COMPREHENSIVE ANNUAL FINANCIAL REPORT



TOMBALL INDEPENDENT
SCHOOL DISTRICT
FISCAL YEAR ENDED
AUGUST 31, 2012

Tomball Independent School District

Comprehensive Annual Financial Report

For the Fiscal Year Ended August 31, 2012

Prepared by the Finance Department Jim Ross, Chief Financial Officer Laura B. Vaughn, Director of Finance

310 S. Cherry St Tomball, TX 77375

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2012

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INTRODUCTORY SECTION





Tomball Independent School District

310 S. Cherry Street Tomball, Texas 77375

January 31, 2013

Board of Trustees and Citizens Tomball Independent School District 310 S. Cherry Street Tomball, Texas 77375

Dear Board of Trustees:

State law requires that each school district have its fiscal accounts audited annually. A copy of the annual financial report, approved by the Board of Trustees, must be filed with the Texas Education Agency (TEA) by the 150th day after the end of the fiscal year. The independent audit of the financial statements was submitted as prescribed by law. This Comprehensive Annual Financial Report (CAFR) of the Tomball Independent School District (Tomball ISD or the District) is published to provide additional information for the fiscal year ended August 31, 2012.

The independent audit of the financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's separately issued Single Audit Report.

The CAFR consists of management's representations concerning the finances of the District. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District's administration. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Hereford, Lynch, Sellars & Kirkham, P.C., a firm of licensed certified public accountants, has issued an unqualified opinion based upon the audit of the District's financial statements for the fiscal year ended August 31, 2012. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE DISTRICT

In 1937 a petition was presented to the Harris County School Board requesting Tomball be allowed to form its own school district. That petition was granted and all related funds and debts were transferred to the Tomball Independent School District. Tomball ISD is legally recognized as a political subdivision of the State of Texas. The District is not included in any other governmental reporting entity and there are no component units. A seven-member Board of Trustees (the Board) governs the District and has governance responsibilities over all activities related to public elementary and secondary education. Each member is elected to an at-large position for four years in a nonpartisan election. An election is held in November of even-numbered years for either three or four positions. Based on legislative authority codified in the Texas Education Code, the Board (1) has exclusive power to manage and govern the District; (2) can acquire and hold real and personal property; (3) shall have power to levy and collect taxes and to issue bonds; (4) can contract for appointed officers, teachers, and other personnel as well as for goods and services; and (5) has the right of eminent domain to acquire real property.

Serving the city of Tomball and the communities of Lakewood, Canyon Gate, Village Creek, Creekside Park (a section of The Woodlands), Hufsmith, Decker Prairie and Rosehill, Tomball ISD is primarily located in northwestern Harris County with a small portion in southwestern Montgomery County. The District is comprised of 6 elementary schools serving pre-kindergarten to fourth grades, 2 elementary schools serving pre-kindergarten to sixth grades, 2 intermediate schools serving fifth and sixth grades, 2 junior high schools serving seventh and eighth grades, 1 high school serving ninth and tenth grades, 1 high school serving ninth to twelfth grades and 1 alternative placement school.

Tomball ISD provides a well-rounded program of public education for children from pre-kindergarten through grade twelve. In addition to basic instructional programs, the District offers special education, gifted and talented, bilingual/ESL, remedial, and career and technology programs, along with co-curricular/extracurricular activities. High school students have the opportunity to earn college credits through College Board Advanced Placement courses, early college attendance, and dual credit programs. The District is fully accredited by the Texas Education Agency (TEA).

The Board determines the District's vision, mission and goals. The District vision is "Tomball ISD students are well prepared for life and equipped with unlimited opportunities". The mission of the District is "Tomball ISD serves students through a culture that provides an innovative, personally rigorous and individually valuable education, reflective of community standards".

On or before August 20th of each year, the District must prepare a budget for the next succeeding fiscal year. The annual budget serves as the foundation for the District's financial planning and control. The budget process begins in December with the preparation of the budget calendar, updated enrollment and revenue projections, and tentative expenditure projections. Based on this information, budget development parameters for the next year's budget are established. All the District's budget managers are required to submit requests for appropriations based on those parameters. A preliminary budget is compiled and then presented and discussed with the Board at multiple budget workshops. After review, evaluation and revision in budget workshops, a meeting of the Board is called for the purpose of adopting the final proposed budget. A public hearing is held for taxpayer input after ten days' public notice of the meeting. Following the public hearing the Board adopts an appropriated budget for the general fund, debt service fund and the National School Breakfast and Lunch Program special revenue fund on a basis consistent with GAAP. The operating budget of proposed expenditures, and the means of financing them, must be approved and adopted by the Board prior to September 1st. The appropriated budget is prepared by fund and function. Transfers of appropriations between campuses/departments require the approval of the District's Superintendent. Increasing any one of the functional spending categories or revenue object accounts and other resources require the approval of the Board.

LOCAL ECONOMY

Tomball Independent School District encompasses 83 square miles in northwestern Harris County (90%) and southwestern Montgomery County (10%) located approximately 30 miles from downtown Houston, Texas. Harris County is the most populous of the 254 counties in Texas.

The District's proximity to the City of Houston provides the area with access to the nation's largest seaport in foreign waterborne commerce and second largest in total tonnage, one of the nation's leading centers for medical education and research, many colleges and universities, a dynamic cultural arts community, excellent recreational opportunities and a national center of corporate management, commerce and world trade.

The Port of Houston has helped fuel the Houston area's development as a center of international business and trade. This dynamic port is planning for a projected 15% growth in total tonnage in the near future in conjunction with the expansion of the Panama Canal. Companies that do business internationally find the Houston area attractive because of its well-developed financial infrastructure, skilled work force and diverse population. Ample space and favorable conditions for industrial development, as well as for cargo handling, make the Houston area a choice location for industry. This is a major factor contributing to the Houston area's, as well as Tomball's, positive economic outlook for the future.

The largest employer in Tomball ISD, and the number one taxpayer, is Hewlett-Packard Corporation. Hewlett-Packard produces computers and other technological products and services. Major administration, training center and research and development facilities are located in the District. Hewlett-Packard employs approximately 6,300 people in the Greater Houston area and its presence has contributed to the growth of the District. With expected industrial and commercial growth and the effect of its proximity to the City of Houston, the District anticipates a continuous, steady increase in its tax base.

The District's total tax base has increased on average 8.71 percent annually over the past ten years. The taxable value of property increased 7.54 percent from fiscal year 2010-2011 to 2011-2012 with a total taxable value of \$5,845,021,691. This taxable base is 58.7% residential and 41.3% business or other property. The average taxable value of residences is \$167,165. The District considers build-out space remaining at over 50 percent of usable space remaining.

Located within the District are numerous multi-use developments which include retail shopping centers, low to mid-rise office buildings, hotels, industrial parks, financial institutions, restaurants and high-density residential projects. The latest residential expansion of The Woodlands is located entirely within the boundaries of the District, and with the planned addition of over 6,500 homes in this development project the District expects steady and sustained economic growth well into the future. The District has opened two elementary schools in The Woodlands and has purchased two additional future school sites within this new development. One of these sites is expected to be the District's third junior high school.

LONG-TERM FINANCIAL PLANNING

Tomball ISD has a student enrollment that is larger than 90 percent of the public school districts in Texas. Tomball ISD student enrollment has increased an average of 3.76 percent annually over a ten-year period. District enrollment increased 4.87% percent in 2011-2012 and is expected to again rise by over 5 percent during the 2012-2013 school year. This enrollment growth was anticipated and voters passed a \$198 million bond referendum in May 2007. Proceeds of the referendum have been used to build new instructional and support facilities, purchase school sites and buses, renovate and expand the capacity of existing instructional facilities, as well as provide technology to accommodate new students and staff, replace aging technology and increase student access to technology. Three new elementary schools have been built using these proceeds; one opened in August 2008, another opened in August 2009 and the third in August 2012. Tomball ISD's second high school has been constructed using these bond proceeds and opened in August 2011 for the 2011-2012 fiscal year.

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In May of 2006 the Texas Legislature adopted House Bill 1, which systemically changed the method for public school funding. This funding system change combined with the economic recession caused significant financial stress for many Texas public school districts.

The District's approach to coping with the current overall funding environment, combined with the addition of new school facilities and rapid growth has been to ensure the budget process remains instructionally driven and guided by the Goals of the District. One of those goals is for the District to be fiscally responsible. In line with these goals and objectives, Tomball ISD leadership took steps over a six-year period to set aside reserves for future contingencies and on-going financial stability.

The District has fund balance reserves sufficient to fund over 65% of the 2012-2013 operating budget; well above the existing board policy of maintaining 25% of the current year's operating budget. To provide fiscal capacity other than these reserves the District has made an effort to retain an additional 3 cents of maintenance and operating (M&O) tax rate before reaching the state legislated maximum M&O tax rate. This M&O tax rate is the lowest in Harris County, and less than 93 percent of the public school districts in Texas. The total tax rate has not been increased in four consecutive years. Considering both operating cost increases and funding reductions, the District believes it is well-positioned financially through 2017.

RELEVANT FINANCIAL POLICIES

Budget planning is an integral part of overall program planning. Budget planning effectively supports the District's activities, and resources are provided to implement desired programs. In the budget planning process, general educational goals, specific program goals, and alternatives for achieving program goals are considered, as well as input from the community, and District and campus-level planning and decision-making committees. Budget planning and evaluation are continuous processes and are a part of each month's activities.

Evidence of the District's commitment to budget planning and implementation is the selection of Tomball ISD by the Texas State Comptroller as a model district in the Financial Allocation Study of Texas (FAST). This study was commissioned by the State of Texas to determine the school districts with the highest efficiency at the lowest costs. The measurements used are state test scores and costs per pupil. Tomball ISD was one of only 45 public and charter school districts from over 1200 districts statewide to be chosen for the Honors Circle Award. This award indicates the District is in both the top 20 percent of the state in student academic growth and the lowest 20 percent for core operating expenditures per student.

MAJOR INITIATIVES

Tomball Independent School District seeks to help students become skillful, active, reflective, self-disciplined and honorable members of our community through engaging learning experiences in a safe and nurturing environment. During the 2011-2012 school year, student achievement and character development continued to be primary objectives of the District. Strategies focused on raising the academic performance of all students; closing the achievement gap; establishing quality measures to gather information for feedback, improvement and accelerated solutions; encouraging parent and community involvement; developing positive character traits in students; recruiting and retaining quality staff; and building trusting and productive relationships allowed the District to work towards its objectives.

The District continues to meet or surpass state standards in student achievement in mathematics, science, language arts and social studies. The Texas Education Agency reported the following 2011-2012 scores for eleventh grade students preparing to enter their senior year in high school: 96% passing in mathematics, 98% passing in science, 97% passing in English language arts and 100% passing in social studies. The results of test scores for all students allow the District to maintain its *Recognized* accountability status with the Texas Education Agency for the third consecutive year.

By reviewing individual student test data and gauging the effectiveness of instructional programs, the District has strengthened and expanded its curriculum beyond the requirements of the state-mandated Texas Essential Knowledge and Skills (TEKS) in order to provide Tomball ISD students with an education that is more enriched and broader in scope. Advance offerings are being expanded as more students express a desire to participate. Tomball ISD students continue to excel in obtaining a well-rounded education as evidenced by the 97.4 percent of seniors who earned the necessary credits to graduate in May 2012 and passed the state exit exams.

AWARDS AND ACKNOWLEDGEMENTS

Tomball Independent School District received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for its CAFR for the fiscal year ended August 31, 2011. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report will conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA for their review.

The District also received the Association of School Business Official's (ASBO) Certificate of Excellence in Financial Reporting for the prior year. This award certifies that the CAFR for the fiscal year ended August 31, 2011, substantially conforms to the principles and standards of financial reporting as recommended and adopted by the ASBO. We believe our current report will conform to the Certificate of Excellence Program requirements, and we are submitting it to the ASBO for their review.

We would like to express our appreciation to the Board of Trustees for their concern in providing fiscal accountability to the patrons of our District and for their expertise in financial decisions. Special appreciation goes to the District's finance department and the independent auditor's staff. The preparation of this report could not have been accomplished without their efficient and dedicated service.

Respectfully submitted.

John Neubauer Superintendent

Laura Vaughn Director of Finance

Laura Vausan

Jim Ross

Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tomball Independent School District

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 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.



Association of School Business Officials International



The Certificate of Excellence in Financial Reporting Award is presented to

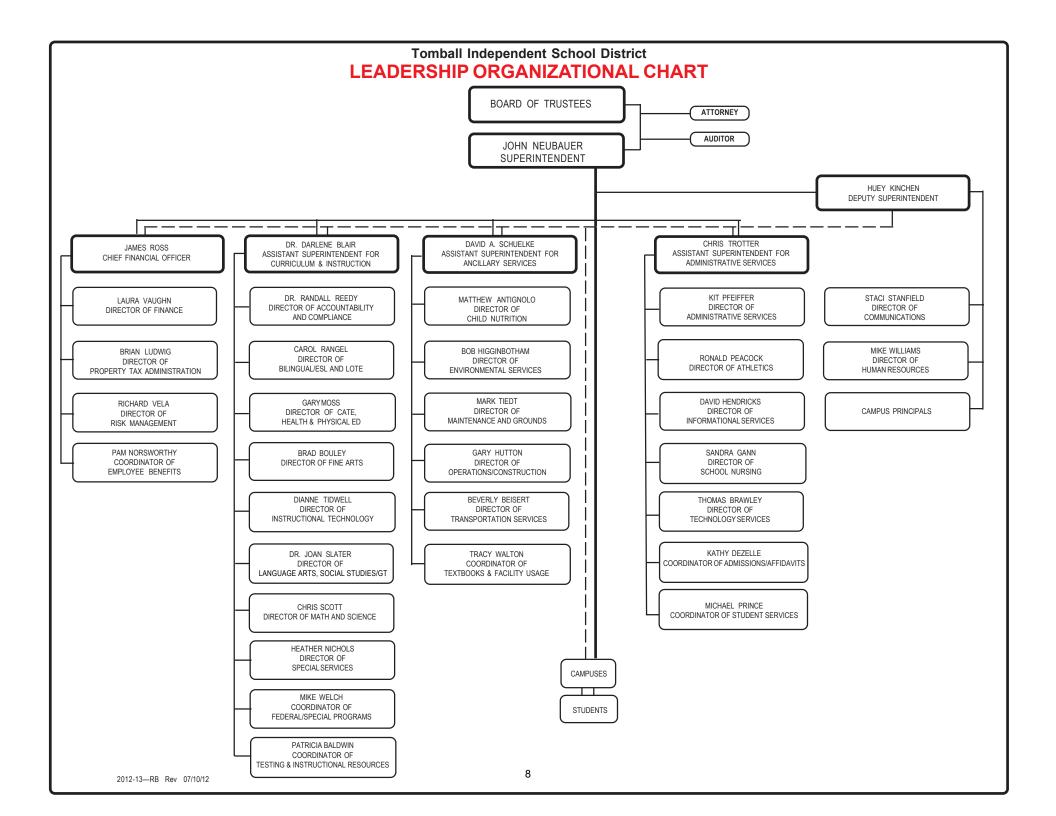
Tomball Independent School District

For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended August 31, 2011

The CAFR has been reviewed and met or exceeded ASBO International's Certificate of Excellence standards



Brian L. Mee, SFO, RSBA President John D. Musso, CAE, RSBA Executive Director



TOMBALL INDEPENDENT SCHOOL DISTRICT PRINCIPAL OFFICIALS AND ADVISORS

BOARD OF TRUSTEES

John E. McStravick President
Mark Lewandowski Vice-President
Kathy Handler Secretary

Michael J. Pratt Assistant Secretary

Sam Gregson Trustee
Ken Odom Trustee
Lisa Nicholas Trustee

ADMINISTRATION

John Neubauer Superintendent

Huey Kinchen Deputy Superintendent
Darlene Blair Assistant Superintendent for

Curriculum & Instruction

Chris Trotter Assistant Superintendent for

Administrative Services

David A. Schuelke Assistant Superintendent for

Ancillary Services

Jim Ross Chief Financial Officer

CONSULTANTS AND ADVISORS

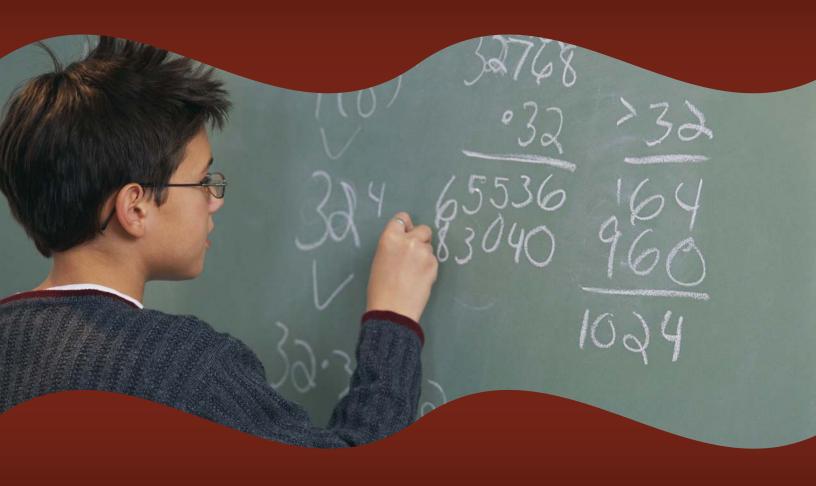
Bracewell & Giuliani, LLP Rogers, Morris & Grover, LLP Thompson & Horton, LLP Houston, Texas – General Counsel

Hereford, Lynch, Sellars and Kirkham, PC Conroe, Texas – Independent Auditors

> Fulbright & Jaworsky, LLP Houston, Texas – Bond Counsel

RBC Capital Markets, LLC Houston, Texas – Financial Advisor

FINANCIAL SECTION





Hereford, Lynch, Sellars & Kirkham

Certified Public Accountants

A Professional Corporation

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Cleveland, Texas 77327
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INDEPENDENT AUDITORS' REPORT

To The Board of Trustees Tomball Independent School District 221 West Main Street Tomball, Texas 77375-5595

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tomball Independent School District (District) as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of August 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated December 10, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Respectfully submitted,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C. Certified Public Accountants

Conroe, Texas December 10, 2012

Management's Discussion and Analysis

As management of the Tomball Independent School District ("the District"), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2012. In reviewing this report, readers should be mindful that it is often necessary for management to make and use estimates in the preparation of financial statements. Examples of the use of such estimates may be found in amounts reported for depreciation, net taxes receivable and claims payable of the District's self-insured workers' compensation program.

Financial Highlights

- Assets exceeded liabilities at year-end by \$40,115,766 (net assets). Of this amount, \$49,130,764 (unrestricted net assets) is available to meet the District's ongoing obligations to students and creditors in subsequent years.
- The District's total net assets decreased by \$1,526,572.
- As of the close of the year, the District's governmental funds had combined ending fund balances of \$71,823,587, a decrease of \$7,857,148 as compared to the preceding year. The current period decrease in fund balances of the governmental funds was primarily due to the expenditure for capital projects authorized per the bond issues.
- At the end of the year, unassigned fund balance of the general fund was \$24,040,498, or 31 percent of the year's total general fund expenditures.
- The District's total bonded debt decreased by \$7,049,622 (2 percent) during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector enterprise.

The *Statement of Net Assets* (Exhibit A-1) presents information on all of the District'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 an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net assets changed during the year. Changes in net assets are reported upon occurrence of the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some transactions that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and incurred but unpaid workers' compensation benefits).

The government-wide financial operations (governmental activities) of the District are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Longterm Debt, Current Debt Fees, Facilities Repair and Maintenance, Payments to Juvenile Justice Alternative Education Programs, and Other Intergovernmental Charges.

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 District, as do other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 cash resources, as well as on balances of cash resources available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds financial statements 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 effect of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintained nineteen individual governmental funds during the year. 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, and capital projects funds, which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation titled *other governmental funds*.

The District adopts an annual revenue and appropriations budget for its general fund. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements are noted in the table of contents of this report.

Proprietary fund. Internal service fund, which is a type of proprietary fund, that uses an accounting process which accumulates and allocates costs internally among the District's various funds and functions. The District uses the internal service fund to account for its self-funded workers' compensation program. Because this service predominantly benefits governmental operations, their financial activities have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide essentially the same type of information as the government-wide financial statements, only in more detail. The internal service fund financial statements are provided with the basic financial statements and provide information for the self-funded workers' compensation program.

The basic proprietary fund financial statements are noted in the table of contents of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of students and student organizations. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs and activities. A statement of fiduciary assets and liabilities is presented for fiduciary funds, as noted in the table of contents of this report.

Notes to the basic 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 basic financial statements are noted in the table of contents of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report presents other supplementary information, including schedules required by the Texas Education Agency. Other supplementary information is noted in the table of contents of this report.

Government-wide Financial Analysis

As mentioned earlier, net assets may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year, assets exceeded liabilities by \$40,115,766, a decrease of \$1,526,572 over the preceding year.

TOMBALL INDEPENDENT SCHOOL DISTRICT'S NET ASSETS

					Governmental	Activities			
	_	2012			2011			Increase (Dec	rease)
	_	Amount	%	_	Amount	%	_	Amount	%
Current and Other Assets	\$	88,026,824	24	\$	98,155,733	26	\$	(10,128,909)	(10)
Capital Assets, net of Depreciation		273,076,414	76		273,291,189	74		(214,775)	-
Total Assets	_	361,103,238	100	_	371,446,922	100	_	(10,343,684)	
Noncurrent Liabilities Outstanding	_	311,805,529	97	_	318,841,678	97	_	(7,036,149)	(2)
Other Liabilities		9,181,943	3		10,962,906	3		(1,780,963)	(16)
Total Liabilities	_	320,987,472	100	_	329,804,584	100	_	(8,817,112)	
Net Assets:				_				<u> </u>	
Invested in Capital Assets,									
net of Related Debt		(9,014,998)	(22)		165,603	-		(9,180,601)	(5,544)
Unrestricted		49,130,764	122		41,476,735	100		7,654,029	18
Total Net Assets	\$_	40,115,766	100	\$_	41,642,338	100	\$_	(1,526,572)	

The largest portion of the District's net assets is unrestricted. Investment in capital assets (e.g., land, buildings and improvements, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding represent less than one percent of the District's net assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District'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. The remaining balance of net assets, *unrestricted* \$49,130,764, may be used to meet future obligations to students and creditors.

Governmental activities. Governmental activities decreased the District's net assets by \$1,526,572. The elements giving rise to the change may be determined from the table below.

TOMBALL INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET ASSETS

				Governmental	Activitie	es			
	2012			2011		Increase (Decrease)			
	Amount	%		Amount	%		Amount	%	
Revenue:									
Program Revenues:									
Charges for Services	\$ 4,928,988	5	\$	4,632,339	4	\$	296,649	6	
Operating Grants and Contributions	11,176,201	10		11,948,258	11		(772,057)	(6)	
General Revenues:									
Property Taxes, Levied for General Purpose	56,401,809	49		51,878,692	47		4,523,117	9	
Property Taxes, Levied for Debt Service	19,469,388	17		18,128,209	16		1,341,179	7	
Grants and Contributions Not Restricted									
to Specific Programs	22,309,545	19		24,073,335	22		(1,763,790)	(7)	
Investment Earnings	147,088	-		168,033	-		(20,945)	(12)	
Miscellaneous	69,323	-		1,840	-		67,483	3,668	
Total Revenues	114,502,342	100	_	110,830,706	100		3,671,636		
Expenses:			_						
Instruction	54,853,901	47		52,830,648	46		2,023,253	4	
Instructional Resources and Media Services	1,379,876	1		1,359,597	1		20,279	1	
Curriculum and Staff Development	1,060,957	1		1,151,047	1		(90,090)	(8)	
Instructional Leadership	1,046,748	1		1,064,216	1		(17,468)	(2)	
School Leadership	5,708,324	5		5,598,113	5		110,211	2	
Guidance, Counseling, and Evaluation									
Services	3,399,011	3		3,449,417	3		(50,406)	(1)	
Social Work Services	59,732	-		254,764	-		(195,032)	(77)	
Health Services	1,001,096	1		1,037,795	1		(36,699)	(4)	
Student Transportation	4,925,437	4		4,500,539	4		424,898	9	
Food Service	4,379,968	4		4,111,298	4		268,670	7	
Extracurricular Activities	5,064,933	5		4,166,663	4		898,270	22	
General Administration	2,560,583	2		2,564,409	2		(3,826)	-	
Plant Maintenance and Operations	9,888,738	9		10,319,560	9		(430,822)	(4)	
Security and Monitoring Services	365,048	-		112,917	_		252,131	223	
Data Processing Services	1,729,528	1		1,619,689	1		109,839	7	
Community Services	41,818	-		48,600	-		(6,782)	(14)	
Interest on Long-term Debt	13,315,843	11		10,999,925	10		2,315,918	21	
Current Debt Fees	148,988	-		130,271	-		18,717	14	
Facilities Repair and Maintenance	4,492,312	4		8,975,408	8		(4,483,096)	(50)	
Payments to Juvenile Justice Alternative							,	` ,	
Education Programs	22,516	_		14,479	_		8,037	56	
Other Intergovernmental Charges	583,557	1		566,313	_		17,244	3	
Total Expenses	116,028,914	100	-	114,875,668	100	_	1,153,246		
Change in Net Assets	(1,526,572)		-	(4,044,962)		_	2,518,390		
Net Assets - Beginning	41,642,338			45,687,300			(4,044,962)		
Net Assets - Ending	\$ 40,115,766		\$	41,642,338		\$	(1,526,572)		

The decrease in net assets resulted primarily from property tax revenue increases, related to increased appraised value, did not exceed the decrease in grants and contributions (operating grants and contributions and grants and contributions not restricted to specific programs) of \$2,535,847 and an increase in expenses related to Instruction of \$2,023,253 and Interest on Long-term Debt of \$2,315,918.

Revenues, aggregating \$114,502,342, were generated primarily from two sources. Property taxes \$75,871,197 represent 66 percent of total revenues while grants and contributions (including those not restricted for program-specific use as well as for general operations, totaling \$33,485,746), represent 29 percent of total revenues. The remaining 5 percent is generated from investment earnings, charges for services, and miscellaneous revenues.

The primary functional expenses of the District are *Instruction* \$54,853,901, which represents 47 percent of total expenses and Interest on Long-term Debt of \$13,315,843, while all remaining expense categories are individually 10 percent or less of total expenses.

Financial Analysis of the Government's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. At the end of the fiscal year, the District's governmental funds had combined ending fund balances of \$71,823,587, a decrease of \$7,857,148 from the preceding year. Comments as to each individual major fund's change in fund balance follows.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was \$24,040,498, while total fund balance was \$56,528,162. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31 percent of total general fund expenditures, while total fund balance represents 74 percent of that same total. The fund balance of the general fund increased \$7,118,860 during the year, primarily due to the increase in property tax levy due to increase in appraised values.

The debt service fund ended the year with a total fund balance of \$1,940,854, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance decreased \$675,681 during the year, primarily due to the scheduled debt requirements.

The capital projects fund has a total fund balance of \$10,421,552. The net decrease in fund balance during the current year in the capital projects fund was \$14,435,097 due to the expenditure for capital projects as authorized per the bond issue.

Other governmental funds include special revenue funds. *Special revenue funds* are created to segregate and control funds received for specifically designated purposes, the source most often being grants, which must be spent or else returned to the grantor. Total revenues from sixteen such special revenue funds in 2011-12 was \$11,792,769, of which the largest were the *National School Breakfast/Lunch Program* \$4,345,333, *campus activity funds* \$1,851,552, *IDEA-B Formula* \$1,693,223, and Education Jobs Fund \$1,651,581. Fund balances at year-end of the sixteen special revenue funds are \$2,933,019, an increase of 134,770 from the preceding year. Most of the funds must expend their total resources as a condition of the related grant or other source of funding, they are not expected to accumulate a fund balance. The *National School Breakfast/Lunch Program, campus activity funds, scholarship fund, and local grants* are exceptions to this expectation, having fund balances of \$1,536,701, \$950,222, \$442,096, and \$4,000, respectively.

Governmental funds financial statements may be found by referring to the table of contents.

Proprietary funds. The District's proprietary fund financial statements, reflect the District's internal service fund created for its self-funded workers' compensation program and provides information as to the profitability of that program. The net change in assets of the fund is eliminated and allocated to the governmental expenses in the government-wide financial statements.

General Fund Budgetary Highlights

Differences between the originally-adopted budget and the final amended budget of the general fund were to increase appropriations \$441,427, which were not significant. Amendments were approved by the governing body.

The most significant variations between the final budget and actual expenditures are as follows:

- Instruction reported \$2,164,317 of unused appropriations.
- Plant Maintenance and Operations \$1,080,287 of unused appropriations.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2012 was \$273,076,414 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress. The decrease in net investment in capital assets for the current fiscal year was \$214,775.

TOMBALL INDEPENDENT SCHOOL DISTRICT'S CAPITAL ASSETS

(net of depreciation)

				G	Sovernmental A	ctivities				
	_	2012			2011		Increase (Decrease)			
		Amount	%		Amount	%	Amount	%		
Land	\$	15,717,111	6	\$	15,887,111	6	\$ (170,000)	(1)		
Buildings and Improvements		149,147,353	55		150,686,100	55	(1,538,747)	(1)		
Furniture and Equipment		18,096,951	7		17,837,067	7	259,884	1		
Construction in Progress		90,114,999	32		88,880,911	32	1,234,088	1		
Totals	\$_	273,076,414	100	\$	273,291,189	100	\$ (214,775)			

Major capital asset activity during the year included the following:

Woodlands #2 Campus (K-6) and furniture and equipment.

Construction commitments totaled \$103,204 at August 31, 2012.

Additional information on the District's capital assets can be found in Note III.D in the notes to the financial statements as per the table of contents.

Noncurrent Liabilities. At year-end, the District had a liability for bonded debt of \$311,575,163. The debt is supported by the full faith and credit of the District, as further guaranteed by the Permanent School Fund of the State of Texas. Other long-term obligations, representing claims expense of the self-funded workers' compensation program of \$230,366.

TOMBALL INDEPENDENT SCHOOL DISTRICT'S OUTSTANDING NONCURRENT LIABILITIES

	_				overnmental A	ctivities				
	_	2012			2011			Increase (Decrease)		
	· <u>-</u>	Amount	%	-	Amount	%		Amount	%	
General Obligation Bonds (Net)	\$	311,575,163	100	\$	318,624,785	100	\$	(7,049,622)	(2)	
Workers' Compensation		230,366	-		216,893	-		13,473	6	
Totals	\$	311,805,529	100	\$	318,841,678	100	\$_	(7,036,149)		

The District's total bonded debt decreased by \$7,049,622 (2 percent) during the current fiscal year, which resulted primarily from scheduled payments.

The District is rated "AAA" by Standard and Poor's for the general obligation debt, which reflects the guarantee of the State of Texas Permanent School Fund.

State statutes do not limit the tax rate or amount of local tax support of school districts' bonded indebtedness. However, approval of the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term debt can be found in Note III.E in the notes to the financial statements as per the table of contents.

Economic and Other Factors and Fiscal Year 2012-13 Budgets

- School year (2012-13) student enrollment is, 11,626, a 4 percent increase from the preceding year.
- District staff totals 1,566 employees in 2012-13, excluding substitutes and other part-time employees, of which 733 are teachers and 283 are teacher aides and secretaries.
- The District maintains fifteen regular education campuses, including an alternative campus for student instruction.
- Property values of the District are projected to increase 5% for the 2012-13 year.
- A maintenance and operations tax rate of \$1.01 and a debt service tax rate of \$.35, a total rate of \$1.36 were adopted for 2012-13. Preceding year rates were \$1.01, \$.35 and \$1.36, respectively.

All of these factors and others were considered in preparing the District's budget for the 2012-13 fiscal year.

During 2011-12, fund balance in the general fund increased \$7,118,860. Due to the uncertainty of state school funding, the District plans to set-aside these additional funds to ensure operating expenses are met in the 2012-13 and 2013-14 fiscal years. District Policy requires the District to maintain an operating cash reserve fund balance each fiscal year end that equals or exceeds the amount necessary to cover three months of the District's average operating expenses for the coming year. This fund balance increase extends that coverage to more than three months average operating expenses.

Requests for Information

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Tomball Independent School District, 310 South Cherry Street, Tomball, Texas 77375.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

August 31, 2012

		Primary
	_	Government
	(Governmental
ACCEPTEC	_	Activities
ASSETS Cook and Cook Equipments	¢	12 012 002
Cash and Cash Equivalents	\$	13,013,983
Current Investments		68,833,728
Property Taxes Receivable (Net)		2,195,150
Due from Other Governments		1,018,132
Other Receivables		122,783
Inventories, at Cost		568,644
Prepaid Items		13,259
Capitalized Bond and Other Debt Issuance Costs		2,231,183
Other Current Assets		29,962
Capital Assets:		
Land		15,717,111
Buildings and Improvements, Net		149,147,353
Furniture and Equipment, Net		18,096,951
Construction in Progress	_	90,114,999
Total Assets	_	361,103,238
LIABILITIES		
Accounts Payable		2,970,085
Interest Payable		577,861
Accrued Liabilities		2,656,913
Due to Other Governments		2,913,011
Unearned Revenues		64,073
Noncurrent Liabilities:		04,073
Due within one year		6,645,366
Due in more than one year		305,160,163
Total Liabilities	_	320,987,472
Total Elabilities	_	320,987,472
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		(9,014,998)
Unrestricted		49,130,764
Total Net Assets	\$	40,115,766

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2012

				Prograi	n Rev	enues		Net (Expense) Revenue and Changes in Net Assets
Function/Programs		Expenses	•	Charges for Services		Operating Grants and Contributions	•	Governmental Activities
Primary government:	_	Вирепосо	•	501 11005	_		•	1100111100
Governmental Activities:								
Instruction	\$	54,853,901	\$	614,889	\$	7,241,477	\$	(46,997,535)
Instructional Resources and Media Services		1,379,876		134,613		44,219		(1,201,044)
Curriculum and Instructional Staff Development		1,060,957		14,176		253,197		(793,584)
Instructional Leadership		1,046,748		-		301,776		(744,972)
School Leadership		5,708,324		116,717		260,561		(5,331,046)
Guidance, Counseling, & Evaluation Services		3,399,011		4,287		553,376		(2,841,348)
Social Work Services		59,732		<u>-</u>		2,518		(57,214)
Health Services		1,001,096		77		45,292		(955,727)
Student (Pupil) Transportation		4,925,437		_		119,943		(4,805,494)
Food Services		4,379,968		2,590,416		1,754,224		(35,328)
Extracurricular Activities		5,064,933		1,417,442		121,184		(3,526,307)
General Administration		2,560,583		-		159,721		(2,400,862)
Plant Maintenance and Operations		9,888,738		30,733		212,043		(9,645,962)
Security and Monitoring Services		365,048		1,805		3,282		(359,961)
Data Processing Services		1,729,528		-		55,266		(1,674,262)
Community Services		41,818		3,833		46,219		8,234
Interest on Long-term Debt		13,315,843		-		1,903		13,313,940
Current Debt Fees		148,988		-		-		(148,988)
Facilities Repair and Maintenance		4,492,312		-				(4,492,312)
Payments to Juvenile Justice Alter. Ed. Programs		22,516		-				(22,516)
Other Intergovernmental Charges		583,557		-		-		(583,557)
Total Governmental Activities		116,028,914	•	4,928,988		11,176,201	•	(73,295,845)
Total Primary Government	\$	116,028,914	\$	4,928,988	\$	11,176,201	•	(99,923,725)
		1.0					•	_
_		al Revenues:	. 1 6	. C 1 D				57 401 900
	•	•		General Purpose	es			56,401,809
		erty Taxes, Levie	ed for	Debt Service				19,469,388
		tment Earnings	, ,	J. 4 D 4 4 . 14 .	g	* D		22,309,545
			ons I	Not Restricted to	Specii	ic Programs		147,088
1		ellaneous						69,323
		al General Reve						98,397,153
37		ange in Net Asse						(1,526,572)
		ssets - Beginning	5				Φ.	41,642,338
N	et As	ssets - Ending					\$	40,115,766

BALANCE SHEET GOVERNMENTAL FUNDS

August 31, 2012

		General Fund		Debt Service Fund		Capital Projects Fund		Other Governmental Funds		Total Governmental Funds
ASSETS	_				_		-		-	
Cash and Cash Equivalents	\$	11,486,483	\$	260,277	\$	_	\$	1,267,223	\$	13,013,983
Current Investments		51,497,871		1,680,577		11,966,740		542,140		65,687,328
Taxes Receivable, Net		1,641,692		553,458				<u>-</u>		2,195,150
Due from Other Governments		67,937		=				950,195		1,018,132
Due from Other Funds		889,601		-				1,155,341		2,044,942
Other Receivables		122,783		-		_		-		122,783
Inventories		467,846		-		-		100,798		568,644
Prepaid Items		13,259		-		_		-		13,259
Total Assets	\$	66,187,472	\$	2,494,312	\$	11,966,740	\$	4,015,697	\$	84,664,221
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts Payable	\$	1,272,671	\$	-	\$	1,545,188	\$	148,686	\$	2,966,545
Accrued Wages Payable		2,616,018		-		-		40,895		2,656,913
Due to Other Funds		1,155,341		-		-		889,601		2,044,942
Due to Other Governments		2,913,011		-		-		-		2,913,011
Deferred Revenues		1,702,269		553,458		-		3,496	_	2,259,223
Total Liabilities		9,659,310	_	553,458	_	1,545,188	_	1,082,678	_	12,840,634
Fund Balances:										
Nonspendable:										
Investments in Inventory		467,846		-		-		97,302		565,148
Prepaid Items		13,259		-		-				13,259
Restricted For:										
Federal/State Funds Grant Restrictions		4,006,559		-		-				4,006,559
Capital Acquisitions & Contractual Obligations		-		-		10,421,552				10,421,552
Retirement of Long-term Debt		-		1,940,854		-				1,940,854
Other Committed Fund Balance		16,000,000		-		-		2,835,717		18,835,717
Assigned Fund Balances:										
Construction		3,000,000		-		-		-		3,000,000
Claims and Judgments		1,000,000		-		-		-		1,000,000
Capital Expenditures for Equipment		3,000,000		-		-		-		3,000,000
Self-Insurance		1,000,000		-		-		-		1,000,000
Other Assigned Fund Balance		4,000,000		-		-		-		4,000,000
Unassigned Fund Balance		24,040,498						-	_	24,040,498
Total Fund Balances	_	56,528,162	_	1,940,854	_	10,421,552	_	2,933,019	_	71,823,587
Total Liabilities and Fund Balances	\$	66,187,472	\$	2,494,312	\$_	11,966,740	\$_	4,015,697	\$	84,664,221

EXHIBIT B-2

TOMBALL INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

August 31, 2012

Total Fund Balances - Governmental Funds (Exhibit B-1)

\$ 71.823.587

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year end consist of:

Governmental Capital Assets Costs	\$	362,653,679
Accumulated Depreciation of Governmental Capital Assets	_	(89,577,265)

273,076,414

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.

2,195,150

Issuance cost related to debt, is not a financial resource and, therefore, is not reported in the funds. Issuance cost is amortized over the life of the debt.

2,231,183

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to bonds payable, consist of:

Bonds Payable, at Original Par	\$ (299,080,000)
Premium on Bonds Payable	(8,737,832)
Accreted Interest	(5,244,789)
Deferred Interest Expense Adjustment	1,487,458
Accrued Interest on the Bonds	(577,861)

(312,153,024)

An internal service fund is used by the District to charge the costs of workers' compensation benefits to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.

2,942,456

Total Net Assets - Governmental Activities (Exhibit A-1)

\$ 40.115.766

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended August 31, 2012

	General Fund		Debt Service Fund		Capital Projects Fund		Other Governmental Funds		Total Governmental Funds
REVENUES		_			_	-		-	
Local and Intermediate Sources	\$ 57,220,730	\$	19,499,867	\$	19,905	\$	4,465,959	\$	81,206,461
State Program Revenues	25,795,604		-		1,903		1,123,112		26,920,619
Federal Program Revenues	304,559	_	-		-	_	6,203,698	_	6,508,257
Total Revenues	83,320,893	_	19,499,867	_	21,808	_	11,792,769	_	114,635,337
EXPENDITURES									
Current:									
Instruction	44,331,271		-		739,187		5,423,696		50,494,154
Instructional Resources and Media Services	1,006,581		-		-		135,449		1,142,030
Curriculum and Instructional									
Staff Development	824,832		-		-		231,252		1,056,084
Instructional Leadership	783,627		-		-		254,759		1,038,386
School Leadership	5,197,619		-		-		133,857		5,331,476
Guidance, Counseling, & Evaluation Services	2,845,262		-		-		420,427		3,265,689
Social Work Services	59,654		-		-		-		59,654
Health Services	953,171		-		-		77		953,248
Student (Pupil) Transportation	3,457,803		-		875,146		-		4,332,949
Food Services	-		-		-		3,925,750		3,925,750
Extracurricular Activities	2,561,559		-		-		1,087,413		3,648,972
General Administration	2,543,279		-		-		-		2,543,279
Plant Maintenance and Operations	9,345,023		-		-		2,140		9,347,163
Security and Monitoring Services	363,060		-		-		1,814		364,874
Data Processing Services	1,622,418		-		-		-		1,622,418
Community Services	436		-		-		41,365		41,801
Payments to Juvenile Justice Alternative									
Education Programs	22,516		-		-		-		22,516
Other Intergovernmental Charges	583,557		-		-		-		583,557
Debt Service:									
Principal on Long-term Debt	-		6,280,000		-		-		6,280,000
Interest on Long-term Debt	-		13,894,829		-		-		13,894,829
Bond Issuance Costs and Fees	-		105,489		-		-		105,489
Capital Outlay:									
Facilities Acquisition and Construction		_		_	12,842,572	_		_	12,842,572
Total Expenditures	76,501,668		20,280,318		14,456,905		11,657,999		122,896,890
Excess (Deficiency) of Revenues Over (Under)			_			_	_		·
Expenditures	6,819,225		(780,451)	_	(14,435,097)	_	134,770	_	(8,261,553)
OTHER FINANCING SOURCES (USES)									
Sale of Bonds, Refunding	-		4,715,000		-		-		4,715,000
Sale of Real and Personal Property	299,635		-		-		-		299,635
Premium on Sale of Bonds	-		208,721		-		-		208,721
Payment to Refunded Bond Escrow Agent	-		(4,818,951)		-		-		(4,818,951)
Total Other Financing Sources and (Uses)	299,635	_	104,770	_	0		0	_	404,405
Net Change in Fund Balances	7,118,860		(675,681)		(14,435,097)		134,770		(7,857,148)
Fund Balances - Beginning	49,409,302		2,616,535		24,856,649		2,798,249		79,680,735
Fund Balances - Ending	\$ 56,528,162	\$	1,940,854	\$	10,421,552	\$	2,933,019	\$	71,823,587
		-				=		-	

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

For the Year Ended August 31, 2012

Total Net Change	e in Fund Balances – C	Governmental Funds	(Exhibit B-3)

\$ (7,857,148)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

 Capital Assets increased
 \$ 8,989,017

 Depreciation Expense
 (8,819,177)
 169,840

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments, and dispositions) is a decrease to net assets.

(384,615)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year.

(51,419)

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 the governmental funds:

Bond Issuance Costs increased \$ 96,203 Amortization of Issuance Costs (139,702) (43,499)

Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Par Value \$ (4,715,000)

Premium (208,721) (4,923,721)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

6,280,000

Payment of escrow agent to refund bonds from refunding proceeds.

4,818,951

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The increase in interest reported in the statement of activities consists of the following:

Accrued Interest on Current Interest Bonds Payable increased

Interest Accreted on the District's Capital Appreciation Bonds

Amortization of Bond Premium and Discount

Amortization of Defeasance Costs

(138,559)

(306,542)

612,797

(148,710)

578,986

An internal service fund is used by the District to charge the costs of workers' compensation benefits to the individual funds. The net activity of the internal service fund was reported in the government-wide statements.

(113.947)

Change in Net Assets of Governmental Activities (Exhibit A-2)

(1,526,572)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended August 31, 2012

	Desilent	J 4					Variance with Final Budget
	 Budgete Original	a Amo	Final	_	Actual		Over (Under)
REVENUES	 Original		Tinai	_	retuar	-	(Chuci)
Local and Intermediate Sources	\$ 54,468,885	\$	54,576,169	\$	57,220,730	\$	2,644,561
State Program Revenues	24,106,115		24,106,115		25,795,604		1,689,489
Federal Program Revenues	425,000		425,000		304,559		(120,441)
Total Revenues	 79,000,000		79,107,284		83,320,893	_	4,213,609
EXPENDITURES	 					_	
Current:							
Instruction	46,300,623		46,495,588		44,331,271		2,164,317
Instructional Resources and Media Services	1,048,406		1,068,537		1,006,581		61,956
Curriculum and Instructional							ŕ
Staff Development	845,298		889,985		824,832		65,153
Instructional Leadership	832,018		819,452		783,627		35,825
School Leadership	5,336,151		5,309,447		5,197,619		111,828
Guidance, Counseling and Evaluation Services	2,991,802		2,962,490		2,845,262		117,228
Social Work Services	60,124		75,124		59,654		15,470
Health Services	1,094,624		1,085,151		953,171		131,980
Student (Pupil) Transportation	4,441,581		4,294,581		3,457,803		836,778
Extracurricular Activities	2,806,853		2,853,002		2,561,559		291,443
General Administration	2,821,953		2,932,575		2,543,279		389,296
Plant Maintenance and Operations	10,198,444		10,425,310		9,345,023		1,080,287
Security and Monitoring Services	431,243		434,305		363,060		71,245
Data Processing Services	1,677,080		1,677,080		1,622,418		54,662
Community Services	4,000		4,000		436		3,564
Intergovernmental Charges:							
Payments to Juvenile Justice Alt. Ed. Prog.	30,000		30,000		22,516		7,484
Other Intergovernmental Charges	579,800		584,800		583,557	_	1,243
Total Expenditures	81,500,000		81,941,427		76,501,668		5,439,759
Excess (Deficiency) of Revenues Over (Under)	 	<u></u>	_				
Expenditures	 (2,500,000)		(2,834,143)	_	6,819,225	_	9,653,368
OTHER FINANCING SOURCES (USES)							
Transfers In	-		_		299,635		299,635
Total Other Financing Sources and (Uses)	 -		-		299,635	-	299,635
Net Change in Fund Balances	 (2,500,000)	_	(2,834,143)		7,118,860	_	9,953,003
Fund Balances - Beginning	49,409,302		49,409,302		49,409,302		_
Fund Balances - Ending	\$ 46,909,302	\$	46,575,159	\$	56,528,162	\$	9,953,003

EXHIBIT B-6

TOMBALL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS PROPRIETARY FUND

August 31, 2012

	<u> </u>	Governmental Activities	
	In	ternal Service	
		Fund	
ASSETS			
Current Assets:			
Investments	\$	3,146,400	
Other Current Assets		29,962	
Total Current Assets		3,176,362	
Total Assets		3,176,362	
LIABILITIES			
Current Liabilities:			
Accounts Payable		3,540	
Claims Payable - Due within one year		230,366	
Total Current Liabilities		233,906	
Total Liabilities		233,906	
NET ASSETS			
Unrestricted Net Assets		2,942,456	
Total Net Assets	\$	2,942,456	

EXHIBIT B-7

TOMBALL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND

For the Year Ended August 31, 2012

	Governmental Activities Internal Service
	Fund
OPERATING REVENUES:	
Local and Intermediate Sources:	
Employer Contributions	\$ 351,136
Total Operating Revenues	351,136
OPERATING EXPENSES:	
Payroll Costs	89,359
Professional and Contracted Services	181,112
Other Operating Costs	198,016
Total Operating Expenses	468,487
Operating Income (Loss)	(117,351)
NONOPERATING REVENUES:	
Earnings from Temp. Deposits and Investments	3,404
Total Nonoperating Revenues	3,404
Change in Net Assets	(113,947)
Total Net Assets - Beginning	3,056,403
Total Net Assets - Ending	\$ 2,942,456

TOMBALL INDEPENDENT SCHOOL DISTRICT STATEMENT OF CASH FLOWS PROPRIETARY FUND

For the Year Ended August 31, 2012

	_	Activities ternal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Employer	\$	351,136
Cash Payments for Claims, Net of Stop-loss Reimbursements		(184,544)
Cash Payments for Payroll Costs, Services and Supplies and Materials		(270,471)
Net Cash Provided (Used) by Operating Activities	_	(103,879)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends Received on Investments		3,404
Sale of Investments		100,475
Net Cash Provided (Used) by Investing Activities	_	103,879
Net Increase (Decrease) in Cash and Cash Equivalents		-
Cash and Cash Equivalents at Beginning of Year		-
Cash and Cash Equivalents at End of Year	\$	-
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$	(117,351)
Change in Assets and Liabilities:	•	(/
Increase (Decrease) in Claims Payable		(1)
Increase (Decrease) in Accounts Payable		13,473
Net Cash Provided (Used) by Operating Activities	\$	(103,879)

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES FIDUCIARY FUND

August 31, 2012

		Agency Fund	
	_	Student Activity	
ASSETS	_		
Cash and Cash Equivalents	\$	170,989	
Total Assets	\$	170,989	
LIABILITIES			
Due to Student Groups	\$	170,989	
Total Liabilities	\$	170,989	

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2012

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Tomball Independent School District (District) is governed by a seven-member board of trustees (Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Because members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding sources' entities.

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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

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. Depreciation expense and workers' compensation have been allocated to all applicable functions in order to present the expenditures of District more accurately in the Statement of Activities. *Program revenues* include 1) charges to students or users 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement 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 and fiduciary 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.

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 District 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.

Grant revenues 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 District.

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2012

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction.

Additionally, the District reports the following fund types:

The *internal service fund* accounts for workers' compensation claims and administrative expenses provided for other funds of the District on a cost reimbursement basis.

The agency fund is used to account for assets held by the District as an agent for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operation.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund balance sheet and proprietary fund statement of net assets and as other sources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance and on the proprietary fund statement of revenues, expenses and changes in fund net assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of activities.

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, grants and contributions not restricted to specific programs, and investment income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are charges to the funds for self-funded workers' compensation services. Operating expenses for internal service funds include the cost of claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

When both restricted and unrestricted (committed, assigned, or unassigned) resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. The District considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classification could be used.

D. Assets, Liabilities, and Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand or time deposits.

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges collateral, which complies with state law. The collateral is approved by the Texas Education Agency and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of collateral is waived

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2012

only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

State statutes authorize the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, or investment pools. Investments are held by the District's agent in the District's name.

Investments for the District are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (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 property tax receivables are shown net of estimated allowance for uncollectible amounts. The property tax receivable allowance approximates 30 percent of outstanding property taxes at August 31, 2012. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of financial statements.

Property values are determined by the County Central Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

3. Inventories and Prepaid Items or Deferred Expenditures

Inventories consisting of supplies and materials are valued at first-in first-out (FIFO) method when an item is purchased, and are subsequently recognized as expenditures when consumed. Instructional supplies are charged to expenditures when received or purchased. Food service commodity is recorded as inventory at fair market value on the date received. Commodities are recognized as revenues and expenditures when consumed. A portion of fund balance is reserved to reflect minimum inventory quantities considered necessary for the District's continuing operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items or deferred expenditures in both government-wide and fund financial statements. Such items are recorded as expense when consumed on the government-wide financial statements as well as the fund financial statements.

4. Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment, and construction in progress, are reported in the governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost which equals or exceeds \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2012

Land and construction in progress are not depreciated. Buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	5-40
Furniture and Equipment	2-40

5. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. The District does not have a liability for unpaid vacation at year-end due to the District's policy does not allow a carryover of vacation not taken at August 31.

6. Long-term Obligations

In the government-wide financial statements and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statement of net assets. Effective September 1, 2001, bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

Beginning with fiscal year 2011, the District 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. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance amounts the District intends to use for a specific purpose. Intent can be
 expressed by the Board or by an official or body to which the Board delegates the authority.
- Unassigned fund balance amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Superintendent or his designee through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2012

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, *National School Breakfast/Lunch Program* special revenue fund, and debt service fund. All annual appropriations lapse at fiscal year end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

- 1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- 2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- 3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. The District made several supplemental budgetary appropriations throughout the year.

The supplemental budgetary amendments made in the general fund were not significant.

The supplemental budgetary appropriations made in the *National School Breakfast/Lunch Program* special revenue fund were to appropriate additional funds for food service materials and supplies.

The supplemental budgetary appropriations made in the debt service fund were for bond issuance cost and fees relative to the bond refunding.

B. Excess of Expenditures Over Appropriations

For the year ended August 31, 2012, the District's expenditures did not exceed appropriations per the functions (the legal level of budgetary control) in the general fund, *National School Breakfast/Lunch Program* special revenue fund, and debt service fund.

III. Detailed Notes on All Funds

A. Deposits and Investments

As of August 31, 2012, the District had the following investments:

	Standard &		Weighted Average
Investment Type	Poor's Rating	Fair Value	Maturity (Years)
Texpool	AAAm	68,833,728	0.23
Total Fair Value		68,833,728	
Portfolio Weighted Average Maturity			0.23

Credit risk. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm (NRIRF) not less than A or its equivalent; 2) Certificates of deposit issued by a depository located in Texas which is insured by the FDIC; 3) Repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRIRF. 6) A guaranteed investment contract (for bond proceeds only) which meets

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2012

the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act.

For fiscal year 2012, the District invested in Texpool. Texpool is duly chartered and administered by the State Comptroller's Office. The credit rating for such investment is noted in the preceding table.

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 180 days, and any other individual investment shall not exceed two years from the time of purchase, unless specifically authorized by the Board of Trustees.

Concentration of credit risk. The District's investment policy does not limit an investment in any one issuer.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2012, District's banks' balance of \$14,506,894 was not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. District policy requires investments to be in the District's name or held by the District's agent in the District's name. The District is not exposed to custodial risk due to the investments are in the District's name or held by the District's agent in the District's name.

B. Receivables

Receivables as of year end for the District's individual major funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

		General	 Debt Service	G	Nonmajor overnmental Funds	 Total
Receivables:						
Property Taxes	\$	2,464,728	\$ 655,181	\$	-	\$ 3,119,909
Due From Other Governments						
State		55,391	-		8,321	63,712
Federal		12,172	-		941,874	954,046
Local		374	-		-	374
Other		122,783	-		-	122,783
Gross Receivables	_	2,655,448	 655,181		950,195	4,260,824
Less: Allow ance for Uncollectibles		(823,036)	(101,723)		-	(924,759)
Net Total Receivables	\$	1,832,412	\$ 553,458	\$	950,195	\$ 3,336,065

Tax revenues of the general and debt service fund are reported net of estimated uncollectible amounts. Total uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Uncollectibles Related to General Fund Property Taxes	\$ 42,569
Uncollectibles Related to Debt Service Property Taxes	(67)
Total Uncollectibles of the Current Fiscal Year	\$ 42,502

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2012

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable		Unearned
Delinquent Property Taxes Receivable (General Fund)	\$ 1,641,692	\$	-
Delinquent Property Taxes Receivable (Debt Service Fund)	553,458		-
Athletic Tickets (General Fund)	-		58,044
Escrow Local Taxes (General Fund)	-		2,533
Grant Funds Received Prior to Meeting all Eligibility Requirements (Special Revenue Funds)	-		3,496
Total Unavailable/Unearned Revenue For Governmental Funds	\$ 2,195,150	\$_	64,073

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of August 31, 2012, is as follows:

		Interfund	Interfund
Fund	F	Receivables	Payables
General fund	\$	889,601	\$ 1,155,341
Other Governmental Funds - Nonmajor			
Special Revenue Funds:			
ESEA, Title I, Part A		-	246,611
IDEA - B Formula		-	275,445
National School Breakfast/Lunch Program		1,155,341	-
Career and Tech Basic Grant		-	2,389
ESEA, Title II, Part A - Teacher and Principal Training and Recruiting		-	67,280
Title III, Part A, English Language Acquisition and Language Enhancement		-	11,455
Education Jobs Fund		-	275,299
Summer School LEP		-	3,580
Non-Ed Community Based Support		-	7,542
Total Special Revenue Funds		1,155,341	 889,601
Totals	\$	2,044,942	\$ 2,044,942

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2012

D. Capital Assets

Capital asset activity for the year ended August 31, 2012 was as follows:

		Beginning Balance	Additions	Reductions and Transfers	Ending Balance
Governmental Activities:	_				
Capital Assets, not being Depreciated:					
Land	\$	15,887,111 \$	- \$	(170,000) \$	15,717,111
Construction in Progress		88,880,911	3,894,850	(2,660,762)	90,114,999
Total Capital Assets, not being Depreciated	_	104,768,022	3,894,850	(2,830,762)	105,832,110
Capital Assets, being Depreciated:					
Buildings and Improvements		216,394,411	2,912,616	1,952,693	221,259,720
Furniture and Equipment		33,888,798	2,181,551	(508,500)	35,561,849
Total Capital Assets, being Depreciated	_	250,283,209	5,094,167	1,444,193	256,821,569
Less Accumulated Depreciation for:					
Buildings and Improvements		(65,708,311)	(6,404,056)	-	(72,112,367)
Furniture and Equipment		(16,051,731)	(2,415,121)	1,001,954	(17,464,898)
Total Accumulated Depreciation		(81,760,042)	(8,819,177)	1,001,954	(89,577,265)
Total Capital Assets, being Depreciated, net	_	168,523,167	(3,725,010)	2,446,147	167,244,304
Governmental Activities Capital Assets, net	\$_	273,291,189 \$	169,840 \$	(384,615)	273,076,414

Depreciation expense was charged to functions/programs of the District as follows:

Governmen	tal Activities:
-----------	-----------------

11 Instruction	\$ 4,502,289
12 Instructional Resources and Media Services	236,472
13 Curriculum and Instructional Staff Development	3,654
21 Instructional Leadership	7,021
23 School Leadership	368,225
31 Guidance, Counseling, and Evaluation Services	128,984
33 Health Services	46,554
34 Student Transportation	731,384
35 Food Service	557,396
36 Extracurricular Activities	1,413,333
41 General Administration	18,897
51 Plant Maintenance and Operations	645,141
61 Data Processing	159,827
Total Depreciation Expense-Governmental Activities	\$ 8,819,177

Construction Commitments

The District has active construction projects as of August 31, 2012. The projects include the construction and equipment of school facilities. At year end, the District's commitments with contractors are as follows:

	Remaining
Project	Commitment
Tomball ISD Central Administration	\$ 6,726
Tomball ISD Timber Creek ⊟ementary	96,478
Totals	\$ 103,204

The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by tax revenues and local funds.

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2012

E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness and workers' compensation claims. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for workers' compensation claims are accounted for in the internal service fund. In prior years, the general fund has been used to liquidate any other long-term liability not accounted for in the debt service fund or an internal service fund.

Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2012, was as follows:

		Beginning Balance		Additions	Reductions		Ending Balance		Due Within One Year
Governmental Activities:	_		_						
Bonds Payable:									
General Obligation Bonds	\$	305,365,000	\$	4,715,000	\$ (11,000,000)	\$	299,080,000	\$	6,415,000
Deferred Amounts:									
For Issuance Premiums (Discount) (CIB's)		9,239,488		208,721	(710,377)		8,737,832		-
For Accreted Interest (CAB's)		5,498,247		306,542	(560,000)		5,244,789		-
Deferred Interest Expense Adjustment		(1,477,950)		(208,230)	198,722		(1,487,458)		-
Total Bonds Payable, net	-	318,624,785	-	5,022,033	 (12,071,655)	-	311,575,163	_	6,415,000
Workers' Compensation		216,893		224,549	(211,076)		230,366		230,366
Governmental Activity	-					-		_	
Long-term Liabilities	\$_	318,841,678	\$_	5,246,582	\$ (12,282,731)	\$_	311,805,529	\$	6,645,366

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities.

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities and to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 7-25 year current interest or capital appreciation bonds (CAB) with various amounts of principal maturing each year. Rates may be fixed or variable.

The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance		Additions	Reductions	Ending Balance
	2.9-5.45% \$		2015	\$ 15.000	- \$			15,000
1993 (CAB)	· · ·	, ,			Ф	- \$	- \$,
1997 (CAB)	5.65-5.95%	1,753,405	2014	255,000		-	(120,000)	135,000
1999	4.25-5.0%	20,985,000	2020	655,000		-	(320,000)	335,000
2001 B	3.45-3.55%	25,000,000	2026	25,000,000		-	-	25,000,000
2002 A	2.0-4.5%	12,220,000	2020	6,080,000		-	(6,080,000)	-
2002 B	4.27%	19,650,000	2026	19,650,000		-		19,650,000
2007	4.0-5.5%	9,800,000	2032	9,640,000		-	(60,000)	9,580,000
2008	3.0-4.75%	103,410,000	2033	102,805,000		-	(490,000)	102,315,000
2008 (CAB)	3.71%	620,000	2015	620,000		-	-	620,000
2009	2.0-5.0%	52,960,000	2034	52,280,000		-	(1,165,000)	51,115,000
2010	2.0-5.0%	16,005,000	2020	16,005,000		-	-	16,005,000
2010 A	3.0-5.0%	26,535,000	2034	26,535,000		-	-	26,535,000
2010 B	3.0-5.0%	16,080,000	2023	15,810,000		-	(2,765,000)	13,045,000
2011	4.0-5.0%	30,015,000	2034	30,015,000		-	-	30,015,000
2011	2.0-3.5%	4,715,000	2020	-		4,715,000	-	4,715,000
Totals				\$ 305,365,000	\$	4,715,000 \$	(11,000,000) \$	299,080,000

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2012

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending	Principal		Total
August 31	Value	Interest	Requirements
2013	\$ 6,415,000	\$ 14,922,080	\$ 21,337,080
2014	7,270,000	14,220,480	21,490,480
2015	7,975,000	15,348,286	23,323,286
2016	10,985,000	12,336,230	23,321,230
2017	11,440,000	11,879,211	23,319,211
2018	11,910,000	11,411,530	23,321,530
2019	12,400,000	10,921,767	23,321,767
2020	12,930,000	10,391,424	23,321,424
2021	13,495,000	9,830,595	23,325,595
2022	14,090,000	9,235,406	23,325,406
2023	14,740,000	8,587,036	23,327,036
2024	15,430,000	7,893,932	23,323,932
2025	16,155,000	7,169,117	23,324,117
2026	16,915,000	6,407,892	23,322,892
2027	14,460,000	5,668,819	20,128,819
2028	15,170,000	4,954,119	20,124,119
2029	15,920,000	4,207,900	20,127,900
2030	16,680,000	3,450,434	20,130,434
2031	17,470,000	2,657,966	20,127,966
2032	18,320,000	1,808,969	20,128,969
2033	19,205,000	919,041	20,124,041
2034	9,705,000	231,000	9,936,000
Totals	\$ 299,080,000	\$ <u>174,453,234</u>	\$ 473,533,234

In November 2011, the District issued \$4,715,000 of refunding bonds. The proceeds of the refunding bonds were used to legally defease \$4,720,000 of previously issued District bonds in order to lower its overall debt service requirements. The reacquisition price exceeded the net carrying value of the old debt by \$208,230. The District advance-refunded the bonds in order to reduce its future debt service payments by \$355,704, and to obtain an economic gain (differences between the present values of the debt service payments on the old and new debt) of \$350,162.

As of August 31, 2012, the District did not have any authorized but unissued bonds.

The District defeased certain bonds through the issuance of new bonds and placed the proceeds in an irrevocable trust to provide for all future debt service payments of the old bonds. Securities being utilized to repay the refinanced debt as it becomes due consist solely of U.S. government obligations. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the District's basic financial statements. As of August 31, 2012, the District does not have any outstanding defeased bonds.

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

General Fund - Fiscal Stabilization for New High Schools	\$ 16,000,000
Other Governmental Fund - National School Breakfast and Lunch Program	1,439,399
Other Governmental Fund - Campus Activity	950,222
Other Governmental Fund - Scholarships	442,096
Other Governmental Fund – High School Scholarship Fund	4,000
Total Other Committed Fund Balance	\$ 18,835,717

Other assigned fund balance includes the following assignments of funds:

Total Other Designated Fund Balance	\$ 4,000,000
Maintenance and Repairs	1,000,000
Land Purchases	\$ 3,000,000

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2012

G. Revenues from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources of the governmental funds consisted of the following:

		General	Debt Service		Capital Projects	G	Nonmajor Sovernmental Funds	To	otals
Property Taxes	\$_	55,862,166	\$ 19,328,650	\$_	-	\$_	- \$	75,	190,816
Penalties, Interest, and									
Other Tax Related Income		568,470	163,331		-		-		731,801
Summer School, Tuition and Fees		122,773	-		-		-		122,773
Investment Income		114,621	7,886		19,905		1,272		143,684
Food Sales		-	-		-		2,590,416	2,	590,416
Extracurricular Student Activities		179,540	-		-		1,851,446	2,	030,986
Rental Income		28,604	-		-		-		28,604
Gifts & Bequests		38,045	-		-		22,825		60,870
Other		306,511	-		-		-		306,511
Total	\$_	57,220,730	\$ 19,499,867	\$	19,905	\$	4,465,959 \$	81,	206,461

IV. Other Information

A. Risk Management

Property/Liability

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance. In addition, the District participates in the Texas Association of School Boards Risk Management Fund (Fund) for liability, vehicle coverage, crime and tax-assessor bond insurance. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its liability coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and may provide, through commercial companies, reinsurance contracts. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Health Care Coverage

During the year ended August 31, 2012, the District contributed a \$150 along with a state contribution of \$75 (\$225) per month per employee towards the cost of health care for those who elected to participate in the TRS health care plan.

Workers' Compensation

The District established a limited risk management program for workers' compensation in 2004 by participating as a self-funded member of the Texas Public Schools Workers' Compensation Project (Pool). The Pool was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. As a self-funded member of the Pool, the District is solely responsible for all claims costs, both reported and unreported. A third party administrator provides administrative services to its self-funded members including claims administration and customer service.

Premiums are paid into the internal service fund by the other funds and are available to pay claims, claim reserves, and administrative costs of the program.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. The Texas

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2012

Public Schools Workers' Compensation Project limits the Pool's liability to \$300,000 per occurrence with a maximum aggregate exposure of \$5,000,000. There were no significant reductions in insurance coverage from the prior year. Settlements have not exceeded coverages for each of the past two fiscal years. Changes in the balances of claims liabilities during the past two years are as follows:

	`	Year Linded	Year Ended
		8/31/2012	8/31/2011
Unpaid Claims, Beginning of Fiscal Year	\$	216,893 \$	253,410
Incurred Claims (including IBNRs and changes in provisions)		224,549	30,573
Claim Payments		(211,076)	(67,090)
Unpaid Claims, End of Fiscal Year	\$	230,366 \$	216,893

B. Related Party Transaction

For the year ended August 31, 2012, the District purchased \$1,371,461 of food products from an entity in which a family member of a member of the Board has a financial interest.

C. Contingencies

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2012, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

D. Defined Benefit Pension Plan

Pension Plan for Employees Participating in Teacher Retirement System

Plan Description. The Tomball Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapter 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Contribution rates and contributions for fiscal years 2012-2010 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

NOTES TO THE FINANCIAL STATEMENTS AUGUST 31. 2012

Contribution Rates and Contribution Amounts

Calcad Diatrict

	N	lember			State	Statutory	
Year	Rate		Amount	Rate		Amount	 Amount
2012	6.4%	\$	3,844,438	6.000%	\$	2,795,670	\$ 667,436
2011	6.4%	\$	3,797,137	6.644%	\$	3,125,963	\$ 815,940
2010	6.4%	\$	3,659,944	6.644%	\$	3,043,876	\$ 708,965

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

E. School District Retiree Health Plan

Plan Description. The Tomball Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2012-2010.

Contribution Rates

Active Member				State		School District			
Year	Rate		Amount	Rate		Amount	Rate		Amount
2012	0.65%	\$	390,451	1.00%	\$ _	583,253	0.55%	\$	330,381
2011	0.65%	\$	385,647	1.00%	\$	574,704	0.55%	\$	326,316
2010	0.65%	\$	371,713	1.00%	\$	558,418	0.55%	\$	314,526

In addition, the State of Texas contributed \$319,163, \$162,167, and \$145,001 in 2012, 2011, and 2010, respectively, for on-behalf payments for Medicare Part D and Early Retiree Reinsurance Program.

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

F. Nonmonetary Transactions

During 2012, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$1,012,444. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$1,012,444 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS



SPECIAL REVENUE FUNDS

The Special Revenue Funds are governmental funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The proceeds may be from federal, state, and local sources.

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

Grants accounted for in the Special Revenue Funds include:

- **ESEA, Title I, Part A, Improving Basic Programs** funds are used to provide opportunities for children served to acquire the knowledge and skills contained in the challenging State content standards and to meet the challenging State performance standards developed for all children.
- <u>IDEA-Part B, Formula -</u> funds are used to operate education programs for children with disabilities.
- <u>IDEA Part B, Preschool</u> funds are used to operate educational programs for preschool children with disabilities.
- <u>National School Breakfast and Lunch Program</u> fund accounts for revenues originating from the United States Department of Agriculture and fees from child and adult meals, as well as allowable child nutrition program expenditures.
- <u>Career and Technical, Basic Grant</u> funds are used to provide career and technology education to develop new and/or improve career and technology education programs for paid and unpaid employment.
- **ESEA, Title II, Part A, Teacher and Principal Training and Recruiting ("TPTR")** funds are used to provide financial assistance to LEAs to increase student academic achievement through improving teacher and principal quality and increasing the number of highly qualified teachers in classrooms and highly qualified principals and assistant principals in schools, in addition to holding local education agencies and schools accountable for improving student academic achievement.
- <u>English Language Acquisition and Enhancement</u> funds are used to improve the education of limited English proficient children and assist children to learn English and meet challenging State academic content and student academic achievement standards.
- **Education Jobs Fund** funds are used to assist States in saving or creating education jobs.

NONMAJOR GOVERNMENTAL FUNDS SPECIAL REVENUE FUNDS

- <u>Early Childhood Limited English Proficient (LEP) Summer Programs</u> funds are used for summer school programs for LEP students.
- <u>Non-Ed Community Based Support</u> fund is used to account for the provision of non-educational community-based support services to students with disabilities, who would remain or have to be placed in residential facilities for educational reasons without the provision of these services.
- <u>Instructional Materials Allotment</u> funds are used to purchase instructional materials, technological equipment, and technology related services.
- <u>Technology Allotment</u> funds are used to purchase technological software or equipment that contributes to student learning, or to pay for training for education personnel involved in the use of these materials.
- <u>State Funded Special Revenue Fund</u> fund accounts for state funded special revenue funds that have not been specified above.
- <u>Campus Activity Fund</u> funds are generated by the campus and are not subject to recall by the board of trustees into the General Fund. The funds accounted for are non-agency and discretionary.
- <u>Scholarship Fund</u> funds are used to provide scholarships to qualifying students who graduate from a high school in the Tomball Independent School District. These scholarships may be awarded to students pursuing undergraduate work at Tomball College.
- <u>High School Scholarship Fund</u> fund is used to account for scholarship funds that have been donated to an individual high school, and awarded to current and former students for post-secondary education purposes. These funds are restricted for use in the 2013-2014 school year.

TOMBALL INDEPENDENT SCHOOL DISTRICT COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

August 31, 2012

	ESEA Title I, Part A		DEA - B Formula	IDEA - B Preschool		 Nat'l School Breakfast & Lunch	
ASSETS			 			 	
Cash and Cash Equivalents	\$	-	\$ -	\$	-	\$ 413,045	
Current Investments		-	-		-	-	
Due from Other Governments		246,611	291,177		-	36,197	
Due from Other Funds		-	-		-	1,155,341	
Inventories		-	 		-	 100,798	
Total Assets	\$	246,611	\$ 291,177	\$	-	\$ 1,705,381	
LIABILITIES							
Accounts Payable	\$	-	\$ 15,732	\$	_	\$ 124,289	
Accrued Wages Payable		-	-		_	40,895	
Due to Other Funds		246,611	275,445		-	-	
Deferred Revenues		<u>-</u>			-	 3,496	
Total Liabilities		246,611	 291,177		-	 168,680	
FUND BALANCES							
Nonspendable Inventories		-	_		_	97,302	
Other Committed Fund Balance		-			-	 1,439,399	
Total Fund Balances			 		_	1,536,701	
Total Liabilities & Fund Balances	\$	246,611	\$ 291,177	\$	-	\$ 1,705,381	

C	Career & Tech Basic Pa		ESEA Fitle II, Part A TPTR	Acq	ish Language uisition and hancement	Education Jobs Fund
\$	-	\$	-	\$	-	\$ -
	2,389		- 75,155		- 11,466	- 275,299
	-		-		-	-
\$	2,389	\$	75,155	\$	11,466	\$ 275,299
\$	-	\$	7,875	\$	11	\$ _
	2,389		- 67,280		11,455	275,299
	2,389		75,155		11,466	 275,299
	_		_		_	_
				1		
\$	2,389	\$	75,155	\$	11,466	\$ 275,299

(Continued)

TOMBALL INDEPENDENT SCHOOL DISTRICT COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

August 31, 2012

	LEP Summer Program		C	Non-Ed ommunity sed Support	N	structional Materials Allotment	Technology Allotment		
ASSETS	•		Φ.		Φ.				
Cash and Cash Equivalents	\$	-	\$	-	\$	-	\$	-	
Current Investments		-		-		-		-	
Due from Other Governments		3,580		8,321		-		-	
Due from Other Funds		-		-		-		-	
Inventories									
Total Assets	\$	3,580	\$	8,321	\$	<u>-</u>	\$	-	
LIABILITIES									
Accounts Payable	\$	-	\$	779	\$	-	\$	-	
Accrued Wages Payable		-		_		_		-	
Due to Other Funds		3,580		7,542		_		-	
Deferred Revenues								-	
Total Liabilities		3,580		8,321				-	
FUND BALANCES									
Nonspendable Inventories		_		_		_		_	
Other Committed Fund Balance		-		_		_		-	
Total Fund Balances									
Total Liabilities &									
Fund Balances	\$	3,580	\$	8,321	\$		\$	-	

S	state Funded Special Revenue Fund	 Campus Activity Funds	 Scholarship Fund		High School Scholarship Fund		Total Nonmajor Governmental Funds
\$	-	\$ 850,178	\$ -	\$	4,000	\$	1,267,223
	-	100,044	442,096		-		542,140
	-	-	-		-		950,195
	-	-	-		-		1,155,341
		 	 <u>-</u>				100,798
\$		\$ 950,222	\$ 442,096	\$	4,000	\$	4,015,697
\$	-	\$ _	\$ -	\$	-	\$	148,686
	-	-	-		-		40,895
	-	-	-		-		889,601
		 	 				3,496
		 					1,082,678
	_	_	_		_		97,302
	-	 950,222	442,096		4,000		2,835,717
		 950,222	442,096		4,000		2,933,019
\$	-	\$ 950,222	\$ 442,096	\$	4,000	\$	4,015,697

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended August 31, 2012

	ESEA Title I, Part A		IDEA - B Formula		DEA - B reschool		Nat'l. School Breakfast & Lunch
REVENUES	 						
Local and Intermediate Sources State Program Revenues	\$ -	\$	-	\$	-	\$	2,591,109 96,908
Federal Program Revenues Total Revenues	827,772 827,772	-	1,693,223 1,693,223	•	19,692 19,692	-	1,657,316 4,345,333
EXPENDITURES							
Current:							
Instruction	695,667		1,133,394		4,236		-
Instructional Resources							
& Media Services	-		-		-		-
Curriculum & Instructional							
Staff Development	14,498		8,774		-		-
Instructional Leadership	95,499		149,518		-		-
School Leadership	4,500		-		-		-
Guidance, Counseling &							
Evaluation Services	-		400,662		15,456		-
Health Services	-		-		-		-
Food Services	-		-		-		3,925,750
Extracurricular Activities	-		-		-		-
Plant Maintenance & Operations	-		-		-		-
Security & Monitoring Services	-		-		-		-
Community Services	17,608		875			_	
Total Expenditures	827,772	_	1,693,223		19,692	-	3,925,750
Excess (Deficiency) of Revenues							
Over (Under) Expenditures		_		•		-	419,583
Net Change in Fund Balances		_		•		-	419,583
Fund Balances - Beginning		_				-	1,117,118
FUND BALANCES - ENDING	\$ 	\$_		\$	-	\$	1,536,701

Ca	Career & Tech Basic Grant		ESEA Title II, Part A TPTR		English Language Acquisition and Enhancement	 Education Jobs Fund
\$	-	\$	-	\$	-	\$ -
	- 71 545		177.256		101 (22	1 (51 501
	71,545	-	177,356		101,633	1,651,581
	71,545	-	177,356		101,633	1,651,581
	63,942		8,100		69,884	1,651,581
	-		-		-	-
	7,603		150,513		28,562	-
	-		7,894		1,848	_
	-		10,849		1,185	-
	_		-		-	-
	_		_		_	- -
	_		_		_	-
	_		-		_	-
	_		-		-	-
	-		-		154	-
	71,545		177,356		101,633	1,651,581
		-			-	
		_	-		-	
	-		-		-	-
\$	-	\$	-	\$	-	\$ -

(Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended August 31, 2012

		LEP Summer Program	Non-Ed Community Based Support	Instructional Materials Allotment		Technology Allotment
REVENUES						
Local and Intermediate Sources State Program Revenues	\$	-	\$ - 8,321	\$ - 1,012,444	\$	-
Federal Program Revenues Total Revenues	_	3,580 3,580	8,321	1,012,444	-	-
EXPENDITURES						
Current:						
Instruction		3,580	-	1,012,444		286,198
Instructional Resources						
& Media Services		-	-	-		-
Curriculum & Instructional						
Staff Development		-	-	-		1,750
Instructional Leadership		-	-	-		-
School Leadership		-	-	-		-
Guidance, Counseling &						
Evaluation Services		-	-	-		-
Health Services		-	-	-		-
Food Services		-	-	-		-
Extracurricular Activities		-	-	-		-
Plant Maintenance & Operations		-	-	-		-
Security & Monitoring Services		-	-	-		-
Community Services	_		8,321	-		
Total Expenditures	_	3,580	8,321	 1,012,444		287,948
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	_				-	(287,948)
Net Change in Fund Balances	_	-			_	(287,948)
Fund Balances - Beginning	_				-	287,948
FUND BALANCES - ENDING	\$ _	-	\$ 	\$ -	\$	-

	State Funded Special Revenue		Campus Activity Funds		Scholarship Fund		High School Scholarship Fund		Total Nonmajor Governmental Funds
\$	-	\$	1,851,552	\$	19,298	\$	4,000	\$	4,465,959
	5,439		-		-		-		1,123,112
	- 5 420	_	1.051.550		10.200	_	4.000		6,203,698
	5,439	-	1,851,552	•	19,298	_	4,000		11,792,769
	-		494,670		-		-		5,423,696
	137		135,312		-		-		135,449
	5,302		14,250		-		-		231,252
	-		-		-		-		254,759
	-		117,323		-		-		133,857
	-		4,309		-		-		420,427
	-		77		-		-		77
	-		-		-		-		3,925,750
	-		1,087,413		-		-		1,087,413
	-		2,140		-		-		2,140
	-		1,814		-		-		1,814
	-	_	3,853		10,554		_		41,365
	5,439	-	1,861,161		10,554		<u>-</u>		11,657,999
	-	. <u>-</u>	(9,609)		8,744		4,000		134,770
	-	_	(9,609)	,	8,744	_	4,000		134,770
		· <u>-</u>	959,831		433,352	_			2,798,249
\$	-	\$_	950,222	\$	442,096	\$_	4,000	\$	2,933,019

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

For the Year Ended August 31, 2012

		Original Budgeted Amounts	Final Budgeted Amounts		Actual		Variance with Final Budget Over (Under)
REVENUES							<u> </u>
Local and Intermediate Sources	\$	2,155,000	\$ 2,440,000	\$	2,591,109	\$	151,109
State Program Revenues		82,000	82,000		96,908		14,908
Federal Program Revenues		1,431,000	 1,621,000		1,657,316	_	36,316
Total Revenues	_	3,668,000	4,143,000	_	4,345,333		202,333
EXPENDITURES							
Current:							
Food Services		3,666,303	4,252,743		3,925,750		326,993
Total Expenditures		3,666,303	4,252,743		3,925,750	_	326,993
Excess (Deficiency) of Revenues							
Over (Under) Expenditures		1,697	 (109,743)		419,583	_	529,326
Net Change in Fund Balance		1,697	(109,743)		419,583		529,326
Fund Balance - Beginning		1,117,118	1,117,118		1,117,118	_	
Fund Balance - Ending	\$ _	1,118,815	\$ 1,007,375	\$	1,536,701	\$_	529,326

MAJOR GOVERNMENTAL FUNDS



DEBT SERVICE FUND

This fund is used to account for revenues from advalorem debt services taxes, the state existing debt allotment and earnings on temporary investments as well as the expenditure of these funds in payment of long-term debt principal, interest and related costs with general obligations bonds.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL DEBT SERVICE FUND

For the Year Ended August 31, 2012

	_	Original Budgeted Amounts		Final Budgeted Amounts		Actual	_	Variance with Final Budget Over (Under)
REVENUES								
Local and Intermediate Sources	\$_	18,725,000	\$	19,200,000	\$	19,499,867	\$	299,867
Total Revenues	_	18,725,000	_	19,200,000	_	19,499,867	-	299,867
EXPENDITURES								
Debt Service:								
Principal on Long-term Debt		6,280,000		6,280,000		6,280,000		-
Interest on Long-term Debt		13,894,829		13,894,829		13,894,829		-
Bond Issuance Costs and Fees		675,171	_	507,369		105,489	_	401,880
Total Expenditures		20,850,000	_	20,682,198		20,280,318	-	401,880
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	_	(2,125,000)	_	(1,482,198)	_	(780,451)	-	701,747
Other Financing Sources (Uses):								
Sale of Bonds, Refunding		-		4,715,000		4,715,000		-
Premium on Sale of Bonds		-		208,721		208,721		-
Payment to Refunded Bond Escrow Agent		-		(4,818,953)		(4,818,951)		2
Total Other Financing Sources and (Uses)		-		104,768		104,770		2
Net Change in Fund Balance		(2,125,000)		(1,377,430)		(675,681)		701,749
Fund Balance - Beginning		2,616,535		2,616,535		2,616,535		-
Fund Balance - Ending	\$	491,535	\$	1,239,105	\$	1,940,854	\$	701,749

AGENCY FUND



The Agency fund consists of the Student Activity Funds that are held in a custodial capacity by the District and are the property of the student organizations. The students through fund raising activities and the payment of dues raise these funds. The School principal is responsible, under the authority of the Board, for collecting, controlling, disbursing and accounting for all student activity.

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND

For the Year Ended August 31, 2012

	_ Au	Balance gust 31, 2011	. <u> </u>	Additions	_1	Deductions		Balance August 31, 2012
ASSETS Cash and Cash Equivalents Total Assets	\$ \$	122,503 122,503	\$ \$	764,275 764,275	\$ \$	715,789 715,789	\$ \$	170,989 170,989
LIABILITIES Due to Student Groups Total Liabilities	\$ \$	122,503 122,503	\$ \$	764,274 764,274	\$ 	715,789 715,789	\$	170,989 170,989

STATISTICAL SECTION



STATISTICAL SECTION

The statistical section of this report is used to provide detailed data on the physical, economic and social characteristic of the district. This data (both current and historical) is provided so that financial report users will have a broader and more complete understanding of the government unit and its financial affairs than is possible to achieve from the basic financial statements alone. This section is categorized as follows:

<u>Financial Trends Information</u> - data that will assist users in understanding and assessing how the government's financial position has changed over time.

<u>Revenue Capacity Information</u> - data that will help users assess the factors affecting the Districts most significant local revenue source, the property tax.

<u>Debt Capacity Information</u> - data presented to assist in assessing the Districts current debt burden and its ability to issue additional debt in the future.

<u>Demographic and Economic Information</u> - data that will assist with understanding the socioeconomic environment in which the District operates and that facilitates comparisons over time.

Operating Information – data that is intended to provide information about the District's operations and resources that will assist the user or understand and assess the economic condition of the District.

The tables in this section usually cover ten fiscal years and often include data obtained from sources outside the District's accounting records. The source of financial information found in these tables is from the District's Annual Financial Reports for the relevant year, unless indicated otherwise. The tables are unaudited due to nature of the information contained therein.

TOMBALL INDEPENDENT SCHOOL DISTRICT NET ASSETS BY COMPONENT TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (Unaudited)

	2012	2011	2010	2009
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	\$ (9,014,998)	\$ 165,603	\$ 2,012,220	\$ 2,960,161
Unrestricted	49,130,764	41,476,735	43,675,080	39,824,049
Total Primary Government Net Assets	\$ 40,115,766	\$ 41,642,338	\$ 45,687,300	\$ 42,784,210

Source of Data: District Records

Table 1

2008	2007	2006	2005	2004	2003
\$ 8,416,465	\$ 6,041,906	\$ 7,337,125	\$10,629,381	\$ 2,653,208	\$ 5,995,182
31,133,799	31,353,689	21,175,184	16,975,328	21,964,957	18,388,765
\$ 39,550,264	\$ 37,395,595	\$28,512,309	\$27,604,709	\$24,618,165	\$24,383,947

TOMBALL INDEPENDENT SCHOOL DISTRICT **CHANGES IN NET ASSETS** TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (Unaudited)

Expenses	2012	2011	2010	2009
Governmental Activities:				
Instruction	\$ 54,853,901	\$ 52,830,648	\$ 53,241,569	\$ 46,749,727
Instructional Resources and Media Services	1,379,876	1,359,597	1,494,273	1,177,541
Curriculum and Instructional Staff Development	1,060,957	1,151,047	1,164,578	1,212,720
Instructional Leadership	1,046,748	1,064,216	914,355	888,181
School Leadership	5,708,324	5,598,113	5,336,630	5,212,930
Guidance, Counseling, and Evaluation Services	3,399,011	3,449,417	3,548,162	3,180,999
Social Work Services	59,732	254,764	279,588	233,325
Health Services	1,001,096	1,037,795	1,073,199	918,515
Student (Pupil) Transportation	4,925,437	4,500,539	4,163,275	3,756,820
Food Services	4,379,968	4,111,298	4,269,083	3,644,023
Extracurricular Activities	5,064,933	4,166,663	3,830,804	3,330,299
General Administration	2,560,583	2,564,409	2,465,280	2,278,329
Plant Maintenance and Operations	9,888,738	10,319,560	9,702,719	9,756,753
Security and Monitoring Services	365,048	112,917	117,265	110,480
Data Processing Services	1,729,528	1,619,689	1,805,033	1,682,320
Community Services	41,818	48,600	88,239	82,621
Interest on Long-term Debt	13,315,843	10,999,925	12,680,186	10,310,670
Current Debt Fees	148,988	130,271	177,637	137,011
Facilities, Repair and Maintenance	4,492,312	8,975,408	493,271	797,787
Payments to Juvenile Justice Alternative Ed. Prog.	22,516	14,479	18,900	28,034
Other Intergovernmental Charges	583,557	566,313	545,839	491,402
Total Primary Government Expenses	116,028,914	114,875,668	107,409,885 (4)	95,980,487 (4)
Program Revenues Governmental Activities:				
Charges for Services				
Instruction	614,889	657,523	547,176	460,611
Food Services	2,590,416	2,265,108	2,172,510	2,055,228
Extracurricular Activities	1,417,442	1,371,714	1,128,220	752,076
Other Activities	306,241	337,994	253,773	350,842
Operating Grants and Contributions	11,176,201	11,948,258	12,235,758	8,138,724
Total Primary Government Program Revenues	16,105,189	16,580,597	16,337,437	11,757,481
Net (Expense)/Revenue				
Total Primary Government Net Expense	\$ (99,923,725)	\$ (98,295,071)	\$ (91,072,448)	\$ (84,223,006)
General Revenues and Other Changes in Net Assets Governmental Activities:				
Property Taxes, Levied for General Purposes	56,401,809	51,878,692	50,674,625	48,215,536 (1)
Property Taxes, Levied for Debt Service	19,469,388	18,128,209	17,757,848	16,492,693 (1)
Investment Earnings	147,088	168,033	384,985	1,398,783
Grants and Contributions Not Restricted	117,000	100,033	501,705	1,570,705
to Specific Programs	22,309,545	24,073,335	25,147,797	21,246,933
Miscellaneous	69,323	1,840	10,283	103,007
Total Governmental Activities General Revenues	98,397,153	94,250,109	93,975,538	87,456,952
Change in Nat Assats				
Change in Net Assets Governmental Activities	\$ (1,526,572)	\$ (4,044,962)	\$ 2,903,090	\$ 3,233,946

⁽¹⁾ Higher tax revenues were the result of the District's increased property values.

Source of Data: District Records

⁽²⁾ Rising interest rates and amount invested increased earnings for District investments.

⁽³⁾ Increase in state aid to offset state mandated decrease in tax rate.

⁽⁴⁾ Increase is due to expenditures related to student growth and increased construction expenditures.(5) Decrease in tax revenues were the result of the State mandated decrease in tax rate.

2008	2007	2006	2005	2004	2003
\$ 43,188,361	\$ 39,446,015	\$ 37,851,064	\$ 34,848,298	\$ 31,990,313	\$ 30,863,712
1,161,973	1,091,750	1,083,485	1,085,992	1,096,094	919,484
1,086,713	1,343,973	1,267,583	1,204,701	975,420	1,214,928
815,973	592,615	646,236	505,247	434,763	577,577
4,711,310	3,439,064	3,236,723	3,144,346	3,122,920	2,581,873
2,953,601	2,841,150	2,501,773	2,546,768	2,183,257	2,207,396
240,734	572,414	569,828	492,138	449,013	376,406
841,608	790,355	784,183	737,396	696,980	657,245
3,577,282	3,217,470	3,115,730	2,936,840	2,775,448	2,683,163
3,091,289	2,939,377	2,849,433	2,766,385	2,704,848	2,351,284
3,593,453	3,745,430	3,632,752	3,576,314	3,725,859	2,949,138
2,301,808	2,463,371	2,205,664	2,171,906	2,067,282	2,097,946
8,499,737	7,479,495	7,083,837	6,521,926	6,138,486	5,587,578
89,525	101,739	103,138	94,923	93,818	98,653
1,598,363	1,826,215	1,269,571	1,232,379	1,100,354	1,277,513
94,862	161,035	284,644	74,354	85,872	57,632
9,003,166	6,278,272	6,420,695	6,240,319	6,310,466	6,307,768
55,831	129,562	66,734	97,551	97,839	95,400
891,697	3,328	, -	30,306	2,802	3,754
22,250	12,424	10,340	13,184	34,650	22,360
437,653	· -	- -	-	-	´-
88,257,189 (4)	78,475,054	74,983,413	70,321,273	66,086,484	62,930,810
574,342 1,916,038 863,031 275,303 7,202,356 10,831,070	431,663 1,701,224 1,235,132 267,753 6,939,602 10,575,374	505,292 1,616,294 1,007,385 281,048 7,528,635 10,938,654	555,801 1,560,814 1,012,404 337,122 6,617,005 10,083,146	584,648 1,472,323 1,145,526 434,850 6,499,968 10,137,315	477,616 1,275,589 532,812 254,232 6,247,737 8,787,986
\$ (77,426,119)	\$ (67,899,680)	\$ (64,044,759)	\$ (60,238,127)	\$ (55,949,169)	\$ (54,142,824)
41,703,494 (5)	48,730,325	47,610,602 (1)	46,455,410	41,689,554	37,937,977
11,444,750	10,891,039	8,963,827 (1)	7,845,322	6,953,146	6,924,999
3,003,969	2,379,852	1,797,558 (2)	887,153	431,079	1,688,977
22,680,169 (3)	14,714,548	6,359,100	7,964,120	7,107,894	6,533,192
748,406	67,202	221,272	72,666	1,714	203,321
79,580,788	76,782,966	64,952,359	63,224,671	56,183,387	53,288,466
,,	, , , , , , , , , , , , , , , , , , ,	, , , , , , , , , , , , , , , , , , ,		, ,-	,, ••
\$ 2,154,669	\$ 8,883,286	\$ 907,600	\$ 2,986,544	\$ 234,218	\$ (854,358)

FUND BALANCES - GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING) (Unaudited)

Fiscal Year Ended 08/31:	 2012	 2011 (11)		2010		2009
General Fund						
Non-spendable for:						
Inventories	\$ 467,846	\$ 397,963		_		_
Prepaid Items	13,259	2,060		_		_
Restricted for Federal/State Funds Grant Restrictions	4,006,559	3,349,524		-		-
Other Committed	16,000,000	16,000,000		-		_
Assigned for:	, ,	, ,				
Construction	3,000,000	3,000,000		-		_
Claims and Judgements	1,000,000	1,000,000		_		_
Capital Expenditures for Equipment	3,000,000	3,000,000		_		_
Self-Insurance	1,000,000	1,000,000		_		_
Other Assigned Fund Balance	4,000,000	4,000,000		_		_
Unassigned Fund Balance	24,040,498	17,659,755		_		_
Reserved	,,	-	\$	2,231,842	\$	445,677
Designated for:			-	_,,,	-	,
Construction	_	_		3,000,000		3,000,000
Claims and Judgements	_	_		1,000,000		1,000,000
Capital Expenditures for Equipment	_	_		3,000,000		3,500,000
Self-Insurance	_	_		1,000,000		1,500,000
Other Designated Fund Balance	_	_		12,000,000 (9)		6,000,000
Unreserved, Undesignated	_	_		22,412,608		24,169,064
Total General Fund	\$ 56,528,162	\$ 49,409,302	\$	44,644,450 (5)	\$	39,614,741 (5)
	 ,,	 .,,,,		(*)	_	(0)
All Other Governmental Funds						
Non-spendable Inventories	\$ 97,302	\$ 90,509		-		-
Restricted for:						
Federal/State Funds Grant Restrictions	-	287,948		-		-
Capital Acquisition Program and						
Contractual Obligations	10,421,552	24,856,649		-		-
Retirement of Long-term Debt	1,940,854	2,616,535		-		-
Other Committed	2,835,717	2,419,792		-		-
Reserved, reported in:						
Capital Projects Funds	-	-	\$	(155,928) (10)	\$	56,050,303 (8)
Debt Service Funds	-	-		3,252,812		2,805,686
Special Revenue Funds	-	-		1,616,942		1,336,158
Total All Other Governmental Funds	\$ 15,295,425	\$ 30,271,433	\$	4,713,826	\$	60,192,147

- (1) Increase is primarily due to an increase in property tax revenue resulting from an increase in property values.
- (2) Decrease of proceeds from the sale of bonds reflecting expenditures on program projects.
- (3) Increase due to a transfer of funds from the capital projects fund to meet the scheduled increase in debt payments.
- (4) Increase is primarily due to controlled food costs and an increase in meals served in thenational school breakfast/lunch program special revenue fund.
- (5) Increase primarily due to an increase in state program revenue.
- (6) Increase due to the transfer of \$1,000,000 from the general fund exceeded expenditures on capital projects.
- (7) Increase is primarily due to the increase in property tax collections due to the \$.02 increase in debt service tax rate and the increase in appraised values.
- (8) Increase due to sale of bonds for construction of new facilities and renovations of existing facilities.
- (9) Increase for fiscal stabilization to cover additional expenses of opening a new high school.
- (10) A deficit fund balance recorded due to the accrual of retainage liabilities at year-end. Bonds were issued in subsequent months to pay liability and complete planned construction.
- (11) GASB 54 new fund balance categories required beginning with fiscal year ended August 31, 2011

 2008		2007	 2006		2005	 2004	 2003	
-		_	-		-	_	_	
-		-	-		-	-	-	
-		-	-		-	-	-	
-		-	-		-	-	-	
_		_	_		_	_	_	
_		_	_		_	_	_	
_		_	_		_	_	_	
_		_	_		_	_	_	
-		-	-		-	-	-	
\$ 509,619	\$	403,850	\$ 412,159	\$	362,674	\$ 1,019,962	\$ 841,762	
3,000,000		2,000,000	2,000,000		_	_	_	
1,000,000		1,000,000	300,000		_	200,000	200,000	
3,500,000		3,500,000	3,500,000		_	-	_	
1,500,000		1,500,000	500,000		-	-	-	
6,000,000		5,800,000	5,000,000		3,200,000	3,000,000	3,000,000	
 19,628,634		20,577,704	 15,210,495		20,126,601	 13,703,565	 11,060,808	
\$ 35,138,253	\$ 3	34,781,554	\$ 26,922,654 (1)	23,689,275	\$ 17,923,527	\$ 15,102,570	
-		-	-		-	-	-	
-		-	-		-	-	-	
-		-	-		-	-	-	
-		-	-		-	-	-	
-		-	-		-	-	-	
\$ 55,171,355 (8) \$	1,997,999	\$ 1,693,031 (2) \$	2,539,658	\$ 3,419,687	\$ 6,309,140	
1,803,588		1,087,987		3)	115,490	327,215	587,726	
 1,236,208		846,784		4)	564,487	 506,138	 433,346	
\$ 58,211,151	\$	3,932,770	\$ 2,635,136	\$	3,219,635	\$ 4,253,040	\$ 7,330,212	

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

DEMENTING	2012	2011	2010	2009
REVENUES Local and Intermediate	\$ 81,206,461	\$ 74,951,558	\$ 73,361,839	\$ 69,512,468 (1)
State Programs	26,920,619	28,017,867	28,917,563	24,952,620
Federal Programs	6,508,257	8,003,726	8,245,489	4,248,722
Total Revenues	114,635,337	110,973,151	110,524,891	98,713,810
Tour revenues	114,033,337	110,773,131	110,324,071	70,713,010
EXPENDITURES				
Current:	50 404 154	40.160.156	40.160.560	42 270 672
Instruction	50,494,154	49,169,156	48,160,568	43,378,673
Instructional Resources and Media Services	1,142,030	1,123,597	1,108,322	971,845
Curriculum and Instructional Staff Development	1,056,084	1,147,976	1,160,367	1,208,409
Instructional Leadership	1,038,386	1,057,789	906,737	880,506
School Leadership	5,331,476	5,233,148	4,898,404	4,851,536
Guidance, Counseling, and Evaluation Services Social Work Services	3,265,689	3,324,028	3,395,964	3,116,593
Health Services	59,654 953,248	254,825 1,022,794	279,524 1,004,396	233,281
	· ·	, ,		872,049
Student (Pupil) Transportation	4,332,949	4,274,697	4,721,107	4,217,816
Food Services Extracurricular Activities	3,925,750	3,793,891	3,508,914	3,157,873
General Administration	3,648,972	2,763,199	2,512,239	2,313,222
	2,543,279	2,553,622	2,430,162	2,254,108
Plant Maintenance and Operations Security and Monitoring Services	9,347,163 364,874	10,342,785 113,002	10,456,349 117,181	9,472,518 110,381
Data Processing Services	1,622,418	1,535,895	1,581,495	1,532,753
Community Services		48,612	, ,	82,577
Payments to Juvenile Justice Alternative Education Programs	41,801 22,516	14,479	88,200 18,900	28,034
Other Intergovernmental Charges	583,557	566,313	545,839	491,402
Debt Service:	363,337	300,313	343,039	491,402
Principal on Long-term Debt	6,280,000	6,920,000	3,250,000	4,270,000
Interest on Long-term Debt	13,894,829	11,825,647	13,929,249	11,219,087
Bond Issuance Costs and Fees	105,489	740,956	249,917	774,249
Capital Outlay:	103,469	740,930	249,917	774,249
Facilities Acquisition and Construction	12,842,572	33,346,431	56,884,686	51,030,578
Total Expenditures	122,896,890	141,172,842	161,208,520	146,467,490
Total Experiences	122,070,070	141,172,042	101,200,320	140,407,470
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	(8,261,553)	(30,199,691)	(50,683,629)	(47,753,680)
(******) =	(0,200,000)	(= 0,222,022)	(**,***,*=*)	(17,700,000)
OTHER FINANCING COURCES (USES)				
OTHER FINANCING SOURCES (USES) Sale of Bonds, Refunding and Building	4,715,000	72,630,000	16,005,000	52,960,000
Premium/Discount from Sale of Bonds	208,721	5,480,793	1,742,204	1,251,164
Sale of Real and Personal Property	299,635	2,000	1,742,204	1,231,104
Loan Proceeds	299,033	2,000	-	-
Other Resources		-	-	-
Transfers In		1,215,907	75,782	74,502
Transfers Out	-	(1,215,907)	(75,782)	(74,502)
Payment to Refunded Bond Escrow Agent	(4,818,951)	(17,590,643)	(17,512,187)	(74,302)
Total Other Financing Sources (Uses)	404,405	60,522,150	235,017	54,211,164
Total Other I maneing bources (USES)	404,403	00,322,130	233,017	J7,211,1U4
Net Change in Fund Balances	\$ (7,857,148)	\$ 30,322,459 (3)	\$ (50,448,612) (5)	\$ 6,457,484
Debt Service(6) as a Percentage of Noncapital Expenditures	17.80% (4	4) 17.13% (4)	17.20% (4)	17.19% (4)

⁽¹⁾ Increase primarily due to an increase in property tax revenue resulting from an increase in property values.

Source: District records

⁽²⁾ Increase due to additional state aid to offset state mandated decrease to tax rate.

⁽³⁾ Increase due to sale of general obligation bonds for construction projects.

⁽⁴⁾ Utilized capital expenditures as stated in Exhibit B-4.

⁽⁵⁾ Decrease primarily due to the use of Capital Projects funds to continue construction and renovations of new and existing facilities.

⁽⁶⁾ Debt Service includes principal, interest, and bond issuance cost and fees.

2008	2007	2006	2005	2004	2003
\$ 60,608,462	\$ 65,812,645 (1) \$ 61,498,865 (1)	\$ 58,606,732	\$ 52,929,878	\$ 49,319,336
26,024,479 (2			11,407,995	10,543,657	9,753,582
3,733,429	3,365,661	4,512,319	3,081,814	3,064,205	2,957,983
90,366,370	87,297,661	75,236,827	73,096,541	66,537,740	62,030,901
, 0,500,570	07,237,001	70,250,027	73,070,011	00,037,710	02,030,501
42,538,285	36,733,067	34,874,124	31,947,686	30,065,386	29,579,445
1,012,594	919,594	902,873	910,003	903,484	795,353
1,081,632	1,340,319	1,269,958	1,209,608	1,001,051	1,218,357
807,667	585,613	643,115	509,974	455,708	579,308
4,348,485	3,084,354	2,900,578	2,814,329	2,831,934	2,459,496
2,890,493	2,782,563	2,457,414	2,540,562	2,161,804	2,196,774
240,607	572,414	572,583	495,376	456,913	378,910
798,087	747,989	746,440	701,675	674,259	638,203
4,779,457	3,163,750	2,986,881	2,962,444	3,429,925	2,582,895
2,648,036	2,543,392	2,455,702	2,451,479	2,260,163	2,107,504
2,413,375	2,552,732	2,446,150	2,431,660	2,194,674	1,627,259
2,273,119	2,437,950	2,197,180	2,161,139	2,125,697	2,081,366
9,393,880	7,631,836	7,051,978	6,617,380	6,684,379	5,642,292
89,395	101,739	103,712	96,047	96,301	99,316
1,778,763	1,861,748	1,189,072	1,156,972	1,121,430	1,199,880
94,754	161,035	285,238	74,394	85,914	57,636
22,250	12,424	10,340	13,184	34,650	22,360
437,653	-	-	-	-	-
4,630,000	4,310,000	3,680,000	2,945,000	2,290,000	2,065,000
6,310,611	5,718,004	5,832,704	5,663,718	5,733,640	5,679,038
867,977	107,225	44,397	136,305	78,165	420,174
32,008,125	773,379	124,062	704,343	2,958,228	37,860,437
121,465,245	78,141,127	72,774,501	68,543,278	67,643,705	99,291,003
(31,098,875)	9,156,534	2,462,326	4,553,263	(1,105,965)	(37,260,102)
113,830,000	-	-	-	-	32,975,000
2,449,891	-	-	-	-	374,734
17,301	-	186,554	93,224	9,550	8,372
-	-	-	-	-	-
21 402	1.067.607	- 005 402	205 225	1 005 472	400 177
31,483	1,067,687	805,482	395,235	1,095,472	400,177
(31,483)	(1,067,687)	(805,482)	(309,379)	(255,272)	(400,177)
(30,563,237)		106 551	170.000	940.750	(9,609,787)
85,733,955		186,554	179,080	849,750	23,748,319
\$ 54,635,080 (3	\$ 9,156,534	\$ 2,648,880	\$ 4,732,343	\$ (256,215)	\$ (13,511,783)
13.98% (4	13.29%	13.22%	13.02%	12.70%	13.36%

TOMBALL INDEPENDENT SCHOOL DISTRICT ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

(Unaudtied)

	Actua	al Value				
Fiscal Year Ended 8/31:	Real Property Value	Personal Property Value	Less: Exemptions	Total Assessed Value	Total Direct Rate (1)	
2012	\$ 5,840,856,830	\$ 1,012,183,659	\$ 1,368,018,798	\$ 5,485,021,691	\$1.36	
2011	5,066,453,510	821,076,050	786,882,942	5,100,646,618	1.36	
2010	5,341,201,970	780,457,883	1,165,449,706	4,956,210,147	1.36	
2009	5,018,060,238	718,793,366	1,073,864,119	4,662,989,485	1.36	
2008	4,324,804,884	677,223,981	893,660,224	4,108,368,641	1.275	
2007	3,854,343,231	621,085,031	810,504,389	3,664,923,873	1.58	
2006	3,424,398,173	615,942,662	776,268,764	3,264,072,071	1.71	
2005	2,825,879,285	687,523,145	413,422,250	3,099,980,180	1.73	
2004	2,635,829,413	526,326,860	394,432,211	2,767,724,062	1.73	
2003	2,369,717,053	509,861,151	363,129,918	2,516,448,286	1.75	

Source: Harris and Montgomery County (Texas) Appraisal Districts provide the District's tax office with appraised values for properties within the District's taxing authority. Appraised value equals actual value.

Actual value less exemptions equal taxable value. Taxable value times the tax rate set by the District's Board of Trustess each fall equals the tax levy. The term "assessed value" means taxable value.

⁽¹⁾ Tax Rates are per \$100 of assessed value.

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (PER \$100 OF ASSESSED VALUE)

LAST TEN FISCAL YEARS

(Unaudited)

Taxing Authority	2012	2011	2010	2009	
Overlapping Rates: Faulkey Gulley MUD	0.51800	0.49000	0.46000	0.46000	
Harris County	0.39117	0.38805	0.39224	0.38923	
Harris County Dept. of Education	0.00658	0.00658	0.00605	0.00584	
Harris County Flood Control Dist.	0.02809	0.02923	0.02922	0.03086	
Harris County MUD #280	0.70500	0.70500	0.60000	0.60000	
Harris County MUD #281	1.03000	1.05000	1.10000	1.10000	
Harris County MUD #286	0.18000	0.18000	0.18000	0.18000	
Harris-Montgomery County MUD #386	0.99000	0.99000	1.15000	1.25000	
Lone Star College System District	0.12100	0.11760	0.11010	0.11010	
Malcomson Road UD	0.53000	0.53000	0.50000	0.50000	
Montgomery County	0.48380	0.48380	0.48380	0.48380	
Northpointe WC&ID	0.39000	0.39500	0.40000	0.40000	
Northwest Harris County MUD #5	0.79000	0.80000	0.80000	0.81000	
Northwest Harris County MUD #15	0.83000	0.83000	0.83000	0.83000	
Port of Houston Authority	0.01856	0.02054	0.01636	0.01773	
Tomball, City of	0.34146	0.25146	0.25146	0.25146	
The Woodlands Township	0.32500	0.32740	0.32800	-	
District Direct Rates: Maintenance & Operations Debt Service Total District Direct Rates	\$ 1.0100 0.3500 \$ 1.3600	\$ 1.0100 0.3500 \$ 1.3600	\$ 1.0100 0.3500 \$ 1.3600	\$ 1.0100 0.3500 \$ 1.3600	

Source of Data: District's financial advisor.

2008	2007	2006	2005	2004	2003
0.46000	0.46000	0.46000	0.46000	0.46000	0.46000
0.39239	0.40240	0.39986	0.39986	0.38803	0.38810
0.00585	0.00629	0.00629	0.00629	0.00629	0.00629
0.03106	0.03322	0.03322	0.03318	0.04174	0.04174
0.60000	0.07400	0.74000	0.89000	0.99000	1.00000
1.10000	1.10000	1.10000	1.10000	-	-
0.20000	0.29000	0.29000	0.29000	0.29000	0.23000
1.25000	1.25000	1.25000	-	-	-
0.11440	0.11450	0.11450	0.11450	0.11450	0.10550
0.50000	0.50000	0.50000	0.50000	0.53000	0.56940
0.48880	0.49630	0.49630	0.49630	0.48280	0.47100
0.40000	0.40000	0.40000	0.40000	0.40000	0.40000
0.81000	0.81000	0.81000	0.82000	0.82000	0.82000
0.85000	0.94000	0.94000	0.95000	0.97000	1.02000
0.01437	0.14740	0.14740	0.01673	0.02000	0.01989
0.25146	0.28000	0.28000	0.28000	0.28000	0.28000
-	-	-	-	-	-
\$ 1.0000 0.2750 \$ 1.2750	\$ 1.2900 0.2900 \$ 1.5800	\$ 1.4400 0.2700 \$ 1.7100	\$ 1.4800 0.2500 \$ 1.7300	\$ 1.4800 0.2500 \$ 1.7300	\$ 1.4800 0.2700 \$ 1.7500

PRINCIPAL TAXPAYERS

 ${\it CURRENT\ YEAR\ AND\ NINE\ YEARS\ AGO}$

(Unaudited)

		2012			2003	
	Assessed		Percentage of Total Assessed	Assessed		Percentage of Total Assessed
Taxpayer	Value (1)	Rank	Value (2)	 Value (1)	Rank	Value (3)
Hewlett Packard	\$ 605,337,763	1	11.04%	\$ 420,482,420	1	16.71%
BJ Services Company	139,536,943	2	2.54%	57,142,690	2	2.27%
The Woodlands Land Dev	57,891,686	3	1.06%			
Hon Hai Precision	38,275,308	4	0.70%			
Wal-Mart Stores	37,628,414	5	0.69%	23,065,160	4	0.92%
CTP Office Ltd.	30,427,071	6	0.55%			
Centerpoint Energy	28,635,407	7	0.52%	27,280,010	3	1.08%
PCA Cypress Creek LLC	27,024,894	8	0.49%			
Fund Northpointe LLC	23,024,360	9	0.42%			
Blex Exchange	20,798,126	10	0.38%			
Southwestern Bell				19,733,440	5	0.78%
Jefferson Pines LP				16,775,270	6	0.67%
Lowes Home Centers Inc.				14,953,800	7	0.59%
Burnside Wichita LP				9,000,000	8	0.36%
Marriott Corp.				8,385,520	9	0.33%
Lakewood Forest LP				8,224,420	10	0.33%
TOTALS	\$ 1,008,579,972		18.39%	\$ 605,042,730		24.04%

Table 7

(1) Assessed (taxable) value equals appraised value after exemptions.

(2) Total assessed value equals: \$ 5,485,021,691 (3) Total assessed value equals: \$ 2,516,448,286

Source: Harris and Montgomery County (Texas) Appraisal Districts Note: Hewlett Packard was previously Compaq Computer Corp.

TOMBALL INDEPENDENT SCHOOL DISTRICT PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS (Unaudited)

Collected within the Fiscal Year of the Levy **Total Collections to Date Collections** Percent of Total **Net Tax Levy** Percentage Fiscal Year for the in Subsequent of Net Tax **Tax Collections** Years To Net Tax Levy **Ended 8/31:** Fiscal Year (1) Amount Levy Amount 2012 \$ 74,596,295 \$ 73,815,305 98.95% \$ 73,815,305 98.95% 2011 69,368,794 68,415,033 98.63% 456,990 68,872,023 99.28% 2010 67,404,458 66,228,898 98.26% 733,431 66,962,329 99.34% 2009 63,416,657 62,064,014 97.87% 1,092,874 99.59% 63,156,888 2008 52,381,700 51,357,471 98.04% 799,458 52,156,929 99.57% 2007 57,905,797 56,678,515 97.88% 1,001,864 57,680,379 99.61% 2006 56,070,923 54,358,816 96.95% 1,568,295 99.74% 55,927,111 2005 53,960,470 52,494,955 97.28% 1,340,555 53,835,510 99.77% 2004 48,172,503 46,814,106 97.18% 1,250,937 48,065,043 99.78% 2003 44,403,515 43,045,384 96.94% 1,256,357 44,301,741 99.77%

Source: Harris and Montgomery County (Texas) Appraisal Districts provide the District's tax office with appraised values for properties within the District's taxing authority. Collections are reported from District records.

⁽¹⁾ Appraised value less exemptions equal taxable value. The beginning taxable value net of adjustments times the tax rate set by the District's Board of Trustees each fall equals the total net tax levy. The net tax levy for prior years reflects ongoing adjustments applied to that year's tax levy.

OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year Ended 8/31:	Net General nded Debt (3)	 Total Primary Government	Ratio of Debt to Assessed Value (1)	Debt Per ident (2)
2012	\$ 309,634,309	\$ 309,634,309	5.65%	\$ 29,335
2011	316,008,250	316,008,250	6.20%	27,139
2010	261,779,266	261,779,266	5.28%	27,139
2009	266,832,853	266,832,853	5.72%	29,064
2008	217,374,226	217,374,226	5.29%	24,710
2007	136,465,292	136,465,292	3.72%	15,851
2006	141,061,093	141,061,093	4.32%	16,572
2005	144,281,503	144,281,503	4.65%	17,476
2004	146,436,573	146,436,573	5.29%	18,415
2003	147,884,760	147,884,760	5.88%	19,525

Source: District records.

⁽¹⁾ See Table 5 for assessed value data.

⁽²⁾ See Table 16 for student enrollment data.

⁽³⁾ See Table 10 for general bonded debt.

TOMBALL INDEPENDENT SCHOOL DISTRICT RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year Ended 8/31:	Gross Bonded Debt (1)	Less Reserve for Retirement of Bonded Debt	Net General Bonded Debt	Ratio of Net General Bonded Debt to <u>Assessed Value (2)</u>	Net General Bonded Debt per Student (3)
2012	\$ 311,575,163	\$ 1,940,854	\$ 309,634,309	5.65%	\$ 29,335
2011	318,624,785	2,616,535	316,008,250	6.20%	31,397
2010	265,032,078	3,252,812	261,779,266	5.28%	27,139
2009	269,638,539	2,805,686	266,832,853	5.72%	29,064
2008	219,177,814	1,803,588	217,374,226	5.29%	24,710
2007	137,553,279	1,087,987	136,465,292	3.72%	15,851
2006	141,298,360	237,267	141,061,093	4.32%	16,572
2005	144,396,993	115,490	144,281,503	4.65%	17,476
2004	146,763,788	327,215	146,436,573	5.29%	18,415
2003	148,472,486	587,726	147,884,760	5.88%	19,525

Source: District records.

⁽¹⁾ Includes general obligation bonds.

⁽²⁾ See Table 5 for assessed value data.

⁽³⁾ See Table 16 for student enrollment data.

TOMBALL INDEPENDENT SCHOOL DISTRICT DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT August 31, 2012 (Unaudited)

Therein a Andhautte		Gross Debt	Percent	Amount Applicable to School District	
Taxing Authority Overlapping:		Outstanding	Overlapping (1)	<u>Sc</u>	nool District
Governmental Subdivisions					
Harris County	\$	2,365,577,190	1.55 %	\$	36,666,446
Harris County Flood Control District	Ψ	96,470,000	1.55	Ψ	1,495,285
Montgomery County		465,065,000	1.37		6,371,391
Port of Houston Authority		731,969,397	1.55		11,345,526
The Woodlands Township		46,735,000	6.02		2,813,447
Cities					
City of Tomball		32,590,000	100.00		32,590,000
Special Districts					
Harris County Department of Education		7,795,000	1.55		120,823
Harris-Montgomery Counties MUD #386		69,570,000	100.00		69,570,000
Malcomson Road UD		16,210,000	100.00		16,210,000
Northpointe WC&ID		15,455,000	100.00		15,455,000
Northwest Harris County MUD #5		73,920,000	57.06		42,178,752
Northwest Harris County MUD #15		14,045,000	100.00		14,045,000
Co-Line Special Districts					
Faulkey Gulley MUD		15,100,000	60.41		9,121,910
Harris County MUD #280		9,095,000	100.00		9,095,000
Harris County MUD #281		18,310,000	100.00		18,310,000
Harris County MUD #282		4,410,000	100.00		4,410,000
Harris County MUD #286		635,000	78.41		497,904
Co-Line School Districts & Junior College District	ets				
Lone Star College System		505,660,000	4.47		22,603,002
Total Overlapping Debt					312,899,486
<u>Direct:</u>					
Tomball Independent School District		311,575,163	100.00		311,575,163
Total Direct and Overlapping Debt				\$	624,474,649

Source: District's Financial Advisor.

⁽¹⁾ The percentage of overlapping debt is estimated using taxable assessed property values. Percentages were estimated by determining the portion of the overlapping taxing authority's taxable assessed value that is within the District's boundaries and dividing it by the overlapping taxing authority's total taxable assessed value.

LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS

(Unaudited)

	2012	2011	2010	2009
Debt Limit	\$ 548,502,169	\$ 510,064,662	\$ 495,621,015	\$ 466,298,949
Total Net Debt Applicable to Limit	309,634,309	316,008,250	261,779,266	266,832,853
Legal Debt Margin	\$ 238,867,860	\$ 194,056,412	\$ 233,841,749	\$ 199,466,096
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	56.45%	61.95%	52.82%	57.22%
Legal Debt Margin Calculation for Fis	cal Year 2012:			
Assessed Value (1) Debt Limit Percentage of Assessed Value Debt Limitation	e		-	\$ 5,485,021,691 10% 548,502,169
Debt Applicable to Debt Limitation: Total Bonded Debt Less Reserve for Retirement of Bonde	ed Debt	\$ 311,575,163 1,940,854		
Total Amount of Debt Applicable to Deb	ot Limitation			309,634,309
Legal Debt Margin			-	\$ 238,867,860

(1) See table 5 for assessed value data.

Source: District records

Table 12

2008	2007	2006	2005	2004	2003
\$ 410,836,864	\$ 366,492,387	\$ 326,407,207	\$ 309,998,018	\$ 276,772,406	\$ 251,644,829
217,374,226	136,465,292	141,061,093	144,281,503	146,436,573	147,884,760
\$ 193,462,638	\$ 230,027,095	\$ 185,346,114	\$ 165,716,515	\$ 130,335,833	\$ 103,760,069
52.91%	37.24%	43.22%	46.54%	52.91%	58.77%

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year Ended 08/31:	Residential Units (1)	Total Assessed Value of Residential Units (1)	Average Assessed Value Per Residential Unit	Population (2)	 Total Personal Income (2)	P	r Capita ersonal come (2)	Unemployment Rate (2)
2012	18,804	\$ 3,143,378,599	\$ 167,165	(3)	(3)		(3)	7.0%
2011	17,803	2,930,113,218	164,585	4,180,894	\$ 204,593,445,000	\$	48,935	8.5%
2010	16,416	2,750,546,199	167,553	4,092,459	188,994,227,000		45,991	8.6%
2009	15,765	2,535,891,060	160,856	4,034,866	196,779,227,000		48,337	8.2%
2008	14,779	2,237,406,346	151,391	3,938,580	204,888,827,000		51,472	5.2%
2007	14,103	1,999,259,554	141,761	3,863,344	181,218,243,000		46,356	4.3%
2006	13,926	1,856,754,964	133,330	3,807,435	172,903,623,000		44,843	5.1%
2005	13,854	1,718,086,790	124,014	3,681,829	154,973,148,000		41,522	5.4%
2004	13,509	1,544,205,390	114,309	3,672,691	143,417,824,000		39,796	6.2%
2003	12,451	1,342,810,171	107,848	3,616,850	133,463,543,000		36,900	7.1%

⁽¹⁾ Single family dwellings. Source: Harris and Montgomery County (Texas) Appraisal Districts

⁽²⁾ Source: TRACER of Texas Workforce Commission for Harris County. Data not available for Tomball ISD alone.

⁽³⁾ Data not available for 2012.

PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO
(Unaudited)

2012(1)	2003(2)
Percentage of Total	
of Total	

	-		Percentage	-		Percentage
			of Total			of Total
Employer	Employees	Rank	Employment (1)	Employees	Rank	Employment (2)
Employer	Employees	IXAIIX	Employment (1)	Limployees	Kank	Employment (2)
Memorial Hermann Healthcare System	20,000	1	1.02%	15,864	6	0.94%
M. D. Anderson Cancer Center	18,670	2	0.96%	12,306	9	0.73%
Н-Е-В	17,627	3	0.90%			0.00%
United Airlines (3)	16,665	4	0.85%	19,732	2	1.17%
McDonald's Corporation	14,880	5	0.76%	12,638	7	0.75%
Kroger Co.	14,828	6	0.76%	15,969	5	0.95%
Exxon-Mobil	14,400	7	0.74%	17,069	4	1.01%
Methodist Hospital System	14,300	8	0.73%			0.00%
Schlumberger	10,817	9	0.55%			0.00%
UT Medical Branch at Galveston	10,714	10	0.55%	10,994	10	0.65%
Wal-Mart Stores (4)				21,610	1	1.28%
Administaff, Inc.				18,244	3	1.08%
Haliburton				12,557	8	0.74%
	152,901		7.84%	156,983		9.31%

1,953,352

1,686,516

Sources: Houston Chronicle Top 100 Employers for 2012 and Texas Workforce Commission. Employment data is for Harris County only.

⁽¹⁾ Total employment 2012 equals:

⁽²⁾ Total employment 2003 equals:

⁽³⁾ United Airlines and Continental Airlines merged in 2011.

⁽⁴⁾ Wal-Mart Stores declined to participate in the survey for 2012.

TOMBALL INDEPENDENT SCHOOL DISTRICT FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY POSITION LAST TEN FISCAL YEARS (Unaudited)

POSITION:	2012	2011	2010	2009
Administrative/Instructional Officers	10.5	12.5	11.0	10.0
Assistant/Deputy Superintendents	5.0	5.0	3.8	4.0
Associate/Assistant Principals	23.0	23.1	24.0	22.7
Auxiliary Staff	470.5	440.0	430.4	371.0
Counselors	20.0	20.0	20.0	18.0
Educational Aides/Interpreters	119.6	136.0	132.3	128.3
Educational Diagnosticians	8.4	8.0	7.0	9.8
Librarians	13.0	12.0	12.0	12.0
Nurses/Physicians	14.0	15.0	15.0	14.0
Other Support Staff	50.9	47.6	45.6	40.5
Principals	14.0	14.0	13.0	13.0
Psychologist/Assoc. Psychologist	6.0	6.0	6.0	5.0
Superintendents	1.0	1.0	1.0	1.0
Supervisors		-	-	-
Teachers	669.5	659.0	649.0	620.5
Therapists	9.0	9.0	8.0	7.0
Total Employees	1,434.3	1,408.2	1,378.1	1,276.9

Source: Texas Education Agency

Table 15

2008	2007	2006	2005	2004	2003
11.7	11.7	11.8	10.9	11.0	13.5
4.0	4.0	4.0	4.0	4.0	4.0
18.6	18.5	18.5	15.8	12.8	12.8
358.5	367.4	357.3	359.3	351.9	309.5
17.1	18.9	17.5	16.7	13.8	13.7
122.3	117.7	110.3	109.9	102.4	102.3
8.0	8.0	8.0	8.0	7.0	6.0
10.3	11.0	11.0	10.3	9.3	7.1
12.0	11.9	12.0	12.8	10.1	9.0
38.4	27.7	19.5	19.5	17.9	18.6
12.0	12.0	12.0	10.1	10.4	8.1
4.0	5.0	5.0	5.0	4.0	4.0
1.0	1.0	1.0	1.0	1.0	1.0
-	-	2.0	-	-	-
604.5	595.6	574.2	553.8	532.9	527.0
5.4	6.0	5.5	6.0	5.0	4.7
1,227.8	1,216.4	1,169.6	1,143.1	1,093.5	1,041.3

TOMBALL INDEPENDENT SCHOOL DISTRICT OPERATING STATISTICS LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year Ended 8/31:	Average Daily Attendance		Operating Expenditures (1)				Cost Per Student	Percentage Change
2012	10,555	\$	93,627,554	\$	8,870	-5.27%		
2011	10,065		94,250,720		9,364	7.64%		
2010	9,646		83,917,150		8,700	1.93%		
2009	9,181		78,359,930		8,535	3.30%		
2008	8,797		72,685,993		8,263	7.60%		
2007	8,609		66,106,890		7,679	4.17%		
2006	8,512		62,746,385		7,372	4.58%		
2005	8,256		58,196,678		7,049	0.63%		
2004	7,952		55,700,723		7,005	0.02%		
2003	7,574		53,043,686		7,003	5.97%		

Source: Texas Education Agency and district records.

⁽¹⁾ Operating expenditures are total expenditures less debt service and capital outlay (to the extent capitalized for the government-wide statement of net assets) and expenditures for capitalized assets included within the functional expenditure categories.

Table 16

Government Wide Expenses (2)	Cost Per Student	Percentage Change	Teaching Staff	Student to Teacher Ratio	Percentage of Students in Free/Reduced Lunch Program
\$ 116,028,914	\$ 10,993	-3.69%	669.5	15.76	16.3%
114,875,668	11,413	2.50%	659.0	15.27	24.9%
107,409,885	11,135	6.51%	649.0	14.86	23.4%
95,980,487	10,454	4.20%	620.5	14.80	22.9%
88,257,189	10,033	10.06%	604.5	14.55	20.1%
78,475,054	9,115	3.48%	595.6	14.45	19.8%
74,983,413	8,809	3.42%	574.2	14.82	19.6%
70,321,273	8,518	2.49%	553.8	14.91	17.8%
66,086,484	8,311	0.02%	532.9	14.92	16.8%
62,930,810	8,309	6.66%	527.0	14.37	15.1%

TEACHER BASE SALARIES LAST TEN FISCAL YEARS (Unaudited)

			County Average Salary (2)(3)		Statewide	
Fiscal Year Ended 08/31:	Minimum Salary (1)	Maximum Salary (1)	Harris County	Montgomery County	Average Salary (2)	
Ended 00/01:	Sulary (1)	Salary (1)	County	County	Salary (2)	
2012	\$ 47,000	\$ 68,751	\$ 50,536	\$ 49,065	\$ 48,375	
2011	46,700	67,547	50,712	49,292	48,639	
2010	46,700	68,868	50,236	48,404	48,263	
2009	44,200	64,420	49,376	47,595	47,158	
2008	42,850	62,209	48,232	46,680	46,178	
2007	41,400	64,605	46,825	45,065	44,897	
2006	37,500	58,084	44,084	41,787	41,743	
2005	36,500	57,525	43,348	40,550	41,009	
2004	35,500	56,380	42,845	39,855	40,476	
2003	35,000	55,821	42,218	38,795	39,972	

⁽¹⁾ Source: District records

⁽²⁾ Source: Texas Education Agency.

⁽³⁾ Tomball ISD is primarily located in Harris County. Because a small portion of the district is located in Montgomery County, average salaries are being reported for both counties.

SCHOOL BUILDING INFORMATION

LAST TEN FISCAL YEARS

(Unaudited)

Building:	2012	2011	2010	2009
HIGH SCHOOL				
Tomball (1974)				
Square Footage	570,216	570,216	570,216	602,868
Capacity	3,628	3,628	3,628	3,702
Enrollment	1,878	3,099	2,865	2,831
Tomball Memorial (2011)				
Square Footage	360,000	-	-	-
Capacity	2,349	-	-	-
Enrollment	1,307	-	-	-
JUNIOR HIGH SCHOOLS Tomball (1993)				
Square Footage	164,615	164,615	164,615	164,615
Capacity	1,111	1,111	1,111	1,164
Enrollment	799	748	647	621
Willow Wood (2003)				
Square Footage	187,670	187,670	187,670	187,670
Capacity	1,191	1,191	1,191	1,269
Enrollment	934	869	873	816
INTERMEDIATE SCHOOLS				
Tomball (1962)	446 = 00	446 = 00	446 = 00	
Square Footage	116,700	116,700	116,700	85,445
Capacity	900	900	900	1,256
Enrollment	708	700	678	644
Northpointe (2003)	106 512	106 512	106 512	106 512
Square Footage Capacity	106,512 900	106,512 900	106,512 900	106,512 970
Enrollment	863	869	791	837
ELEMENTARY SCHOOLS Lakewood (1983)				
Square Footage	86,970	86,970	86,970	77,970
Capacity	848	848	848	836
Enrollment	753	709	712	739
Decker Prairie (1983)	,	, , ,	,	,
Square Footage	86,970	86,970	86,970	77,970
Capacity	926	926	926	836
Enrollment	559	581	494	488
Tomball (1999)				
Square Footage	95,000	95,000	95,000	95,000
Capacity	838	838	838	836
Enrollment	729	724	811	918
Willow Creek (1999)	05.000	05.000	05.000	05.000
Square Footage	95,000	95,000	95,000	95,000
Capacity Enrollment	860 813	860 844	860 822	836 721
Rosehill (2003)	613	044	022	/21
Square Footage	95,000	95,000	95,000	98,160
Capacity	826	826	826	836
Enrollment	545	529	527	508
Canyon Pointe (2008)	0.0	02)	02,	200
Square Footage	97,000	97,000	97,000	98,588
Capacity	826	826	826	826
Enrollment	751	670	667	663
Creekside Forest (2010)				
Square Footage	119,000	119,000	119,000	-
Capacity	730	730	730	-
Enrollment	547	694	280	-

Source: District records and Texas Education Agency.

Note: The square footage of buildings may fluctuate due to the addition or removal of portable classroom buildings in addition to constucting permanent additions. Capacities may fluctuate due to a change in program use of various areas of the building.

Table 18

2008	2007	2006	2005	2004	2003
602,868	602,868	602,868	605,748	605,748	618,708
3,702	3,702	3,702	3,702	3,702	2,329
2,722	2,662	2,654	2,578	2,477	2,415
-	-	-	-	-	-
<u>-</u>	-	-	-	-	_
-	-	-	-	-	-
164,615	164,615	164,615	171,815	173,255	173,255
1,164	1,164	1,164	1,164	1,164	1,124
626	634	645	582	604	1,258
				***	-,
187,670	187,670	187,670	187,670	187,670	-
1,269	1,269	1,269	1,269	1,269	-
807	779	777	754	708	-
85,445	85,445	85,445	91,205	91,205	91,205
1,256	1,256	1,256	1,256	1,256	1,256
652	633	652	685	668	1,219
					1,217
106,512	106,512	106,512	106,512	106,512	-
970	970	970 679	970	970	-
786	733	0/9	665	612	-
77.070	77.070	77.070	90.950	90.950	77.070
77,970 836	77,970 836	77,970 836	80,850 836	80,850 836	77,970 940
820	825	812	820	770	740
820	823	812	820	770	740
77,970	77,970	77,970	79,410	79,410	77,970
773	773	773	773	773	868
677	682	694	676	657	645
95,000	95,000	95,000	102,200	102,200	102,200
836	836	836	836	836	836
615	538	586	588	644	906
95,000	95,000	95,000	99,320	99,320	99,320
836	836	836	836	836	836
967	920	843	701	608	888
98,160	98,160	98,160	98,160	98,160	-
836	836	836	836	836	-
712	714	698	680	641	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

OUR CHILDREN ARE THE PROMISE OF OUR FUTURE



TOMBALL INDEPENDENT SCHOOL DISTRICT 310 S. Cherry Street Tomball, TX 77375

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