



# City of Humble, Texas

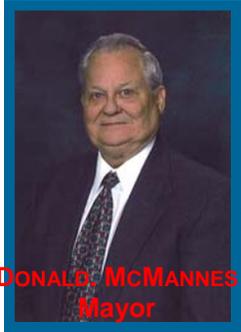


## Comprehensive Annual Financial Report



October 1, 2011 through September 30, 2012

# CITY OF HUMBLE, TEXAS

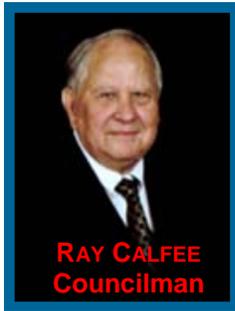


DONALD, McMANNES  
Mayor

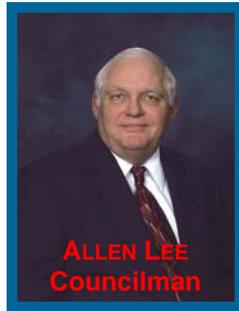
## City Officials



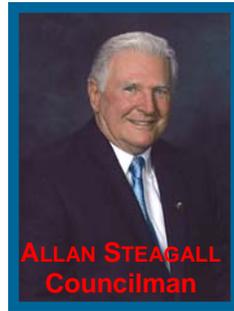
BILL CONNER  
Councilman



RAY CALFEE  
Councilman



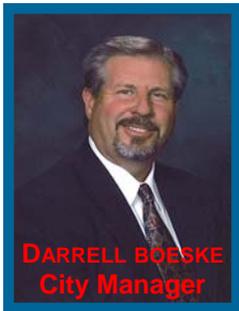
ALLEN LEE  
Councilman



ALLAN STEAGALL  
Councilman



MERLE AARON  
Councilman



DARRELL BOESKE  
City Manager



SUE DANIEL  
City Secretary

September 30, 2012

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**City of Humble, Texas**

**For the fiscal year ended  
September 30, 2012**

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

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## **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  
C. L. "BILL" CONNER  
ALLEN L. LEE  
ALLAN STEAGALL

CITY MANAGER

DARRELL BOESKE

February 20, 2013

CITY SECRETARY  
SUE DANIEL

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, 2012, 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.

Fitts, Roberts and Co., P.C., 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, 2012. 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 2013 increased by \$19,188,327, or 1.63%. The City maintained its tax rate at \$0.20 for the 2012 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 5% in fiscal year 2012 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 \$11.76 million compared to \$11.17 million in the prior year.

## **Accounting and Budgetary Controls**

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 40% 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 2013 over 2012.

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.

## **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, 2011. The

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, 2011. 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 10 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

# 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, 2011

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



*Christopher P. Morrell*

President

*Jeffrey R. Emer*

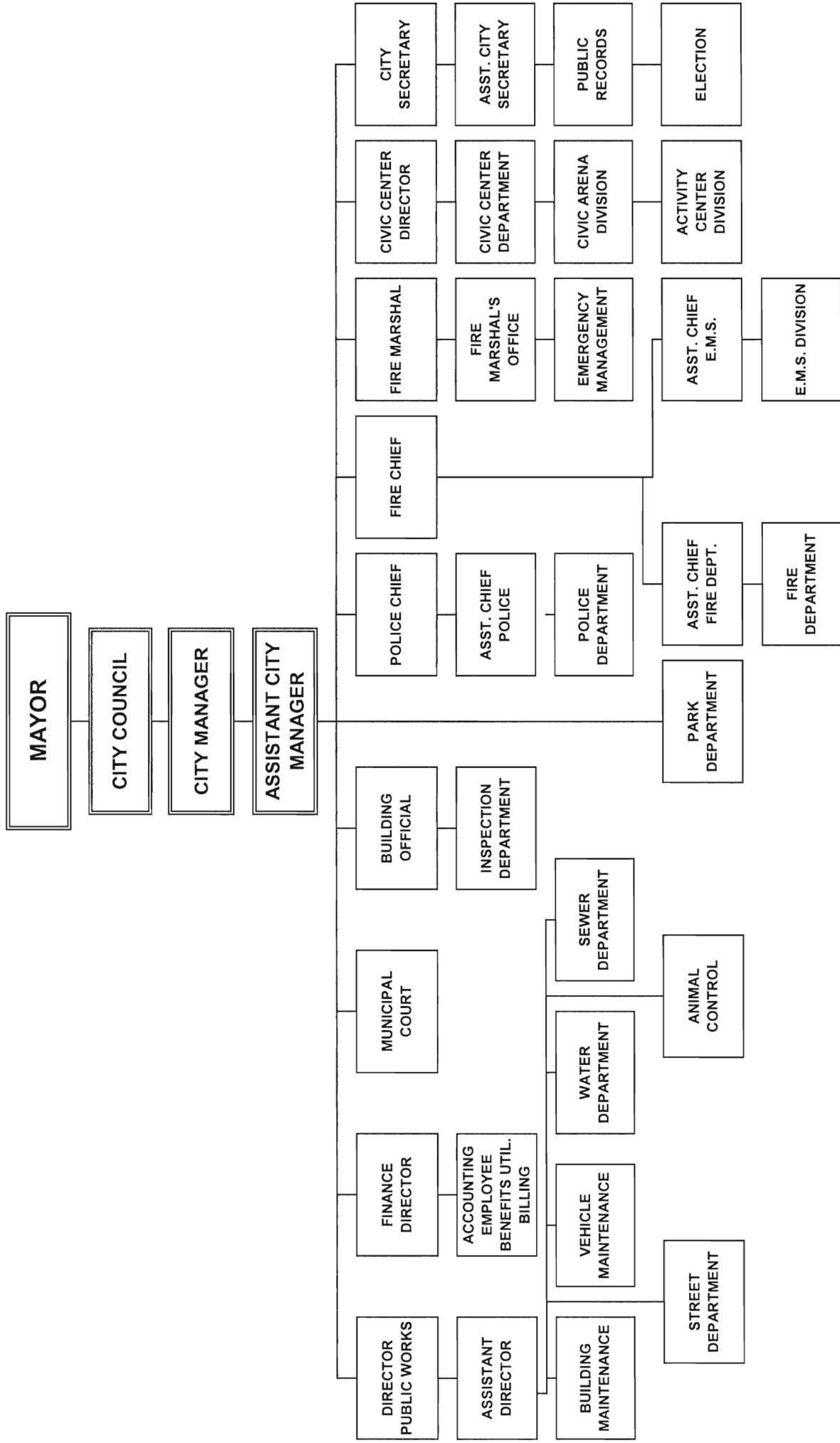
Executive Director

CITY OF HUMBLE, TEXAS  
PRINCIPAL OFFICIALS  
September 30, 2012

<u>City Officials</u>	<u>Elective Position</u>	<u>Term Expires</u>
Donald McMannes	Mayor	2013
Bill Conner	Councilman Position 1	2013
Ray Calfee	Councilman Position 2	2013
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
Sue Daniel	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



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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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 as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note V to the financial statements, beginning fund balances have been restated for errors in the application of accounting principles.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6-16, budgetary comparison information on pages 64-67, and schedules of funding progress on pages 68-69 be presented to supplement the basic financial statements. Such information, although not 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.

**HOUSTON OFFICE**

5718 Westheimer I Suite 800  
Houston, Texas 77057  
Phone | 713.260.5230  
Fax | 713.260.5240

**FORT BEND OFFICE**

Four Sugar Grove Building  
4800 Sugar Grove Blvd. I Suite 100  
Stafford, Texas 77477  
Phone | 281.494.5151

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We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information on pages 72-75 and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information on pages 72-75 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section 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.

*Fitts, Roberts & Co., P.C.*

Houston, Texas  
February 20, 2013

**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, 2012.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$103,816,821 (*net assets*). Of this amount, \$44,010,676 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$7,540,750.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$38,963,037, an increase of \$5,585,255 over the prior year. Approximately 61% of this total amount, \$23,634,980, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$23,634,980 or 122 percent of total general fund expenditures.
- The City's total liabilities decreased by \$494,476 due primarily to debt payments.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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, streets and parks and recreation. 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 30-62 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 72-75, respectively, of this report. This information includes a budgetary comparison of 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$103,816,821 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, 56%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### City of Humble's Net Assets

	Governmental Activities		Business-type Activities		Total 2012
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
Assets:					
Current and other assets:	\$ 44,180,247	\$ 38,531,557	\$ 7,566,559	\$ 5,504,871	\$ 51,746,806
Capital assets, net	<u>37,359,850</u>	<u>37,346,711</u>	<u>29,470,677</u>	<u>30,133,849</u>	<u>66,830,527</u>
Total assets	<u><u>81,540,097</u></u>	<u><u>75,878,268</u></u>	<u><u>37,037,236</u></u>	<u><u>35,638,720</u></u>	<u><u>118,577,333</u></u>

	Governmental Activities		Business-type Activities		Total 2012
	2012	2011	2012	2011	
<b>Liabilities:</b>					
Current liabilities	3,455,832	3,716,077	360,036	358,279	3,815,868
Long-term liabilities	10,359,509	10,619,625	585,135	561,007	10,944,644
Total liabilities	<u>13,815,341</u>	<u>14,335,702</u>	<u>945,171</u>	<u>919,286</u>	<u>14,760,512</u>
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	28,358,775	27,623,090	29,470,677	30,133,849	57,829,452
Restricted for debt service	1,131,963	1,251,648			1,131,963
Restricted for capital projects	844,730	639,342			844,730
Unrestricted	37,389,288	32,028,486	6,621,388	4,585,585	44,010,676
Total net assets	<u>67,724,756</u>	<u>61,542,566</u>	<u>36,092,065</u>	<u>34,719,434</u>	<u>103,816,821</u>
Total liabilities and net assets	<u>\$ 81,540,097</u>	<u>\$ 75,878,268</u>	<u>\$ 37,037,236</u>	<u>\$ 35,638,720</u>	<u>\$ 118,577,333</u>

An additional portion of the City's net assets (1.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$44,010,676) 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 four categories of net assets, 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, 2012.

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

	Governmental activities		Business-type activities		Total 2012
	2012	2011	2012	2011	
<b>Revenues:</b>					
<b>Program revenues:</b>					
Charges for services	\$ 5,503,625	\$ 4,953,658	\$ 7,510,894	\$ 7,589,561	\$ 13,014,519
Operating grants and contributions	22,685	103,576			22,685
Capital grants and Contributions		2,943,490	242,996	25,500	242,996
<b>General revenues:</b>					
Property taxes	2,470,952	2,409,633			2,470,952
Sales taxes	11,764,836	11,172,162			11,764,836
Other taxes	2,208,479	2,081,363			2,208,479
Contributions not restricted to a specific program	5,882,418	5,586,081			5,882,418
Other	133,318	62,289	(63,300)	14,340	70,018
Total revenues	<u>27,986,313</u>	<u>29,312,252</u>	<u>7,690,590</u>	<u>7,629,401</u>	<u>35,676,903</u>

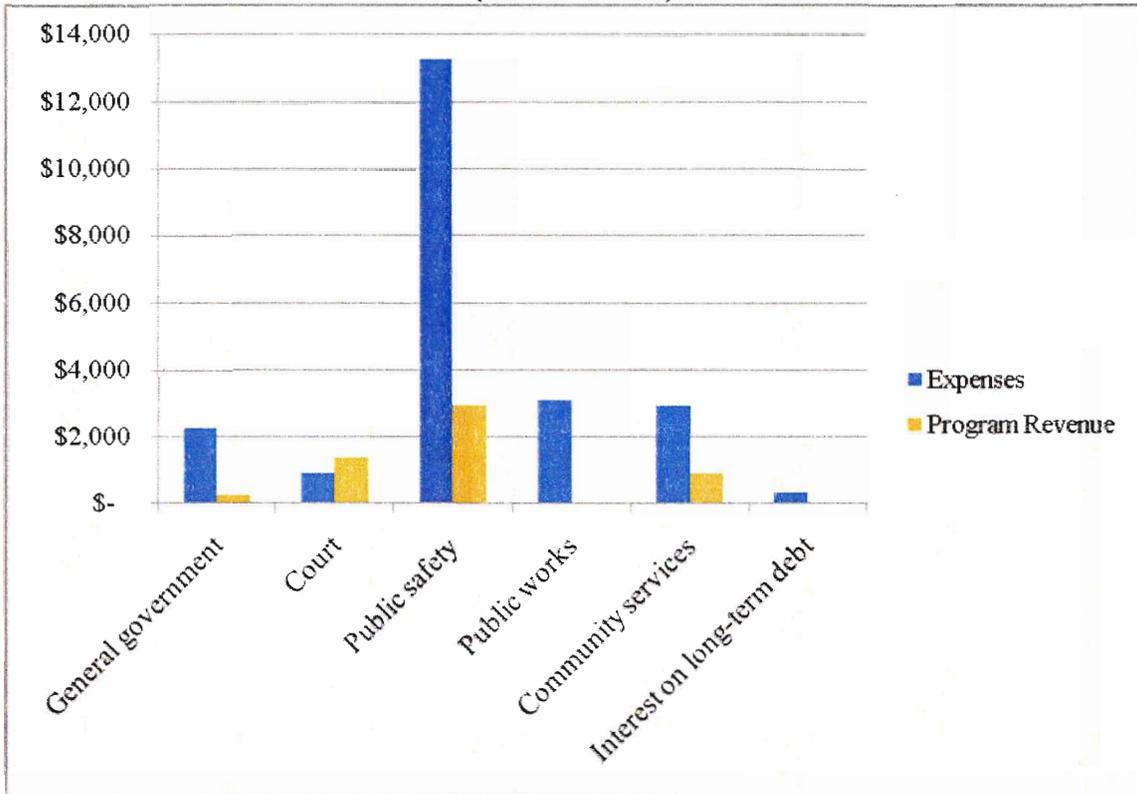
	Governmental activities		Business-type activities		Total
	2012	2011	2012	2011	2012
Expenses:					
General government	1,983,426	1,650,362			1,983,426
Court	844,063	811,516			844,063
Public safety	12,864,122	12,769,175			12,864,122
Public works	2,073,378	2,339,999			2,073,378
Community services	2,429,061	2,453,138			2,429,061
Interest on long-term debt	341,554	368,157			341,554
Depreciation	2,274,331	2,446,308			2,274,331
Water and sewer			5,326,218	5,320,165	5,326,218
Total expenses	<u>22,809,935</u>	<u>22,838,655</u>	<u>5,326,218</u>	<u>5,320,165</u>	<u>28,136,153</u>
Increase in net assets					
before transfers	5,176,378	6,473,597	2,364,372	2,309,236	7,540,750
Transfers	991,742	1,924,063	(991,742)	(1,924,063)	-
Increase in net assets	<u>6,168,120</u>	<u>8,397,660</u>	<u>1,372,630</u>	<u>385,173</u>	<u>7,540,750</u>
Net assets – beginning (restated for governmental and business type activities)	<u>61,556,636</u>	<u>53,158,976</u>	<u>34,719,435</u>	<u>34,334,262</u>	<u>96,276,071</u>
Net assets - ending	<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>

**Governmental Activities.** Governmental activities increased the City’s net assets by \$6,168,120, compared to \$8,397,660 in the prior year, thereby accounting for 81.8 percent of the total growth in the net assets of the City from operations. During 2012 there was a decrease in revenue as described below as well as a slight decrease in expenses of \$28,720. The City’s significant sources of revenue are as follows: sales taxes amounted to \$11,764,836 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 \$5,882,418 for 2012, which accounts for 21 percent of total revenue from governmental activities. Total revenues for 2012 decreased by \$1,325,939 over 2011 with key elements as follows:

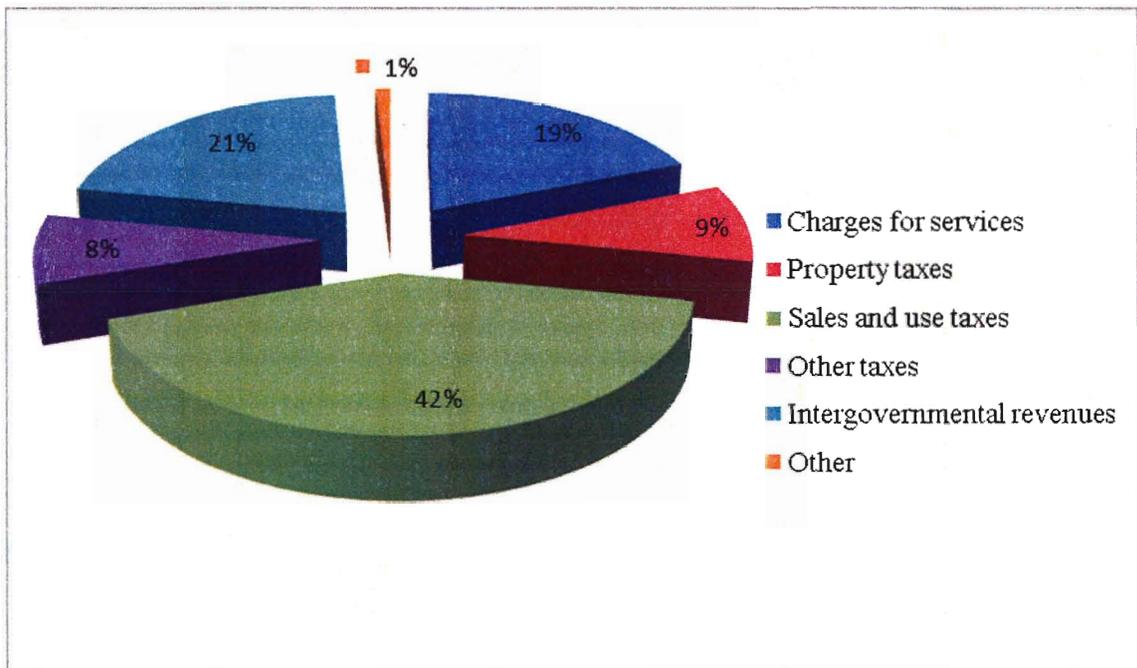
- Capital grants and contributions decreased \$2,943,490 due to the donation of Charles Bender High School by Humble ISD in 2011.
- Sales taxes increased \$592,674 or 5 percent which caused Metro contributions to increase by the same percentage.
- Charges for services increased by 11% for a total of \$549,967.

The total expenses of all governmental activities this year was \$22,809,935 which is a decrease of \$28,720 from the prior year. The public safety function accounts for 56% of this total.

**Expenses and Program Revenues – Governmental Activities  
(in thousand \$)**



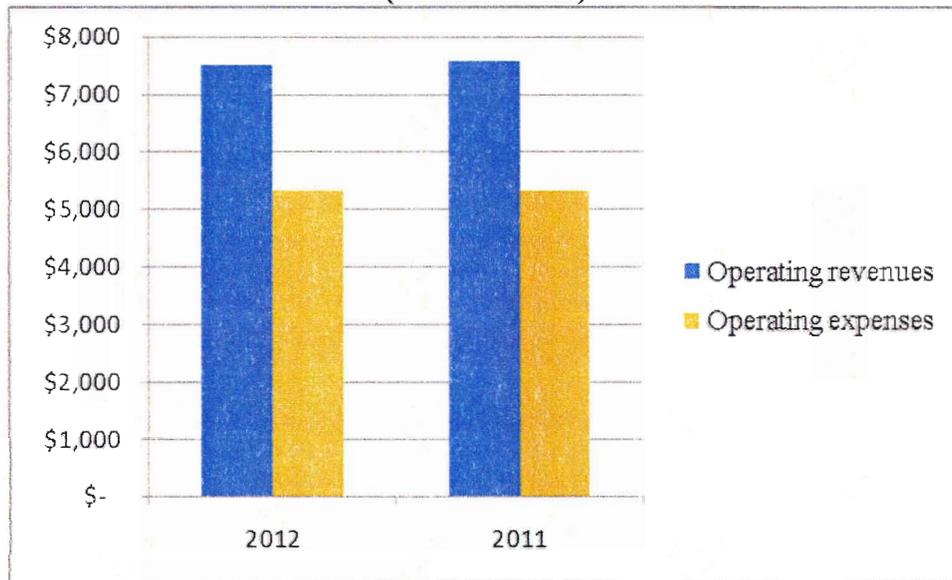
**Revenues by Source – Governmental Activities**



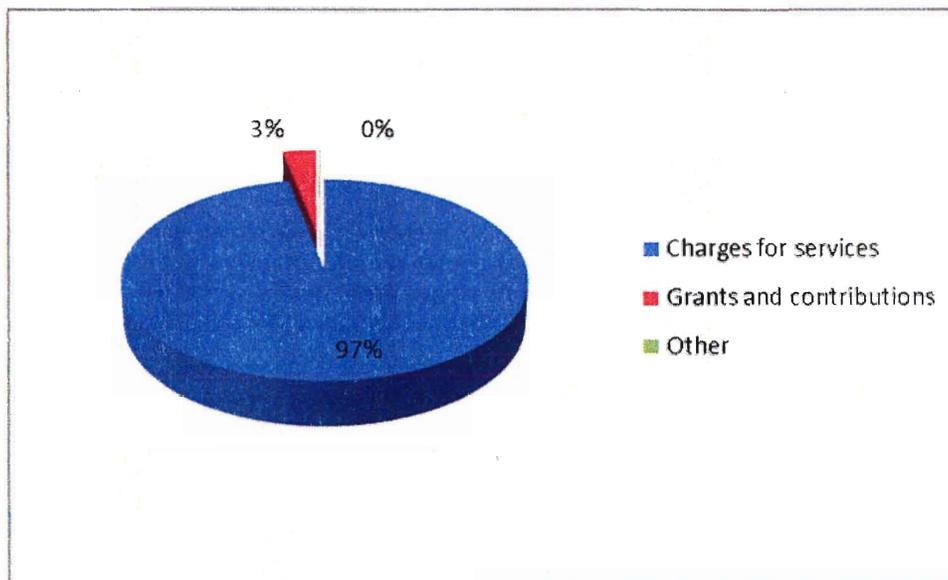
**Business-type activities.** Business-type activities increased the City's net assets by \$1,372,630, accounting for 18.2 percent of the total growth in the government's net assets from operations, compared to an increase in net assets of \$385,173 from the prior year. Income before transfers was \$55,136 more in 2012 than 2011.

Charges for utility services remained relatively flat, a slight decrease of \$78,667 because rates remained the same. A capital grant of \$242,996 was received to purchase auxiliary generators on all lift stations.

**Expenses and Program Revenues – Business-Type Activities**  
(in thousand \$)



**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 \$38,963,037, an increase of \$5,585,255 in the current year. Approximately 61 percent of the combined ending fund balances, \$23,634,980, is *available for spending* at the government's discretion (*unassigned fund balance*).

The General Fund is the chief operating fund of the City. At the end of the current year, its unassigned fund balance was \$23,634,980, while total fund balance reached \$35,738,381. 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 \$23,634,980, or 122% of General Fund expenditures. The General Fund also had nonspendable amounts of \$2,165 for prepaid items; restricted amounts of \$11,413,775 for Metro transportation projects, \$365,979 for Court Security and Technology, \$229,880 for Public Safety; and, an assigned amount for healthcare costs. Fund balance in the General Fund increased from prior year by \$5,802,648.

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

- Property and sales tax revenue, which accounts for approximately 56% of total general fund revenue.
- Intergovernmental revenues account for approximately 23% 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 \$5,882,418 for 2012.

The debt service fund has a total fund balance of \$1,141,952, all of which is reserved for the payment of debt service. Expenditures exceeded revenues by \$1,065,404, with an overall net decrease in fund balance for the year of \$114,003 after transfers. This decrease is due to the bond payment exceeding property taxes collected.

The capital projects fund has a total fund balance of \$836,305, all of which is designated for capital projects. The net increase in fund balance for the fiscal year was \$205,389, which was a smaller increase than 2011, due to fewer street projects.

The red light camera fund has a fund balance of \$1,074,247, 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 assets of the City's Enterprise Fund at the end of the year totaled \$6,621,388. The increase in net assets was \$1,372,630. 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 \$543,286 increase in appropriations for the following budgets: (1) administration department budget increased due to property improvements (capital) of \$345,074 and operating costs of \$70,200 on Charles Bender High School, (2) fire department budget was increased for training and supplies expenses \$9,900, (3) street department capital budget was increased for improvements to the office building \$35,000, and (4) civic center capital expenditure budget was increased \$68,112 for the new wall covering at the center and \$15,000 for television marketing. During the year actual revenues were more than budgeted by \$3,642,575 and actual expenditures were \$1,938,887 less than final budget amounts. These changes were primarily due to the following factors:

- Sales tax collections increased 5% and intergovernmental revenues from the 50% METRO rebate also increased as a result of the increase in sales tax.
- Personnel expenditures accounted for more than \$500,000 of the decrease in actual expenditures due to attrition and departments evaluating needs. Departments reduced expenditures in FY 2011 and continued these reductions in Fiscal Year 2012.

**Red Light Camera Fund.** Actual revenues fell short of the final budget amount by \$370,357, due to less citations issued during the year. Actual expenditures were under the final budget by \$68,562.

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

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$66,830,527 (net of accumulated depreciation). This investment in capital assets includes land, intangibles, buildings, improvements, machinery and equipment.

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

	(Restated)		Business-type		Total	
	Governmental		Activities			
	2012	2011	2012	2011	2012	2011
Land and intangibles	\$ 1,362,752	\$ 1,343,715	\$ 288,667	\$ 288,667	\$ 1,651,419	\$ 1,632,382
Land improvements			360,697	386,567	360,697	386,567
Construction in Progress	73,000	1,082,732	371,643		444,643	1,082,732
Buildings & structures	7,419,108	7,922,993	1,380,132	1,461,623	8,799,240	9,384,616
Underground equipment			26,752,105	27,675,580	26,752,105	27,675,580
Improvements	25,200,182	23,900,424			25,200,182	23,900,424
Vehicles	417,878	543,932	100,328	67,060	518,206	610,992
Other equipment	2,886,930	2,552,915	217,105	254,352	3,104,035	2,807,267
<b>Total</b>	<b>\$ 37,359,850</b>	<b>\$ 37,346,711</b>	<b>\$ 29,470,677</b>	<b>\$ 30,133,849</b>	<b>\$ 66,830,527</b>	<b>\$ 67,480,560</b>

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

- Completed construction on right turning lanes on Will Clayton at Houston Ave and Wilson Road.
- Completed construction on Pond Street/Fisher Road detention pond.
- Awarded engineering contact on Sanitary Sewer Rehabilitation Phase IV Project and Water Plant #6 Elevated and Ground Storage Tank Rehab.

Additional information on the City's capital assets can be found in Note III on pages 45-46 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 \$9,303,637. Bonded debt represents bonds secured solely by specified revenue sources.

**City of Humble's Outstanding Debt**

	Governmental	
	2012	2011
Capital lease obligations	\$ 33,637	\$ 66,184
Certificates of obligation	9,270,000	9,960,000
<b>Total</b>	<b>\$ 9,303,637</b>	<b>\$ 10,026,184</b>

The City's outstanding debt decreased by more than \$700,000 (7 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 47-49 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 2012 was 6.3%, compared to 8.6% in the prior year. The U.S. unemployment rate in September 2012 was 7.8% while the Texas rate was 6.8%.

The City began to experience growth in sales tax revenues once again, ending the year approximately 9% higher than budgeted. The City ended the year with a 5% increase; revenues totaling \$11.76 million were collected compared to \$11.17 million in the prior year.

It is anticipated that economic recovery will continue into fiscal year 2013, with modest revenue growth. The Fiscal Year 2013 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 2013 fiscal year. The total adopted budget for fiscal year 2013, approved by City Council on September 13, 2012, is \$34.39 million and represents a 15.47% increase from the fiscal year 2012 adopted budget. The fiscal year 2013 budget is based on a level tax rate of \$0.20 and 2012 taxable valuation totals \$1.19 billion, a 1.63% increase from the 2011 adjusted tax roll.

During the current fiscal year, unassigned fund balance in the general fund increased to \$23,634,980. It is intended that the use of available fund balance will avoid the need to raise taxes or charges during the 2013 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***

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STATEMENT OF NET ASSETS  
CITY OF HUMBLE, TEXAS  
September 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,326,551	\$ 4,027,249	\$ 20,353,800
Investments	20,387,915	2,909,367	23,297,282
Receivables, net of allowance	6,843,339	1,250,221	8,093,560
Internal balances	620,278	(620,278)	-
Prepaid expenses	2,164		2,164
Capital assets			
Land, construction in progress and intangibles	1,435,752	660,310	2,096,062
Other capital assets, net of accumulated depreciation	35,924,098	28,810,367	64,734,465
<b>TOTAL ASSETS</b>	<b>\$ 81,540,097</b>	<b>\$ 37,037,236</b>	<b>\$ 118,577,333</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 1,708,891	\$ 260,531	\$ 1,969,422
Unearned revenue	142,637		142,637
Accrued interest payable	37,062		37,062
Customer deposits		447,158	447,158
Long-term liabilities:			
Due within one year	1,567,242	99,505	1,666,747
Due in more than one year	10,359,509	137,977	10,497,486
<b>TOTAL LIABILITIES</b>	<b>13,815,341</b>	<b>945,171</b>	<b>14,760,512</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	28,358,775	29,470,677	57,829,452
Restricted for debt service	1,131,963		1,131,963
Restricted for capital projects	844,730		844,730
Unrestricted	37,389,288	6,621,388	44,010,676
<b>TOTAL NET ASSETS</b>	<b>\$ 67,724,756</b>	<b>\$ 36,092,065</b>	<b>\$ 103,816,821</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, 2012

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Functions/Programs:</u>				
Primary government:				
Governmental activities:				
General government	\$ 2,254,910	\$ 270,547	\$ -	\$ -
Court	919,512	1,385,308		
Public safety	13,267,069	2,938,346	21,585	
Public works	3,078,417			
Community services	2,948,472	909,424	1,100	
Interest on long-term debt	341,554			
Total governmental activities	<u>22,809,935</u>	<u>5,503,625</u>	<u>22,685</u>	<u>-</u>
Business-type activities:				
Enterprise administration		147,346		
Water	2,811,803	3,577,660		
Sewer	2,514,415	3,785,888		242,996
Total business-type activities	<u>5,326,218</u>	<u>7,510,894</u>	<u>-</u>	<u>242,996</u>
Total primary government	<u>\$ 28,136,153</u>	<u>\$ 13,014,519</u>	<u>\$ 22,685</u>	<u>\$ 242,996</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 assets
Net assets - beginning
Net assets - ending

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

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,984,363)	\$ -	\$ (1,984,363)
465,796		465,796
(10,307,138)		(10,307,138)
(3,078,417)		(3,078,417)
(2,037,948)		(2,037,948)
(341,554)		(341,554)
<u>(17,283,625)</u>	<u>-</u>	<u>(17,283,625)</u>
	147,346	147,346
	765,857	765,857
	1,514,469	1,514,469
<u>-</u>	<u>2,427,672</u>	<u>2,427,672</u>
<u>\$ (17,283,625)</u>	<u>\$ 2,427,672</u>	<u>\$ (14,855,953)</u>

\$ 2,470,952	\$ -	\$ 2,470,952
11,764,836		11,764,836
1,415,797		1,415,797
540,441		540,441
252,241		252,241
5,882,418		5,882,418
117,118	23,642	140,760
16,200	(86,942)	(70,742)
991,742	(991,742)	-
<u>23,451,745</u>	<u>(1,055,042)</u>	<u>22,396,703</u>
6,168,120	1,372,630	7,540,750
61,556,636	34,719,435	96,276,071
<u>\$ 67,724,756</u>	<u>\$ 36,092,065</u>	<u>\$ 103,816,821</u>

BALANCE SHEET - GOVERNMENTAL FUNDS  
 CITY OF HUMBLE, TEXAS  
 September 30, 2012

	General	Debt Service	Capital Projects	Red Light Camera	Non-Major Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 13,389,323	\$ 115,930	\$ 1,166,695	\$ 1,610,377	\$ 44,225	\$ 16,326,550
Investments	20,238,938		148,977			20,387,915
Receivables	4,749,789	27,796	8,425	1,975,823	81,506	6,843,339
Due from other funds	735,953	1,141,214	683,961	92,652	66,745	2,720,525
Prepaid items	2,165					2,165
<b>TOTAL ASSETS</b>	<b>\$ 39,116,168</b>	<b>\$ 1,284,940</b>	<b>\$ 2,008,058</b>	<b>\$ 3,678,852</b>	<b>\$ 192,476</b>	<b>\$ 46,280,494</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 1,030,363	\$ -	\$ 22,114	\$ 636,458	\$ 19,960	\$ 1,708,895
Due to other funds	630,295	115,915	1,141,214	212,458	364	2,100,246
Deferred revenue	1,717,129	27,073	8,425	1,755,689	-	3,508,316
<b>TOTAL LIABILITIES</b>	<b>3,377,787</b>	<b>142,988</b>	<b>1,171,753</b>	<b>2,604,605</b>	<b>20,324</b>	<b>7,317,457</b>
<b>FUND BALANCES</b>						
Nonspendable						
Prepaid items	2,165					2,165
Restricted						
Debt service		1,141,952				1,141,952
Capital projects	11,413,775		506,394			11,920,169
Development activities					157,304	157,304
Public safety	229,880			1,074,247		1,304,127
Municipal court	365,979					365,979
Committed						
Capital projects			285,932			285,932
Other purposes					14,848	14,848
Assigned						
Capital projects			43,979			43,979
Other purposes	91,602					91,602
Unassigned	23,634,980					23,634,980
<b>TOTAL FUND BALANCES</b>	<b>35,738,381</b>	<b>1,141,952</b>	<b>836,305</b>	<b>1,074,247</b>	<b>172,152</b>	<b>38,963,037</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 39,116,168</b>	<b>\$ 1,284,940</b>	<b>\$ 2,008,058</b>	<b>\$ 3,678,852</b>	<b>\$ 192,476</b>	<b>\$ 46,280,494</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 ASSETS  
 CITY OF HUMBLE, TEXAS  
 September 30, 2012

Total fund balances - governmental funds \$ 38,963,037

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

Capital assets of \$66,201,690 net of accumulated depreciation of  
 \$28,841,840 used in governmental activities are not financial  
 resources and therefore are not reported in the funds. 37,359,850

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

Property taxes	\$ 134,172	
Penalties and interest	79,778	
Fines	2,712,803	
Other fees	438,929	
	<u>3,365,682</u>	3,365,682

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

Accrued interest payable	\$ (37,062)	
Bonds payable	(9,270,000)	
Capital leases payable	(33,637)	
Net pension liability	(335,169)	
OPEB liability	(1,337,180)	
Compensated absences	(950,765)	
	<u>(11,963,813)</u>	(11,963,813)

Net assets of governmental activities \$ 67,724,756

*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, 2012

	General	Debt Service	Capital Projects	Red Light Camera	Non-Major Fund	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 2,469,322	\$ 859	\$ -	\$ -	\$ -	\$ 2,470,181
Sales taxes	11,764,836					11,764,836
Franchise taxes	1,415,797					1,415,797
Hotel/motel occupancy taxes					540,441	540,441
Other taxes	252,241					252,241
Licenses and permits	194,785					194,785
Charges for services	1,542,213				2,890	1,545,103
Fines and forfeitures	1,528,413			1,554,643		3,083,056
Investment income	100,614		527	464		101,605
Intergovernmental	5,905,666					5,905,666
Other	282,782				1,100	283,882
<b>TOTAL REVENUES</b>	<u>25,456,669</u>	<u>859</u>	<u>527</u>	<u>1,555,107</u>	<u>544,431</u>	<u>27,557,593</u>
<b>Expenditures</b>						
Current:						
General government	2,119,926					2,119,926
Court	844,968					844,968
Public safety	12,194,932			1,240,752		13,435,684
Public works	2,201,946					2,201,946
Community services	2,036,059				561,742	2,597,801
Capital outlay			697,493			697,493
Debt service:						
Bond principal retirement		690,000				690,000
Capital lease retirement		32,547				32,547
Interest and fiscal charges		343,716				343,716
<b>TOTAL EXPENDITURES</b>	<u>19,397,831</u>	<u>1,066,263</u>	<u>697,493</u>	<u>1,240,752</u>	<u>561,742</u>	<u>22,964,081</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>6,058,838</u>	<u>(1,065,404)</u>	<u>(696,966)</u>	<u>314,355</u>	<u>(17,311)</u>	<u>4,593,512</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	115,915	1,067,316	972,454		20,078	2,175,763
Transfers out	(372,105)	(115,915)	(70,099)	(625,902)	-	(1,184,021)
<b>OTHER FINANCING SOURCES (USES)</b>	<u>(256,190)</u>	<u>951,401</u>	<u>902,355</u>	<u>(625,902)</u>	<u>20,078</u>	<u>991,742</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>5,802,648</u>	<u>(114,003)</u>	<u>205,389</u>	<u>(311,547)</u>	<u>2,767</u>	<u>5,585,255</u>
Fund balances - beginning (restated)	29,935,733	1,255,955	630,916	1,385,794	169,385	33,377,782
<b>FUND BALANCES - ENDING</b>	<u>\$ 35,738,381</u>	<u>\$ 1,141,952</u>	<u>\$ 836,305</u>	<u>\$ 1,074,247</u>	<u>\$ 172,152</u>	<u>\$ 38,963,037</u>

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, 2012

Net change in fund balances - total governmental funds \$ 5,585,255

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 (\$2,287,558) exceed depreciation (\$2,274,331) in the current period. 13,227

The effect of the sale of capital assets is to decrease net assets. (14,164)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 426,304

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 assets. 722,547

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. (565,049)

Change in net assets of governmental activities \$ 6,168,120

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

STATEMENT OF NET ASSETS - PROPRIETARY FUND  
 CITY OF HUMBLE, TEXAS  
 September 30, 2012

	Enterprise Fund
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 4,027,249
Investments	2,909,367
Receivables, net of allowance of \$265,135	1,250,221
Due from other funds	14
Total current assets	<u>8,186,851</u>
Non-current assets	
Capital assets	
Land & intangibles	288,667
Construction in progress	371,643
Buildings & improvements	4,339,199
Equipment	38,220,783
Less accumulated depreciation	<u>(13,749,615)</u>
Total non-current assets	<u>29,470,677</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 37,657,528</u></u></b>
<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities	
Accounts payable & accrued liabilities	\$ 260,531
Due to other funds	620,292
Accrued compensated absences, current	74,505
Total current liabilities	<u>955,328</u>
Non-current liabilities	
Customer deposits	447,158
Other Post Employment Benefit Obligation (OPEB)	147,906
Accrued compensated absences, noncurrent	15,071
Total non-current liabilities	<u>610,135</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,565,463</u></b>
Net assets	
Invested in capital assets	29,470,677
Unrestricted	6,621,388
<b>TOTAL NET ASSETS</b>	<b><u>36,092,065</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 37,657,528</u></u></b>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 IN FUND NET ASSETS - PROPRIETARY FUND  
 CITY OF HUMBLE, TEXAS  
 For the year ended September 30, 2012

	<u>Enterprise Fund</u>
<b>OPERATING REVENUES</b>	
Charges for sales and services	\$ 7,510,894
Total operating revenues	7,510,894
<b>OPERATING EXPENSES</b>	
Water	2,249,735
Sewer	1,952,347
Depreciation	<u>1,124,136</u>
Total operating expenses	<u>5,326,218</u>
Operating income	2,184,676
<b>NON-OPERATING REVENUES</b>	
Investment income	23,642
Net loss on disposal of assets	<u>(86,942)</u>
Total non-operating income	<u>(63,300)</u>
Income before contributions and transfers	2,121,376
Capital contributions	<u>242,996</u>
Transfers in	70,100
Transfers (out)	<u>(1,061,842)</u>
Increase in net assets	1,372,630
Total net assets, beginning	<u>34,719,435</u>
<b>TOTAL NET ASSETS, ENDING</b>	<u><u>\$ 36,092,065</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, 2012

	<u>Enterprise Fund</u>
Cash Flows From Operating Activities:	
Cash received from customers and users	\$ 7,933,362
Cash payments to suppliers	(3,229,252)
Cash payments to employees	<u>(1,056,389)</u>
Net cash provided by operating activities	3,647,721
Cash Flows From Noncapital Financing Activities:	
Transfers in	70,099
Transfers (out)	<u>(1,061,842)</u>
Net cash (used in) noncapital financing activities	(991,743)
Cash Flows From Capital and Related Financing Activities:	
Capital contributions	242,996
Purchase of capital assets	(548,708)
Proceeds from sale of assets	<u>800</u>
Net cash (used in) capital and related financing activities	(304,912)
Cash Flows From Investing Activities:	
Proceeds from sale of investments	2,095,698
Purchase of investments	(1,706,569)
Investment income	<u>23,642</u>
Net cash provided by investing activities	<u>412,771</u>
Net increase in cash and cash equivalents	2,763,837
Cash and cash equivalents - beginning of year	<u>1,263,412</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 4,027,249</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, 2012

	<u>Enterprise Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 2,184,676
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,124,135
(Increase) decrease in:	
Accounts receivable	422,468
Increase (decrease) in:	
Accounts payable and accrued liabilities	(18,168)
Customer deposits	6,795
Other Post Employment Benefit Obligation (OPEB)	38,679
Compensated absences	(1,418)
Interfund payable	<u>(109,446)</u>
Net cash provided by operating activities	<u>\$ 3,647,721</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 assets 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) and all Financial Accounting Standards Board’s (FASB) standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its proprietary funds as presented by the 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.

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

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

The following classifications 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.

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.

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 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.

***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, 2012, outstanding purchase orders totaled \$91,602. These were the result of normal operations. As such, the City has assigned this amount in the General Fund.

**E. Assets, Liabilities, 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.

Cash balances from all funds are combined and 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.

In accordance with GASB Statement No. 31, the City's 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 1. 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	\$ 271,484
Court	75,449
Public safety	402,947
Public works	1,005,039
Community services	<u>519,411</u>
Total governmental activities depreciation	<u><u>\$ 2,274,331</u></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, 2012. 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 issuance costs, 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, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

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, 2012, the interfund balances were as follows:

General Fund	
Due from Enterprise Fund	\$ 620,038
Due from Debt Service Fund	115,915
	<u>\$ 735,953</u>
Due to Special Revenue Funds	\$ (158,897)
Due to Capital Projects Fund	(471,398)
	<u>\$ (630,295)</u>
Debt Service Fund	
Due from Capital Projects Fund	\$ <u>1,141,214</u>
Due to General Fund	\$ <u>(115,915)</u>
Capital Projects Fund	
Due from General Fund	\$ 471,398
Due from Special Revenue Funds	212,308
Due from Enterprise Fund	254
	<u>\$ 683,960</u>
Due to Debt Service Fund	\$ <u>(1,141,214)</u>
Special Revenue Funds	
Due from General Fund	\$ 158,897
Due from Special Revenue Funds	500
	<u>\$ 159,397</u>
Due to Enterprise Fund	\$ (14)
Due to Special Revenue Funds	(500)
Due to Capital Projects Fund	(212,308)
	<u>\$ (212,822)</u>

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

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

Enterprise Fund	
Due from Special Revenue Funds	\$ <u>14</u>
Due to Capital Projects Fund	\$ (254)
Due to General Fund	<u>(620,038)</u>
	\$ <u>(620,292)</u>

The above interfund balances are amounts remaining to be paid for various cost reimbursements and project funding between funds at September 30, 2012.

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, 2012:

	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Fund	Enterprise Fund	Total Transfers Out
General fund	\$ -	\$ 34,764	\$ 317,262	\$ 20,078	\$ -	\$ 372,104
Debt service fund	115,915					115,915
Capital projects fund					70,099	70,099
Non-major governmental fund			625,902			625,902
Enterprise fund		1,032,552	29,290			1,061,842
Total transfers in	<u>\$ 115,915</u>	<u>\$ 1,067,316</u>	<u>\$ 972,454</u>	<u>\$ 20,078</u>	<u>\$ 70,099</u>	<u>\$ 2,245,862</u>

10. Cost Allocation

Certain indirect costs (specifically administrative overhead) have been included as part of the program expenses reported for the various functions of both governmental and business-type activities in the government-wide statements.

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, 2012. 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 \$20,353,800 and the bank balance was \$20,616,398. Of the bank balance, \$2,474,068 was covered by the Federal Depository Insurance Corporation (FDIC) and \$18,142,330 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, 2012, are:

Investments:	<u>Fair Value</u>
Coupon Treasuries	\$ 16,996,579
Certificates of Deposit	3,658,252
Government Pools (1)	<u>2,642,451</u>
	<u>\$ 23,297,282</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, 2012, 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, 2012, 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	Non- Major	Enterprise	Total
Taxes	\$2,107,502	\$ 20,408	\$ -	\$ 81,506	\$ -	\$ 2,209,416
Accounts	3,781,123				1,513,465	5,294,588
Fines	5,937,083			4,944,897		10,881,980
Interest and penalties	92,118	13,333				105,451
Metro mitigation	958,709					958,709
Assessments			65,016			65,016
Other	14,212				1,891	16,103
Less allowance for doubtful accounts	(8,140,958)	(5,945)	(56,591)	(2,969,073)	(265,135)	(11,437,702)
	<u>\$4,749,789</u>	<u>\$ 27,796</u>	<u>\$ 8,425</u>	<u>\$2,057,330</u>	<u>\$ 1,250,221</u>	<u>\$ 8,093,561</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, 2012 is as follows:

	Balance 10/1/11	Additions	Deletions	Balance 9/30/12
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,343,715	\$ 19,037	\$ -	\$ 1,362,752
Construction in progress	1,082,732	697,493	(1,707,225)	73,000
Total capital assets, not being depreciated:	<u>2,426,447</u>	<u>716,530</u>	<u>(1,707,225)</u>	<u>1,435,752</u>
Capital assets, being depreciated:				
Buildings	14,081,077	57,730		14,138,807
Improvements	36,064,947	2,167,262		38,232,209
Vehicles	4,110,540	98,076	(120,313)	4,088,303
Other equipment	7,397,679	974,220	(65,281)	8,306,618
Total capital assets being depreciated	<u>61,654,243</u>	<u>3,297,288</u>	<u>(185,594)</u>	<u>64,765,937</u>
Less accumulated depreciation for:				
Buildings	6,158,084	561,615		6,719,699
Improvements	12,164,523	867,504		13,032,027
Vehicles	3,566,608	205,706	(101,889)	3,670,425
Other equipment	4,844,764	639,506	(64,582)	5,419,688
Total accumulated depreciation	<u>26,733,979</u>	<u>2,274,331</u>	<u>(166,471)</u>	<u>28,841,839</u>
Total capital assets, being depreciated, net	<u>34,920,264</u>	<u>1,022,957</u>	<u>(19,123)</u>	<u>35,924,098</u>
Governmental activities capital assets, net	<u>\$ 37,346,711</u>	<u>\$ 1,739,487</u>	<u>\$ (1,726,348)</u>	<u>\$ 37,359,850</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, 2012 is as follows:

	Balance 10/1/11	Additions	Deletions	Balance 9/30/12
<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>288,667</u>	<u>371,643</u>	<u>-</u>	<u>660,310</u>
Capital assets, being depreciated:				
Buildings & structures	3,938,668			3,938,668
Land improvements	400,531			400,531
Vehicles	313,455	68,891		382,346
Underground equipment	35,910,671	98,279	(90,768)	35,918,182
Machinery & equipment	1,915,321	9,894	(4,960)	1,920,255
Total capital assets being depreciated	<u>42,478,646</u>	<u>177,064</u>	<u>(95,728)</u>	<u>42,559,982</u>
Less accumulated depreciation for:				
Buildings & structures	2,477,045	81,491		2,558,536
Land improvements	13,964	25,870		39,834
Vehicles	246,395	35,623		282,018
Underground equipment	8,235,091	934,011	(3,025)	9,166,077
Machinery & equipment	1,660,969	47,141	(4,960)	1,703,150
Total accumulated depreciation	<u>12,633,464</u>	<u>1,124,136</u>	<u>(7,985)</u>	<u>13,749,615</u>
Total capital assets, being depreciated, net	<u>29,845,182</u>	<u>(947,072)</u>	<u>(87,743)</u>	<u>28,810,367</u>
Business-type activities capital assets, net	<u>\$ 30,133,849</u>	<u>\$ (575,429)</u>	<u>\$ (87,743)</u>	<u>\$ 29,470,677</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, 2012 was comprised of the following:

	Balance, 9/30/11	Additions	Reductions	Balance, 9/30/12	Due within one year
<b>Governmental activities:</b>					
Certificates of obligation	\$ 9,960,000	\$ -	\$ (690,000)	\$ 9,270,000	\$ 690,000
Capital lease	66,184		(32,547)	33,637	33,637
Compensated absences	858,952	1,138,812	(1,047,000)	950,764	623,605
Net pension obligation	225,806	109,363	-	335,169	-
Other Post Employment Benefit Obligation (OPEB)	974,216	579,189	(216,225)	1,337,180	220,000
<b>Total</b>	<b>\$ 12,085,158</b>	<b>\$ 1,827,364</b>	<b>\$ (1,985,772)</b>	<b>\$ 11,926,751</b>	<b>\$ 1,567,242</b>
<b>Business-type activities:</b>					
Compensated absences	90,994	122,846	(124,264)	89,576	74,505
Other Post Employment Benefit Obligation (OPEB)	109,228	61,720	(23,042)	147,906	25,000
<b>Total</b>	<b>\$ 200,222</b>	<b>\$ 184,566</b>	<b>\$ (147,306)</b>	<b>\$ 237,482</b>	<b>\$ 99,505</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, 2012.

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

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

Certificates of obligation consist of the following:

<u>Description</u>	<u>Interest rates</u>	<u>Original issue</u>	<u>Date of Final Maturity</u>	<u>Balances at 9/30/12</u>
Certificates of Obligation:				
1998 Certificates of Obligation	2.55 to 3.8%	\$ 4,800,000	3/1/19	\$ 2,130,000
2006 Certificates of Obligation	3.42%	10,000,000	8/15/25	7,140,000
				<u>\$ 9,270,000</u>

The annual requirements to amortize certificates of obligation outstanding at September 30, 2012 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 715,000	\$ 318,209
2014	740,000	293,158
2015	765,000	267,093
2016	800,000	239,913
2017	825,000	211,435
2018-2022	3,495,000	653,138
2023-2024	<u>1,930,000</u>	<u>133,722</u>
Total	<u>\$ 9,270,000</u>	<u>\$ 2,116,668</u>

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

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

**Capital Lease.** The City has entered into a lease agreement for financing the acquisition of equipment. This lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The City's capital lease consists of the following at September 30, 2012:

<u>Description</u>	<u>Interest rate</u>	<u>At Origination</u>	<u>Balance at 9/30/12</u>
Capital lease:			
Street Sweeper	3.35%	\$ 132,440	\$ 33,637
Total			<u>\$ 33,637</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	<u>\$ 33,637</u>	<u>\$ 1,127</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 2,696 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 \$1,332,175. The costs incurred to date related to these contracts are \$371,643 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	\$ 5,882,418
State grant awards	9,023
Federal grant awards	<u>14,225</u>
	<u>\$ 5,905,666</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 2012</u>	<u>Plan Year 2011</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/hrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
	70% of CPI	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 actuarial liability over the remainder of the plan's 26-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, 2010 valuation is effective for rates beginning January 2012).

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual required contribution (ARC)	\$ 1,701,890	\$ 1,755,556	\$ 1,715,059
Interest on net pension obligation	16,935	-	-
Adjustment to the ARC	<u>13,587</u>	<u>-</u>	<u>-</u>
Annual pension cost (APC)	1,732,413	1,755,556	1,715,059
Contributions made	<u>(1,623,050)</u>	<u>(1,529,750)</u>	<u>(1,715,059)</u>
Increase (decrease) in net pension	109,363	225,806	-
Net pension obligation/(asset), beg. of year	<u>225,806</u>	<u>-</u>	<u>-</u>
Net pension obligation/(asset), end of year	<u>\$ 335,169</u>	<u>\$ 225,806</u>	<u>\$ -</u>
Percentage of APC contributed	<u>94%</u>	<u>87%</u>	<u>100%</u>

NOTES TO FINANCIAL STATEMENTS  
CITY OF HUMBLE, TEXAS

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

The City's total payroll in fiscal year 2012 was \$10,068,176, and the City's contributions were based on a payroll of \$11,866,771. Contributions made by employees totaled \$678,194, and the City made contributions of \$1,623,050 during the fiscal year ended September 30, 2012.

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, 2011, the most recent actuarial valuation date, is presented as follows:

<b>Fiscal Year</b>	<u>2012</u>
Actuarial valuation date	12/31/2011
(1) Actuarial value of assets	\$ 40,745,169
(2) Actuarial accrued liability (AAL)	\$ 47,504,410
(3) Funded ratio (1) / (2)	85.8%
(4) Unfunded actuarial accrued liability (UAAL) (2) - (1)	\$ 6,759,241
(5) Covered payroll	\$ 11,037,924
(6) UAAL as a percentage of covered payroll (4) / (5)	61.2%

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 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	2012	2011	2011	2010
Actuarial valuation date	12/31/2011	12/31/2010 - restructured	12/31/2010 - prior to restructuring	12/31/2009
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amortization period	26.0 years; closed period	27.1 years; closed period	27.1 years; closed period	28 years; closed period
Amortization Period for new gains/losses	30 years	30 years	30 years	30 years
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial assumptions:				
Investment rate of return *	7.0%	7.0%	7.5%	7.5%
Projected salary increases *	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.0%	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	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, 2012, 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 2012, 2011 and 2010 were \$17,253, \$20,150, and \$18,360, respectively, which equaled the required contributions each year.

***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, 2010 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, 2011, a total of eleven 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 obtained an updated actuarial valuation as of December 31, 2010.

The City’s annual OPEB cost for the fiscal year ending September 30, 2012 is as follows:

	<u>2012</u>
Annual required contribution (ARC)	\$ 592,154
Interest on OPEB obligation	48,755
Adjustment to ARC	<u>(45,171)</u>
Annual OPEB cost (expense) end of year	595,738
Less employer contributions made	<u>(194,095)</u>
Increase in net OPEB obligation	401,643
Net OPEB obligation, beg. of year	<u>1,083,444</u>
Net OPEB obligation, end of year	<u>\$ 1,485,087</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, 2012 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, 2012	\$ 595,738	\$ 194,095	32.6%	\$ 1,485,087
September 30, 2011	\$ 577,517	\$ 282,939	49.0%	\$ 1,083,444
September 30, 2010	\$ 535,685	\$ 181,994	34.0%	\$ 788,866

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, 2010 is as follows:

Actuarial valuation date	12/31/2010
(1) Actuarial value of assets	\$ -
(2) Actuarial accrued liability (AAL)	\$ 5,533,251
(3) Funded ratio (1) / (2)	0%
(4) Unfunded actuarial accrued liability (UAAL) (2) - (1)	\$ 5,533,251
(5) Covered payroll (active plan members)	\$11,037,924
(6) UAAL as a percentage of covered payroll (4) / (5)	50%

Under the reporting parameters, the City’s retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$5,533,251 at December 31, 2010.

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 9.0% declining to an ultimate rate of 4.50% after 9 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 funding progress for both 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. Restatement***

Beginning fund balance of the general fund was restated by a charge of \$1,200,021 to remove the Net Pension Liability of \$225,806 and the OPEB liability of \$974,215 from the fund financial statements. These liabilities should have been recorded on the Government-wide financial statements only and not on the fund financial statements.

***NOTE VI. Subsequent Events***

The City did not have any recognized or non-recognized subsequent events occurring after September 30, 2012. Subsequent events have been evaluated through February 20, 2013, the date the financial statements were available to be issued.

***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, 2012

	Budget Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 2,244,000	\$ 2,244,000	\$ 2,469,322	\$ 225,322
Sales tax	10,800,000	10,800,000	11,764,836	964,836
Franchise fees	1,427,994	1,427,994	1,415,797	(12,197)
Other taxes	245,000	245,000	252,241	7,241
Licenses and permits	165,700	165,700	194,785	29,085
Charges for services	1,457,100	1,457,100	1,542,213	85,113
Fines and forfeitures	1,483,100	1,483,100	1,528,413	45,313
Investment income	49,000	49,000	100,614	51,614
Intergovernmental	3,832,200	3,832,200	5,905,666	2,073,466
Other	110,000	110,000	282,782	172,782
<b>TOTAL REVENUES</b>	<b>21,814,094</b>	<b>21,814,094</b>	<b>25,456,669</b>	<b>3,642,575</b>
<b>EXPENDITURES</b>				
Current:				
Administration				
Personnel	585,485	585,485	586,657	(1,172)
Capital	74,458	419,532	264,880	154,652
All other	1,093,730	1,163,930	1,268,388	(104,457)
Court				
Personnel	465,829	465,829	438,282	27,547
Capital	3,000	3,000	21,473	(18,473)
All other	437,578	437,578	385,213	52,365
Police department				
Personnel	4,783,088	4,783,088	4,438,854	344,234
Capital	4,200	4,200	720,937	(716,737)
All other	3,960,616	3,960,616	2,769,259	1,191,357
Fire department				
Personnel	2,429,243	2,429,243	2,366,432	62,811
Capital	216,521	216,521	144,588	71,933
All other	1,577,685	1,587,585	1,308,092	279,493
Fire marshall				
Personnel	207,338	207,338	206,976	362
Capital	-	-	-	-
All other	123,992	123,992	125,954	(1,962)
Streets				
Personnel	608,385	608,385	572,187	36,198
Capital	58,500	93,500	171,453	(77,953)
All other	1,014,015	1,014,015	721,478	292,537
Park department				
Personnel	420,570	420,570	415,948	4,622
Capital	-	-	2,322	(2,322)
All other	389,750	389,750	283,216	106,534
Civic center				
Personnel	473,735	473,735	502,780	(29,045)
Capital	131,422	199,534	198,034	1,500
All other	707,716	722,716	633,759	88,957

	Budget Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Animal control				
Personnel	64,763	64,763	70,749	(5,986)
Capital	2,500	2,500	0	2,500
All other	70,237	70,237	43,092	27,145
Inspections				
Personnel	271,873	271,873	236,593	35,281
Capital	-	-	-	-
All other	183,327	183,327	128,230	55,098
Vehicle maintenance				
Personnel	153,336	153,336	148,700	4,636
Capital	6,500	6,500	6,326	174
All other	109,239	109,239	90,429	18,810
Building maintenance				
Personnel	104,806	104,806	84,019	20,787
Capital	1,500	1,500	-	1,500
All other	58,494	58,494	42,531	15,963
TOTAL EXPENDITURES	<u>20,793,431</u>	<u>21,336,717</u>	<u>19,397,830</u>	<u>1,938,887</u>
REVENUES OVER EXPENDITURES	<u>1,020,663</u>	<u>477,377</u>	<u>6,058,839</u>	<u>5,581,462</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds			-	-
Operating transfers in			115,915	115,915
Operating transfers (out)	-	-	(372,105)	(372,105)
TOTAL OTHER FINANCING (USES)	<u>-</u>	<u>-</u>	<u>(256,190)</u>	<u>(256,190)</u>
NET CHANGE IN FUND BALANCE	1,020,663	477,377	5,802,649	5,325,272
FUND BALANCE - Beginning	<u>29,935,733</u>	<u>29,935,733</u>	<u>29,935,733</u>	<u>-</u>
FUND BALANCE - Ending	<u>\$ 30,956,396</u>	<u>\$ 30,413,110</u>	<u>\$ 35,738,382</u>	<u>\$ 5,325,272</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, 2012

	Budget Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 1,925,000	\$ 1,925,000	\$ 1,554,643	\$ (370,357)
Investment income	-	-	464	464
TOTAL REVENUES	<u>1,925,000</u>	<u>1,925,000</u>	<u>1,555,107</u>	<u>(369,893)</u>
EXPENDITURES				
Current:				
Public safety	1,309,314	1,309,314	1,240,752	68,562
TOTAL EXPENDITURES	<u>1,309,314</u>	<u>1,309,314</u>	<u>1,240,752</u>	<u>68,562</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>615,686</u>	<u>615,686</u>	<u>314,355</u>	<u>(301,331)</u>
OTHER FINANCING (USES)				
Operating transfers (out)	-	-	(625,902)	(625,902)
TOTAL OTHER FINANCING (USES)	<u>-</u>	<u>-</u>	<u>(625,902)</u>	<u>(625,902)</u>
NET CHANGE IN FUND BALANCE	615,686	615,686	(311,547)	(927,233)
FUND BALANCE - Beginning	<u>1,385,793</u>	<u>1,385,793</u>	<u>1,385,794</u>	<u>-</u>
FUND BALANCE - Ending	<u>\$ 2,001,479</u>	<u>\$ 2,001,479</u>	<u>\$ 1,074,247</u>	<u>\$ (927,233)</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, 2012 (Unaudited)

Fiscal Year	2012	2011	2011	2010
Actuarial valuation date	12/31/2011	12/31/2010 - restructured	12/31/2010 - prior to restructuring	12/31/2009
(1) Actuarial value of assets	\$ 40,745,169	\$ 37,208,688	\$ 25,758,543	\$ 22,957,209
(2) Actuarial accrued liability (AAL)	\$ 47,504,410	\$ 44,481,501	\$ 35,769,522	\$ 32,740,121
(3) Funded ratio (1) / (2)	85.8%	83.6%	72.0%	70.1%
(4) Unfunded actuarial accrued liability (UAAL) (2) - (1)	\$ 6,759,241	\$ 7,272,813	\$ 10,010,979	\$ 9,782,912
(5) Covered payroll	\$ 11,037,924	\$ 10,879,336	\$ 10,879,336	\$ 10,915,524
(6) UAAL as a percentage of covered payroll (4) / (5)	61.2%	66.8%	92.0%	89.6%

*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, 2012 (Unaudited)

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

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

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*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, 2012

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Property taxes	1,000	1,000	859	(141)
Interest	200	200	-	(200)
<b>TOTAL REVENUES</b>	<b>1,200</b>	<b>1,200</b>	<b>859</b>	<b>(341)</b>
<b>EXPENDITURES</b>				
Debt service:				
Bond principal retirement	690,000	690,000	690,000	-
Capital lease retirement	32,547	32,547	32,547	-
Interest and fiscal charges	344,157	344,157	343,716	441
<b>TOTAL EXPENDITURES</b>	<b>1,066,704</b>	<b>1,066,704</b>	<b>1,066,263</b>	<b>441</b>
<b>REVENUES (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(1,065,504)</b>	<b>(1,065,504)</b>	<b>(1,065,404)</b>	<b>100</b>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	-	-	1,067,316	1,067,316
Operating transfers (out)	-	-	(115,915)	(115,915)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>951,401</b>	<b>951,401</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,065,504)</b>	<b>(1,065,504)</b>	<b>(114,003)</b>	<b>951,501</b>
<b>FUND BALANCE - Beginning</b>	<b>1,255,955</b>	<b>1,255,955</b>	<b>1,255,955</b>	<b>-</b>
<b>FUND BALANCE - Ending</b>	<b>\$ 190,451</b>	<b>\$ 190,451</b>	<b>\$ 1,141,952</b>	<b>\$ 951,501</b>

See independent auditor's report

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
CITY OF HUMBLE, TEXAS  
For the year ended September 30, 2012

Function and Activity	Balance at October 1, 2011	Additions	Retirements	Balance at September 30, 2012
General and administrative	\$ 7,654,748	\$ 264,880	\$ (17,220)	\$ 7,902,408
Police	5,870,403	769,046	(68,884)	6,570,565
Municipal Court	2,174,724	21,473		2,196,197
Fire	5,072,201	144,589	(58,287)	5,158,503
Public works	28,183,629	894,307		29,077,936
Parks	1,029,796	2,322		1,032,118
Community services	13,918,238	209,977	(41,204)	14,087,011
Permits/ Inspections	<u>176,951</u>			<u>176,951</u>
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<u>\$64,080,690</u>	<u>\$ 2,306,594</u>	<u>\$ (185,595)</u>	<u>\$ 66,201,689</u>

*See independent auditor's report.*

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY FUNCTION AND ACTIVITY  
 CITY OF HUMBLE, TEXAS  
 September 30, 2012

<u>Function and activity</u>	<u>Total</u>	<u>Land</u>	<u>Construction in Progress</u>
General and administrative	\$ 7,921,443	\$ 1,111,258	\$ -
Police	6,570,565	5,000	
Municipal court	2,196,197		
Fire	5,158,503	4,000	73,000
Public works	29,058,901	62,160	
Parks	1,032,118	178,840	
Community services	14,087,011	1,493	
Permits / inspections	<u>176,951</u>		
<b>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</b>	<u><u>\$ 66,201,689</u></u>	<u><u>\$ 1,362,751</u></u>	<u><u>\$ 73,000</u></u>

*See independent auditor's report.*

<u>Buildings</u>	<u>Improvements</u>	<u>Vehicles</u>	<u>Other Equipment</u>
\$ 5,426,449	\$ 581,086	\$ 163,698	\$ 638,952
1,135,892	225,059	1,098,176	4,106,438
199,811	1,736,049	-	260,337
895,627	153,807	2,169,425	1,862,644
478,167	27,434,844	516,436	567,294
58,610	463,668	49,131	281,869
5,944,251	7,637,696	3,025	500,546
		88,412	88,539
<u>\$ 14,138,807</u>	<u>\$ 38,232,209</u>	<u>\$ 4,088,303</u>	<u>\$ 8,306,619</u>

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## STATISTICAL SECTION

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

### CONTENTS

	Page
<b>Financial Trends</b>	<b>78</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>88</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>98</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>103</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>106</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 ASSETS BY COMPONENT**  
**Last ten fiscal years (Unaudited)**  
**(accrual basis of accounting)**

	<b>Fiscal Year</b>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 12,005,880	\$ 13,864,828	\$ 6,339,961	\$ 806,655
Restricted	3,535,547	4,837,131	14,783,928	22,129,711
Unrestricted	<u>8,353,456</u>	<u>7,015,872</u>	<u>9,339,912</u>	<u>11,765,642</u>
Total governmental activities net assets	<u>\$ 23,894,883</u>	<u>\$ 25,717,831</u>	<u>\$ 30,463,801</u>	<u>\$ 34,702,008</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 15,043,440	\$ 15,920,659	\$ 15,296,506	\$ 20,519,338
Restricted	-	-	-	-
Unrestricted	<u>4,428,886</u>	<u>4,842,910</u>	<u>5,492,581</u>	<u>5,203,114</u>
Total business-type activities net assets	<u>\$ 19,472,326</u>	<u>\$ 20,763,569</u>	<u>\$ 20,789,087</u>	<u>\$ 25,722,452</u>
Primary government				
Invested in capital assets, net of related debt	\$ 27,049,320	\$ 29,785,487	\$ 21,636,467	\$ 21,325,993
Restricted	3,535,547	4,837,131	14,783,928	22,129,711
Unrestricted	<u>12,782,342</u>	<u>11,858,782</u>	<u>14,832,493</u>	<u>16,968,756</u>
Total primary government net assets	<u>\$ 43,367,209</u>	<u>\$ 46,481,400</u>	<u>\$ 51,252,888</u>	<u>\$ 60,424,460</u>

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 16,258,650	\$ 19,253,058	\$ 21,565,617	\$ 23,657,290	\$ 27,623,090	\$ 28,358,775
8,253,580	4,673,666	2,550,748	1,421,829	1,890,990	1,976,693
<u>11,917,057</u>	<u>19,946,779</u>	<u>25,048,252</u>	<u>28,065,787</u>	<u>32,028,486</u>	<u>37,389,288</u>
<u>\$ 36,429,287</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>
\$ 28,024,846	\$ 27,752,116	\$ 28,629,663	\$ 28,668,105	\$ 30,133,849	\$ 29,470,677
-	-	-	-	-	-
<u>5,831,433</u>	<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>\$ 33,856,279</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>
\$ 44,283,496	\$ 47,005,174	\$ 50,195,280	\$ 52,325,395	\$ 57,756,939	\$ 57,829,452
8,253,580	4,673,666	2,550,748	1,421,829	1,890,990	1,976,693
<u>17,748,490</u>	<u>26,284,838</u>	<u>31,093,157</u>	<u>33,731,943</u>	<u>36,614,071</u>	<u>44,010,676</u>
<u>\$ 70,285,566</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>

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

	<b>Fiscal Year</b>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>					
<b>Governmental activities:</b>					
General government	\$ 2,052,491	\$ 2,132,155	\$ 1,704,369	\$ 1,690,228	\$ 1,626,823
Court	253,667	315,485	621,394	684,143	725,292
Public safety	8,306,756	8,891,451	9,164,129	9,829,450	10,470,753
Public works	1,576,179	1,747,387	2,428,930	2,580,880	2,802,370
Community services	1,828,901	1,939,962	2,581,751	2,744,553	2,859,886
Interest on long-term debt	710,418	559,281	437,962	874,022	848,200
Depreciation	1,904,931	1,915,820	-	-	-
Total governmental activities expenses	<u>16,633,343</u>	<u>17,501,541</u>	<u>16,938,535</u>	<u>18,403,276</u>	<u>19,333,324</u>
<b>Business-type activities:</b>					
Enterprise administration	-	-	-	-	-
Water	1,271,907	1,642,596	2,173,325	1,536,796	1,836,207
Sewer	1,234,513	1,818,225	1,614,242	1,658,479	1,908,563
Depreciation	691,662	-	-	-	-
Total business-type activities expenses	<u>3,198,082</u>	<u>3,460,821</u>	<u>3,787,567</u>	<u>3,195,275</u>	<u>3,744,770</u>
Total primary government expenses	<u>\$ 19,831,425</u>	<u>\$ 20,962,362</u>	<u>\$ 20,726,102</u>	<u>\$ 21,598,551</u>	<u>\$ 23,078,094</u>
<b>Program Revenues</b>					
<b>Governmental activities:</b>					
<b>Charges for services:</b>					
Court fines	\$ 920,826	\$ 1,095,482	\$ 1,247,590	\$ 1,200,252	\$ 2,590,766
Other activities	1,394,337	1,443,722	1,447,836	1,828,402	2,069,810
Operating grants and contributions	44,930	-	-	-	68,765
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	<u>2,360,093</u>	<u>2,539,204</u>	<u>2,695,426</u>	<u>3,028,654</u>	<u>4,729,341</u>
<b>Business-type activities:</b>					
<b>Charges for services:</b>					
Water	1,790,779	1,680,086	1,910,898	1,879,727	1,726,844
Sewer	2,178,775	2,121,634	2,465,275	2,897,205	3,108,080
Capital grants and contributions	-	-	-	120,102	-
Total business-type activities program revenues	<u>3,969,554</u>	<u>3,801,720</u>	<u>4,376,173</u>	<u>4,897,034</u>	<u>4,834,924</u>
Total primary government program revenues	<u>\$ 6,329,647</u>	<u>\$ 6,340,924</u>	<u>\$ 7,071,599</u>	<u>\$ 7,925,688</u>	<u>\$ 9,564,265</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (14,273,250)	\$ (14,962,337)	\$ (14,243,109)	\$ (15,374,622)	\$ (14,603,983)
Business-type activities	771,472	340,899	588,606	1,701,759	1,090,154
Total primary government net expense	<u>\$ (13,501,778)</u>	<u>\$ (14,621,438)</u>	<u>\$ (13,654,503)</u>	<u>\$ (13,672,863)</u>	<u>\$ (13,513,829)</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.

		Fiscal Year				
		2008	2009	2010	2011	2012
		\$ 2,578,154	\$ 2,224,265	\$ 1,768,237	\$ 1,942,585	\$ 2,254,910
		911,395	956,295	982,222	894,537	919,512
		12,162,599	13,262,454	13,584,392	13,186,914	13,267,069
		3,072,609	3,142,659	6,710,397	3,422,676	3,078,417
		2,991,041	3,170,031	3,231,319	3,023,786	2,948,472
		705,252	588,144	474,787	368,157	341,554
(1)	(1)	-	-	-	-	-
		<u>22,421,050</u>	<u>23,343,848</u>	<u>26,751,354</u>	<u>22,838,655</u>	<u>22,809,935</u>
		-	-	-	-	-
		2,324,975	2,286,757	2,399,888	2,979,973	2,811,803
		2,515,883	2,342,741	2,411,058	2,340,192	2,514,415
(1)	(1)	-	-	-	-	-
		<u>4,840,858</u>	<u>4,629,498</u>	<u>4,810,946</u>	<u>5,320,165</u>	<u>5,326,218</u>
		<u>\$ 27,261,908</u>	<u>\$ 27,973,346</u>	<u>\$ 31,562,300</u>	<u>\$ 28,158,820</u>	<u>\$ 28,136,153</u>
		\$ 1,529,618	\$ 430,957	\$ 1,849,819	\$ 1,079,547	\$ 1,385,308
		3,878,221	5,138,495	3,330,720	3,874,111	4,118,317
		1,160,937	517,331	3,202,906	103,576	22,685
					2,943,490	-
		<u>6,568,776</u>	<u>6,086,783</u>	<u>8,383,445</u>	<u>8,000,724</u>	<u>5,526,310</u>
		2,343,749	2,597,751	2,574,842	3,860,560	3,725,006
		3,028,206	3,416,642	3,447,447	3,729,001	3,785,888
		-	-	4,422	25,500	242,996
		<u>5,371,955</u>	<u>6,014,393</u>	<u>6,026,711</u>	<u>7,615,061</u>	<u>7,753,890</u>
		<u>\$ 11,940,731</u>	<u>\$ 12,101,176</u>	<u>\$ 14,410,156</u>	<u>\$ 15,615,785</u>	<u>\$ 13,280,200</u>
		\$ (15,852,274)	\$ (17,257,065)	\$ (18,367,909)	\$ (14,837,931)	\$ (17,283,625)
		531,097	1,384,895	1,215,765	2,294,896	2,427,672
		<u>\$ (15,321,177)</u>	<u>\$ (15,872,170)</u>	<u>\$ (17,152,144)</u>	<u>\$ (12,543,035)</u>	<u>\$ (14,855,953)</u>

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

	<b>Fiscal Year</b>			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 1,865,676	\$ 1,944,596	\$ 2,022,113	\$ 2,109,970
Sales taxes	8,688,182	9,289,637	9,832,302	10,967,533
Franchise taxes	1,141,845	1,221,527	1,272,787	1,575,870
Hotel/motel occupancy tax	257,688	272,544	332,706	436,190
Other taxes	196,494	222,583	240,741	218,937
Unrestricted contributions	4,360,671	4,695,436	4,479,873	6,061,364
Miscellaneous	33,349	-	-	13,105
Unrestricted investment earnings	114,936	60,060	152,638	1,227,378
Transfers	535,409	(921,098)	655,919	(2,997,518)
Total governmental activities	<u>17,194,250</u>	<u>16,785,285</u>	<u>18,989,079</u>	<u>19,612,829</u>
Business-type activities:				
Unrestricted contributions	-	-	-	-
Unrestricted investment earnings	47,245	29,246	92,831	234,088
Miscellaneous	-	-	-	-
Gain (loss) on sale of assets	(111,506)	-	-	-
Transfers	(535,409)	921,098	(655,919)	2,997,518
Total business-type activities	<u>(599,670)</u>	<u>950,344</u>	<u>(563,088)</u>	<u>3,231,606</u>
Total primary government	<u>\$ 16,594,580</u>	<u>\$ 17,735,629</u>	<u>\$ 18,425,991</u>	<u>\$ 22,844,435</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ 2,921,000	\$ 1,822,948	\$ 4,745,970	\$ 4,238,207
Business-type activities	171,802	1,291,243	25,518	4,933,365
Total primary government	<u>\$ 3,092,802</u>	<u>\$ 3,114,191</u>	<u>\$ 4,771,488</u>	<u>\$ 9,171,572</u>

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

Fiscal Year					
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 2,215,469	\$ 2,470,257	\$ 2,488,382	\$ 2,549,820	\$ 2,409,633	\$ 2,470,952
11,638,600	11,715,509	11,222,435	10,642,809	11,172,162	11,764,836
1,376,856	1,451,095	1,458,452	1,453,757	1,394,592	1,415,797
477,379	512,994	423,974	411,283	440,888	540,441
239,184	235,587	283,758	263,556	245,883	252,241
5,821,596	5,855,459	5,611,218	5,321,405	5,586,081	5,882,418
26,634	-	26,826	13,741	9,137	117,118
1,288,347	593,170	150,830	97,271	53,152	16,200
(6,752,803)	462,419	882,304	1,594,556	1,924,063	991,742
<u>16,331,262</u>	<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>
-	-	-	-	-	-
290,870	165,218	66,645	38,484	14,340	23,642
-	-	-	-	-	(86,942)
-	-	15,157	-	-	-
6,752,803	(462,419)	(882,304)	(1,594,556)	(1,924,063)	(991,742)
<u>7,043,673</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>\$ 23,374,935</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>
\$ 1,727,279	\$ 7,444,216	\$ 5,291,114	\$ 3,980,289	\$ 8,397,660	\$ 6,168,120
8,133,827	233,896	584,393	(340,307)	385,173	1,372,630
<u>\$ 9,861,106</u>	<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>

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

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Nonspendable					
Prepaid items	\$ 104,000	\$ -	\$ 112,133	\$ 173,304	\$ 17,869
Restricted					
Capital projects					
Public safety	3,720	10,232	2,232	5,940	11,503
Municipal court		5,151	13,285	36,692	96,627
Committed					
Other purposes	14,016	14,016	14,016	14,016	14,016
Assigned					
Other purposes	24,827	20,661	-	464	4,577
Unassigned	6,974,025	7,054,637	9,483,795	12,218,479	17,392,013
Total general fund	<u>\$ 7,120,588</u>	<u>\$ 7,104,697</u>	<u>\$ 9,625,461</u>	<u>\$ 12,448,895</u>	<u>\$ 17,536,605</u>
All Other Governmental Funds					
Restricted					
Debt service	\$ 833,454	\$ 863,287	\$ 889,713	\$ 1,743,650	\$ 1,571,862
Capital projects	3,382,599	3,335,733	13,004,741	18,774,284	6,011,263
Development activities	34,462	15,500	8,850	222,439	344,189
Public safety		9,898	1,679	1,294	
Committed					
Capital projects	412,825	437,280	565,033	541,972	528,882
Other purposes			10,436	9,299	6,185
Assigned					
Capital projects			43,979	43,979	43,979
Unassigned					
Total all other governmental funds	<u>\$ 4,663,340</u>	<u>\$ 4,661,698</u>	<u>\$ 14,524,431</u>	<u>\$ 21,336,917</u>	<u>\$ 8,506,360</u>

\* As noted in Note V, this balance has been restated.

<b>Fiscal Year</b>				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 2,565	\$ 10,065	\$ 2,165	\$ 2,998	\$ 2,165
			1,869,143	11,413,775
14,579	27,696	29,352	52,152	229,880
129,528	190,911	250,236	302,774	365,979
14,016	14,016	14,016	14,016	-
2,350	33,190	24,946	21,863	91,602
20,290,614	23,066,598	24,322,982	26,472,769	23,634,980 *
<u>\$ 20,453,652</u>	<u>\$ 23,342,476</u>	<u>\$ 24,643,697</u>	<u>\$ 28,735,715</u>	<u>\$ 35,738,381</u>
\$ 1,702,984	\$ 1,652,302	\$ 1,256,556	\$ 1,255,955	\$ 1,141,952
2,332,639	416,539		301,315	506,394
564,178	412,232	263,193	156,591	157,304
613,729	1,731,941	1,812,501	1,385,793	1,074,247
479,600	384,624	67,460	285,622	285,932
1,673		9,223	12,795	14,848
43,979	43,979	43,979	43,979	43,979
	(16,172)			
<u>\$ 5,738,782</u>	<u>\$ 4,625,445</u>	<u>\$ 3,452,912</u>	<u>\$ 3,442,050</u>	<u>\$ 3,224,656</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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Revenues</b>					
Property taxes	\$ 1,848,321	\$ 1,976,171	\$ 2,026,297	\$ 2,134,033	\$ 2,264,536
Sales taxes	8,688,182	9,289,637	9,832,302	10,967,533	11,638,600
Franchise taxes	1,141,845	1,221,527	1,272,787	1,575,870	1,376,856
Hotel/motel occupancy taxes	257,688	272,545	332,706	436,190	477,379
Other taxes	196,494	222,583	209,092	218,937	239,184
Licenses and permits	187,941	121,564	180,494	155,965	266,860
Charges for services	770,889	831,409	736,716	1,047,500	1,400,160
Fines and forfeitures	1,064,202	1,246,038	1,412,736	1,353,402	1,512,731
Interest	112,075	53,199	149,302	1,223,772	1,287,352
Intergovernmental	4,580,131	4,894,207	4,659,018	6,223,393	5,873,781
Other	163,188	179,839	205,383	125,281	158,627
<b>Total revenues</b>	<u>19,010,956</u>	<u>20,308,719</u>	<u>21,016,833</u>	<u>25,461,876</u>	<u>26,496,066</u>
<b>Expenditures</b>					
General Government	1,760,100	1,870,218	1,484,206	1,460,658	1,485,886
Court	569,088	590,993	601,044	719,001	698,528
Public safety	8,735,625	9,160,786	9,485,404	9,678,092	10,391,721
Public works	1,682,419	1,897,554	1,859,935	1,908,882	2,059,346
Community services	1,864,828	1,997,353	1,923,292	2,133,260	2,328,377
Capital outlay	584,334	230,561	2,444,214	2,022,630	5,484,755
Debt service:					
Bond principal retirement	3,165,000	3,090,000	3,100,000	3,865,000	4,035,000
Capital lease retirement	190,839	219,067	292,885	148,342	146,137
Interest and fiscal charges	729,473	575,828	498,270	892,573	866,362
<b>Total expenditures</b>	<u>19,281,706</u>	<u>19,632,360</u>	<u>21,689,250</u>	<u>22,828,438</u>	<u>27,496,112</u>
Excess (deficiency) of revenues over expenditures	(270,750)	676,359	(672,417)	2,633,438	(1,000,046)
<b>Other Financing Sources (Uses)</b>					
Debt proceeds	165,497	227,206	12,400,000	10,000,000	-
Transfers	535,409	(921,098)	655,918	(2,997,518)	(6,752,802)
<b>Total other financing sources (uses)</b>	<u>700,906</u>	<u>(693,892)</u>	<u>13,055,918</u>	<u>7,002,482</u>	<u>(6,752,802)</u>
<b>Net change in fund balances</b>	<u>\$ 430,156</u>	<u>\$ (17,533)</u>	<u>\$ 12,383,501</u>	<u>\$ 9,635,920</u>	<u>\$ (7,752,848)</u>
Debt service as a percentage of noncapital expenditures	21.8%	20.0%	20.2%	23.6%	22.9%

**Fiscal Year**

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 2,410,039	\$ 2,570,565	\$ 2,572,441	\$ 2,421,530	\$ 2,470,181
11,715,509	11,222,435	10,642,809	11,172,162	11,764,836
1,451,095	1,458,452	1,453,757	1,394,592	1,415,797
512,994	423,974	411,283	440,888	540,441
235,587	283,758	263,556	245,883	252,241
169,111	192,915	172,770	225,554	194,785
1,576,373	1,557,228	1,437,422 *	1,708,923	1,545,103
2,754,320	3,898,274	3,178,042	2,626,438	3,083,056
589,198	146,540	92,636	79,013	101,605
7,006,632	6,128,339	8,520,831	8,616,731	5,905,666
225,307	200,259	104,922	115,545	283,882
<u>28,646,165</u>	<u>28,082,739</u>	<u>28,850,469</u>	<u>29,047,259</u>	<u>27,557,593</u>
2,378,958	2,035,830	1,445,876	1,661,980	1,855,046
821,203	863,902	888,667	811,889	823,496
11,497,044	12,830,461	13,328,222	12,749,384	12,522,049
2,092,895	2,101,999	5,503,659	2,288,273	2,024,168
2,391,875	2,568,124	2,577,179	2,451,070	2,385,502
5,758,871	2,947,067	2,831,187	4,769,049	2,287,558
3,135,000	3,240,000	3,350,000	1,750,000	690,000
153,951	-	34,764	31,492	32,547
719,318	602,173	489,223	377,030	343,716
<u>28,949,115</u>	<u>27,189,556</u>	<u>30,448,777</u>	<u>26,890,167</u>	<u>22,964,081</u>
(302,950)	893,183	(1,598,308)	2,157,092	4,593,512
-	-	132,440	-	-
462,419	882,304	1,594,556	1,924,063	991,743
<u>462,419</u>	<u>882,304</u>	<u>1,726,996</u>	<u>1,924,063</u>	<u>991,743</u>
\$ 159,469	\$ 1,775,487	\$ 128,688	\$ 4,081,155	\$ 5,585,255
17.3%	15.8%	14.0%	9.8%	5.2%

**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>
2003	\$ 680,200,460	\$ 247,281,670	\$ 927,482,130	\$ 0.19982
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

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

Taxpayer	2012			2003		
	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	\$ 58,298,313	1	4.76%	\$ 41,526,200	1	4.48%
IVC Deerbrook LLC	41,022,159	2	3.35%	19,639,390	2	2.12%
Lawlers Foods	33,684,201	3	2.75%	-	-	0.00%
Deerbrook Investment	27,930,825	4	2.28%	15,336,600	3	1.65%
Wal-Mart Stores, Inc.	21,264,706	5	1.74%	13,484,380	8	1.45%
Macy's Retail Holdings, Inc.	19,126,895	6	1.56%	15,101,370	4	1.63%
Fast Group Houston Inc.	18,248,652	7	1.49%	-	-	0.00%
WRI Retail Pool I LP	17,563,908	8	1.43%	13,853,180	6	1.49%
Hydril USA Manufacturing LLC	16,844,810	9	1.38%	-	-	0.00%
Townsen 1960 Assoc.	12,955,319	10	1.06%	-	-	0.00%
Central Telephone Co.	-	-	0.00%	14,392,990	5	1.55%
Centerpoint Energy	-	-	0.00%	13,828,400	7	1.49%
Dillard's	-	-	0.00%	12,214,730	9	1.32%
Wilmington Trust/Kmart	-	-	0.00%	12,107,790	10	1.31%
<b>Total</b>	<b>\$ 266,939,788</b>		<b>21.79%</b>	<b>\$ 171,485,030</b>		<b>18.49%</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**

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<b>Fiscal Year</b>		<b>Basic Rate</b>		<b>Debt Service</b>		<b>Total Direct Rate</b>	<b>Harris County, Texas</b>
2003	\$	0.127860	\$	0.071960	\$	0.199820	\$ 0.388030
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

**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>School Equalization</b>	<b>Humble Independent School District</b>	<b>Lone Star College System</b>
\$ 0.041740	\$ 0.190210	\$ 0.020000	\$ 0.006290	\$ 1.740000	\$ 0.114500
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

**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>
2003	\$ 1,852,458	\$ 1,817,882	98.1%
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%

**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>
\$	23,340	\$ 1,841,222	99.4%
	16,948	1,919,932	99.2%
	38,710	1,977,977	99.3%
	44,399	2,079,385	99.1%
	23,115	2,158,199	98.7%
	-	2,349,432	97.6%
	24,286	2,530,382	98.7%
	50,619	2,525,343	99.7%
	21,016	2,402,359	99.3%
	29,216	2,443,372	99.8%

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

	<b>Calendar Year</b>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Retail Sales	\$ 864,078,000	\$ 928,963,700	\$ 983,230,200	\$ 1,096,753,300	\$ 1,163,860,000
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**

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<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 1,171,351,500	\$ 1,102,255,337	\$ 1,074,880,357	\$ 1,121,526,138	\$ 1,092,072,478
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 2011</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	0.29 %	-	0.00 %
Construction	143	8.81	335,652	3.39
Manufacturing	107	6.58	88,458	0.89
Wholesale Trade	104	6.42	348,394	3.52
Retail Trade	619	38.14	6,859,752	69.24
Transportation and warehousing	7	0.40	2,922	0.03
Information	28	1.74	321,394	3.24
Finance and insurance	14	0.85	6,943	0.07
Real estate, rental and leasing	32	1.96	61,924	0.63
Professional, scientific and technical services	91	5.61	38,816	0.39
Admin, support, waste mgmt and remediation services	114	6.99	325,983	3.29
Educational services	12	0.71	534	0.01
Health care and social assistance	13	0.80	9,381	0.09
Arts, entertainment and recreation	23	1.42	64,339	0.65
Accommodation and food services	153	9.44	1,291,411	13.04
Other services	141	8.67	150,545	1.52
Other	19	1.17	602	0.01
	<u>1,623</u>	<u>100.00 %</u>	<u>\$ 9,907,050</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 and is only available for the past nine calendar years.

**Calendar Year 2002**

<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
4	0.24 %	\$ 324	0.00 %
123.25	7.28	115,891	1.36
70	4.13	62,167	0.73
80.5	4.75	143,567	1.69
664	39.22	5,685,650	66.89
5.5	0.32	4,320	0.05
23	1.36	352,339	4.15
19.5	1.15	8,634	0.10
22.75	1.34	120,335	1.42
97.75	5.77	87,829	1.03
137.25	8.11	135,154	1.59
8.25	0.49	1,112	0.01
14.25	0.84	16,949	0.20
13	0.77	41,948	0.49
131.25	7.75	965,468	11.36
147.25	8.70	299,585	3.52
131.5	7.77	458,764	5.40
<u>1,693</u>	<u>100.00 %</u>	<u>\$ 8,500,037</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		
2003	\$	13,525,000	1.46	\$	927.70	\$	364,823
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

	<u>Business-type Activities</u>		Total Primary Government <sup>c</sup>	Percentage of Personal Income	Per Capita <sup>b</sup>		
	Water/Sewer Revenue Bonds						
2003	\$	-	\$	13,889,823	5.41	\$	953
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	3.90		663
2012		-		9,303,637	2.88		615

**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, 2012 (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.	\$ 404,975,000	0.79%	\$ 3,199,303
Harris County	2,429,447,190	0.45%	10,932,512
Harris County Department of Education	7,795,000	0.45%	35,078
Harris County Flood Control District	100,020,000	0.45%	450,090
Humble Independent School District	611,985,000	10.33%	63,218,050
Lone Star College System	505,660,000	1.08%	5,461,128
Port of Houston Authority	745,874,397	0.47%	<u>3,505,610</u>
	Net Total Estimated Overlapping Debt		\$ 86,801,771
	City of Humble		<u>9,303,637</u>
	Total Net Direct and Estimated Overlapping Debt		\$ <u>96,105,408</u>
	Total Net Direct and Estimated Overlapping Debt Per Capita		\$ <u>6,351</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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	\$ 92,748,213	\$ 96,819,564	\$ 99,674,507	\$ 104,884,440	\$ 109,978,698
Total net debt applicable to limit	<u>13,525,000</u>	<u>10,435,000</u>	<u>19,335,000</u>	<u>25,470,000</u>	<u>21,435,000</u>
Legal debt margin	<u>\$ 79,223,213</u>	<u>\$ 86,384,564</u>	<u>\$ 80,339,507</u>	<u>\$ 79,414,440</u>	<u>\$ 88,543,698</u>
Total net debt applicable to the limit as a percentage of debt limit	14.58%	10.78%	19.40%	24.28%	19.49%

**Legal Debt margin Calculation for Fiscal Year 2012**

Assessed value	\$ 1,224,553,385
Debt limit (10% of assessed value)	122,455,339
Debt applicable to limit	<u>9,270,000</u>
Legal debt margin	<u><u>\$ 113,185,339</u></u>

<b>Fiscal Year</b>				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 120,310,147	\$ 128,213,547	\$ 126,642,391	\$ 120,996,705	\$ 122,455,339
<u>18,300,000</u>	<u>15,060,000</u>	<u>11,710,000</u>	<u>9,960,000</u>	<u>9,270,000</u>
<u><u>\$ 102,010,147</u></u>	<u><u>\$ 113,153,547</u></u>	<u><u>\$ 114,932,391</u></u>	<u><u>\$ 111,036,705</u></u>	<u><u>\$ 113,185,339</u></u>
15.21%	11.75%	9.25%	8.23%	7.57%

**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>		
2003	\$ -	\$ -	\$ -	\$ -	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012	-	-	-	-	-	-

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>
2003	14,579	\$ 256,517,505	\$ 17,595	31.3	5,965	5.9 %
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	256,881,980	23,413	30.2	4,509	8.6
2012	15,133	322,832,289	21,333	30.3	4,117	6.3

**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 ten years ago (Unaudited)**

<b>Employer</b>	<b>2012</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Memorial Hermann	1100	1	N/A
Humble ISD	548	2	N/A
Lawler Foods	421	3	N/A
Walmart	365	4	N/A
City of Humble	186	5	N/A
Macy's/Foley's	180-190	6	N/A
Target	170	7	N/A
Sam's Club	163	8	N/A
CDI Seals	150	9	N/A
Home Depot	136	10	N/A
	<u>3239</u>		<u>N/A</u>

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

N/A - information not available

**2002**

<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
500-999	N/A	N/A
500-999	N/A	N/A
200	N/A	N/A
100-499	N/A	N/A
174	N/A	N/A
100-499	N/A	N/A
100-499	N/A	N/A
100-499	N/A	N/A
N/A	N/A	N/A
N/A	N/A	N/A
<u>N/A</u>	<u>N/A</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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government					
Management services	4	4	4	4	4
Finance	3	3	3	3	3
Court	7	7	6	7	7
Building	5	5	4	5	5
Other	11	11	11	11	11
Police					
Officers	54	56	58	58	58
Civilians	15	15	15	14	14
Fire					
Firefighters and officers	30	30	32	33	31
Civilians	3	3	4	4	4
Other public works	13	13	14	14	15
Parks and recreation	7	7	7	7	7
Water	12	12	11	12	12
Wastewater	10	10	8	8	8
Total	<u>174</u>	<u>176</u>	<u>177</u>	<u>180</u>	<u>179</u>

**Source:** City Human Resources department

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

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
4	4	4	4	3
4	4	4	4	4
7	8	8	8	8
5	5	5	5	5
10	10	9	9	9
57	58	58	59	58
17	19	20	20	18
35	35	35	35	35
4	4	4	4	4
15	15	15	14	15
7	7	7	7	7
12	12	11	11	11
8	9	9	9	9
<u>185</u>	<u>190</u>	<u>189</u>	<u>189</u>	<u>186</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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government					
Building permits issued	246	215	268	249	179
Building inspections conducted	760	662	574	668	611
Police					
Physical arrests	2,555	2,748	3,266	3,803	3,890
Parking violations	311	134	141	146	95
Traffic violations	17,879	18,796	15,442	17,897	20,541
Fire					
Emergency responses	2,435	2,618	2,684	2,723	2,824
Fires extinguished	122	128	151	140	100
Inspections	1,348	1,152	378	776	820
Water					
Number of connections	6,553	6,721	7,534	6,996	7,031
Average daily consumption (thousands of gallons)	3,300	3,400	3,324	3,044	2,900
Peak daily consumption (thousands of gallons)	5,100	5,300	6,000	3,951	5,014
Wastewater					
Average daily sewage treatment (thousands of gallons)	2,430	2,300	2,129	2,400	1,932

N/A - Information not tracked during these years

**Sources:** Various city departments

**Fiscal Year**

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
129	123	106	114	114
504	487	461	539	450
3,281	3,446	3,481	4,027	5,308
107	400	230	253	190
22,308	19,128	16,576	16,864	17,700
2,951	2,773	3,095	3,358	3,482
71	69	109	114	80
573	802	308	942	573
7,016	7,033	7,080	7,397	7,379
3,012	3,098	2,997	3,263	3,072
4,448	5,022	4,415	6,764	4,094
1,978	2,091	2,143	2,077	2,103

**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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police					
Patrol units	21	23	23	23	24
Fire stations	2	2	2	2	2
Other public works					
Streets (miles)	48.75	49.81	49.84	49.84	49.84
Traffic signals	7	7	7	7	7
Parks and recreation					
Acreage	31.5	32	32	32	32
Playgrounds	5	5	5	5	5
Baseball/softball diamonds	2	-	-	-	-
Community centers	2	2	2	2	2
Water					
Water mains (miles)	63.00	79.00	79.00	79.00	79.00
Fire hydrants	748	727	727	727	729
Storage capacity (thousands of gallons)	4010	5,010	5,010	5,010	5,010
Wastewater					
Sanitary sewers (miles)	57.40	56.30	56.30	56.30	56.30
Storm sewers (miles)	26.10	25.25	25.25	25.25	26.50
Treatment capacity (thousands of gallons)	11850	9,900	9,900	9,900	19,600

**Sources:** Various city departments

<b>Fiscal Year</b>				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
26	31	31	31	31
2	2	2	2	2
49.84	49.84	50.00	49.89	49.89
7	7	10	10	10
32	32	32	32	32
5	5	5	5	5
-	-	-	-	-
2	2	2	2	2
81.30	81.40	81.39	81.72	81.72
775	778	778	809	809
5,010	5,010	5,010	5,010	5,010
56.90	67.70	67.94	68.56	68.56
26.50	31.80	31.26	31.87	32.01
19,600	19,600	19,600	19,600	19,600

