260
Court	80,307
Public safety	468,117
Public works	1,115,144
Community services	<u>554,523</u>
Total governmental activities depreciation	<u>\$ 2,541,350</u>

6. Accumulated Unpaid Compensated Absences

It is the City's policy to permit employees to accumulate certain earned but unused vacation and comp time. Amounts accumulated may be paid to employees upon termination of employment or during employment in accordance with the City's personnel policy. Accumulated personnel leave is accrued in the government-wide statements as current liabilities based upon amounts that were vested as of September 30, 2013. These amounts will be paid out of the general fund and enterprise fund at the amounts reported in the financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees.

7. Long-Term Obligations

Though a portion of the long-term debt was directly related to the purchase of water and sewer infrastructure, the debt and related expenditures are included in the general fund and debt service fund, respectively, as they are expected to be paid from governmental transfers instead of water system revenues.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

*NOTE I. Summary of Significant Accounting Policies – continued*

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. For bonds issued after October 1, 2002, bond discounts or premiums and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

For governmental fund types, bond premiums, discounts and issuance costs are recognized during the current period. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. 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.

8. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, 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.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

*NOTE I. Summary of Significant Accounting Policies – continued*

9. Interfund Transactions

As of September 30, 2013, the interfund balances were as follows:

General Fund	
Due from Enterprise Fund	\$ 179,394
Due from Special Revenue Funds	<u>69,990</u>
	<u>\$ 249,384</u>
Due to Capital Projects Fund	<u>\$ 349</u>
Capital Projects Fund	
Due from General Fund	\$ 349
Due from Enterprise Fund	<u>1,601</u>
	<u>\$ 1,950</u>
Special Revenue Funds	
Due to General Fund	<u>\$ 69,990</u>
Enterprise Fund	
Due to Capital Projects Fund	\$ 1,601
Due to General Fund	<u>179,394</u>
	<u>\$ 180,995</u>

The above interfund balances are amounts remaining to be paid for various cost reimbursements and project funding between funds at September 30, 2013.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

**NOTE I. Summary of Significant Accounting Policies – continued**

Interfund transfers, which resulted primarily from various cost reimbursements and project funding to other funds, consisted of the following for the year ended September 30, 2013:

	General Fund	Debt Service Fund	Capital Projects Fund	Non- Major Fund	Enterprise Fund	Total Transfers Out
General fund	\$ -	\$ 34,764	\$ 461,511	\$ 8,457	\$ -	\$ 504,732
Debt service fund			1,141,214			1,141,214
Capital projects fund	689,885				903,669	1,593,554
Enterprise fund		2,888,051	804,147			3,692,197
Total transfers in	<u>\$ 689,885</u>	<u>\$ 2,922,815</u>	<u>\$ 2,406,871</u>	<u>\$ 8,457</u>	<u>\$ 903,669</u>	<u>\$ 6,931,697</u>

10. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that would be recorded in this section.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, emergency services, fines and forfeitures and street assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

*NOTE II. Stewardship, Compliance, and Accountability*

**A. Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the supplemental schedules:

1. Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. The City Manager holds a budget workshop that includes City Council, department heads, and the Assistant City Manager. This workshop is open to the public and is usually held the first week of August. Changes are then recommended and approved by Council.
3. The budget is legally adopted via passage of an ordinance at the first Council meeting in September. During this meeting prior to adoption, a public hearing is conducted to obtain taxpayer comments.
4. Any revisions that alter total expenditures of any fund must be approved by City Council, as must transfers from one department to another. The City Manager is authorized to transfer budgeted amounts between line items within any one department. The level on which expenditures may not legally exceed appropriations is at the department level, with the exception of personnel and capital appropriations whose reallocation within a department must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Debt Service Fund and Red Light Camera Fund.
6. Budgets for the General Fund, Debt Service Fund and Red Light Camera Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended in accordance with the annual appropriation ordinance.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

**NOTE III. Detailed Notes On All Funds**

**A. Deposits and Investments**

Deposits – 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 the deposits. The City’s deposits, including certificates of deposit, were fully insured or collateralized as required by the state statutes at September 30, 2013. At year-end, the carrying amount of the City’s deposits (including certificates of deposit) with financial institutions was the same as the bank deposit, except for the primary depository. The book balance of the primary depository was \$19,501,293 and the bank balance was \$19,707,785. The total bank balance was collateralized with securities held by the pledging financial institution’s trust department or agent in the government’s name.

Investments – State statutes, city bond ordinances and city resolutions authorize the City’s investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of this state or its agencies and instrumentalities, no-load, SEC registered mutual funds with a weighted average stated maturity of less than two years that are invested in allowable securities, obligations of Texas and its agencies, fully collateralized repurchase agreements and reverse repurchase agreements, insured or collateralized certificates of deposit, statewide investment pools and no-load SEC registered money market funds consisting of any of these securities listed.

The City’s investments carried at fair value as of September 30, 2013, are:

Investments:	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Coupon Treasuries	\$ 20,736,352	1.59
Certificates of Deposit	3,552,994	2.00
Government Pools (1)	<u>2,645,014</u>	0.14
	<u>\$ 26,934,360</u>	

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

***NOTE III. Detailed Notes On All Funds – continued***

Interest Rate Risk – In compliance with the City’s Investment Policy, as of September 30, 2013, the City minimized the interest rate risk related to the decline in fair value of securities due to rising interest rates in the portfolio by: limiting the effective duration of security types not to exceed 2 years with the exception of securities purchased related to reserve funds; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar government investment pools.

Credit Risk – In compliance with the City’s Investment Policy, as of September 30, 2013, the City minimized credit risk losses due to default of a security issuer or backer, by: limiting investments to the safest types of securities; limiting Bank Certificate of Deposits to less than \$250,000 covered by (FDIC); all of the City’s purchased investments in U.S. Agencies Bonds were rated AA+, AAA and Aaa by Standard & Poors, Fitch and Moody’s respectively; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized. At year-end balances in TexStar were rated AAAM by Standard & Poor’s.

- (1) TexStar is an investment pool created by the initial participants for the joint investment of the participant’s public funds and funds under their control. TexStar was created under the authority of applicable Texas law, including the Cooperating Act and the Investment Act. The business and affairs of the TexStar are managed by a governing Board which has also appointed an Advisory Board consisting of representatives of participants and other persons who do not have a business relationship with TexStar and are qualified to advise the Board.

TexStar operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, and accordingly, the fair value of the position of TexStar is the same as the value of the TexStar shares.

Restricted Cash

In the General Fund, intergovernmental revenues received from METRO Mitigation are restricted for congestion mitigation/traffic which includes constructing or maintaining streets, roads, bridges, installing traffic control signals & improvements, constructing or maintaining sidewalks, streetlights and making drainage improvements. Additionally court building security and technology fees are restricted for use in the municipal court.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

**NOTE III. Detailed Notes On All Funds - continued**

In the Capital Projects Fund, unexpended bond proceeds and intergovernmental revenues are restricted for the use of capital improvement projects.

**B. Accounts Receivable**

Accounts receivable less allowance for doubtful accounts was comprised of the following categories at year-end:

	General	Debt Service	Capital Projects	Red Light Camera	Non- Major	Enterprise	Total
Taxes	\$2,245,608	\$ 15,285	\$ -	\$ -	\$ 95,791	\$ -	\$ 2,356,684
Accounts	4,165,266					1,606,106	5,771,372
Fines	6,349,622			6,002,668			12,352,290
Interest and penalties	91,650	10,220					101,870
Metro mitigation	1,516,732						1,516,732
Assessments			65,016				65,016
Other	20,994					1,665	22,659
Less allowance for doubtful accounts	(8,924,502)	(4,442)	(56,591)	(3,403,570)		(283,956)	(12,673,061)
	<u>\$5,465,370</u>	<u>\$ 21,063</u>	<u>\$ 8,425</u>	<u>\$2,599,098</u>	<u>\$ 95,791</u>	<u>\$1,323,815</u>	<u>\$ 9,513,562</u>

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

**NOTE III. Detailed Notes On All Funds - continued**

**C. Capital Assets**

A summary of changes in land, buildings, and equipment included in governmental activities for the year ended September 30, 2013 is as follows:

	Balance 10/1/12	Additions	Deletions	Balance 9/30/13
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,362,752	\$ 27,654	\$ -	\$ 1,390,406
Construction in progress	73,000	2,013,199	-	2,086,199
Total capital assets, not being depreciated:	<u>1,435,752</u>	<u>2,040,853</u>	<u>-</u>	<u>3,476,605</u>
Capital assets, being depreciated:				
Buildings	14,140,679			14,140,679
Improvements	38,230,337	67,134		38,297,471
Vehicles	4,088,303	541,240	(294,000)	4,335,543
Other equipment	8,306,618	970,844	(85,300)	9,192,162
Total capital assets being depreciated	<u>64,765,937</u>	<u>1,579,218</u>	<u>(379,300)</u>	<u>65,965,855</u>
Less accumulated depreciation for:				
Buildings	6,719,699	573,506		7,293,205
Improvements	13,032,027	874,028		13,906,055
Vehicles	3,670,425	243,771	(278,836)	3,635,360
Other equipment	5,419,688	850,045	(69,371)	6,200,362
Total accumulated depreciation	<u>28,841,839</u>	<u>2,541,350</u>	<u>(348,207)</u>	<u>31,034,982</u>
Total capital assets, being depreciated, net	<u>35,924,098</u>	<u>(962,132)</u>	<u>(31,093)</u>	<u>34,930,873</u>
Governmental activities capital assets, net	<u>\$ 37,359,850</u>	<u>\$ 1,078,721</u>	<u>\$ (31,093)</u>	<u>\$ 38,407,478</u>

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

**NOTE III. Detailed Notes On All Funds - continued**

A summary of changes in land, buildings, and equipment included in business-type activities for the year ended September 30, 2013 is as follows:

	Balance 10/1/12	Additions	Deletions	Balance 9/30/13
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and intangibles	\$ 288,667	\$ -	\$ -	\$ 288,667
Construction in progress	371,643		(371,643)	-
Total capital assets not being depreciated	<u>660,310</u>	<u>-</u>	<u>(371,643)</u>	<u>288,667</u>
Capital assets, being depreciated:				
Buildings & structures	3,938,668			3,938,668
Land improvements	467,411	19,503		486,914
Vehicles	382,346	-	(57,639)	324,707
Underground equipment	35,851,302	1,559,396	-	37,410,698
Machinery & equipment	1,920,255	24,144	(2,422)	1,941,977
Total capital assets being depreciated	<u>42,559,982</u>	<u>1,603,043</u>	<u>(60,061)</u>	<u>44,102,964</u>
Less accumulated depreciation for:				
Buildings & structures	2,558,536	81,491		2,640,027
Land improvements	39,834	32,812		72,646
Vehicles	282,018	36,997	(57,639)	261,376
Underground equipment	9,166,077	952,468		10,118,545
Machinery & equipment	1,703,150	45,683	(2,422)	1,746,411
Total accumulated depreciation	<u>13,749,615</u>	<u>1,149,451</u>	<u>(60,061)</u>	<u>14,839,005</u>
Total capital assets, being depreciated, net	<u>28,810,367</u>	<u>453,592</u>	<u>-</u>	<u>29,263,959</u>
Business-type activities capital assets, net	<u>\$ 29,470,677</u>	<u>\$ 453,592</u>	<u>\$ (371,643)</u>	<u>\$ 29,552,626</u>

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

**NOTE III. Detailed Notes On All Funds - continued**

**D. Long-Term Debt**

Long-term debt at September 30, 2013 was comprised of the following:

	Balance, 10/1/12	Additions	Reductions	Balance, 9/30/13	Due within one year
<b>Governmental activities:</b>					
Certificates of obligation	\$ 9,270,000	\$ -	\$ (2,575,000)	\$ 6,695,000	\$ 460,000
Capital lease	33,637		(33,637)	-	-
Compensated absences	950,764	1,148,509	(1,067,879)	1,031,394	904,523
Net pension obligation	307,994	2,618	-	310,612	-
Other Post Employment Benefit Obligation (OPEB)	1,337,180	555,396	(204,294)	1,688,282	-
<b>Total</b>	<b>\$ 11,899,575</b>	<b>\$ 1,706,523</b>	<b>\$ (3,880,810)</b>	<b>\$ 9,725,288</b>	<b>\$ 1,364,523</b>
<b>Business-type activities:</b>					
Compensated absences	89,576	128,274	(121,521)	96,329	84,809
Other Post Employment Benefit Obligation (OPEB)	147,906	65,228	(23,994)	189,140	-
<b>Total</b>	<b>\$ 237,482</b>	<b>\$ 193,502</b>	<b>\$ (145,515)</b>	<b>\$ 285,469</b>	<b>\$ 84,809</b>

The General fund has typically been used to liquidate governmental activity compensated absences in prior years.

The General fund and the Enterprise funds have typically been used to liquidate the net pension obligation and net other postemployment benefit obligation.

**Certificates of Obligation Issues.** Certificates of obligation are direct obligations of the City for which its full faith and credit are pledged. Repayments of certificates of obligation are from taxes levied on all taxable property located within the City.

**Arbitrage Compliance.** Proceeds from tax-exempt certificates of obligation issued after September 1, 1986 are subject to the 1986 Tax Reform Act. The City invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the certificates of obligation. There was no arbitrage liability as of September 30, 2013.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

**NOTE III. Detailed Notes On All Funds - continued**

Certificates of obligation consist of the following:

Description	Interest rates	Original issue	Date of Final Maturity	Balances at 9/30/13
Certificates of Obligation:				
2006 Certificates of Obligation	3.42%	\$ 10,000,000	8/15/25	\$ 6,695,000

The annual requirements to amortize certificates of obligation outstanding at September 30, 2013 are as follows:

Year Ending September 30,	Governmental activities	
	Principal	Interest
2014	\$ 460,000	\$ 229,140
2015	475,000	213,408
2016	495,000	197,163
2017	510,000	180,234
2018	525,000	162,792
2019-2022	2,295,000	464,778
2023-2024	1,935,000	133,722
Total	<u>\$ 6,695,000</u>	<u>\$ 1,581,237</u>

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

***NOTE IV. Other Information***

**A. Risk Management**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the City participates along with over 2,700 other entities in the Texas Municipal League Intergovernmental Risk Pool (“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 six fiscal years.

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Management is not aware of any circumstances that would cause disallowed claims.

The City has been named as defendant in several lawsuits in the normal course of its operations. Legal counsel for the City is unable to estimate the amount, if any, for which the City may eventually become liable; however, such claims are not material to the financial condition of the City, in the opinion of its management. Should the City become liable in this manner, such liability would be satisfied by budgetary appropriation in a subsequent year.

The City has entered into several construction contracts which total \$4,304,026. The costs incurred to date related to these contracts are \$2,013,199 and are included in construction in progress as of year-end.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

*NOTE IV. Other Information - continued*

**C. Intergovernmental Transactions**

The City received the following intergovernmental revenues:

Metro Mitigation - Harris County	\$ 6,168,614
State grant awards	4,395
Federal grant awards	<u>5,355</u>
	<u>\$ 6,178,364</u>

The City entered into a ten-year agreement with the Metropolitan Transit Authority of Harris County, Texas (“Metro”). Under this agreement, Metro agrees to pay the City 50% of the City’s sales tax revenue collected on behalf of Metro. This agreement was effective from October 1, 1999 to September 30, 2009, and was extended to September 30, 2014 effective November 2003. Effective October 2012, the agreement was extended to December 31, 2025. In return, the City agrees to fund transportation improvement capital projects with the proceeds.

State and federal grant awards were received for various programs applied for by the City.

**D. Pension Plan**

Plan Description

The City provides pension benefits for all of its eligible 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.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

**NOTE IV. Other Information - continued**

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

	<u>Plan Year 2013</u>	<u>Plan Year 2012</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers 70% of CPI	100% Repeating, Transfers 70% of CPI
Annuity increase (to retirees)	Repeating	Repeating

Benefits

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since initiation of the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions.

In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

**NOTE IV. Other Information - continued**

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 27.1-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2011 valuation is effective for rates beginning January 2013).

Three-year trend information for the annual pension cost and net pension obligation/(asset) are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution (ARC)	\$ 1,703,987	\$ 1,701,890	\$ 1,755,556
Interest on net pension obligation	21,560	16,935	-
Adjustment to the ARC	<u>(18,942)</u>	<u>(13,587)</u>	-
Annual pension cost (APC)	1,706,605	1,705,238	1,755,556
Contributions made	<u>(1,703,987)</u>	<u>(1,623,050)</u>	<u>(1,529,750)</u>
Increase (decrease) in net pension	2,618	82,188	225,806
Net pension obligation/(asset), beg. of year	<u>307,994</u>	<u>225,806</u>	-
Net pension obligation/(asset), end of year	<u>\$ 310,612</u>	<u>\$ 307,994</u>	<u>\$ 225,806</u>
Percentage of APC contributed	<u>100%</u>	<u>95%</u>	<u>87%</u>

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

***NOTE IV. Other Information - continued***

The City's total payroll in fiscal year 2013 was \$11,580,023, and the City's contributions were based on a payroll of \$12,023,062. Contributions made by employees totaled \$694,801, and the City made contributions of \$1,703,987 during the fiscal year ended September 30, 2013.

Funding Policy

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. TMRS changed to the Projected Unit Credit actuarial cost method with actuarial valuations beginning on December 31, 2007.

The change to Projected Unit Credit caused significant contribution increases (beginning with the January 2009 contribution rate) for many cities that had adopted annually repeating benefits. Cities that experienced a rate increase of 0.50% or more were given the opportunity to phase-in the increase over an eight-year period. The City chose to fully fund the new rate beginning January 2009 and continued to use the full rate through December 2010. Beginning January 2011 the City chose to fund the phase-in rate. Beginning January 2012 the City chose to go back to funding the full rate.

Funding Status and Funding Progress

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

**NOTE IV. Other Information - continued**

The funded status of the Plan as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

Fiscal Year	<u>2013</u>
Actuarial valuation date	12/31/2012
(1) Actuarial value of assets	\$ 44,437,309
(2) Actuarial accrued liability (AAL)	\$ 50,363,353
(3) Funded ratio (1) / (2)	88.2%
(4) Unfunded actuarial accrued liability (UAAL) (2) - (1)	\$ 5,926,044
(5) Covered payroll	\$ 11,363,367
(6) UAAL as a percentage of covered payroll (4) / (5)	52.2%

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.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

**NOTE IV. Other Information - continued**

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	2013	2012	2011
Actuarial valuation date	12/31/2012	12/31/2011	12/31/2010 - restructured
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	25.0 years; closed period	26.0 years; closed period	27.1 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 *	7.0%	7.0%	7.0%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%

***NOTE IV. Other Information - continued***

**E. Other Post Employment Benefits**

1. Supplemental Death Benefits Fund

Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. For the year ended September 30, 2013, the City offered the supplemental death benefit to both active and retired employees. The plan does not issue a separate financial report.

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 2013, 2012 and 2011 were \$17,078, \$17,253, and \$20,150, respectively, which equaled the required contributions each year.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

***NOTE IV. Other Information - continued***

2. Post-Employment Health Care Benefits

GASB Statement 45 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), established new accounting standards for postretirement benefits which became effective for implementation by the City for the year ended September 30, 2009. The new standard requires the City to record in the City's financial statements the net increase (or decrease) in the Net OPEB obligation, which is any difference between the Annual Required Contribution (ARC) and the amount funded during the year. Accordingly, the City did obtain an actuarial valuation in accordance with GASB 45 standards as of December 31, 2012 and discloses the following:

Plan Description and Funding Policy

City of Humble Retiree Health Care Plan (COHRHC) is a single-employer defined benefit healthcare plan. Employees who retire from the City of Humble and receive an annuity from TMRS upon leaving the City's employment, and eligible dependents and survivors, are eligible to continue to participate in the City's health insurance programs at the "blended" employee group rate which is determined annually by the City of Humble and approved by the City Council. Prior to retiring, employees may elect to continue to participate in the City's medical, dental and life benefits. To maintain coverage they must continuously pay the monthly premium of the plan and level selected. As of December 31, 2013, a total of twenty eligible retirees were participating in the City's group health program.

Retirees pay 25% of the premium for their self and 100% of the premium for their spouse and dependents. The City has elected to finance the plan on a pay-as-you-go basis. The plan does not issue a separate financial report.

The City is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is .19% of annual covered payroll.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

**NOTE IV. Other Information – continued**

Annual OPEB Cost and Net OPEB Obligation

The City’s annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008 as required by GASB and has since obtained an updated actuarial valuation every two years. The City’s most recent actuarial valuation was obtained as of December 31, 2012.

The City’s annual OPEB cost for the fiscal year ending September 30, 2013 is as follows:

	<u>2013</u>
Annual required contribution (ARC)	\$ 553,795
Interest on OPEB obligation	66,829
Adjustment to ARC	<u>(61,916)</u>
Annual OPEB cost (expense) end of year	558,708
Less employer contributions made	<u>(166,371)</u>
Increase in net OPEB obligation	392,337
Net OPEB obligation, beg. of year	<u>1,485,087</u>
Net OPEB obligation, end of year	<u>\$ 1,877,424</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2013 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
September 30, 2013	\$ 558,708	\$ 166,371	29.8%	\$ 1,877,424
September 30, 2012	\$ 595,738	\$ 194,095	32.6%	\$ 1,485,087
September 30, 2011	\$ 577,517	\$ 282,939	49.0%	\$ 1,083,444

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

*NOTE IV. Other Information – continued*

Funding Status and Funding Progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2012 is as follows:

Actuarial valuation date	12/31/2012
(1) Actuarial value of assets	\$ -
(2) Actuarial accrued liability (AAL)	\$ 5,177,813
(3) Funded ratio (1) / (2)	0%
(4) Unfunded actuarial accrued liability (UAAL) (2) - (1)	\$ 5,177,813
(5) Covered payroll (active plan members)	\$11,363,367
(6) UAAL as a percentage of covered payroll (4) / (5)	46%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$5,177,813 at December 31, 2012.

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care 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 recognition of the cost of 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.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

**NOTE IV. Other Information – continued**

Significant methods and assumptions were as follows:

Actuarial cost method	Projected Unit Credit Cost Method
Amortization period	Open 30 year period
Amortization method	Level as a percentage of payroll
Investment rate of return	4.5%, net of expenses
Healthcare cost trend rate	Initial rate of 7.5% declining to an ultimate rate of 4.50% after 12 years
Payroll growth rate	3% per annum
Inflation rate	3% per annum

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 care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Fiscal year ended September 30, 2009 was the first year of implementation for the City in which the actuarial valuation as of December 31, 2008 was obtained, no information prior to implementation is available. An updated actuarial valuation as of December 31, 2010 was obtained during the year ended September 30, 2011. The most recently updated actuarial valuation as of December 31, 2012 was obtained during the year ended September 30, 2013. The funding progress for all three of these valuations is reflected in the required schedule of funding progress presented as required supplementary information.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

***NOTE V. Subsequent Events***

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 31, 2014, the date on which the financial statements were available to be issued. There were no subsequent events that were required to be recognized or disclosed in the financial statements through that date.

***NOTE VI. Implementation of New GASB Standards***

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. The City has implemented GASB No. 63 in this annual report.

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement will improve financial reporting by reclassifying certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or as outflows or inflows of resources. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The City has implemented GASB No. 65 in this annual report.

*This page left blank intentionally.*

***Required Supplementary Information***

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - GENERAL FUND  
CITY OF HUMBLE, TEXAS  
For the year ended September 30, 2013

	Budget Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 2,544,000	\$ 2,544,000	\$ 2,581,911	\$ 37,911
Sales tax	11,500,000	11,500,000	12,337,228	837,228
Franchise fees	1,377,994	1,377,994	1,454,209	76,215
Other taxes	245,000	245,000	265,964	20,964
Licenses and permits	180,700	180,700	159,535	(21,165)
Charges for services	1,422,000	1,422,000	1,552,717	130,717
Fines and forfeitures	1,483,100	1,483,100	1,320,328	(162,772)
Investment income	64,000	64,000	96,793	32,793
Intergovernmental	5,750,000	5,750,000	6,178,364	428,364
Other	112,000	112,000	254,415	142,415
<b>TOTAL REVENUES</b>	<b>24,678,794</b>	<b>24,678,794</b>	<b>26,201,464</b>	<b>1,522,670</b>
<b>EXPENDITURES</b>				
Current:				
Administration				
Personnel	587,600	654,350	641,625	12,725
Capital	1,248,322	960,734	960,730	4
All other	1,128,400	1,150,658	1,007,379	143,279
Court				
Personnel	585,009	585,009	570,756	14,253
Capital	3,000	3,000	0	3,000
All other	339,910	339,910	337,092	2,818
Police department				
Personnel	4,791,522	4,791,522	4,494,490	297,032
Capital	2,062,650	666,650	665,585	1,065
All other	4,496,708	3,940,708	3,156,292	784,416
Fire department				
Personnel	2,674,295	2,674,295	2,693,506	(19,211)
Capital	559,332	535,282	514,290	20,992
All other	1,809,338	1,792,335	1,681,597	110,738
Streets				
Personnel	608,385	608,385	586,116	22,269
Capital	150,000	162,000	121,900	40,100
All other	995,300	995,300	719,870	275,430
Park department				
Personnel	425,000	425,000	418,982	6,018
Capital	22,500	22,500	20,454	2,046
All other	382,447	382,447	290,665	91,782
Civic center				
Personnel	473,735	594,500	590,785	3,715
Capital	0	6,226	6,226	0
All other	799,065	717,915	630,249	87,666

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Animal control				
Personnel	82,000	82,000	73,767	8,233
Capital	225,000	6,000	5,330	670
All other	64,094	64,094	66,384	(2,290)
Inspections				
Personnel	265,083	265,083	259,292	5,791
Capital	-	-	-	-
All other	178,134	178,134	157,338	20,796
Vehicle maintenance				
Personnel	161,500	161,500	163,573	(2,073)
Capital	16,550	16,550	4,350	12,200
All other	93,725	93,725	95,256	(1,531)
Building maintenance				
Personnel	104,806	104,806	104,464	342
Capital	2,000	2,000	-	2,000
All other	58,075	58,075	51,624	6,451
TOTAL EXPENDITURES	<u>25,393,485</u>	<u>23,040,693</u>	<u>21,089,967</u>	<u>1,950,726</u>
REVENUES OVER EXPENDITURES	<u>(714,691)</u>	<u>1,638,101</u>	<u>5,111,497</u>	<u>3,473,396</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds			-	-
Operating transfers in			689,885	689,885
Operating transfers (out)	-	-	(504,732)	(504,732)
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>185,153</u>	<u>185,153</u>
NET CHANGE IN FUND BALANCE	(714,691)	1,638,101	5,296,650	3,658,549
FUND BALANCE - Beginning	<u>35,738,381</u>	<u>35,738,381</u>	<u>35,738,381</u>	<u>-</u>
FUND BALANCE - Ending	<u>\$ 35,023,690</u>	<u>\$ 37,376,482</u>	<u>\$ 41,035,031</u>	<u>\$ 3,658,549</u>

See notes to required supplementary information and Independent Auditor's Report.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - RED LIGHT CAMERA FUND  
CITY OF HUMBLE, TEXAS  
For the year ended September 30, 2013

	Budget Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 1,900,000	\$ 1,900,000	\$ 1,654,197	\$ (245,803)
Investment income	-	-	372	372
TOTAL REVENUES	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,654,569</u>	<u>(245,431)</u>
EXPENDITURES				
Current:				
Public safety	<u>1,847,794</u>	<u>1,847,794</u>	<u>1,715,150</u>	<u>132,644</u>
TOTAL EXPENDITURES	<u>1,847,794</u>	<u>1,847,794</u>	<u>1,715,150</u>	<u>132,644</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>52,206</u>	<u>52,206</u>	<u>(60,581)</u>	<u>(112,787)</u>
NET CHANGE IN FUND BALANCE	52,206	52,206	(60,581)	(112,787)
FUND BALANCE - Beginning	<u>1,074,247</u>	<u>1,074,247</u>	<u>1,074,247</u>	<u>-</u>
FUND BALANCE - Ending	<u>\$ 1,126,453</u>	<u>\$ 1,126,453</u>	<u>\$ 1,013,666</u>	<u>\$ (112,787)</u>

See notes to required supplementary information and Independent Auditor's Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF HUMBLE, TEXAS

*NOTE A. – Summary of Significant Accounting Policies*

Basis of Accounting: The legally adopted budgets of the City are prepared on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended in accordance with the annual appropriation ordinance.

*See notes to required supplementary information and Independent Auditor's Report.*

REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS - TEXAS MUNICIPAL RETIREMENT SYSTEM  
 CITY OF HUMBLE, TEXAS  
 For the year ended September 30, 2013 (Unaudited)

Fiscal Year	2013	2012	2011
Actuarial valuation date	12/31/2012	12/31/2011	12/31/2010
(1) Actuarial value of assets	\$ 44,437,309	\$ 40,745,169	\$ 37,208,688
(2) Actuarial accrued liability (AAL)	\$ 50,363,353	\$ 47,504,410	\$ 44,481,501
(3) Funded ratio (1) / (2)	88.2%	85.8%	83.6%
(4) Unfunded actuarial accrued liability (UAAL) (2) - (1)	\$ 5,926,044	\$ 6,759,241	\$ 7,272,813
(5) Covered payroll	\$ 11,363,367	\$ 11,037,924	\$ 10,879,336
(6) UAAL as a percentage of covered payroll (4) / (5)	52.2%	61.2%	66.8%

*See notes to required supplementary information and Independent Auditor's Report.*

REQUIRED OTHER POST EMPLOYMENT BENEFIT (OPEB) SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS - CITY OF HUMBLE RETIREE HEALTH CARE PLAN  
 CITY OF HUMBLE, TEXAS  
 For the year ended September 30, 2013 (Unaudited)

Actuarial valuation date	<u>12/31/2012</u>	<u>12/31/2010</u>	<u>12/31/2008</u>
(1) Actuarial value of assets	\$ -	\$ -	\$ -
(2) Actuarial accrued liability (AAL)	\$ 5,177,813	\$ 5,533,251	\$ 5,060,018
(3) Funded ratio (1) / (2)	0.0%	0.0%	0.0%
(4) Unfunded actuarial accrued liability (UAAL) (2) - (1)	\$ 5,177,813	\$ 5,533,251	\$ 5,060,018
(5) Covered payroll	\$ 11,363,367	\$ 11,037,924	\$ 10,920,237
(6) UAAL as a percentage of covered payroll (4) / (5)	45.6%	50.1%	46.3%

*See notes to required supplementary information and Independent Auditor's Report.*

*This page left blank intentionally.*

***Other Supplementary Information***

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - DEBT SERVICE FUND  
CITY OF HUMBLE, TEXAS  
For the year ended September 30, 2013

	Budget Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Property taxes	1,000	1,000	1,431	431
Interest	200	200	-	(200)
<b>TOTAL REVENUES</b>	<b>1,200</b>	<b>1,200</b>	<b>1,431</b>	<b>231</b>
<b>EXPENDITURES</b>				
Debt service:				
Bond principal retirement	715,000	2,569,113	2,575,000	(5,887)
Capital lease retirement	34,764	34,764	33,637	1,127
Interest and fiscal charges	320,109	320,109	314,181	5,928
<b>TOTAL EXPENDITURES</b>	<b>1,069,873</b>	<b>2,923,986</b>	<b>2,922,818</b>	<b>1,168</b>
<b>REVENUES (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(1,068,673)</b>	<b>(2,922,786)</b>	<b>(2,921,387)</b>	<b>1,399</b>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	-	-	2,922,815	2,922,815
Operating transfers (out)	-	-	(1,141,214)	(1,141,214)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>1,781,601</b>	<b>1,781,601</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,068,673)</b>	<b>(2,922,786)</b>	<b>(1,139,786)</b>	<b>1,783,000</b>
<b>FUND BALANCE - Beginning</b>	<b>1,141,952</b>	<b>1,141,952</b>	<b>1,141,952</b>	<b>-</b>
<b>FUND BALANCE - Ending</b>	<b>\$ 73,279</b>	<b>\$ (1,780,834)</b>	<b>\$ 2,166</b>	<b>\$ 1,783,000</b>

*See independent auditor's report*

## STATISTICAL SECTION

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

### CONTENTS

	Page
<b>Financial Trends</b>	<b>74</b>
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>84</b>
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax and sales tax.	
<b>Debt Capacity</b>	<b>94</b>
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographics and Economic Information</b>	<b>99</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	<b>102</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

**Sources** – Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The City implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

**SCHEDULE 1**  
**CITY OF HUMBLE, TEXAS**  
**NET POSITION BY COMPONENT**  
**Last ten fiscal years (Unaudited)**  
**(accrual basis of accounting)**

	<b>Fiscal Year</b>			
	<u><b>2004</b></u>	<u><b>2005</b></u>	<u><b>2006</b></u>	<u><b>2007</b></u>
Governmental activities				
Net investment in capital assets	\$ 17,200,561	\$ 19,344,702	\$ 19,580,939	\$ 22,269,913
Restricted	1,143,933	1,148,167	2,221,020	2,208,140
Unrestricted	<u>7,373,337</u>	<u>9,970,932</u>	<u>12,900,049</u>	<u>11,951,234</u>
Total governmental activities net position	<u>\$ 25,717,831</u>	<u>\$ 30,463,801</u>	<u>\$ 34,702,008</u>	<u>\$ 36,429,287</u>
Business-type activities				
Net investment in capital assets	\$ 15,920,659	\$ 15,296,506	\$ 20,519,338	\$ 28,024,846
Restricted	-	-	-	-
Unrestricted	<u>4,842,910</u>	<u>5,492,581</u>	<u>5,203,114</u>	<u>5,831,433</u>
Total business-type activities net position	<u>\$ 20,763,569</u>	<u>\$ 20,789,087</u>	<u>\$ 25,722,452</u>	<u>\$ 33,856,279</u>
Primary government				
Net investment in capital assets	\$ 33,121,220	\$ 34,641,208	\$ 40,100,277	\$ 50,294,759
Restricted	1,143,933	1,148,167	2,221,020	2,208,140
Unrestricted	<u>12,216,247</u>	<u>15,463,513</u>	<u>18,103,163</u>	<u>17,782,667</u>
Total primary government net position	<u>\$ 46,481,400</u>	<u>\$ 51,252,888</u>	<u>\$ 60,424,460</u>	<u>\$ 70,285,566</u>

<b>Fiscal Year</b>					
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 21,585,697	\$ 20,085,923	\$ 23,139,086	\$ 27,320,527	\$ 28,089,850	\$ 31,712,478
3,821,461	5,472,051	4,681,770	6,745,451	16,643,656	12,632,359
<u>18,466,345</u>	<u>23,606,643</u>	<u>25,324,050</u>	<u>27,476,588</u>	<u>22,991,250</u>	<u>31,321,795</u>
<u>\$ 43,873,503</u>	<u>\$ 49,164,617</u>	<u>\$ 53,144,906</u>	<u>\$ 61,542,566</u>	<u>\$ 67,724,756</u>	<u>\$ 75,666,633</u>
\$ 27,752,116	\$ 28,629,663	\$ 28,668,105	\$ 30,133,849	\$ 29,470,677	\$ 29,552,626
-	-	-	-	-	-
<u>6,338,059</u>	<u>6,044,905</u>	<u>5,666,156</u>	<u>4,585,585</u>	<u>6,621,388</u>	<u>5,391,386</u>
<u>\$ 34,090,175</u>	<u>\$ 34,674,568</u>	<u>\$ 34,334,261</u>	<u>\$ 34,719,434</u>	<u>\$ 36,092,065</u>	<u>\$ 34,944,012</u>
\$ 49,337,813	\$ 48,715,586	\$ 51,807,191	\$ 57,454,376	\$ 57,560,527	\$ 61,265,104
3,821,461	5,472,051	4,681,770	6,745,451	16,643,656	12,632,359
<u>24,804,404</u>	<u>29,651,548</u>	<u>30,990,206</u>	<u>32,062,173</u>	<u>29,612,638</u>	<u>36,713,181</u>
<u>\$ 77,963,678</u>	<u>\$ 83,839,185</u>	<u>\$ 87,479,167</u>	<u>\$ 96,262,000</u>	<u>\$ 103,816,821</u>	<u>\$ 110,610,645</u>

**SCHEDULE 2**  
**CITY OF HUMBLE, TEXAS**  
**CHANGES IN NET POSITION**  
**Last ten fiscal years (Unaudited)**  
**(accrual basis of accounting)**

	<b>Fiscal Year</b>				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 2,132,155	\$ 1,704,369	\$ 1,690,228	\$ 1,626,823	\$ 2,578,154
Court	315,485	621,394	684,143	725,292	911,395
Public safety	8,891,451	9,164,129	9,829,450	10,470,753	12,162,599
Public works	1,747,387	2,428,930	2,580,880	2,802,370	3,072,609
Community services	1,939,962	2,581,751	2,744,553	2,859,886	2,991,041
Interest on long-term debt	559,281	437,962	874,022	848,200	705,252
Depreciation	1,915,820	-	-	-	-
Total governmental activities expenses	<u>17,501,541</u>	<u>16,938,535</u>	<u>18,403,276</u>	<u>19,333,324</u>	<u>22,421,050</u>
Business-type activities:					
Water & sewer operations	<u>3,460,821</u>	<u>3,787,567</u>	<u>3,195,275</u>	<u>3,744,770</u>	<u>4,840,858</u>
Total primary government expenses	<u>\$ 20,962,362</u>	<u>\$ 20,726,102</u>	<u>\$ 21,598,551</u>	<u>\$ 23,078,094</u>	<u>\$ 27,261,908</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
Court fines	\$ 1,095,482	\$ 1,247,590	\$ 1,200,252	\$ 2,590,766	\$ 1,529,618
Other activities	1,443,722	1,447,836	1,828,402	2,069,810	3,878,221
Operating grants and contributions	-	-	-	68,765	1,160,937
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	<u>2,539,204</u>	<u>2,695,426</u>	<u>3,028,654</u>	<u>4,729,341</u>	<u>6,568,776</u>
Business-type activities:					
Charges for services:					
Water	1,680,086	1,910,898	1,879,727	1,726,844	2,343,749
Sewer	2,121,634	2,465,275	2,897,205	3,108,080	3,028,206
Capital grants and contributions	-	-	120,102	-	-
Total business-type activities program revenues	<u>3,801,720</u>	<u>4,376,173</u>	<u>4,897,034</u>	<u>4,834,924</u>	<u>5,371,955</u>
Total primary government program revenues	<u>\$ 6,340,924</u>	<u>\$ 7,071,599</u>	<u>\$ 7,925,688</u>	<u>\$ 9,564,265</u>	<u>\$ 11,940,731</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (14,962,337)	\$ (14,243,109)	\$ (15,374,622)	\$ (14,603,983)	\$ (15,852,274)
Business-type activities	340,899	588,606	1,701,759	1,090,154	531,097
Total primary government net expense	<u>\$ (14,621,438)</u>	<u>\$ (13,654,503)</u>	<u>\$ (13,672,863)</u>	<u>\$ (13,513,829)</u>	<u>\$ (15,321,177)</u>

**Note:** The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

(1) Beginning in fiscal year 2005, depreciation expense was allocated to each governmental function.

		<b>Fiscal Year</b>				
		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$	2,224,265	\$ 1,768,237	\$ 1,942,585	\$ 2,254,910	\$ 1,960,828
		956,295	982,222	894,537	919,512	1,014,342
		13,262,454	13,584,392	13,186,914	13,267,069	14,447,794
		3,142,659	6,710,397	3,422,676	3,078,417	3,298,222
		3,170,031	3,231,319	3,023,786	2,948,472	2,894,327
		588,144	474,787	368,157	341,554	305,721
(1)		-	-	-	-	-
		<u>23,343,848</u>	<u>26,751,354</u>	<u>22,838,655</u>	<u>22,809,935</u>	<u>23,921,234</u>
		<u>4,629,498</u>	<u>4,810,946</u>	<u>5,320,165</u>	<u>5,326,218</u>	<u>6,371,769</u>
	\$	<u>27,973,346</u>	<u>31,562,300</u>	<u>28,158,820</u>	<u>28,136,153</u>	<u>30,293,003</u>
	\$	430,957	\$ 1,849,819	\$ 1,079,547	\$ 1,385,308	\$ 1,276,763
		5,138,495	3,330,720	3,874,111	4,118,317	4,300,721
		517,331	3,202,906	103,576	22,685	16,415
		-	-	2,943,490	-	-
		<u>6,086,783</u>	<u>8,383,445</u>	<u>8,000,724</u>	<u>5,526,310</u>	<u>5,593,899</u>
		2,597,751	2,574,842	3,860,560	3,725,006	3,876,235
		3,416,642	3,447,447	3,729,001	3,785,888	3,937,328
		-	4,422	25,500	242,996	179,357
		<u>6,014,393</u>	<u>6,026,711</u>	<u>7,615,061</u>	<u>7,753,890</u>	<u>7,992,920</u>
	\$	<u>12,101,176</u>	<u>14,410,156</u>	<u>15,615,785</u>	<u>13,280,200</u>	<u>13,586,819</u>
	\$	(17,257,065)	\$ (18,367,909)	\$ (14,837,931)	\$ (17,283,625)	\$ (18,327,335)
		1,384,895	1,215,765	2,294,896	2,427,672	1,621,151
	\$	<u>(15,872,170)</u>	<u>(17,152,144)</u>	<u>(12,543,035)</u>	<u>(14,855,953)</u>	<u>(16,706,184)</u>

**SCHEDULE 2**  
**CITY OF HUMBLE, TEXAS**  
**CHANGES IN NET POSITION - continued**  
**Last ten fiscal years (Unaudited)**  
**(accrual basis of accounting)**

	<b>Fiscal Year</b>			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 1,944,596	\$ 2,022,113	\$ 2,109,970	\$ 2,215,469
Sales taxes	9,289,637	9,832,302	10,967,533	11,638,600
Franchise taxes	1,221,527	1,272,787	1,575,870	1,376,856
Hotel/motel occupancy tax	272,544	332,706	436,190	477,379
Other taxes	222,583	240,741	218,937	239,184
Unrestricted contributions	4,695,436	4,479,873	6,061,364	5,821,596
Miscellaneous	-	-	13,105	26,634
Unrestricted investment earnings	60,060	152,638	1,227,378	1,288,347
Transfers	(921,098)	655,919	(2,997,518)	(6,752,803)
Total governmental activities	<u>16,785,285</u>	<u>18,989,079</u>	<u>19,612,829</u>	<u>16,331,262</u>
Business-type activities:				
Unrestricted investment earnings	29,246	92,831	234,088	290,870
Miscellaneous	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-
Transfers	921,098	(655,919)	2,997,518	6,752,803
Total business-type activities	<u>950,344</u>	<u>(563,088)</u>	<u>3,231,606</u>	<u>7,043,673</u>
Total primary government	<u>\$ 17,735,629</u>	<u>\$ 18,425,991</u>	<u>\$ 22,844,435</u>	<u>\$ 23,374,935</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 1,822,948	\$ 4,745,970	\$ 4,238,207	\$ 1,727,279
Business-type activities	1,291,243	25,518	4,933,365	8,133,827
Total primary government	<u>\$ 3,114,191</u>	<u>\$ 4,771,488</u>	<u>\$ 9,171,572</u>	<u>\$ 9,861,106</u>

**Note:** The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**Fiscal Year**

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 2,470,257	\$ 2,488,382	\$ 2,549,820	\$ 2,409,633	\$ 2,470,952	\$ 2,577,384
11,715,509	11,222,435	10,642,809	11,172,162	11,764,836	12,337,228
1,451,095	1,458,452	1,453,757	1,394,592	1,415,797	1,454,209
512,994	423,974	411,283	440,888	540,441	571,612
235,587	283,758	263,556	245,883	252,241	265,964
5,855,459	5,611,218	5,321,405	5,586,081	5,882,418	6,168,614
-	26,826	13,741	9,137	117,118	97,409
593,170	150,830	97,271	53,152	16,200	8,264
462,419	882,304	1,594,556	1,924,063	991,742	2,788,528
<u>23,296,490</u>	<u>22,548,179</u>	<u>22,348,198</u>	<u>23,235,591</u>	<u>23,451,745</u>	<u>26,269,212</u>
165,218	66,645	38,484	14,340	23,642	9,352
-	-	-	-	(86,942)	9,972
-	15,157	-	-	-	-
<u>(462,419)</u>	<u>(882,304)</u>	<u>(1,594,556)</u>	<u>(1,924,063)</u>	<u>(991,742)</u>	<u>(2,788,528)</u>
<u>(297,201)</u>	<u>(800,502)</u>	<u>(1,556,072)</u>	<u>(1,909,723)</u>	<u>(1,055,042)</u>	<u>(2,769,204)</u>
<u>\$ 22,999,289</u>	<u>\$ 21,747,677</u>	<u>\$ 20,792,126</u>	<u>\$ 21,325,868</u>	<u>\$ 22,396,703</u>	<u>\$ 23,500,008</u>
\$ 7,444,216	\$ 5,291,114	\$ 3,980,289	\$ 8,397,660	\$ 6,168,120	\$ 7,941,877
233,896	584,393	(340,307)	385,173	1,372,630	(1,148,053)
<u>\$ 7,678,112</u>	<u>\$ 5,875,507</u>	<u>\$ 3,639,982</u>	<u>\$ 8,782,833</u>	<u>\$ 7,540,750</u>	<u>\$ 6,793,824</u>

**SCHEDULE 3**  
**CITY OF HUMBLE, TEXAS**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**Last ten fiscal years (Unaudited)**  
**(modified accrual basis of accounting)**

	<b>Fiscal Year</b>				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund					
Nonspendable					
Prepaid items	\$ -	\$ 112,133	\$ 173,304	\$ 17,869	\$ 2,565
Restricted					
Transportation					
Public safety	10,232	2,232	5,940	11,503	14,579
Municipal court	5,151	13,285	36,692	96,627	129,528
Committed					
Other purposes	14,016	14,016	14,016	14,016	14,016
Assigned					
Other purposes	20,661	-	464	4,577	2,350
Unassigned	7,054,637	9,483,795	12,218,479	17,392,013	20,290,614
Total general fund	<u>\$ 7,104,697</u>	<u>\$ 9,625,461</u>	<u>\$ 12,448,895</u>	<u>\$ 17,536,605</u>	<u>\$ 20,453,652</u>
All Other Governmental Funds					
Restricted					
Debt service	\$ 863,287	\$ 889,713	\$ 1,743,650	\$ 1,571,862	\$ 1,702,984
Capital projects	3,335,733	13,004,741	18,774,284	6,011,263	2,332,639
Development activities	15,500	8,850	222,439	344,189	564,178
Public safety	9,898	1,679	1,294		613,729
Committed					
Capital projects	437,280	565,033	541,972	528,882	479,600
Other purposes		10,436	9,299	6,185	1,673
Assigned					
Capital projects		43,979	43,979	43,979	43,979
Development activities					
Unassigned					
Total all other governmental funds	<u>\$ 4,661,698</u>	<u>\$ 14,524,431</u>	<u>\$ 21,336,917</u>	<u>\$ 8,506,360</u>	<u>\$ 5,738,782</u>

<b>Fiscal Year</b>				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 10,065	\$ 2,165	\$ 2,998	\$ 2,165	\$ 10,415
		1,869,143	11,413,775	8,055,090
27,696	29,352	52,152	229,880	221,395
190,911	250,236	302,774	365,979	114,830
14,016	14,016	14,016	-	-
33,190	24,946	21,863	91,602	-
23,066,598	24,322,982	26,472,769	23,634,980	32,633,301
<u>\$ 23,342,476</u>	<u>\$ 24,643,697</u>	<u>\$ 28,735,715</u>	<u>\$ 35,738,381</u>	<u>\$ 41,035,031</u>
\$ 1,652,302	\$ 1,256,556	\$ 1,255,955	\$ 1,141,952	\$ 2,166
416,539		301,315	506,394	404,975
412,232	263,193	156,591	157,304	367,781
1,731,941	1,812,501	1,385,793	1,074,247	1,013,666
384,624	67,460	285,622	285,932	-
	9,223	12,795	14,848	-
43,979	43,979	43,979	43,979	136,955
				10,989
(16,172)				
<u>\$ 4,625,445</u>	<u>\$ 3,452,912</u>	<u>\$ 3,442,050</u>	<u>\$ 3,224,656</u>	<u>\$ 1,936,532</u>

**SCHEDULE 4**  
**CITY OF HUMBLE, TEXAS**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**Last ten fiscal years (Unaudited)**  
**(Modified accrual basis of accounting)**

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Revenues</b>					
Property taxes	\$ 1,976,171	\$ 2,026,297	\$ 2,134,033	\$ 2,264,536	\$ 2,410,039
Sales taxes	9,289,637	9,832,302	10,967,533	11,638,600	11,715,509
Franchise taxes	1,221,527	1,272,787	1,575,870	1,376,856	1,451,095
Hotel/motel occupancy taxes	272,545	332,706	436,190	477,379	512,994
Other taxes	222,583	209,092	218,937	239,184	235,587
Licenses and permits	121,564	180,494	155,965	266,860	169,111
Charges for services	831,409	736,716	1,047,500	1,400,160	1,576,373
Fines and forfeitures	1,246,038	1,412,736	1,353,402	1,512,731	2,754,320
Investment income	53,199	149,302	1,223,772	1,287,352	589,198
Intergovernmental	4,894,207	4,659,018	6,223,393	5,873,781	7,006,632
Other	179,839	205,383	125,281	158,627	225,307
Total revenues	<u>20,308,719</u>	<u>21,016,833</u>	<u>25,461,876</u>	<u>26,496,066</u>	<u>28,646,165</u>
<b>Expenditures</b>					
General Government	1,870,218	1,484,206	1,460,658	1,485,886	2,378,958
Court	590,993	601,044	719,001	698,528	821,203
Public safety	9,160,786	9,485,404	9,678,092	10,391,721	11,497,044
Public works	1,897,554	1,859,935	1,908,882	2,059,346	2,092,895
Community services	1,997,353	1,923,292	2,133,260	2,328,377	2,391,875
Capital outlay	230,561	2,444,214	2,022,630	5,484,755	5,758,871
Debt service:					
Bond principal retirement	3,090,000	3,100,000	3,865,000	4,035,000	3,135,000
Capital lease retirement	219,067	292,885	148,342	146,137	153,951
Interest and fiscal charges	575,828	498,270	892,573	866,362	719,318
Total expenditures	<u>19,632,360</u>	<u>21,689,250</u>	<u>22,828,438</u>	<u>27,496,112</u>	<u>28,949,115</u>
Excess (deficiency) of revenues over expenditures	676,359	(672,417)	2,633,438	(1,000,046)	(302,950)
<b>Other Financing Sources (Uses)</b>					
Debt proceeds	227,206	12,400,000	10,000,000	-	-
Transfers	(921,098)	655,918	(2,997,518)	(6,752,802)	462,419
Total other financing sources (uses)	<u>(693,892)</u>	<u>13,055,918</u>	<u>7,002,482</u>	<u>(6,752,802)</u>	<u>462,419</u>
Net change in fund balances	<u>\$ (17,533)</u>	<u>\$ 12,383,501</u>	<u>\$ 9,635,920</u>	<u>\$ (7,752,848)</u>	<u>\$ 159,469</u>
Debt service as a percentage of noncapital expenditures	20.0%	20.2%	23.6%	22.9%	17.3%

<b>Fiscal Year</b>				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 2,570,565	\$ 2,572,441	\$ 2,421,530	\$ 2,470,181	\$ 2,583,342
11,222,435	10,642,809	11,172,162	11,764,836	12,337,228
1,458,452	1,453,757	1,394,592	1,415,797	1,454,209
423,974	411,283	440,888	540,441	571,612
283,758	263,556	245,883	252,241	265,964
192,915	172,770	225,554	194,785	159,535
1,557,228	1,437,422	1,708,923	1,545,103	1,555,415
3,898,274	3,178,042	2,626,438	3,083,056	2,974,525
146,540	92,636	79,013	101,605	97,410
6,128,339	8,520,831	8,616,731	5,905,666	6,178,364
200,259	104,922	115,545	283,882	256,215
<u>28,082,739</u>	<u>28,850,469</u>	<u>29,047,259</u>	<u>27,557,593</u>	<u>28,433,819</u>
2,035,830	1,445,876	1,661,980	1,855,046	1,649,003
863,902	888,667	811,889	823,496	907,848
12,830,461	13,328,222	12,749,384	12,522,049	13,667,913
2,101,999	5,503,659	2,288,273	2,024,168	2,137,537
2,568,124	2,577,179	2,451,070	2,385,502	2,308,631
2,947,067	2,831,187	4,769,049	2,287,558	3,620,071
3,240,000	3,350,000	1,750,000	690,000	2,575,000
-	34,764	31,492	32,547	33,637
602,173	489,223	377,030	343,716	314,181
<u>27,189,556</u>	<u>30,448,777</u>	<u>26,890,167</u>	<u>22,964,081</u>	<u>27,213,821</u>
893,183	(1,598,308)	2,157,092	4,593,512	1,219,998
-	132,440	-	-	-
882,304	1,594,556	1,924,063	991,743	2,788,528
<u>882,304</u>	<u>1,726,996</u>	<u>1,924,063</u>	<u>991,743</u>	<u>2,788,528</u>
\$ <u>1,775,487</u>	\$ <u>128,688</u>	\$ <u>4,081,155</u>	\$ <u>5,585,255</u>	\$ <u>4,008,526</u>
15.8%	14.0%	9.8%	5.2%	12.4%

**SCHEDULE 5**  
**CITY OF HUMBLE, TEXAS**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**Last ten fiscal years (Unaudited)**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2004	\$ 716,002,310	\$ 252,193,330	\$ 968,195,640	\$ 0.19982
2005	736,271,850	260,473,220	996,745,070	0.19982
2006	779,541,707	269,302,690	1,048,844,397	0.20000
2007	812,546,305	287,240,672	1,099,786,977	0.19885
2008	900,899,500	302,201,965	1,203,101,465	0.20000
2009	945,270,605	336,864,865	1,282,135,470	0.20000
2010	929,101,358	337,322,552	1,266,423,910	0.20000
2011	868,727,782	341,239,263	1,209,967,045	0.20000
2012	884,504,443	340,048,942	1,224,553,385	0.20000
2013	913,965,300	368,444,460	1,282,409,760	0.20000

**SCHEDULE 6**  
**CITY OF HUMBLE, TEXAS**  
**PRINCIPAL PROPERTY TAX PAYERS**  
**Current Year and Nine Years Ago (Unaudited)**

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
GGP Deerbrook LP	\$ 95,016,359	1	7.41%	\$ 39,804,560	1	4.11%
Vestar DM LLC	45,294,661	2	3.53%	22,597,200	2	2.33%
Lawlers Foods	32,177,739	3	2.51%	-	0	0.00%
Deerbrook Investment	30,702,726	4	2.39%	16,690,020	3	1.72%
Wal-Mart Stores, Inc.	21,222,930	5	1.65%	14,209,180	7	1.47%
WRI Retail Pool I LP	19,055,165	6	1.49%	13,876,350	8	1.43%
Macy's Retail Holdings, Inc.	18,725,754	7	1.46%	15,215,310	5	1.57%
Fast Group Houston Inc.	17,365,430	8	1.35%	-	-	0.00%
Hydril USA Manufacturing LLC	17,259,508	9	1.35%	-	-	0.00%
Townsen 1960 Assoc.	14,491,678	10	1.13%	-	-	0.00%
Central Telephone Co.	-	-	0.00%	15,786,270	4	1.63%
Centerpoint Energy	-	-	0.00%	14,319,440	6	1.48%
Dillard's	-	-	0.00%	12,825,830	9	1.32%
Wilmington Trust/Kmart	-	-	0.00%	11,896,310	10	1.23%
<b>Total</b>	<b>\$ 311,311,950</b>		<b>24.28%</b>	<b>\$ 177,220,470</b>		<b>18.30%</b>

Source: City tax assessor/collector

**SCHEDULE 7**  
**CITY OF HUMBLE, TEXAS**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**Last ten fiscal years (Unaudited)**

**City Direct Rates**

---

<b>Fiscal Year</b>	<b>Basic Rate</b>	<b>Debt Service</b>	<b>Total Direct Rate</b>	<b>Harris County, Texas</b>
2004	0.132060	0.067760	0.199820	0.399860
2005	0.132060	0.067760	0.199820	0.399860
2006	0.144630	0.055370	0.200000	0.399860
2007	0.150230	0.048620	0.198850	0.402390
2008	0.200000	0.000000	0.200000	0.392390
2009	0.200000	0.000000	0.200000	0.389230
2010	0.200000	0.000000	0.200000	0.392240
2011	0.200000	0.000000	0.200000	0.388050
2012	0.200000	0.000000	0.200000	0.391170
2013	0.200000	0.000000	0.200000	0.400210

**Source:** Tax department records of various taxing authorities.

<b>Harris County Flood Control District</b>	<b>Harris County Hospital District</b>	<b>Port of Houston Authority</b>	<b>HCDE School Equalization</b>	<b>Humble Independent School District</b>	<b>Lone Star College System</b>
0.033180	0.190210	0.016730	0.006290	1.740000	0.114500
0.033180	0.190210	0.016730	0.006290	1.740000	0.114500
0.033220	0.192160	0.014740	0.006290	1.770000	0.120700
0.032410	0.192160	0.013020	0.006290	1.640000	0.116700
0.031060	0.192160	0.014370	0.005853	1.310000	0.114400
0.030860	0.192160	0.017730	0.005840	1.520000	0.110100
0.029220	0.192160	0.016360	0.006050	1.520000	0.110100
0.029230	0.192160	0.020540	0.006581	1.520000	0.117600
0.028090	0.192160	0.018560	0.006581	1.520000	0.121000
0.028090	0.182160	0.019520	0.006617	1.520000	0.119800

**SCHEDULE 8**  
**CITY OF HUMBLE, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last ten fiscal years (Unaudited)**

<b>Fiscal Year Ended September 30,</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>
2004	\$ 1,934,648	\$ 1,902,984	98.4%
2005	1,991,868	1,939,267	97.4%
2006	2,097,689	2,034,986	97.0%
2007	2,187,537	2,135,084	97.6%
2008	2,406,203	2,349,432	97.6%
2009	2,564,271	2,506,096	97.7%
2010	2,532,848	2,474,725	97.7%
2011	2,419,934	2,381,344	98.4%
2012	2,449,107	2,414,156	98.6%
2013	2,564,820	2,538,036	99.0%

**Source:** City tax assessor/collector

<b>Collections in Subsequent Years</b>		<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>
\$	19,693	\$ 1,922,677	99.4%
	42,661	1,981,928	99.5%
	53,699	2,088,685	99.6%
	43,126	2,178,210	99.6%
	47,330	2,396,762	99.6%
	44,875	2,550,971	99.5%
	47,989	2,522,714	99.6%
	12,777	2,394,121	98.9%
	15,687	2,429,843	99.2%
	-	2,538,036	99.0%

**SCHEDULE 9**  
**CITY OF HUMBLE, TEXAS**  
**TAXABLE SALES**  
**Last ten calendar years (Unaudited)**

	<b>Calendar Year</b>				
	<u><b>2004</b></u>	<u><b>2005</b></u>	<u><b>2006</b></u>	<u><b>2007</b></u>	<u><b>2008</b></u>
Retail Sales	\$ 928,963,700	\$ 983,230,200	\$ 1,096,753,300	\$ 1,163,860,000	\$ 1,171,351,500
City direct sales tax rate	1%	1%	1%	1%	1%

Source: Texas Comptroller of Public Accounts

Note: Retail sales information is not available on a fiscal-year basis

**Calendar Year**

---

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 1,102,255,337	\$ 1,074,880,357	\$ 1,121,526,138	\$ 1,189,911,935	\$ 1,230,673,554
1%	1%	1%	1%	1%

**SCHEDULE 10**  
**CITY OF HUMBLE, TEXAS**  
**SALES TAX REVENUE PAYERS BY INDUSTRY**  
**Current year and nine years ago (Unaudited)**

<b>Calendar Year 2012</b>				
	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
Mining, quarrying and oil and gas extraction	5	0.30 %	\$ -	0.00 %
Construction	137	8.27	396,197	3.73
Manufacturing	113	6.84	132,897	1.25
Wholesale Trade	107	6.45	360,031	3.39
Retail Trade	638	38.63	7,233,053	68.00
Transportation and warehousing	8	0.50	3,963	0.04
Information	30	1.82	385,444	3.62
Finance and insurance	15	0.91	6,332	0.06
Real estate, rental and leasing	35	2.12	79,926	0.75
Professional, scientific and technical services	98	5.92	36,265	0.34
Admin, support, waste mgmt and remediation services	102	6.15	333,650	3.14
Educational services	13	0.77	563	0.01
Health care and social assistance	16	0.98	20,404	0.19
Arts, entertainment and recreation	25	1.53	76,723	0.72
Accommodation and food services	155	9.36	1,389,021	13.06
Other services	143	8.68	179,301	1.69
Other	13	0.77	775	0.01
	<u>1,653</u>	<u>100.00 %</u>	<u>\$ 10,634,545</u>	<u>100.00 %</u>

**Source:** Texas Comptroller of Public Accounts

**Note:** 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. Sales tax revenue information is not available on a fiscal-year basis.

**Calendar Year 2003**

<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
4	0.21 %	\$ 249	0.00 %
136	7.63	111,125	1.37
84	4.68	59,353	0.73
79	4.42	124,481	1.53
703	39.47	5,469,051	67.25
5	0.28	2,847	0.04
22	1.23	288,568	3.55
21	1.15	12,022	0.15
25	1.39	84,244	1.04
111	6.24	75,237	0.93
142	7.95	122,431	1.51
9	0.48	1,836	0.02
15	0.84	17,528	0.22
18	1.02	40,260	0.50
146	8.19	988,184	12.16
146	8.16	299,160	3.68
119	6.66	432,257	5.32
<u>1,785</u>	<u>100.00 %</u>	<u>\$ 8,128,833</u>	<u>100.00 %</u>

**SCHEDULE 11**  
**CITY OF HUMBLE, TEXAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last ten fiscal years (Unaudited)**

Fiscal Year	<u>General Bonded Debt</u>		Percentage of Actual Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>	<u>Other Governmental Activities Debt</u>		
	General Obligation Bonds				Capital Leases		
2004	\$	10,435,000	1.08	\$	715.76	\$	372,962
2005		19,335,000	1.94		1,326.22		448,430
2006		25,470,000	2.43		1,747.03		300,089
2007		21,435,000	1.95		1,470.27		153,951
2008		18,300,000	1.52		1,255.23		-
2009		15,060,000	1.17		1,032.99		-
2010		11,710,000	0.92		803.21		97,676
2011		9,960,000	0.82		658.16		66,184
2012		9,270,000	0.76		612.57		33,637
2013		6,695,000	0.52		442.41		-

	<u>Business-type Activities</u>		Total Primary Government <sup>c</sup>	Percentage of Personal Income	Per Capita <sup>b</sup>		
	Water/Sewer Revenue Bonds						
2004	\$	-	\$	10,807,962	4.21	\$	741
2005		-		19,783,430	7.71		1,357
2006		-		25,770,089	10.05		1,768
2007		-		21,588,951	8.42		1,481
2008		-		18,300,000	7.13		1,255
2009		-		15,060,000	5.86		1,033
2010		-		11,807,676	4.60		810
2011		-		10,026,184	2.83		663
2012		-		9,303,637	2.88		615
2013		-		6,695,000	2.30		442

**Notes:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup> See Schedule 5 for taxable property value data.

<sup>b</sup> See Schedule 15 for population and personal income data.

<sup>c</sup> Includes general bonded debt, other governmental activities debt, and business-type activities debt.

**SCHEDULE 12**  
**CITY OF HUMBLE, TEXAS**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**As of September 30, 2013 (Unaudited)**

<u>NAME OF GOVERNMENTAL UNIT</u>	<u>GROSS DEBT OUTSTANDING</u>	<u>HUMBLE CITY'S APPLICABLE PERCENTAGE</u>	<u>HUMBLE CITY'S SHARE OF DEBT</u>
Aldine I.S.D.	\$ 398,600,000	0.79%	\$ 3,148,940
Harris County	2,640,417,190	0.45%	11,881,877
Harris County Department of Education	7,605,000	0.45%	34,223
Harris County Flood Control District	96,470,000	0.45%	434,115
Humble Independent School District	591,255,000	10.33%	61,076,642
Lone Star College System	488,630,000	1.08%	5,277,204
Port of Houston Authority	731,969,397	0.47%	<u>3,440,256</u>
		Net Total Estimated Overlapping Debt	\$ 85,293,257
		City of Humble	<u>6,695,000</u>
		Total Net Direct and Estimated Overlapping Debt	\$ <u>91,988,257</u>
		Total Net Direct and Estimated Overlapping Debt Per Capita	\$ <u>6,079</u>

**Source:** First Southwest Company

**Notes:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and business of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident - and therefore responsible for repaying the debt - of each overlapping government. The basic approach to estimating the applicable percentage of overlapping debt is to divide the value of the revenue base within the overlapping geographic area by the total revenue base of the overlapping government, and multiply this ratio by the overlapping government's outstanding debt.

**SCHEDULE 13**  
**CITY OF HUMBLE, TEXAS**  
**LEGAL DEBT MARGIN INFORMATION**  
**Last ten fiscal years (Unaudited)**

	<b>Fiscal Year</b>				
	<u><b>2004</b></u>	<u><b>2005</b></u>	<u><b>2006</b></u>	<u><b>2007</b></u>	<u><b>2008</b></u>
Debt limit	\$ 96,819,564	\$ 99,674,507	\$ 104,884,440	\$ 109,978,698	\$ 120,310,147
Total net debt applicable to limit	<u>10,435,000</u>	<u>19,335,000</u>	<u>25,470,000</u>	<u>21,435,000</u>	<u>18,300,000</u>
Legal debt margin	<u>\$ 86,384,564</u>	<u>\$ 80,339,507</u>	<u>\$ 79,414,440</u>	<u>\$ 88,543,698</u>	<u>\$ 102,010,147</u>
Total net debt applicable to the limit as a percentage of debt limit	10.78%	19.40%	24.28%	19.49%	15.21%

**Legal Debt margin Calculation for Fiscal Year 2013**

Assessed value	\$ 1,282,409,760
Debt limit (10% of assessed value)	128,240,976
Debt applicable to limit	<u>6,695,000</u>
Legal debt margin	<u>\$ 121,545,976</u>

<b>Fiscal Year</b>				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 128,213,547	\$ 126,642,391	\$ 120,996,705	\$ 122,455,339	\$ 128,240,976
<u>15,060,000</u>	<u>11,710,000</u>	<u>9,960,000</u>	<u>9,270,000</u>	<u>6,695,000</u>
<u>\$ 113,153,547</u>	<u>\$ 114,932,391</u>	<u>\$ 111,036,705</u>	<u>\$ 113,185,339</u>	<u>\$ 121,545,976</u>
11.75%	9.25%	8.23%	7.57%	5.22%

**SCHEDULE 14**  
**CITY OF HUMBLE, TEXAS**  
**PLEDGED-REVENUE COVERAGE**  
**Last ten fiscal years (Unaudited)**

<b>Fiscal Year</b>	<b>Water/Sewer Revenue Bonds</b>					<b>Coverage</b>
	<b>Utility Service Charges</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Annual Debt Service</b>		
2004	\$ -	\$ -	\$ -	\$ -	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-

Notes: There was no outstanding debt backed by pledged revenue during the last ten fiscal years.

**SCHEDULE 15**  
**CITY OF HUMBLE, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last ten fiscal years (Unaudited)**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (2)</b>	<b>Per Capita Personal Income</b>	<b>Median Age (2)</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>
2004	14,579	\$ 256,517,505	\$ 17,595	31.3	6,291	6.2 %
2005	14,579	256,517,505	17,595	31.3	6,834	6.2
2006	14,579	256,517,505	17,595	31.3	4,981	4.8
2007	14,579	256,517,505	17,595	31.3	5,051	4.3
2008	14,579	256,517,505	17,595	31.3	5,048	5.1
2009	14,579	256,881,980	17,620	31.3	5,045	8.5
2010	14,579	256,881,980	17,620	31.3	4,739	8.2
2011	15,133	354,308,929	23,413	30.2	4,509	8.6
2012	15,133	322,832,289	21,333	30.3	4,117	6.3
2013	15,133	290,871,393	19,221	31.9	4,184	6.2

**Sources:**

- (1) 2010 census data
- (2) Humble Chamber of Commerce
- (3) Humble Independent School District
- (4) Texas Workforce Commission

**SCHEDULE 16**  
**CITY OF HUMBLE, TEXAS**  
**PRINCIPAL EMPLOYERS**  
**Current year and seven years ago (Unaudited)**

<b>Employer</b>	<b>2013</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Memorial Hermann	1200	1	N/A
Humble ISD	559	2	N/A
Lawler Foods	423	3	N/A
CDI Seals	400	4	N/A
Walmart	350	5	N/A
Harris County Annex	254	6	N/A
Macy's	247	7	N/A
City of Humble	183	8	N/A
Sam's Club	170	9	N/A
Target	160	10	N/A
Northeast Medical Center	-		N/A
Dillard's	-		N/A
Home Depot	-		N/A
	<u>3946</u>		<u>N/A</u>

**Source:** Human resources departments of all employers listed

**Notes:** Principal employer information not available before 2006.

N/A - information not available

<b>2006</b>		
<b><u>Employees</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total City Employment</u></b>
	N/A	N/A
434	2	N/A
380	4	N/A
	N/A	N/A
420	3	N/A
	N/A	N/A
200	7	N/A
180	8	N/A
239	6	N/A
300	5	N/A
900	1	N/A
143	9	N/A
125	10	N/A
<u>3321</u>		<u>N/A</u>

**SCHEDULE 17**  
**CITY OF HUMBLE, TEXAS**  
**FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**Last ten fiscal years (Unaudited)**

<u>Function/Program</u>	<u>Full-time-Equivalent Employees as of September 30,</u>				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government					
Management services	4	4	4	4	4
Finance	3	3	3	3	4
Court	7	6	7	7	7
Building	5	4	5	5	5
Other	11	11	11	11	10
Police					
Officers	56	58	58	58	57
Civilians	15	15	14	14	17
Fire					
Firefighters and officers	30	32	33	31	35
Civilians	3	4	4	4	4
Other public works	13	14	14	15	15
Parks and recreation	7	7	7	7	7
Water	12	11	12	12	12
Wastewater	10	8	8	8	8
Total	<u>176</u>	<u>177</u>	<u>180</u>	<u>179</u>	<u>185</u>

**Source:** City Human Resources department

**Full-time-Equivalent Employees as of September 30,**

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
4	4	4	3	2
4	4	4	4	5
8	8	8	8	8
5	5	5	5	5
10	9	9	9	10
58	58	59	58	54
19	20	20	18	18
35	35	35	35	35
4	4	4	4	4
15	15	14	15	15
7	7	7	7	7
12	11	11	11	11
9	9	9	9	9
<u>190</u>	<u>189</u>	<u>189</u>	<u>186</u>	<u>183</u>

**SCHEDULE 18**  
**CITY OF HUMBLE, TEXAS**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**Last ten fiscal years (Unaudited)**

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government					
Building permits issued	215	268	249	179	129
Building inspections conducted	662	574	668	611	504
Police					
Physical arrests	2,748	3,266	3,803	3,890	3,281
Parking violations	134	141	146	95	107
Traffic violations	18,796	15,442	17,897	20,541	22,308
Fire					
Emergency responses	2,618	2,684	2,723	2,824	2,951
Fires extinguished	128	151	140	100	71
Inspections	1,152	378	776	820	573
Water					
Number of connections	6,721	7,534	6,996	7,031	7,016
Average daily consumption (thousands of gallons)	3,400	3,324	3,044	2,900	3,012
Peak daily consumption (thousands of gallons)	5,300	6,000	3,951	5,014	4,448
Wastewater					
Average daily sewage treatment (thousands of gallons)	2,300	2,129	2,400	1,932	1,978

N/A - Information not tracked during these years

**Sources:** Various city departments

<b>Fiscal Year</b>				
<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
123	106	114	114	122
487	461	539	450	498
3,446	3,481	4,027	5,308	4,761
400	230	253	190	151
19,128	16,576	16,864	17,700	18,886
2,773	3,095	3,358	3,482	3,647
69	109	114	80	95
802	308	942	573	660
7,033	7,080	7,397	7,379	7,412
3,098	2,997	3,263	3,072	3,046
5,022	4,415	6,764	4,094	4,865
2,091	2,143	2,077	2,103	1,931

**SCHEDULE 19**  
**CITY OF HUMBLE, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**Last ten fiscal years (Unaudited)**

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police					
Patrol units	23	23	23	24	26
Fire stations	2	2	2	2	2
Other public works					
Streets (miles)	49.81	49.84	49.84	49.84	49.84
Traffic signals	7	7	7	7	7
Parks and recreation					
Acreage	32	32	32	32	32
Playgrounds	5	5	5	5	5
Baseball/softball diamonds	-	-	-	-	-
Community centers	2	2	2	2	2
Water					
Water mains (miles)	79.00	79.00	79.00	79.00	81.30
Fire hydrants	727	727	727	729	775
Storage capacity (thousands of gallons)	5,010	5,010	5,010	5,010	5,010
Wastewater					
Sanitary sewers (miles)	56.30	56.30	56.30	56.30	56.90
Storm sewers (miles)	25.25	25.25	25.25	26.50	26.50
Treatment capacity (thousands of gallons)	9,900	9,900	9,900	19,600	19,600

**Sources:** Various city departments

<b>Fiscal Year</b>				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
31	31	31	31	31
2	2	2	2	2
49.84	50.00	49.89	49.89	49.89
7	10	10	10	10
32	32	32	32	32
5	5	5	5	5
-	-	-	-	-
2	2	2	2	2
81.40	81.39	81.72	81.72	81.72
778	778	809	809	809
5,010	5,010	5,010	5,010	5,010
67.70	67.94	68.56	68.56	68.56
31.80	31.26	31.87	32.01	32.01
19,600	19,600	19,600	19,600	19,600

